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**

OR

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

For the Quarter Ended September 12, 2003

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Class	**Shares outstanding at October 3, 2003**
Class A Common Stock, $0.01 par value	231,235,190

MARRIOTT INTERNATIONAL, INC.
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Forward-Looking Statements

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

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

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

- competition in each of our business segments;
- business strategies and their intended results;
- the balance between supply of and demand for hotel rooms, timeshare units and corporate apartments;
- our continued ability to obtain new operating contracts and franchise agreements;
- our ability to develop and maintain positive relations with current and potential hotel owners;
- our ability to obtain adequate property and liability insurance to protect against losses or to obtain such insurance at reasonable rates, particularly in light of recent terrorist activities and threats;
- increases in energy, healthcare, insurance, transportation and fuel costs and other expenses;
- the effect of international, national and regional economic conditions, including the duration and severity of the current economic downturn in the United States, the pace of the lodging industry’s adjustment to the continuing war on terrorism, the unknown pace of recovery from the decrease in travel caused by the recent military action in Iraq, and the possible further decline in travel if military action is taken elsewhere;
- our ability to recover our loan and guarantee advances from hotel operations or from owners through the proceeds of hotel sales, refinancing of debt or otherwise;
- the availability of capital to allow us and potential and current hotel owners to fund new hotel investments and refurbishment and improvement of existing hotels;
- the effect that internet reservation channels may have on the rates that we are able to charge for hotel rooms and timeshare intervals;
- changes in laws and regulations, including changes in accounting standards, timeshare sales regulations and state and federal tax laws;
- the impact of the Federal Trade Commission’s new National Do Not Call Registry when, if and to the extent that it becomes effective, and other recent privacy initiatives on our marketing of timeshares and other products;
- rejection by the Internal Revenue Service of our synthetic fuel tax credits on audit or its failure to issue a new private letter ruling thus enabling the purchaser of an interest in our synthetic fuel business to exercise its one-time option to return its ownership interests to us;
- interruption of our synthetic fuel operations due to problems at any of our operations, the power plants that buy synthetic fuel from us or the coal mines where we buy coal, which could be caused by accidents, union activity, severe weather or other similar unpredictable events;
- the ultimate outcome of litigation filed against us;
- our ability to provide fully integrated disaster technology solutions in the event of a disaster; and
- other risks described from time to time in our filings with the Securities and Exchange Commission (the SEC).

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
SALES				
Lodging				
Base management fees	$ 86	$ 82	$ 266	$ 258
Incentive management fees	18	25	75	109
Franchise fees	61	55	169	160
Owned and leased properties	84	84	260	273
Cost reimbursements	1,423	1,282	4,233	3,887
Other revenue	336	341	926	966
Synthetic Fuel	93	55	224	113
	2,101	1,924	6,153	5,766
OPERATING COSTS AND EXPENSES				
Lodging				
Owned and leased – direct	91	86	269	266
Other lodging – direct	313	286	828	813
Reimbursed costs	1,423	1,282	4,233	3,887
Administrative and other	41	55	137	182
Synthetic Fuel	96	87	328	194
	1,964	1,796	5,795	5,342
	137	128	358	424
Corporate expenses	(35)	(25)	(89)	(77)
Interest expense	(26)	(19)	(77)	(59)
Interest income	31	28	78	75
Provision for loan losses	(1)	—	(7)	—
INCOME FROM CONTINUING OPERATIONS, BEFORE MINORITY INTEREST AND INCOME TAXES	106	112	263	363
Income tax benefit (provision)	16	2	72	(40)
INCOME FROM CONTINUING OPERATIONS, BEFORE MINORITY INTEREST	122	114	335	323
Minority interest	(29)	—	(29)	—
INCOME FROM CONTINUING OPERATIONS	93	114	306	323
Discontinued Operations				
Income from Senior Living Services, net of tax	1	10	9	17
(Loss) gain on disposal of Senior Living Services, net of tax	(1)	—	20	—
Loss from Distribution Services, net of tax	—	(2)	—	(7)
Exit costs – Distribution Services, net of tax	(1)	(19)	(2)	(19)
NET INCOME	$ 92	$ 103	$ 333	$ 314
EARNINGS PER SHARE – Basic				
Earnings from continuing operations	$ .40	$ .47	$ 1.31	$ 1.34
(Loss) Earnings from discontinued operations	(.01)	(.04)	.12	(.04)
Earnings per share	$ .39	$ .43	$ 1.43	$ 1.30
EARNINGS PER SHARE – Diluted				
Earnings from continuing operations	$ .38	$ .45	$ 1.25	$ 1.27
(Loss) Earnings from discontinued operations	(.01)	(.04)	.11	(.04)
Earnings per share	$ .37	$ .41	$ 1.36	$ 1.23
DIVIDENDS DECLARED PER SHARE	$ 0.075	$ 0.070	$ 0.220	$ 0.205

See Notes to Condensed Consolidated Financial Statements

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

	September 12, 2003 (Unaudited)	January 3, 2003
ASSETS		
Current assets		
Cash and equivalents	$ 113	$ 198
Accounts and notes receivable	765	522
Prepaid taxes	254	300
Other	109	89
Assets held for sale	17	664
	1,258	1,773
Property and equipment	2,528	2,560
Goodwill	923	923
Other intangible assets	520	495
Investments in affiliates – equity	479	481
Investments in affiliates – notes receivable	602	527
Notes and other receivables, net		
Loans to timeshare owners	211	153
Other notes receivable	293	361
Other long-term receivables	463	473
	967	987
Other	795	550
	$ 8,072	$ 8,296
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 516	$ 529
Current portion of long-term debt	259	221
Liabilities of businesses held for sale	28	390
Other	1,080	1,067
	1,883	2,207
Long-term debt	1,359	1,492
Casualty self insurance reserves	142	106
Other long-term liabilities and deferred income	958	857
Convertible debt	62	61
Minority interest	20	—
Shareholders' equity		
Class A common stock	3	3
Additional paid-in capital	3,298	3,224
Retained earnings	1,374	1,126
Deferred compensation	(89)	(43)
Treasury stock, at cost	(872)	(667)
Accumulated other comprehensive loss	(66)	(70)
	3,648	3,573
	$ 8,072	$ 8,296

See Notes to Condensed Consolidated Financial Statements

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

	Thirty-six weeks ended	
	September 12, 2003	September 6, 2002
OPERATING ACTIVITIES		
Income from continuing operations	$ 306	$ 323
Adjustments to reconcile to cash provided by operating activities:		
Income from discontinued operations	9	10
Discontinued operations – gain (loss) on sale/exit	18	(19)
Depreciation and amortization	105	128
Minority interest in results of synthetic fuel business	29	—
Income taxes	(148)	9
Other	(92)	78
Timeshare activity, net	(88)	(104)
Working capital changes	(85)	35
Net cash provided by operating activities	54	460
INVESTING ACTIVITIES		
Capital expenditures	(144)	(222)
Dispositions	487	513
Loan advances	(176)	(94)
Loan collections and sales	152	61
Other	(26)	(65)
Net cash provided by investing activities	293	193
FINANCING ACTIVITIES		
Commercial paper, net	(97)	248
Issuance of long-term debt	12	21
Repayment of long-term debt	(65)	(1,279)
Issuance of Class A common stock	50	28
Dividends paid	(50)	(49)
Purchase of treasury stock	(291)	(131)
Cash received from minority interest in synthetic fuel business	9	—
Net cash used in financing activities	(432)	(1,162)
DECREASE IN CASH AND EQUIVALENTS	(85)	(509)
CASH AND EQUIVALENTS, beginning of period	198	812
CASH AND EQUIVALENTS, end of period	$ 113	$ 303

See Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

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

The accompanying condensed consolidated financial statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States. We believe the disclosures made are adequate to make the information presented not misleading. You should, however, read the condensed consolidated financial statements 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 3, 2003. Certain terms not otherwise defined in this quarterly report have the meanings specified in that Form 10-K Annual Report.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of sales and expenses during the reporting period and the disclosures of contingent liabilities. Accordingly, our ultimate results could differ from those estimates. We have reclassified certain prior year amounts to conform to our 2003 presentation.

In our opinion, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 12, 2003 and January 3, 2003, the results of our operations for the twelve and thirty-six weeks ended September 12, 2003 and September 6, 2002, and our cash flows for the thirty-six weeks ended September 12, 2003 and September 6, 2002. 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.

Revenue Recognition

Our sales include (1) base and incentive management fees, (2) franchise fees, (3) sales from lodging properties owned or leased by us, (4) cost reimbursements, (5) other lodging revenue, and (6) sales from our Synthetic Fuel business. Management fees comprise a base fee, which is a percentage of the revenues of hotels and an incentive fee, which is generally based on unit profitability. Franchise fees comprise initial application fees and continuing royalties generated from our franchise programs, which permit the hotel owners and operators to use certain of our brand names. Cost reimbursements include direct and indirect costs that are reimbursed to us by lodging properties that we manage or franchise. Other lodging revenue includes sales from our Timeshare and ExecuStay businesses (excluding base fees, reimbursed costs and franchise fees).

Management Fees: We recognize base fees as revenue when earned in accordance with the contract. In interim periods and at year end we recognize incentive fees that would be due as if the contract were to terminate at that date, exclusive of any termination fees payable or receivable by us. For the thirty-six weeks ended September 12, 2003 we have recognized $75 million of incentive management fees, retention of which is dependent on achievement of hotel profitability for the balance of the year at levels specified in a number of our management contracts.

Timeshare: We recognize revenue from timeshare interest sales in accordance with Financial Accounting Standards (FAS) No. 66, "Accounting for Sales of Real Estate." We recognize sales when (1) a minimum of 10 percent of the purchase price for the timeshare interval has been received, (2) the period of cancellation with refund has expired, (3) we deem receivables collectible and (4) we have attained certain minimum sales and construction levels. For sales that do not meet these criteria, we defer all revenue using the deposit method.

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

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

Cost Reimbursements: We recognize cost reimbursements, in accordance with operating agreements, from managed and franchised properties when we incur the related reimbursable costs.

Synthetic Fuel: We recognize revenue from the consolidated Synthetic Fuel joint venture when the synthetic fuel is produced and sold. We also recognize additional revenue based on tax credits allocated to our joint venture partner when the tax credits are generated.

2. New Accounting Standards

We adopted the disclosure provisions of Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," in the fourth quarter of 2002. We applied the recognition and measurement provisions for guarantees issued in 2003 and there was no material impact on our financial statements.

We adopted FIN 46, "Consolidation of Variable Interest Entities" in the first quarter of 2003 for all variable interest entities created after January 31, 2003 and will adopt FIN 46 in the fourth quarter of 2003 for all previously existing variable interest entities. Under FIN 46, if an entity is determined to be a variable interest entity, it must be consolidated by the enterprise that absorbs the majority of the entity's expected losses if they occur, receives a majority of the entity's expected residual returns if they occur, or both. We do not expect to consolidate any previously unconsolidated entities as a result of adopting FIN 46.

Our synthetic fuel business consists of two entities that are both variable interest entities which Marriott continues to consolidate. See the "Synthetic Fuel" footnote for further discussion of the nature, purpose and size of the synthetic fuel business.

Marriott currently consolidates four entities which will be deemed variable interest entities under FIN 46. These entities were established with the same partner to lease four Marriott branded hotels. The combined capital in the four variable interest entities is $5 million, and is used primarily to fund hotel working capital. Our equity at risk is $4 million, and we hold 55 percent of the common equity shares. In addition, we guarantee the lease obligations of one of the hotels to the landlord, and our total remaining exposure under this guarantee is $3 million; our total exposure to loss is $7 million.

FIN 46 also requires us to disclose information about significant variable interests we hold in variable interest entities, including the nature, purpose, size, and activity of the variable interest entity and our maximum exposure to loss as a result of our involvement with the variable interest entity.

As of the end of the third quarter of 2003, we have one significant interest in an entity which will be deemed a variable interest entity under FIN 46. In February 2001, we entered into a shareholders' agreement with an unrelated third party to form a joint venture to own and lease luxury hotels to be managed by us. In February 2002, the joint venture signed its first lease with a third party landlord. The initial capital structure of the joint

venture is $4 million of debt and $4 million of equity. We hold 35 percent of the equity, or $1 million, and 65 percent of the debt, or $3 million, for a total investment of $4 million. In addition, each equity partner entered into various guarantees with the landlord to guarantee lease payments. Our total exposure under these guarantees is $17 million. Our maximum exposure to loss is $21 million. We currently do not consolidate the joint venture and will not upon adoption of FIN 46 since we do not bear the majority of its expected losses.

In May 2003, the Financial Accounting Standards Board issued FAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The provisions of FAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, or our third quarter of 2003. FAS No. 150 has no material impact on our financial statements.

3. Earnings Per Share

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

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Computation of Basic Earnings Per Share				
Income from continuing operations	$ 93	$ 114	$ 306	$ 323
Weighted average shares outstanding	232.7	240.9	233.0	241.9
Basic earnings per share from continuing operations	$ 0.40	$ 0.47	$ 1.31	$ 1.34
Computation of Diluted Earnings Per Share				
Income from continuing operations	$ 93	$ 114	$ 306	$ 323
After-tax interest expense on convertible debt	—	—	—	4
Income from continuing operations for diluted earnings per share	$ 93	$ 114	$ 306	$ 327
Weighted average shares outstanding	232.7	240.9	233.0	241.9
Effect of dilutive securities				
Employee stock purchase plan	—	—	—	0.1
Employee stock option plan	7.0	5.3	5.7	7.1
Deferred stock incentive plan	4.7	5.0	4.8	4.9
Restricted stock plan	0.5	—	0.4	—
Convertible debt	0.9	0.9	0.9	3.8
Shares for diluted earnings per share	245.8	252.1	244.8	257.8
Diluted earnings per share from continuing operations	$ 0.38	$ 0.45	$ 1.25	$ 1.27

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 from continuing operations.

In accordance with FAS No. 128 "Earnings per Share," the calculation of diluted earnings per share does not include the following items because the option exercise prices are greater than the average market price for our Class A Common Stock for the applicable period:

(a) for the twelve and thirty-six week periods ended September 12, 2003, 5.7 million and 6.9 million options, respectively, and

(b) for the twelve and thirty-six week periods ended September 6, 2002, 7.4 million and 6.0 million options, respectively.

4. Stock-Based Compensation

We have several stock-based employee compensation plans that we account for using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, we do not reflect stock-based employee compensation cost in net income for our Stock Option Program, the Supplemental Executive Stock Option awards or the Stock Purchase Plan. We recognized stock-based employee compensation cost of $4 million and $2 million, net of tax, for deferred share grants, restricted share grants and restricted stock units for the twelve weeks ended September 12, 2003 and September 6, 2002, respectively. For the thirty-six weeks ended September 12, 2003 and September 6, 2002, we recognized after-tax stock-based employee compensation cost of $13 million and $6 million, respectively. Included in 2003 compensation cost for the twelve and thirty-six weeks ended September 12, 2003, is $2 million and $6 million, respectively, net of tax related to the grant of approximately 1.9 million units under the employee restricted stock unit program which was started in the first quarter of 2003. At September 12, 2003, there was approximately $49 million in deferred compensation related to unit grants. Under the unit plan, fixed grants will be awarded annually to certain employees.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of FAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation. We have included the impact of measured but unrecognized compensation cost and excess tax benefits credited to additional paid-in capital in the calculation of the diluted pro forma shares for all periods presented.

	Twelve weeks ended		Thirty-six weeks ended	
($ in millions, except per share amounts)	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Net income, as reported	$ 92	$ 103	$ 333	$ 314
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4	2	13	6
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(18)	(15)	(52)	(45)
Pro forma net income	$ 78	$ 90	$ 294	$ 275
Earnings per share:				
Basic – as reported	$ .39	$ .43	$ 1.43	$ 1.30
Basic – pro forma	$ .34	$ .37	$ 1.26	$ 1.14
Diluted – as reported	$ .37	$ .41	$ 1.36	$ 1.23
Diluted – pro forma	$ .32	$ .36	$ 1.21	$ 1.09

5. Marriott Rewards

We defer revenue received from managed, franchised, and Marriott-owned/leased hotels and program partners equal to the fair value of our future redemption obligation. We recognize the component of revenue from program partners that corresponds to program maintenance services over the expected life of the points awarded. Upon the redemption of points, we recognize as revenue the amounts previously deferred, and recognize the corresponding expense relating to the cost of the awards redeemed. The liability for the Marriott Rewards program was $742 million at September 12, 2003 and $683 million at January 3, 2003 of which $452 million and $418 million, respectively, are included in other long-term liabilities and deferred income in the accompanying condensed consolidated balance sheet.

6. Dispositions

Lodging

We sold one lodging property during the third quarter of 2003 for approximately $39 million in cash, net of transaction costs. The buyer leased the property, for a term of 20 years to a consolidated joint venture between the buyer and us. The lease payments are fixed for the first five years and variable thereafter. We entered into an agreement with the joint venture to manage the property for an initial term of 20 years. Our gain on the sale of approximately $6 million will be recognized on a straight-line basis in proportion to the gross rental charged to expense.

During the third quarter of 2003, we also sold our 10 percent interest in one of our international joint ventures for approximately $9 million. In connection with the sale we recorded a pre-tax gain of approximately $9 million.

In the second quarter of 2003, we sold two lodging properties for $98 million in cash. We will continue to operate the two hotels under long-term management agreements. The sales are accounted for under the full accrual method of accounting in accordance with FAS No. 66. We sold the properties for a gain of $4 million, which is deferred until certain contingencies in the sales contract expire.

Synthetic Fuel

During the third quarter of 2003, we completed the previously announced sale of an approximately 50 percent interest in the Synthetic Fuel business. We received cash and promissory notes totaling $25 million at closing and we are receiving additional profits that are expected to continue over the life of the venture based on the actual amount of tax credits allocated to the purchaser. See the “Synthetic Fuel” footnote.

Senior Living Services – Discontinued Operations

In the 2003 third quarter, we sold 14 Brighton Gardens assisted living communities to CNL Retirement Properties, Inc. (CNL) for approximately $184 million. We provided a $92 million acquisition loan to CNL in connection with the sale. Sunrise Senior Living, Inc. (Sunrise) currently operates and will continue to operate the 14 communities under long-term management agreements. We recorded a gain, net of taxes, of $1 million.

In the first quarter of 2003, in accordance with definitive agreements entered into on December 30, 2002 to sell our senior living management business to Sunrise and to sell nine senior living communities to CNL, we completed those sales (in addition to the related sale of a parcel of land to Sunrise) for $266 million and recognized a gain, net of taxes, of $23 million. See the “Assets Held for Sale – Discontinued Operations” footnote.

7. Comprehensive Income

Total comprehensive income was $63 million and $103 million, for the twelve weeks ended September 12, 2003 and September 6, 2002, respectively, and $337 million and $321 million, respectively, for the thirty-six weeks ended September 12, 2003 and September 6, 2002. The principal difference between net income and total comprehensive income for the applicable 2003 and 2002 periods relates to foreign currency translation adjustments.

8. Business Segments

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

- *Full-Service Lodging*, which includes Marriott Hotels and Resorts; The Ritz-Carlton Hotels; Renaissance Hotels and Resorts; and Ramada International;
- *Select-Service Lodging*, which includes Courtyard, Fairfield Inn and SpringHill Suites;
- *Extended-Stay Lodging*, which includes Residence Inn, TownePlace Suites, Marriott ExecuStay and Marriott Executive Apartments;
- *Timeshare*, which includes the operation, ownership, development and marketing of timeshare properties under the Marriott Vacation Club International, The Ritz-Carlton Club, Horizons by Marriott Vacation Club International and Marriott Grand Residence Club brands; and
- *Synthetic Fuel*, which includes the operation of our coal-based synthetic fuel production facilities. Our Synthetic Fuel business generated a tax benefit and credits of $53 million for the twelve weeks ended September 12, 2003 and $54 million for the twelve weeks ended September 6, 2002, and $199 million and $119 million, respectively, for the thirty-six weeks then ended. Included in both the twelve and thirty-six weeks ended September 12, 2003 are tax benefits and tax credits of $7 million and $42 million, respectively, which are allocable to our joint venture partner and reflected in minority interest in the consolidated statements of income.

We evaluate the performance of our segments based primarily on results of the segment without allocating corporate expenses, interest expense, interest income or income taxes (segment financial results).

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

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Sales				
($ in millions)				
Full-Service	$ 1,306	$ 1,194	$ 3,950	$ 3,714
Select-Service	236	231	699	676
Extended-Stay	138	147	392	416
Timeshare	328	297	888	847
Total Lodging	2,008	1,869	5,929	5,653
Synthetic Fuel	93	55	224	113
	$ 2,101	$ 1,924	$ 6,153	$ 5,766
Segment financial results				
($ in millions)				
Full-Service	$ 77	$ 76	$ 259	$ 265
Select-Service	28	27	81	95
Extended-Stay	12	17	37	35
Timeshare	23	40	85	110
Total Lodging	140	160	462	505
Synthetic Fuel	(3)	(32)	(104)	(81)
	$ 137	$ 128	$ 358	$ 424
Equity in income/(loss) of equity method investees				
($ in millions)				
Full-Service	$ —	$ 2	$ 7	$ 6
Select-Service	(4)	(2)	(11)	(5)
Timeshare	1	—	—	—
Corporate	—	—	—	(1)
	$ (3)	$ —	$ (4)	$ —

9. Contingencies

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 five years or less. The terms of guarantees to lenders generally require us to fund if cash flows from hotel operations are not adequate 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 specified levels of operating profit are not obtained.

We also enter into project completion guarantees with certain lenders in conjunction with hotels and timeshare units that are being built by us.

Additionally, we enter into guarantees in conjunction with the sale of notes receivable originated by our timeshare business. These guarantees have terms of between seven and ten years. The terms of the guarantees require us to repurchase a limited amount of non-performing loans under certain circumstances. When we repurchase non-performing timeshare loans, we will either collect the outstanding loan balance in full or foreclose on the asset and subsequently resell it.

Our guarantees include $403 million related to Senior Living Services lease obligations and lifecare bonds. Sunrise is the primary obligor of the leases and a portion of the lifecare bonds and CNL is the primary obligor of the remainder of the lifecare bonds. Prior to the sale of the Senior Living Services business at the end of the first quarter of 2003, these pre-existing guarantees were guarantees by Marriott International, Inc. of obligations of consolidated Senior Living Services subsidiaries. We have been indemnified by Sunrise and CNL with respect to any guarantee fundings in connection with these lease obligations and lifecare bonds. Our guarantees additionally include $47 million of guarantees associated with the Sunrise sale transaction.

The maximum potential amount of future fundings and the carrying amount of the liability for expected future fundings at September 12, 2003 are as follows ($ in millions):

Guarantee type	Maximum amount of future fundings	Liability for future fundings at September 12, 2003
Debt service	$ 390	$ 10
Operating profit	328	22
Project completion	30	—
Timeshare	22	—
Senior Living Services	450	—
Other	84	1
	$ 1,304	$ 33

Our guarantees listed above include $316 million for guarantees not yet in effect including: 1) $256 million of commitments which will not be in effect until the underlying hotels are open and we begin to manage the properties; and 2) a $60 million contingent obligation related to our synthetic fuel joint venture that will only be in effect in the event the private letter ruling is not obtained by December 15, 2003 and the purchaser exercises a one-time option to return its ownership interest to us (see the “Synthetic Fuel” footnote). Guarantee fundings to lenders and hotel owners are generally recoverable as loans and are generally repayable to us out of future hotel cash flows and/or proceeds from the sale of hotels.

As of September 12, 2003, we had extended approximately $100 million of loan commitments to owners of lodging properties and senior living communities under which we expect to fund approximately $50 million by January 2, 2004, and $34 million over the next three years. We do not expect to fund the remaining $16 million of commitments, which expire as follows: $5 million in one to three years; and $11 million after five years.

Letters of credit outstanding on our behalf at September 12, 2003 totaled $104 million, the majority of which related to our self-insurance programs. Surety bonds issued on our behalf as of September 12, 2003 totaled $412 million, the majority of which were requested by federal, state, or local governments related to our timeshare and lodging operations and self-insurance programs.

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

Litigation and Arbitration

Green Isle litigation. All claims in this matter, which we discussed in “Contingencies” notes in our prior periodic reports and which pertained to The Ritz-Carlton San Juan (Puerto Rico) Hotel, Spa and Casino, were dismissed with prejudice and released pursuant to the Disclosure Statement and Plan of Reorganization which was confirmed by the bankruptcy court on May 1, 2003.

In Town Hotels litigation. On July 28, 2003, In Town Hotels, Inc. and the Company agreed to dismiss the litigation which we discussed in “Contingencies” notes in our prior periodic reports. The terms of the dismissal agreement did not have a material impact on the Company.

Senior Care Associates litigation. All claims in this matter, which we discussed in the “Contingencies” footnotes in our prior periodic reports and which pertained to fourteen Brighton Gardens properties which we previously beneficially owned and which SLS manages, were settled and dismissed without prejudice on July 2, 2003. The terms of the dismissal agreement did not have a material impact on the Company.

CTF/HPI arbitration and litigation. On April 8, 2002, we initiated an arbitration proceeding against CTF Hotel Holdings, Inc. (CTF) and its affiliate, Hotel Property Investments (B.V.I.) Ltd. (HPI), in connection with a dispute over procurement issues for certain Renaissance hotels and resorts that we manage for CTF and HPI. On April 12, 2002, CTF filed a lawsuit in U.S. District Court in Delaware against us and Avendra LLC, alleging that, in connection with procurement at 20 of those hotels, we engaged in improper acts of self-dealing, and claiming breach of fiduciary, contractual and other duties; fraud; misrepresentation; and violations of the RICO and the Robinson-Patman Acts. CTF seeks various remedies, including a stay of the arbitration proceedings against CTF and unspecified actual, treble and punitive damages. The district court enjoined the arbitration with respect to CTF, but granted our request to stay the court proceedings pending the resolution of the arbitration with respect to HPI. Both parties have appealed that ruling. The arbitration panel granted HPI's request to postpone the hearing which was scheduled to commence in October 2003, and has set a new date of April 20, 2004.

Strategic Hotel litigation. On August 20, 2002, several direct or indirect subsidiaries of Strategic Hotel Capital, L.L.C. (Strategic) filed suit against us in the Superior Court of Los Angeles County, California in a dispute related to the management, procurement and rebates related to three California hotels that we manage for Strategic. Strategic alleges that we misused confidential information related to the hotels, improperly allocated corporate overhead to the hotels, engaged in improper self dealing with regard to procurement and rebates, and failed to disclose information related to the above to Strategic. Strategic also claims breach of contract, breach of fiduciary and other duties, unfair and deceptive business practices, unfair competition, and other related causes of action. Strategic seeks various remedies, including unspecified compensatory and exemplary damages, and a declaratory judgment terminating our management agreements. We have filed a cross complaint alleging a breach of Strategic's covenant not to sue, a breach of the covenant of good faith and fair dealing, breach of an agreement to arbitrate, and a breach of The California Unfair Competition Statute. A discovery referee has been appointed, but no trial date has been set.

Senior Housing and Five Star litigation. We and Marriott Senior Living Services, Inc. (SLS) (which on March 28, 2003, became a subsidiary of Sunrise) are parties to actions in the Circuit Court for Montgomery County, Maryland and the Superior Court for Middlesex County, Massachusetts both initiated on November 27, 2002. These actions relate to 31 senior living communities that SLS operates for Senior Housing Properties Trust (SNH) and Five Star Quality Care, Inc. (FVE), and SNH/FVE's attempt to terminate the operating agreements for these communities. In the Massachusetts action, SNH/FVE sought a declaration that the operating agreements between FVE and SLS created a principal-agent relationship, and that SNH/FVE could therefore terminate the agreements at will. The Massachusetts court dismissed that action on March 4, 2003 and entered judgment declaring that (1) the Company could sell the stock of SLS to Sunrise without obtaining SNH/FVE's consent, (2) the Company could remove Marriott proprietary marks from the communities and (3) that the relationship in the operating agreements was not an agency relationship and not terminable other than as set forth in the agreements. SNH/FVE has appealed the Massachusetts dismissal and declaration. In the Maryland action, we and SLS are seeking, among other relief, a declaration that SLS is not in default or material breach of the operating agreements and a declaration that SNH/FVE had anticipatorily breached those agreements by violating their termination provisions. SNH and FVE filed a counterclaim in the Maryland action seeking a declaration that SLS is in default under the operating agreements and seeking unspecified damages. Trial in the Maryland action is scheduled to begin in April 2004.

Whitehouse Hotel litigation. On April 7, 2003, Whitehouse Hotel Limited Partnership and WH Holdings, L.L.C., the owners of the New Orleans Ritz-Carlton Hotel, filed suit against us and the Ritz-Carlton Hotel Company, L.L.C. ("Ritz-Carlton") in the Civil District Court for the Parish of New Orleans, Louisiana. Ritz-Carlton manages the hotel under contracts that identify it as an independent contractor, and that contain no territorial restrictions either on other Ritz-Carlton hotels or on Marriott hotels. Whitehouse sought a temporary restraining order and injunction to prevent us from managing, under the JW Marriott flag, the former LeMeridien hotel in New Orleans, claiming that the conversion to a JW Marriott would irreparably injure and damage the Ritz-Carlton hotel. The complaint against us and

Ritz-Carlton alleges breach of contract, breach of fiduciary and other duties, violation of the Louisiana Unfair Trade Practices Act, breach of implied duty of good faith, civil conspiracy, and detrimental reliance. In addition to unspecified compensatory damages, Whitehouse seeks to enjoin the Company and Ritz-Carlton from both entering into any agreement to operate the former LeMeridien hotel and using or disclosing any confidential information of the New Orleans Ritz-Carlton, Iberville Suites and Maison Orleans hotels. Whitehouse also seeks a declaration of its right to terminate the operating agreements for cause. The court denied both Whitehouse's motion for a temporary restraining order on April 11, 2003 and its request for expedited discovery on April 15, 2003. In an amended complaint filed on April 23, 2003, Whitehouse added CNL Hospitality Corp. as a defendant, and demanded a jury trial. We moved to dismiss the amended complaint on June 9, 2003, and a hearing on our motion which was scheduled to be heard on October 3, 2003 has been delayed. A new date for the hearing has not been set.

We believe that each of the foregoing claims against us and against SLS are without merit and we intend to vigorously defend against them. However, we cannot assure you as to the outcome of these lawsuits nor can we currently estimate the range of potential losses to the Company.

Shareholders' derivative action against our directors. On January 16, 2003, Daniel and Raizel Taubenfeld filed a shareholder's derivative action in Delaware state court against each member of our Board of Directors and against Avendra LLC. The company is named as a nominal defendant. The individual defendants are accused of exposing the company to accusations and lawsuits which allege wrongdoing on the part of the company. The complaint alleges that, as a result, the company's reputation has been damaged leading to business losses and the compelled renegotiation of some management contracts. The substantive allegations of the complaint are derived exclusively from prior press reports. No damage claim is made against us and no specific damage number is asserted as to the individual defendants. Both the directors and the Company have moved to dismiss this action. The plaintiffs have requested that the complaint be dismissed with prejudice only as to the named plaintiffs and have also initiated an action pursuant to Section 220 of the Delaware General Corporation Law to obtain access to certain of the Company's books and records.

10. Convertible Debt

We have outstanding approximately $70 million in face amount of our zero-coupon convertible senior notes due 2021, which are known as LYONs. These LYONs which were issued on May 8, 2001, are convertible into approximately 0.9 million shares of our Class A Common Stock, and carry a yield to maturity of 0.75 percent. We may not redeem the LYONs prior to May 8, 2004. We may at the option of the holders be required to purchase the LYONs at their accreted value on May 8 of each of 2004, 2011 and 2016. We may choose to pay the purchase price for redemptions or repurchases in cash and/or shares of our Class A Common Stock. We classify LYONs as long-term debt based on our ability and intent to refinance the obligation with long-term debt if we are required to repurchase the LYONs.

11. Restructuring Costs and Other Charges

The Company experienced a significant decline in demand for hotel rooms in the aftermath of the September 11, 2001 attacks on New York and Washington and the subsequent dramatic downturn in the economy. This decline resulted in reduced management and franchise fees, cancellation of development projects, and anticipated losses under guarantees and loans. In 2001, we responded by implementing certain companywide cost-saving measures, although we did not significantly change the scope of our operations. As a result of our restructuring plan, in the fourth quarter of 2001 we recorded pre-tax restructuring costs of $62 million, including (1) $15 million in severance costs; (2) $19 million, primarily associated with a loss on a sublease of excess space arising from the reduction in personnel; (3) $28 million related to the write-off of capitalized costs for development projects no longer deemed viable. We also incurred $142 million of other charges including (1) $85 million related to reserves for guarantees and loan losses; (2) $12 million related to accounts receivable reserves; (3) $13 million

related to the write-down of properties held for sale; and (4) $32 million related to the impairment of technology related investments and other write-offs.

The following table summarizes our remaining restructuring liability ($ in millions):

	Restructuring costs and other charges liability, January 3, 2003	Cash payments made in the thirty-six weeks ended September 12, 2003	Charges (reversed)/accrued in the thirty-six weeks ended September 12, 2003	Restructuring costs and other charges liability, September 12, 2003
Severance	$ 2	$ (1)	$ (1)	$ —
Facilities exit costs	11	(1)	4	14
Total restructuring costs	13	(2)	3	14
Reserves for guarantees	21	(13)	—	8
Total	$ 34	$ (15)	$ 3	$ 22

As a result of the workforce reduction and delay in filling vacant positions, we consolidated excess corporate facilities in 2001. At that time, we recorded a restructuring charge of approximately $14 million primarily related to lease terminations and noncancelable lease costs in excess of estimated sublease income. The liability is paid over the lease term which ends in 2012; and as of January 3, 2003, the balance was $11 million. We have revised our estimates to reflect the impact of higher property taxes, the delay in filling excess space and a reduction in the expected sublease rate we are able to charge, resulting in an increase in the liability of $4 million.

In addition to the above, in 2001, we recorded restructuring charges of $62 million and other charges of $5 million for our Senior Living Services and Distribution Services businesses. The restructuring liability related to these discontinued operations was $1 million as of January 3, 2003 and was recorded on the balance sheet as liabilities of businesses held for sale. We had no remaining restructuring liability related to discontinued operations as of September 12, 2003.

12. Assets Held for Sale – Discontinued Operations

Senior Living Services

On December 17, 2002, we sold twelve senior living communities to CNL for approximately $89 million in cash. We accounted for the sale under the full accrual method in accordance with FAS No. 66, and we recorded an after-tax loss of approximately $13 million. On December 30, 2002, we entered into definitive agreements to sell our senior living management business to Sunrise and to sell nine senior living communities to CNL. We completed these sales to Sunrise and CNL in addition to the related sale of a parcel of land to Sunrise on March 28, 2003, for $266 million and recognized a gain, net of taxes, of $23 million.

Also, on December 30, 2002, we purchased 14 senior living communities for approximately $15 million in cash, plus the assumption of $227 million in debt, from an unrelated owner. We had previously agreed to provide a form of credit enhancement on the outstanding debt related to these communities. Management approved and committed to a plan to sell these communities within 12 months. As part of that plan, on March 31, 2003, we acquired all of the subordinated credit-enhanced mortgage securities relating to the 14 communities in a transaction in which we issued $46 million of unsecured Marriott International, Inc. notes, due April 2004. In the 2003 third quarter, we sold the 14 communities to CNL for approximately $184 million. We provided a $92 million acquisition loan to CNL in connection with the sale. Sunrise currently operates and will continue to operate the 14 communities under long-term management agreements. We recorded a gain, net of taxes, of approximately $1 million.

As a result of the above transactions, at September 12, 2003, the operating results of our Senior Living Services segment are reported in discontinued operations, and the remaining assets are classified as assets held for sale on the balance sheet.

Additional income statement and balance sheet information relating to the Senior Living Services business appears in the following tables ($ in millions):

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Income Statement Summary				
Sales	$ 2	$ 179	$ 184	$ 536
Pre-tax income from operations	$ 2	$ 17	$ 15	$ 28
Tax provision	(1)	(7)	(6)	(11)
Income from operations, net of tax	$ 1	$ 10	$ 9	$ 17
Pre-tax (loss) gain on disposal	$ (2)	$ —	$ 32	$ —
Tax benefit (provision)	1	—	(12)	—
(Loss) gain on disposal, net of tax	$ (1)	$ —	$ 20	$ —

	September 12, 2003	January 3, 2003
Balance Sheet Summary		
Property, plant and equipment	$ —	$ 434
Goodwill	—	115
Other assets	8	54
Liabilities	15	317

Distribution Services

As of January 3, 2003, through a combination of sale and transfer of nine facilities and the termination of all operations at four facilities, we had completed our exit of the Distribution Services business. Accordingly, we present the exit costs and the operating results for our Distribution Services business as discontinued operations for the twelve and thirty-six weeks ended September 12, 2003 and September 6, 2002, and classify the remaining assets as held for sale at September 12, 2003 and January 3, 2003.

Additional income statement and balance sheet information relating to the Distribution Services business appears in the following tables ($ in millions):

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Income Statement Summary				
Sales	$ —	$ 351	$ —	$ 1,102
Pre-tax loss from operations	$ —	$ (4)	$ —	$ (12)
Tax benefit	—	2	—	5
Loss on operations, net of tax	$ —	$ (2)	$ —	$ (7)
Pre-tax exit costs	$ (1)	$ (30)	$ (2)	$ (30)
Tax benefit	—	11	—	11
Exit costs, net of tax	$ (1)	$ (19)	$ (2)	$ (19)

	September 12, 2003	January 3, 2003
Balance Sheet Summary		
Property, plant and equipment	$ 8	$ 9
Other assets	1	21
Liabilities	13	49

13. Synthetic Fuel

On June 21, 2003, we completed the previously announced sale of an approximately 50 percent interest in the Synthetic Fuel business. We received cash and promissory notes totaling $25 million at closing and we are receiving additional profits that are expected to continue over the life of the venture based on the actual amount of tax credits allocated to the purchaser. When we first announced this potential transaction in January 2003, it was subject to certain closing conditions, including the receipt of a satisfactory private letter ruling from the Internal Revenue Service (“IRS”) regarding the new ownership structure, however, both parties agreed to close on the transaction prior to receipt of a new private letter ruling. We have applied for a private letter ruling. In the event the private letter ruling is not obtained by December 15, 2003, the purchaser will have a one-time option to return its ownership interest to us. To exercise this option, the purchaser would have to pay us $10 million and receive from us certain additional representations and warranties related to the 2003 tax credits allocated to the purchaser. If the private letter ruling is not obtained and the purchaser returns its interest in the Synthetic Fuel business to us, our contingent obligation under the representations and warranties would be included as a guarantee and accounted for under the provisions of FIN 45. The maximum amount of the contingent obligation would depend on the number of tax credits produced and allocated to the purchaser in 2003 and could range from $85 million to $170 million. As of September 12, 2003, $60 million of such guarantees are reflected in the total guarantees of $1,304 million reported in the “Contingencies” footnote.

On June 27, 2003, the IRS issued Announcement 2003-46 publicly confirming that it had suspended the issuance of any new private letter rulings regarding tax credits generated under Section 29 of the Internal Revenue Code. In that announcement, the IRS indicated that it was reviewing the science behind whether existing processes cause coal feedstock to undergo significant chemical change as required by

Section 29. We have in place rigorous procedures to ensure compliance with all of the requirements of Section 29; thus we remain confident that our existing four private letter rulings and all of the tax credits claimed by us are valid. We, together with our outside tax advisors and scientific experts, intend to continue to work closely with the IRS to obtain our pending private letter rulings in a timely manner. On September 22, 2003, the IRS commented that they will soon make a decision relating to the issuance of private letter rulings relating to synthetic fuel tax credits.

Given the presence of the one-time right, we have consolidated the joint venture for accounting purposes and we will continue to consolidate it until the right expires. Thereafter, if the right is not exercised, we will use the equity method of accounting. The condensed consolidated balance sheet includes all of the assets, liabilities and equity related to the Synthetic Fuel business and the condensed consolidated statements of income include all of the revenue, expenses and tax benefits. Reflected on both statements is the minority interest, which represents our partner's share of net assets and net income, respectively, related to the Synthetic Fuel business.

14. Derivative Instruments

We use derivative instruments as part of our overall strategy to manage our exposure to market risks associated with fluctuations in interest rates and foreign currency exchange rates. We only enter into derivative transactions with major financial institutions and we do not use these instruments for trading or speculative purposes.

We record all derivatives at fair value either as assets or liabilities. We recognize, currently in earnings, changes in fair value of derivatives not designated as hedging instruments and of derivatives designated as fair value hedging instruments. Changes in the fair value of the hedged item in a fair value hedge are recorded as an adjustment to the carrying amount of the hedged item and recognized in earnings in the same income statement line item as the change in the fair value of the derivative.

We record the effective portion of changes in fair value of derivatives designated as cash flow hedging instruments as a component of other comprehensive income and report the ineffective portion currently in earnings. We reclassify amounts included in other comprehensive income into earnings in the same period during which the hedged item affects earnings.

At September 12, 2003, we had one outstanding interest rate swap agreement under which we receive a floating rate of interest and pay a fixed rate of interest. The swap modifies our interest rate exposure by effectively converting a note receivable with a fixed rate to a floating rate. The aggregate notional amount of the swap is $93 million and it matures in 2010. The swap is classified as a fair value hedge, and the change in the fair value of the swap, as well as the change in the fair value of the underlying note receivable, is recognized in interest income. The fair value of the swap was a liability of approximately $3 million at September 12, 2003. The hedge is highly effective and therefore no net gain or loss was reported in earnings in each of the twelve or thirty-six weeks ended September 12, 2003.

At September 12, 2003, we had four outstanding forward foreign exchange contracts to hedge the potential volatility of earnings and cash flows associated with variations in foreign exchange rates. The aggregate notional amount of the forward contracts is approximately 4 million euro, and they all expire in the fourth quarter of 2003. The forward exchange contracts are classified as cash flow hedges, and changes in fair value are recorded as a component of other comprehensive income. The fair value of the forward exchange contracts is approximately zero at September 12, 2003. The hedges are highly effective and therefore there was no net gain or loss reported in earnings in each of the twelve or thirty-six weeks ended September 12, 2003.

At September 12, 2003, we had four outstanding interest swap agreements to manage prepayment risk associated with the interest only strips we retain in conjunction with our timeshare note sales. The aggregate notional amounts of the swaps is approximately $544 million and they expire through 2022. These swaps are not accounted for as hedges in accordance with FAS No. 133. The fair value of the swaps

is a net liability of approximately $2 million at September 12, 2003. These swaps have resulted in minimal income statement impact in each of the twelve weeks and thirty-six weeks ended September 12, 2003.

At September 12, 2003, we had one outstanding interest rate swap agreement to manage interest rate risk associated with the interest only strip we retained in conjunction with one of our timeshare note sales. The aggregate notional amount is $122 million and it matures in 2022. The swap is not accounted for as a hedge in accordance with FAS No. 133. The fair value of the swap is approximately $3 million at September 12, 2003. Approximately $3 million of income has been recorded in each of the twelve weeks and thirty-six weeks ended September 12, 2003, respectively. This income is offset by expense of approximately $3 million in the same periods relating to the change in fair value of the interest only strip, which is designated as a trading security under the provisions of FAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities.”

At September 12, 2003, we had one outstanding interest rate swap to manage interest rate risk associated with the forecasted fourth quarter 2003 timeshare note sale. The notional amount of the swap is $171 million and the swap will be terminated in the fourth quarter of 2003 when the timeshare note sale occurs. The swap is not accounted for as a hedge in accordance with FAS No. 133. The fair value of the swap is a liability of $2 million. Approximately $2 million of expense has been recorded in each of the twelve weeks and thirty-six weeks ended September 12, 2003 relating to this swap.

CONSOLIDATED RESULTS

Continuing Operations

The following discussion presents an analysis of results of our operations for the twelve and thirty-six weeks ended September 12, 2003 and September 6, 2002.

Twelve Weeks Ended September 12, 2003 Compared to Twelve Weeks Ended September 6, 2002

Income from continuing operations decreased 18 percent to $93 million and diluted earnings per share from continuing operations declined 16 percent to $0.38. Sales increased by 9 percent to $2.1 billion. Income from continuing operations reflected a net benefit of $21 million associated with our Synthetic Fuel business, and reflected a 13 percent decline in our Lodging business results.

Marriott Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported a 13 percent decrease in financial results on 7 percent higher sales. The results reflect a decline in hotel demand, partially offset by new unit additions, the $9 million gain on the sale of our interest in one of our international joint ventures and business interruption insurance proceeds of $2 million related to the aftermath of the September 11, 2001 attacks and the subsequent impact on Marriott ExecuStay business in New York. In addition, there were no timeshare notes sold, and therefore we recognized no gains in the third quarter of 2003, compared to $78 million of notes sold in the 2002 third quarter which resulted in an $18 million gain. Lodging sales increased to $2.0 billion and Lodging systemwide sales increased to $4.4 billion.

The reconciliation of Lodging sales to Lodging systemwide sales for the third quarter is as follows ($ in millions):

	Twelve weeks ended	
	September 12, 2003	September 6, 2002
Lodging sales, as reported	$ 2,008	$ 1,869
Guest sales revenue generated at franchised properties, excluding revenues which are already included in lodging sales	1,420	1,331
Guest sales revenue generated at managed properties, excluding revenues which are already included in lodging sales	988	1,012
Lodging systemwide sales	$ 4,416	$ 4,212

Lodging systemwide sales (referenced above and the comparable information for the thirty-six week periods presented later in this report) comprise revenues generated from guests at managed, franchised, owned, and leased hotels. We consider lodging systemwide sales to be a meaningful indicator of our performance because it measures the growth in revenues of all of the properties that carry one of the Marriott brand names. Our growth in profitability is in large part driven by such overall revenue growth. Nevertheless, lodging systemwide sales should not be considered an alternative to revenues, operating profit, segment financial results, net income, cash flows from operations, or any other operating measure prescribed by accounting principles generally accepted in the United States. In addition lodging systemwide sales may not be comparable to similarly titled measures, such as sales and revenues, which do not include gross sales generated by managed and franchised properties.

We added a total of 45 lodging properties (8,578 rooms) during the third quarter of 2003, while eight hotels (1,018 rooms) exited the system, increasing our total properties to 2,677 (484,957 rooms). Properties by brand as of September 12, 2003 (excluding 3,762 rental units relating to Marriott ExecuStay) are as indicated in the following table.

	Company-Operated		Franchised	
Brand	Properties	Rooms	Properties	Rooms
Full-Service Lodging				
Marriott Hotels and Resorts	270	117,075	199	55,946
The Ritz-Carlton Hotels	55	17,794	—	—
Renaissance Hotels and Resorts	83	32,574	42	13,099
Ramada International	4	727	176	24,475
Select-Service Lodging				
Courtyard	292	46,238	316	40,803
Fairfield Inn	2	855	517	48,821
SpringHill Suites	22	3,452	84	8,802
Extended-Stay Lodging				
Residence Inn	123	16,599	320	36,182
TownePlace Suites	31	3,376	78	7,848
Marriott Executive Apartments and other	11	2,068	1	99
Timeshare				
Marriott Vacation Club International	43	7,392	—	—
Horizons by Marriott Vacation Club International	2	256	—	—
The Ritz-Carlton Club	4	228	—	—
Marriott Grand Residence Club	2	248	—	—
Total	944	248,882	1,733	236,075

We consider Revenue per Available Room (REVPAR) to be a meaningful indicator of our performance because it measures the period over period change in room revenues for comparable properties. We calculate REVPAR by dividing room sales for comparable properties by room nights available to guests for the period. REVPAR may not be comparable to similarly titled measures such as revenues. We have not presented statistics for Fairfield Inn and SpringHill Suites company-operated North American properties here (or in the comparable information for thirty-six week periods presented later in this report) because these brands only have a few properties that we operate and accordingly such information would not be meaningful for those brands (identified as "nm" in the tables below). Systemwide statistics include data from our franchised properties, in addition to our owned, leased and managed properties. Systemwide international statistics by region are based on comparable worldwide units, excluding North America, and reflect constant foreign exchange rates. The following tables show occupancy, average daily rate and REVPAR for each of our principal established brands:

	Comparable Company-Operated North American Properties		Comparable Systemwide North American Properties	
	Twelve weeks ended September 12, 2003	Change vs. 2002	Twelve weeks ended September 12, 2003	Change vs. 2002
Marriott Hotels and Resorts				
Occupancy	72.3%	0.3% pts.	70.6%	0.1% pts.
Average daily rate	$ 125.56	-1.7%	$ 121.45	-1.2%
REVPAR	$ 90.76	-1.3%	$ 85.76	-1.0%
The Ritz-Carlton Hotels [1]				
Occupancy	68.6%	4.9% pts.	68.6%	4.9% pts.
Average daily rate	$ 202.63	-2.0%	$ 202.63	-2.0%
REVPAR	$ 139.04	5.6%	$ 139.04	5.6%
Renaissance Hotels and Resorts				
Occupancy	68.8%	2.5% pts.	68.5%	2.5% pts.
Average daily rate	$ 123.98	0.3%	$ 117.81	-1.1%
REVPAR	$ 85.25	4.1%	$ 80.76	2.6%
Courtyard				
Occupancy	71.0%	-2.0% pts.	72.7%	-1.4% pts.
Average daily rate	$ 91.42	-0.5%	$ 92.15	-0.2%
REVPAR	$ 64.92	-3.2%	$ 66.97	-2.0%
Fairfield Inn				
Occupancy	nm	nm	71.1%	-1.0% pts.
Average daily rate	nm	nm	$ 66.51	0.1%
REVPAR	nm	nm	$ 47.28	-1.3%
SpringHill Suites				
Occupancy	nm	nm	71.7%	0.6% pts.
Average daily rate	nm	nm	$ 81.33	1.7%
REVPAR	nm	nm	$ 58.27	2.6%
Residence Inn				
Occupancy	80.5%	-1.0% pts.	81.0%	-0.4% pts.
Average daily rate	$ 94.19	-1.5%	$ 95.05	-1.4%
REVPAR	$ 75.83	-2.7%	$ 77.02	-1.8%
TownePlace Suites				
Occupancy	78.1%	-1.4% pts.	77.8%	-0.1% pts.
Average daily rate	$ 64.53	0.2%	$ 64.19	-0.8%
REVPAR	$ 50.42	-1.6%	$ 49.95	-0.9%

[1] Statistics for The Ritz-Carlton Hotels are for June, July and August.

	Comparable Company-Operated International Properties		Comparable Systemwide International Properties	
	Three months ended August 31, 2003	Change vs. 2002	Three months ended August 31, 2003	Change vs. 2002
Caribbean & Latin America				
Occupancy	70.1%	4.4% pts.	67.1%	3.1% pts.
Average daily rate	$ 112.10	2.0%	$ 108.79	1.5%
REVPAR	$ 78.62	8.7%	$ 73.03	6.4%
Continental Europe				
Occupancy	71.9%	0.0% pts.	68.1%	0.1% pts.
Average daily rate	$ 115.56	-5.1%	$ 117.96	-4.1%
REVPAR	$ 83.11	-5.1%	$ 80.35	-3.9%
United Kingdom				
Occupancy	81.3%	2.7% pts.	76.2%	0.7% pts.
Average daily rate	$ 144.54	-5.8%	$ 126.45	-1.7%
REVPAR	$ 117.53	-2.6%	$ 96.37	-0.8%
Middle East & Africa				
Occupancy	74.3%	1.2% pts.	72.4%	2.1% pts.
Average daily rate	$ 67.79	18.7%	$ 68.43	18.9%
REVPAR	$ 50.36	20.7%	$ 49.58	22.6%
Asia Pacific				
Occupancy	64.5%	-8.1% pts.	66.4%	-6.4% pts.
Average daily rate	$ 78.30	-5.0%	$ 87.39	-2.5%
REVPAR	$ 50.52	-15.6%	$ 57.98	-11.0%

Across our Lodging brands, REVPAR for comparable company-operated North American properties declined by an average of 0.5 percent in the third quarter of 2003. Average room rates for these hotels declined 0.7 percent and occupancy increased 0.1 percentage points, to 72.3 percent.

Across Marriott's North American Full-Service lodging brands *(Marriott Hotels and Resorts; Renaissance Hotels and Resorts;* and *The Ritz-Carlton Hotels)*, REVPAR for comparable company-operated North American properties increased 0.4 percent. Average room rates for these hotels declined 1.2 percent and occupancy increased 1.1 percentage points to 71.4 percent.

Our North American Select-Service and Extended-Stay brands *(Fairfield Inn; Courtyard; Residence Inn; SpringHill Suites;* and *TownePlace Suites)* had, for comparable company-operated North American properties, average REVPAR declines of 2.7 percent and average room rate declines of 0.6 percent, while occupancy decreased 1.6 percentage points.

International lodging reported an increase in the results of operations, reflecting the impact of the $9 million gain on the sale of our interest in a joint venture, increased demand at our resorts in the Caribbean and Mexico, slightly offset by the decline in travel to Asia.

The financial results of our Timeshare brands (*Marriott Vacation Club International; The Ritz-Carlton Club; Horizons by Marriott Vacation Club International; and Marriott Grand Residence Club*) decreased 43 percent, to $23 million, while contract sales increased 23 percent. The decrease is primarily attributable to no note sale gains in the third quarter of 2003, compared to $18 million in the third quarter of 2002. There were no timeshare notes sold in the third quarter of 2003, compared to $78 million in the 2002 third quarter. The decrease is also attributable to higher depreciation expense associated with new technology; and a $2 million loss associated with an interest rate swap agreement. We entered into an interest rate swap agreement during the third quarter of 2003 to manage interest rate risk associated with the forecasted fourth quarter 2003 timeshare note sale.

Corporate Expenses, Interest and Taxes. Corporate expenses increased 40 percent to $35 million, reflecting the impact of approximately $10 million of litigation expenses related to two continuing and previously disclosed lawsuits; higher expenses associated with our deferred compensation plan ($3 million); an additional accrual based on revised estimates of noncancelable lease costs and lower expected sublease income associated with excess space arising from the 2001 reduction in personnel ($4 million); partially offset by lower foreign exchange losses ($2 million); and the settlement of an insurance claim ($10 million) for legal expenses incurred in previous years related to lawsuits which were settled in 1999.

Interest expense increased $7 million, reflecting the impact of the mortgage debt assumed in the fourth quarter of 2002 associated with the acquisition of 14 senior living communities, as well as lower capitalized interest resulting from fewer projects under construction, primarily related to our timeshare business. Interest income increased $3 million to $31 million, before reflecting reserves of $1 million for an impaired loan.

Income from continuing operations before income taxes and minority interest generated a tax benefit of $16 million in the third quarter of 2003 compared to a tax benefit of $2 million in the third quarter of 2002. The difference is primarily attributable to lower pre-tax income and includes a tax benefit and tax credits, both associated with our Synthetic Fuel business, totaling $53 million for the twelve weeks ended September 12, 2003 and $54 million for the twelve weeks ended September 6, 2002. The 2003 taxes were also impacted by slightly higher state tax rates.

Synthetic Fuel. In October 2001, we acquired four coal-based synthetic fuel production facilities (the Facilities) for $46 million in cash. The synthetic fuel produced at the Facilities qualifies for tax credits based on Section 29 of the Internal Revenue Code. Under Section 29, tax credits are not available for synthetic fuel produced after 2007. We began operating these Facilities in the first quarter of 2002. The operation of the Facilities, together with the benefit arising from the tax credits, has been, and we expect will continue to be significantly accretive to our net income. Although the Facilities produce significant losses, these are more than offset by the tax credits generated under Section 29, which reduce our income tax expense. In the third quarter of 2003, our Synthetic Fuel business reflected sales of $93 million and a loss of $3 million, before the impact of $29 million of minority interest expense, resulting in a tax benefit of $1 million and tax credits of $52 million. In the third quarter of 2002, our Synthetic Fuel business reflected sales of $55 million and a loss of $32 million, resulting in a tax benefit of $11 million and tax credits of $43 million.

On June 21, 2003, we completed the previously announced sale of an approximately 50 percent interest in the Synthetic Fuel business. We received cash and promissory notes totaling $25 million at closing and we are receiving additional profits that are expected to continue over the life of the venture based on the actual amount of tax credits allocated to the purchaser. When we first announced this potential transaction in January 2003, it was subject to certain closing conditions, including the receipt of a satisfactory private letter ruling from the IRS regarding the new ownership structure, however, both parties agreed to close on the transaction prior to receipt of a new private letter ruling. We have applied for a private letter ruling. In the event the private letter ruling is not obtained by December 15, 2003, the purchaser will have a one-time option to return its ownership interest to us. To exercise this option, the purchaser would have to pay us $10 million and receive from us certain additional representations and warranties related to the 2003 tax credits allocated to the purchaser. If the private letter ruling is not obtained and the purchaser returns its interest in the Synthetic Fuel business to us, our contingent obligation under the representations and warranties would be included as a guarantee and accounted for under the provisions of FIN 45. The maximum amount of the contingent obligation would depend on the number of tax credits produced and allocated to the purchaser in 2003 and could range from $85 million to $170 million. As of September 12, 2003, $60 million of such guarantees are reflected in the total guarantees of $1,304 million reported in the “Liquidity and Capital Resources” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

On June 27, 2003, the IRS issued Announcement 2003-46 publicly confirming that it had suspended the issuance of any new private letter rulings regarding tax credits generated under Section 29 of the Internal Revenue Code. In that announcement, the IRS indicated that it was reviewing the science behind whether existing processes cause coal feedstock to undergo significant chemical change as required

by Section 29. We have in place rigorous procedures to ensure compliance with all of the requirements of Section 29; thus we remain confident that our existing four private letter rulings and all of the tax credits claimed by us are valid. We, together with our outside tax advisors and scientific experts, intend to continue to work closely with the IRS to obtain our pending private letter rulings in a timely manner. On September 22, 2003, the IRS commented that they will soon make a decision relating to the issuance of private letter rulings relating to synthetic fuel tax credits.

Given the presence of the one-time right, we have consolidated the joint venture for accounting purposes and we will continue to consolidate it until the right expires. Thereafter, if the right is not exercised, we will use the equity method of accounting. The condensed consolidated balance sheet includes all assets, liabilities, and equity related to the Synthetic Fuel business and the condensed consolidated statements of income include all of the revenue, expenses and tax benefits. Reflected on both statements is the minority interest, which represents our partner's share of net assets and net income, respectively, related to the Synthetic Fuel business.

Thirty-Six Weeks Ended September 12, 2003 Compared to Thirty-Six Weeks Ended September 6, 2002

Income from continuing operations decreased 5 percent to $306 million and diluted earnings per share from continuing operations declined 2 percent to $1.25. Sales increased 7 percent to $6.2 billion. Income from continuing operations reflected $199 million of tax benefits, including tax credits, offset by $104 million of operating losses, and $29 million of minority interest expense associated with our Synthetic Fuel business, and reflected a 9 percent decline in our Lodging financial results.

Marriott Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported a 9 percent decrease in financial results on 5 percent higher sales. The results reflect the continued decline in hotel demand, partially offset by new unit additions, the $9 million gain on the sale of our interest in one of our international joint ventures, and business interruption insurance proceeds of $2 million related to the aftermath of the September 11, 2001 attacks and the subsequent impact on our Marriott ExecuStay business in New York. In addition, we recognized $32 million of timeshare note sale gains in the first three quarters of 2003, compared to $47 million in the first three quarters of 2002. We sold $130 million of notes in the thirty-six weeks ended September 12, 2003, compared to $252 million in the thirty-six weeks ended September 6, 2002. Lodging sales increased to $5.9 billion and Lodging systemwide sales increased to $13.1 billion.

The reconciliation of Lodging sales to Lodging systemwide sales is as follows ($ in millions):

	Thirty-six weeks ended	
	September 12, 2003	September 6, 2002
Lodging sales, as reported	$ 5,929	$ 5,653
Guest sales revenue generated at franchised properties, excluding revenues which are already included in lodging sales	3,999	3,703
Guest sales revenue generated at managed properties, excluding revenues which are already included in lodging sales	3,151	3,243
Lodging systemwide sales	$ 13,079	$ 12,599

We consider lodging systemwide sales to be a meaningful indicator of our performance because it measures the growth in revenues of all of the properties that carry one of the Marriott brand names. Our growth in profitability is in large part driven by such overall revenue growth.

The following tables show occupancy, average daily rate and REVPAR for each of our principal established brands for the thirty-six weeks ended September 12, 2003 for our North American properties, and the eight months ended August 31, 2003 for our International properties.

	Comparable Company-Operated North American Properties		Comparable Systemwide North American Properties	
	Thirty-six weeks ended September 12, 2003	Change vs. 2002	Thirty-six weeks ended September 12, 2003	Change vs. 2002
Marriott Hotels and Resorts				
Occupancy	70.5%	-0.8% pts.	68.8%	-0.6% pts.
Average daily rate	$ 134.39	-2.3%	$ 127.93	-2.3%
REVPAR	$ 94.73	-3.5%	$ 88.02	-3.1%
The Ritz-Carlton Hotels [1]				
Occupancy	66.8%	0.1% pts.	66.8%	0.1% pts.
Average daily rate	$ 232.93	-0.9%	$ 232.93	-0.9%
REVPAR	$ 155.62	-0.7%	$ 155.62	-0.7%
Renaissance Hotels and Resorts				
Occupancy	67.1%	0.6% pts.	66.1%	1.1% pts.
Average daily rate	$ 132.02	-1.6%	$ 124.07	-2.3%
REVPAR	$ 88.59	-0.8%	$ 81.99	-0.5%
Courtyard				
Occupancy	68.9%	-1.5% pts.	70.1%	-0.8% pts.
Average daily rate	$ 93.44	-1.7%	$ 92.99	-1.2%
REVPAR	$ 64.41	-3.8%	$ 65.17	-2.4%
Fairfield Inn				
Occupancy	nm	nm	65.9%	-0.7% pts.
Average daily rate	nm	nm	$ 64.96	0.1%
REVPAR	nm	nm	$ 42.84	-0.9%
SpringHill Suites				
Occupancy	nm	nm	69.6%	0.8% pts.
Average daily rate	nm	nm	$ 81.19	1.5%
REVPAR	nm	nm	$ 56.51	2.7%
Residence Inn				
Occupancy	78.6%	-0.4% pts.	77.9%	0.0% pts.
Average daily rate	$ 95.41	-2.5%	$ 94.48	-2.0%
REVPAR	$ 74.95	-3.0%	$ 73.56	-2.0%
TownePlace Suites				
Occupancy	71.2%	-4.0% pts.	72.0%	-1.2% pts.
Average daily rate	$ 63.68	3.0%	$ 63.77	0.4%
REVPAR	$ 45.34	-2.5%	$ 45.92	-1.3%

[1] Statistics for The Ritz-Carlton Hotels are for January through August.

	Comparable Company-Operated International Properties		Comparable Systemwide International Properties	
	Eight months ended August 31, 2003	Change vs. 2002	Eight months ended August 31, 2003	Change vs. 2002
Caribbean & Latin America				
Occupancy	69.3%	4.3% pts.	66.6%	3.5% pts.
Average daily rate	$ 128.26	3.2%	$ 124.10	2.9%
REVPAR	$ 88.86	10.0%	$ 82.64	8.6%
Continental Europe				
Occupancy	66.0%	-1.0% pts.	62.5%	-1.3% pts.
Average daily rate	$ 115.63	-5.8%	$ 117.60	-4.1%
REVPAR	$ 76.32	-7.2%	$ 73.45	-6.1%
United Kingdom				
Occupancy	73.4%	-3.4% pts.	69.5%	-1.7% pts.
Average daily rate	$ 144.56	-2.2%	$ 123.33	-3.4%
REVPAR	$ 106.13	-6.5%	$ 85.66	-5.7%
Middle East & Africa				
Occupancy	63.5%	-2.2% pts.	62.5%	-0.3% pts.
Average daily rate	$ 69.75	10.3%	$ 69.87	10.5%
REVPAR	$ 44.31	6.6%	$ 43.67	10.0%
Asia Pacific				
Occupancy	60.5%	-9.8% pts.	63.3%	-8.3% pts.
Average daily rate	$ 80.68	-3.9%	$ 88.26	-1.5%
REVPAR	$ 48.85	-17.3%	$ 55.83	-13.0%

For North American properties (except for The Ritz-Carlton Hotels as noted on the previous page), the occupancy, average daily rate and REVPAR statistics used throughout this report for the thirty-six weeks ended September 12, 2003, include the period from January 4, 2003 through September 12, 2003, while the statistics for the thirty-six weeks ended September 6, 2002 include the period from December 29, 2001 through September 6, 2002. The 2003 statistics exclude the impact of the New Year's holiday, which is historically a slow week.

Across our Lodging brands, REVPAR for comparable company-operated North American properties declined by an average of 2.9 percent in the first three quarters of 2003. Average room rates for these hotels declined 1.7 percent and occupancy decreased 0.8 percentage points, to 70.3 percent.

Across Marriott's North American Full-Service Lodging brands *(Marriott Hotels and Resorts; Renaissance Hotels and Resorts;* and *The Ritz-Carlton Hotels)*, REVPAR for comparable company-operated North American properties decreased 2.7 percent. Average room rates for these hotels declined 2.0 percent and occupancy decreased 0.5 percentage points to 69.7 percent.

Our North American Select-Service and Extended-Stay brands *(Fairfield Inn; Courtyard; Residence Inn; SpringHill Suites;* and *TownePlace Suites)* had, for comparable company-operated North American properties, average REVPAR declines of 3.2 percent and average room rate declines of 1.5 percent, while occupancy decreased 1.3 percentage points.

International lodging reported an increase in the results of operations, reflecting the impact of the $9 million gain on the sale of our interest in a joint venture, partially offset by the impact of the war and Severe Acute Respiratory Syndrome (SARS) on international travel.

The financial results of our Timeshare brands (*Marriott Vacation Club International; The Ritz-Carlton Club; Horizons by Marriott Vacation Club International; and Marriott Grand Residence Club*) decreased 23 percent to $85 million, while contract sales increased 18 percent. The results were impacted by $15 million of lower note sale gains. In the first three quarters of 2003, we closed on one note sale and during the same time period in 2002, we closed on three note sales. The results were also unfavorably impacted by higher financing costs, lower notes receivable, resulting in lower interest income, and higher depreciation expense associated with new technology.

We have presented claims with insurance companies for lost management fees at our hotels and business interruption at our Marriott ExecuStay business from the September 11, 2001 terrorist attacks. In the fourth quarter of 2002, we recognized $1 million in income from insurance proceeds related to lost management fees. In the third quarter of 2003, we recognized insurance proceeds of $2 million associated with our Marriott ExecuStay business. Although we expect to realize further proceeds, we cannot currently estimate the amounts that may be paid to us.

Corporate Expenses, Interest and Taxes. Corporate expenses increased 16 percent to $89 million reflecting approximately $15 million of litigation expenses related to two continuing lawsuits; higher expense associated with our deferred compensation plan ($9 million); an additional accrual based on revised estimates of noncancelable lease costs and lower expected sublease income associated with excess space arising from the 2001 reduction in personnel ($4 million); increased insurance premiums; and higher salary and related expenses associated with positions which were not previously filled due to cost containment efforts; partially offset by the settlement of an insurance claim ($10 million) for legal expenses incurred in previous years related to lawsuits which were settled in 1999; favorable foreign exchange impact ($5 million); and the impact of a $7 million reserve recorded in 2002 in connection with a lawsuit involving the sale of a hotel previously managed by us.

Interest expense increased $18 million, reflecting the impact of the mortgage debt assumed in the fourth quarter of 2002 associated with the acquisition of 14 senior living communities, as well as lower capitalized interest resulting from fewer projects under construction, primarily related to our timeshare business. Interest income increased by $3 million, before reflecting reserves of $7 million for impaired loans at four hotels.

Income from continuing operations before income taxes and minority interest generated a tax benefit of $72 million in the first three quarters of 2003 compared to a tax provision of $40 million in the prior year period. The difference was primarily attributable to our Synthetic Fuel business which generated a tax benefit and tax credits totaling $199 million in the first three quarters of 2003 compared to $119 million in the prior year period. The 2003 taxes were also impacted by slightly higher state tax rates.

Synthetic Fuel. For the thirty-six weeks ended September 12, 2003, our Synthetic Fuel business reflected sales of $224 million and a loss of $104 million, before the impact of $29 million of minority interest expense, resulting in a tax benefit of $37 million and tax credits of $162 million. For the thirty-six weeks ended September 6, 2002, our Synthetic Fuel business reflected sales of $113 million and a loss of $81 million, resulting in a tax benefit of $28 million and tax credits of $91 million.

Discontinued Operations

Senior Living Services

On December 17, 2002, we sold twelve senior living communities to CNL for approximately $89 million in cash. We accounted for the sale under the full accrual method in accordance with FAS No. 66, and we recorded an after-tax loss of approximately $13 million. On December 30, 2002, we entered into definitive agreements to sell our senior living management business to Sunrise and to sell nine senior living communities to CNL. We completed the sales to Sunrise and CNL in addition to the related sale of a parcel of land to Sunrise on March 28, 2003, for $266 million and recognized a gain, net of taxes, of $23 million.

Also, on December 30, 2002, we purchased 14 senior living communities for approximately $15 million in cash, plus the assumption of $227 million in debt, from an unrelated owner. We had previously agreed to provide a form of credit enhancement on the outstanding debt related to these communities. Management approved and committed to a plan to sell these communities within 12 months. As part of the plan, on March 31, 2003, we acquired all of the subordinated credit-enhanced mortgage securities relating to the 14 communities in a transaction in which we issued $46 million of unsecured Marriott International, Inc. notes, due April 2004. In the 2003 third quarter, we sold the 14 communities to CNL for approximately $184 million. We provided a $92 million acquisition loan to CNL in connection with the sale. Sunrise currently operates and will continue to operate the 14 communities under long-term management agreements. We recorded a gain, net of taxes, of approximately $1 million.

As a result of the above transactions, at September 12, 2003, the operating results of our Senior Living Services segment are reported in discontinued operations, and the remaining assets are classified as assets held for sale on the balance sheet.

In the thirty-six weeks ended September 12, 2003, income from operations, net of tax, totaled $9 million, and we also recorded a gain on disposal, net of tax, of $20 million. In the thirty-six weeks ended September 6, 2002, income from operations, net of tax, totaled $17 million.

Distribution Services

As of January 3, 2003, through a combination of sale and transfer of nine facilities and the termination of all operations at four facilities, we completed our exit of the distribution services business. Accordingly, we present the exit costs and the operating results for our Distribution Services business as discontinued operations for the twelve weeks and thirty-six weeks ended September 12, 2003 and September 6, 2002, and classify the remaining assets as held for sale at September 12, 2003 and January 3, 2003. In the thirty-six weeks ended September 12, 2003, we incurred exit costs, net of tax of $2 million, primarily related to ongoing compensation costs associated with the wind down. The loss from operations, net of tax in the thirty-six weeks ended September 6, 2002 totaled $7 million, and the exit costs, net of tax, totaled an additional $19 million. We expect to incur additional costs associated with the wind down during the balance of 2003. Although we are unable to estimate those costs, we do not expect them to be material since the wind down is substantially complete.

LIQUIDITY AND CAPITAL RESOURCES

We are party to revolving credit agreements that provide for borrowing of $1.5 billion expiring in July 2006, and $500 million expiring in August 2006, which support our commercial paper program and letters of credit. We entered into the $500 million facility, during the third quarter of 2003, replacing a similar facility which would have expired in February 2004. At September 12, 2003, our cash balances combined with our available borrowing capacity under the credit facilities amounted to approximately $2 billion. We consider these resources, together with cash we expect to generate from operations, 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, including the repayment of $200 million of senior notes due in November 2003.

We monitor the status of the capital markets, and regularly evaluate the effect that changes in capital market conditions may have on our ability to execute our announced growth plans. We expect that part of our financing and liquidity needs will continue to be met through commercial paper borrowings and access to long-term committed credit facilities. If conditions in the lodging industry deteriorate, we may be unable to place some or all of our commercial paper, and may have to rely more on bank borrowings which may carry a higher cost than commercial paper.

Cash and equivalents totaled $113 million at September 12, 2003, a decrease of $85 million from year end 2002, primarily reflecting the repayment of debt, purchase of treasury stock and capital expenditures, offset by proceeds from dispositions.

Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) from continuing operations, net of minority interest in pre-tax loss is a financial measure that is not presented in accordance with accounting principles generally accepted in the United States. We consider EBITDA from continuing operations, net of minority interest in pre-tax loss to be an indicator of operating performance, which can be used to measure our ability to service debt, fund capital expenditures and expand our business. However, EBITDA from continuing operations, net of minority interest in pre-tax loss is not an alternative to net income, financial results, or any other operating measure prescribed by accounting principles generally accepted in the United States.

EBITDA from continuing operations, net of minority interest in pre-tax loss for the twelve weeks ended September 12, 2003 increased by $26 million, or 16 percent, to $189 million; and decreased by $59 million, or 11 percent, to $465 million for the thirty-six weeks then ended.

The reconciliation of income from continuing operations, before minority interest and income taxes to EBITDA from continuing operations, net of minority interest in pre-tax loss is as follows ($ in millions):

	Twelve weeks ended		Thirty-six weeks ended	
	September 12, 2003	September 6, 2002	September 12, 2003	September 6, 2002
Income from continuing operations, before minority interest and income taxes	$ 106	$ 112	$ 263	$ 363
Interest expense	26	19	77	59
Depreciation	30	25	86	76
Amortization	7	7	19	26
Minority interest in pre-tax loss	20	—	20	—
EBITDA from continuing operations, net of minority interest in pre-tax loss	$ 189	$ 163	$ 465	$ 524

Reducing income from continuing operations before minority interest and income taxes are losses associated with our synthetic fuel operations of $3 million and $32 million for the twelve weeks ended September 12, 2003 and September 6, 2002, respectively, and $104 million and $81 million for the thirty-six weeks ended the same period. The Synthetic Fuel operating losses include depreciation expense of $2 million for each of the twelve weeks ended September 12, 2003 and September 6, 2002 and $7 million and $5 million, respectively, for the thirty-six weeks then ended.

Net cash provided by investing activities totaled $293 million for the thirty-six weeks ended September 12, 2003, and consisted primarily of proceeds from the disposition of our senior living management business to Sunrise and the sale of 23 senior living communities and a parcel of land to CNL, proceeds from a loan sale and other loan collections and disposition of three lodging properties, offset by capital expenditures and loan advances.

In 2003, other investing activities outflows of $26 million included $20 million for equity investments and $27 million for investments in long-term contracts and other development, net of other inflows. In 2002, other investing activities outflows of $65 million included $38 million for equity investments and $14 million for investments in long-term contracts and other development.

We have $500 million available for future offerings under “universal shelf” registration statements we have filed with the Securities and Exchange Commission.

We have outstanding approximately $70 million in face amount of our zero-coupon convertible senior notes due 2021, which are known as LYONs. These LYONs which were issued on May 8, 2001, are convertible into approximately 0.9 million shares of our Class A Common Stock, and carry a yield to maturity of 0.75 percent. We may not redeem the LYONs prior to May 8, 2004. We may at the option of the holders be required to purchase the LYONs at their accreted value on May 8 of each of 2004, 2011 and 2016. We may choose to pay the purchase price for redemptions or repurchases in cash and/or shares of our Class A Common Stock. We classify LYONs as long-term debt based on our ability and intent to refinance the obligation with long-term debt if we are required to repurchase the LYONs.

The following table summarizes our contractual obligations ($ in millions):

		Payments Due by Period			
Contractual Obligations	Total	Before January 2, 2004	1-3 years	4-5 years	After 5 years
Debt	$ 1,680	$ 203	$ 577	$ 24	$ 876
Operating Leases					
Recourse	937	30	185	131	591
Non-recourse	500	8	60	88	344
Total Contractual Cash Obligations	$ 3,117	$ 241	$ 822	$ 243	$ 1,811

The following table summarizes our commitments ($ in millions):

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period: Before January 2, 2004	1-3 years	4-5 years	After 5 years
Guarantees	$ 1,282	$ 18	$ 254	$ 338	$ 672
Timeshare note repurchase obligations	22	—	—	—	22
Total	$ 1,304	$ 18	$ 254	$ 338	$ 694

Our guarantees listed above include $316 million for guarantees not yet in effect including: 1) $256 million of commitments which will not be in effect until the underlying hotels are open and we begin to manage the properties; and 2) a $60 million contingent obligation related to our synthetic fuel joint venture that will only be in effect in the event the private letter ruling is not obtained by December 15, 2003 and the purchaser exercises a one-time option to return its ownership interest to us (see “Synthetic Fuel” footnote). Also included in guarantees above are $403 million related to Senior Living Services lease obligations and lifecare bonds. Sunrise is the primary obligor of the leases and a portion of the lifecare bonds and CNL is the primary obligor of the remainder of the lifecare bonds. Prior to the sale of the Senior Living Services business these pre-existing guarantees were guarantees by Marriott International, Inc. of obligations of consolidated Senior Living Services subsidiaries. Also included in the table above are $47 million of guarantees associated with the Sunrise sale transaction.

Our total unfunded loan commitments amounted to $100 million at September 12, 2003. We expect to fund $50 million of commitments by January 2, 2004 and $34 million in one to three years. We do not expect to fund the remaining $16 million of commitments, which expire as follows: $5 million in one to three years; and $11 million after five years.

SHARE REPURCHASES

We purchased 9.1 million shares of our Class A Common Stock during the thirty-six weeks ended September 12, 2003 at an average price of $34.70 per share.

CRITICAL ACCOUNTING POLICIES

Our accounting policies, which comply with principles generally accepted in the United States, require us to apply methodologies, estimates and judgments that have a significant impact on the results we report in our financial statements. In our annual report for the 2002 fiscal year on Form 10-K we have discussed those policies that we believe are critical and require the use of complex judgment in their application. Since the date of that Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions applied under them.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates. We manage our exposure to these risks by monitoring available financing alternatives, through development and application of credit granting policies and by entering into derivative arrangements to meet the objectives described above. We do not engage in such transactions for trading or speculative purposes. We do not foresee any significant changes in our exposure to fluctuations in interest rates or in how such exposure is managed in the future.

Item 4. 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 the Company's 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 Exchange Act), based on the evaluation of these controls and procedures required by Rules 13a-15(b) or 15d-15(b) of the Exchange Act. 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 regarding 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, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective to timely alert them to any material information relating to the Company (including its consolidated subsidiaries) that must be included in our periodic SEC filings.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The legal proceedings and claims described under the heading captioned “Contingencies” in Note 9 of the Notes to Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report are hereby incorporated by reference. From time to time, we are also subject to certain legal proceedings and claims in the ordinary course of business. We currently are not aware of any such legal proceedings or claims that we believe will have, individually or in aggregate, a material adverse effect on our business, financial condition, or operating results.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
10	$500 million Credit Agreement dated as of August 5, 2003, with Citibank, N.A., as Administrative Agent, and certain banks.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32	Section 1350 Certifications.
99	Forward-Looking Statements.

(b) Reports on Form 8-K

On July 3, 2003 we filed a report on Form 8-K discussing the completion of the sale of a portion of our Synthetic Fuel business.

On July 17, 2003 we furnished a report on Form 8-K reporting our financial results for the quarter ended June 20, 2003.

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.

17th day of October, 2003

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

/s/ Michael J. Green

Michael J. Green
Vice President Finance and
Principal Accounting Officer

Exhibit 10

Execution Copy [Conformed Signatures]

U.S. $500,000,000

CREDIT AGREEMENT

dated as of August 5, 2003

among

MARRIOTT INTERNATIONAL, INC.

THE BANKS NAMED HEREIN

CITIBANK, N.A.,
as Administrative Agent,

CITIGROUP GLOBAL MARKETS INC.

and

BANC OF AMERICA SECURITIES LLC,

as Joint Lead Arrangers and Joint Book Managers

BANK OF AMERICA, N.A.,

as Syndication Agent

BARCLAYS BANK PLC,

MORGAN STANLEY BANK

and

THE BANK OF NOVA SCOTIA,

as Documentation Agents

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SCHEDULES

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CREDIT AGREEMENT

CREDIT AGREEMENT (the "Agreement") dated as of August 5, 2003 among MARRIOTT INTERNATIONAL, INC., a Delaware corporation (the "Company"), the banks listed on the signature pages hereof under the heading "Banks" (the "Banks") and the other Lenders (as defined below) party hereto from time to time and CITIBANK, N.A., as administrative agent (in such capacity, the "Administrative Agent") for the Lenders hereunder.

The Company has entered into a Credit Agreement dated as of February 2, 1999 with certain banks and Citibank, N.A., as Administrative Agent, (as amended to the date hereof, the "Existing Credit Agreement"), providing for extensions of credit to the Company and certain of its designated wholly-owned subsidiaries in an aggregate principal amount up to but not exceeding $500,000,000 at any one time outstanding. The Company wishes to refinance the Existing Credit Agreement and, in that connection, has requested that the Banks provide the credit facilities referred to herein. Accordingly, the parties hereto agree that, effective on the Effective Date (as defined below), the parties agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acceptance" means an Assignment and Acceptance.

"Adjusted Total Debt" means, as at any date, the sum for the Company and its Subsidiaries (determined on a Consolidated basis without duplication in accordance with GAAP) of:

(a) the aggregate principal amount of Debt for Borrowed Money of the Company and its Subsidiaries (other than any such Debt for Borrowed Money constituting Non-Recourse Indebtedness) outstanding on such date plus

(b) the excess, if any, of (i) the aggregate of all Guarantees by the Company and its Subsidiaries of Debt for Borrowed Money of others as of such date over (ii) $400,000,000.

"Administrative Agent" has the meaning specified in the recital of parties to this Agreement.

"Administrative Agent's Account" means, in respect of any Currency, such account as the Administrative Agent shall designate in a notice to the Company and the Lenders.

"Affected Person" has the meaning specified in Sections 2.11(j), 3.04(d), 3.05 and 3.07(a).

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or, unless the reference is to an Affiliate of a Lender, is a Marriott Family Member or is a partner, member, director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agents" means, collectively, the Administrative Agent and the Syndication Agent.

"Alternate Currency" means, at any time, any currency other than Dollars, provided that, at such time, (i) such Currency is dealt with in the London interbank deposit market, or, in the case of Pounds Sterling, the Paris interbank market, or, in the case of Euros borrowed in connection with EURIBOR Loans, the European interbank deposit market, (ii) such Currency is freely transferable and convertible into Dollars in the London foreign exchange market or, in the case of Euros, the European interbank deposit market, and (iii) no central bank or other governmental authorization in the country of issue of such currency (including, in the case of Euros borrowed in connection with EURIBOR Loans, any authorization by the European Central Bank) is required to permit use of such Currency by any Lender for making any Loan and/or to permit the relevant Borrower to borrow and repay the principal thereof and to pay the interest thereon (unless such authorization has been obtained and is in full force and effect).

"Applicable Lending Office" means, with respect to each Lender, and for each Type and Currency of Loan, such Lender's Domestic Lending Office in the case of a Base Rate Loan and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Loan and, in the case of a Competitive Bid Loan, the office of such Lender notified by such Lender to the Administrative Agent as its Applicable Lending Office with respect to such Competitive Bid Loan, or in any case such other office of such Lender or of an Affiliate of such Lender as such Lender may from time to time specify to the Administrative Agent and the Company.

"Applicable Margin" means, as of any date, the applicable margin set forth under the Eurocurrency Rate column set forth below, based upon the Public Debt Rating in effect on such date:

Public Debt Rating S&P/Moody's	Eurocurrency Rate
Level 1 A/A2 or higher	0.215%

Public Debt Rating S&P/Moody's	Eurocurrency Rate
Level 2 A-/A3	0.295%
Level 3 BBB+/Baa1	0.375%
Level 4 BBB/Baa2	0.475%
Level 5 BBB-/Baa3	0.675%
Level 6 Lower than Level 5	0.900%

"Applicable Percentage" means, as of any date, the applicable percentage set forth below under the Facility Fee column or, as applicable, the Utilization Fee column based upon the Public Debt Rating in effect on such date:

Public Debt Rating S&P/Moody's	Facility Fee	Utilization Fee
Level 1 A/A2 or higher	0.085%	0.125%
Level 2 A-/A3	0.105%	0.125%
Level 3 BBB+/Baa1	0.125%	0.125%
Level 4 BBB/Baa2	0.150%	0.125%
Level 5 BBB-/Baa3	0.200%	0.125%
Level 6 Lower than Level 5	0.300%	0.300%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in accordance with Section 9.07 and in substantially the form of Exhibit C-1 hereto.

"Avendra" means Avendra LLC, an independent professional procurement services company formed in 2001 by the Company, Hyatt Hotels Corporation, Bass Hotels and Resorts, Inc., ClubCorp USA Inc., and Fairmont Hotels and Resorts, Inc. which serves the North American hospitality market and selected industries, and its Subsidiaries.

"Banks" has the meaning specified in the recital of parties to this Agreement.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as its "base rate";

(b) the sum (adjusted to the nearest 1/4 of one percent, or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent) of (i) 1/2 of one percent per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 365/366 days) being determined weekly on each Monday (or, if any such date is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates for determining the then current annual assessment payable by Citibank to the FDIC for insuring U.S. dollar deposits in the United States; and

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Loan" means a Loan which bears interest as provided in Section 2.07(a)(i).

"Bondable Lease Obligation" of any Person means the obligation of such Person as tenant under an operating lease, upon the occurrence of a significant underinsured casualty, an under-compensated governmental taking or the practical inability to operate the premises for an extended period of time due to force majeure or loss of a material permit, to make a payment to the landlord (or to make an irrevocable offer to purchase the landlord's fee interest to avoid

termination of such lease) in an amount that is calculated with reference to the landlord's leasehold indebtedness.

"Borrowers" means, at any time, collectively, the Company (both as a Borrower and as guarantor under Article X of Loans made to the Designated Borrowers) and each Designated Borrower.

"Borrowing" means a Revolving Loan Borrowing, a Swing Loan Borrowing or a Competitive Bid Loan Borrowing.

"Business Day" means (a) a day of the year on which commercial banks are not required or authorized to close in New York City, (b) if the applicable Business Day relates to any Eurocurrency Rate Loans (other than EURIBOR Loans denominated in Euros), on which dealings are carried on in the London (and, in the case of Pounds Sterling, Paris) interbank market, and, if such day relates to a Borrowing of, a payment or prepayment of principal of or interest on, or an Interest Period for, any Loan denominated in an Alternate Currency (other than Euros borrowed in connection with EURIBOR Loans), or a notice with respect to any such Borrowing, payment, prepayment or Interest Period, also on which foreign exchange trading is carried out in the London interbank market (and, in the case of Pounds Sterling, Paris) interbank market and on which banks are open in the place of payment in the country in whose Currency such Loan is denominated, and (c) if the applicable Business Day relates to any EURIBOR Loans denominated in Euros and relates to a Borrowing of, a payment or prepayment of principal of or interest on, or an Interest Period for, any EURIBOR Loan denominated in Euros, or a notice with respect to any such Borrowing, payment, prepayment or Interest Period, a Target Operating Day.

"Change of Control" means:

(i) any Person or two or more Persons acting in concert (other than a Significant Shareholder or group of Significant Shareholders) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Company (or other securities convertible into such Voting Stock) representing not less than 30% of the combined voting power of all Voting Stock of the Company; or

(ii) during any period of up to 24 consecutive months, commencing on the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Company (together with any new director whose election by the board of directors or whose nomination for election by the stockholders of the Company was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) shall cease for any reason (other than solely as a result of (a) death or disability or (b) voluntary retirement of any individual in the ordinary course and not for reasons related to an actual or proposed change in control of the Company) to constitute a majority of the board of directors of the Company; or

(iii) any Person or two or more Persons acting in concert (other than a Significant Shareholder or group of Significant Shareholders) shall have acquired the power to exercise, directly or indirectly, effective control for any purpose over Voting Stock of the Company (or other securities convertible into such securities) representing not less than 30% of the combined voting power of all Voting Stock of the Company.

"Citibank" means Citibank, N.A. and its successors.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"COLI Debt" means all Indebtedness of the Company or any of its Subsidiaries to the insurance company issuing the COLI Policies, if and for so long as:

(a) the aggregate principal amount of such Indebtedness is equal to or less than the aggregate account value of all COLI Policies at the time such Indebtedness is incurred by the Company and such Subsidiaries and at all times thereafter; and

(b) the documentation with respect to such Indebtedness limits the recourse of the insurance company issuing the COLI Policies, as lender, against the Company and such Subsidiaries for the payment of such Indebtedness directly to the ownership interest of the Company and its Subsidiaries in the COLI Policies.

"COLI Policies" means all corporate-owned life insurance policies purchased and maintained by the Company or any of its Subsidiaries to insure the lives of certain employees of the Company and its Subsidiaries.

"Commitment" means, as to any Lender, (i) the Dollar amount set forth opposite its name on the signature pages hereof or (ii) if such Lender has entered into one or more Acceptances, the amount set forth for such Lender in the Register, in each case as the same may be reduced as expressly provided herein (including, without limitation, pursuant to Sections 2.05 and 3.07).

"Communications Agreement" means the Communications Agreement between the Company and the Administrative Agent relating to this Agreement in substantially the form of Exhibit I hereto.

"Company" has the meaning specified in the recital of parties to this Agreement.

"Competitive Bid Loan" means a loan by a Lender to a Borrower as part of a Competitive Bid Loan Borrowing resulting from the auction bidding procedure described in Section 3.02.

"Competitive Bid Loan Borrowing" means a Borrowing by a Borrower from each of the Lenders whose offer to make one or more Competitive Bid Loans as part of such

borrowing has been accepted by the Company under the auction bidding procedure described in Section 3.02.

"Competitive Bid Loan Note" means a promissory note of a Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Loan made by such Lender.

"Competitive Bid Loan Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means information that the Company or any of its Subsidiaries or Affiliates furnishes to the Administrative Agent or any Lender on a confidential basis by informing the recipient that such information is confidential or marking such information as such, but does not include any such information that (i) is or becomes generally available to the public or (ii) is or becomes available to such Person or Persons from a source other than the Company or any of its Subsidiaries or Affiliates, unless such Person has actual knowledge that (a) such source is bound by a confidentiality agreement or (b) such information has been previously furnished to such Person on a confidential basis.

"Consolidated" refers to the consolidation of accounts of the Company and its Subsidiaries in accordance with GAAP.

"Conversion", "Convert" and "Converted" each refer to a conversion of Revolving Loans of one Type into Revolving Loans of the other Type pursuant to Section 2.13.

"Currency" means Dollars or any Alternate Currency.

"Current Aggregate Commitment" means, at any time, the aggregate amount of the Commitments as then in effect (computed without regard to any Competitive Bid Loan Reduction or any Swing Loan Reduction).

"Debt for Borrowed Money" of any Person means:

(i) all indebtedness of such Person for borrowed money;

(ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) all obligations of such Person to pay the deferred purchase price of property or services (other than trade payables and accruals incurred in the ordinary course of such Person's business);

(iv) all obligations of such Person as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases; and

(v) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities to the extent that such obligations support an obligation described in clauses (i) through (iv) above.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Borrower" means any Wholly-Owned Subsidiary of the Company, as to which a Designation Letter has been delivered to the Administrative Agent and as to which a Termination Letter has not been delivered to the Administrative Agent in accordance with Section 2.14.

"Designation Letter" has the meaning specified in Section 2.14(a).

"Dollar Equivalent" means, with respect to any principal of or interest on any Loan denominated in an Alternate Currency, the amount of Dollars that would be required to purchase the amount of the Alternate Currency of such principal or interest on the date such Loan is requested (or (x) as otherwise provided in Section 2.06(e), (y) in the case of any Competitive Bid Loan, the date of the related Notice of Competitive Bid Loan Borrowing, and (z) in the case of any redenomination under Section 2.10(e), on the date of such redenomination), based upon the arithmetic mean (rounded upwards, if necessary, to the nearest 1/100 of 1%), as determined by the Administrative Agent, of the spot selling rate at which the Reference Banks offer to sell such Alternate Currency for Dollars in (i) in the case of LIBOR Loans, the London foreign exchange market at approximately 11:00 A.M. London time or (ii) in the case of EURIBOR Loans, the London foreign exchange market at approximately 10:00 A.M. London time or, at the request of the Borrower, 11:00 A.M., Brussels time, in each case for delivery two Business Days thereafter.

"Dollars" and "$" mean lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Administrative Agent.

"EBITDA" means, for any period, net income (or net loss) plus the sum of (a) Interest Expense, (b) income tax expense, (c) depreciation expense, (d) amortization expense and (e) non-recurring non-cash charges (including the cumulative effect of accounting changes), in each case determined in accordance with GAAP for such period.

"Effective Date" has the meaning set forth in Section 4.01.

"Eligible Assignee" means:

(i) a Lender and any Affiliate of such Lender;

(ii) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of $1,000,000,000;

(iii) a savings bank organized under the laws of the United States, or any State thereof, and having total assets in excess of $500,000,000;

(iv) a commercial bank organized under the laws of any other country which is a member of the OECD or a political subdivision of any such country, and having total assets in excess of $1,000,000,000; and

(v) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) which is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, and having total assets in excess of $150,000,000.

"Environmental Law" means any federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, determination or award relating to the environment, health, safety or hazardous materials, including, without limitation, CERCLA, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean Water Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Occupational Safety and Health Act.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person who for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414(b) or 414(c) of the Code.

"ERISA Event" means, with respect to any Person, (a) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan of such Person or any of its ERISA Affiliates unless the 30-day notice requirement with respect to such event has been waived by the PBGC; (b) the provision by the administrator of any Plan of such Person or any of its ERISA Affiliates of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA with respect to a termination described in Section 4041(c)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (c) the cessation of operations at a facility of such Person or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (d) the withdrawal by such Person or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (e) the failure by such Person or any members of its controlled group (within the meaning of Section 302(f)(6)(B) of ERISA) to make a payment to a Plan required under Section 302(f)(1)(A) and (B) of ERISA; (f) the adoption of an amendment to a Plan of such Person or any of its ERISA Affiliates requiring the provision of security to such Plan, pursuant to Section

307 of ERISA; or (g) the institution by the PBGC of proceedings to terminate a Plan of such Person or any of its ERISA Affiliates, pursuant to Section 4042 of ERISA.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"EMU Legislation" means legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU.

"Euros" means the single currency of Participating Member States of the European Union, which shall be an Alternate Currency under this Agreement.

"EURIBOR Loan" means any Eurocurrency Rate Loan which is denominated in Euros and bears interest at a rate determined in accordance with clause (b) of the definition of Eurocurrency Rate in this Section 1.01.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Administrative Agent.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Rate" means:

(a) for any Interest Period for each LIBOR Loan in any Currency comprising part of the same Revolving Loan Borrowing, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one percent) appearing on the Screen for such Currency as the London Interbank Offered Rate for deposits in such Currency at approximately 11:00 A.M. London time (or as soon thereafter as practicable) two Business Days prior to the first day of the Interest Period for such Loan; provided that if such rate does not appear on such Screen (or, if such Screen shall cease to be publicly available or if the information contained on such Screen, in the Administrative Agent's reasonable judgment, shall cease accurately to reflect such London Interbank Offered Rate, as reported by any publicly available source of similar market data selected by the Administrative Agent that, in the Administrative Agent's reasonable judgment, accurately reflects such London Interbank Offered Rate), the "Eurocurrency Rate" for such Interest Period for such LIBOR Loan in such Currency shall be the arithmetic average (rounded to the nearest 1/100 of one percent) of the rates per annum at which deposits in such Currency are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London (or, in the case of Pounds Sterling, Paris) interbank market at approximately 11:00 A.M. (London time) two Business Days before the first day of the Interest Period for such Loan in an amount

substantially equal to such Reference Bank's LIBOR Loan comprising part of such Revolving Loan Borrowing to be outstanding during such Interest Period; and

(b) for any Interest Period for each EURIBOR Loan in Euros comprising part of the same Revolving Loan Borrowing, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one percent) appearing on the Screen for Euros as the interbank offered rates for deposits in Euros within the member states of the European Union which are Participating Member States at approximately 10:00 A.M. London time or, at the request of the Borrower, 11:00 A.M. Brussels time (or as soon thereafter as practicable), in each case, two Business Days prior to the first day of the Interest Period for such EURIBOR Loan; provided that if such rate does not appear on such Screen (or, if such Screen shall cease to be publicly available or if the information contained on such Screen, in the Administrative Agent's reasonable judgment, shall cease accurately to reflect such interbank offered rates for deposits in Euros within the member states of the European Union which are Participating Member States, as reported by any publicly available source of similar market data selected by the Administrative Agent that, in the Administrative Agent's reasonable judgment, accurately reflects such interbank offered rates for deposits in Euros within the member states of the European Union which are Participating Member States), the "Eurocurrency Rate" for such Interest Period for such EURIBOR Loan shall be the arithmetic average (rounded to the nearest 1/100 of one percent) of the rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in (i) London, England to prime banks in the London interbank market at approximately 10:00 A.M. (London time), or (ii) at the request of the Borrower, Brussels to prime banks in the interbank market within member state of the European Union which are Participating Member States at approximately 11:00 A.M. (Brussels time), in each case, two Business Days before the first day of the Interest Period for such EURIBOR Loan in an amount substantially equal to such Reference Bank's EURIBOR Loan comprising part of such Revolving Loan Borrowing to be outstanding during such Interest Period.

The Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Loan comprising part of the same Revolving Loan Borrowing shall be determined by the Administrative Agent on the basis of the applicable Screen or the applicable rates furnished to and received by the Administrative Agent from the Reference Banks, as the case may be, two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Loan" means a Loan which bears interest as provided in Section 2.07(a)(ii).

"Eurocurrency Rate Reserve Percentage" of any Lender for any Interest Period for any Eurocurrency Rate Loan means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal

Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 7.01.

"Excluded Representations" means the representations and warranties set forth in (i) the last sentence of Section 5.01(b) (to the extent the representations and warranties set forth in such sentence relate to matters other than the Loan Documents), (ii) the last sentence of Section 5.01(e) and (iii) Sections 5.01(g), 5.01(h), 5.01(i) and 5.01(j).

"Existing Credit Agreement" has the meaning specified in the introduction hereto.

"FDIC" means the Federal Deposit Insurance Corporation or any successor.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Final Termination Date" means, at any time, the latest occurring Termination Date in effect at such time.

"Foreclosure Guarantee" means any guarantee of secured Indebtedness the obligations under which guarantee are limited to providing that following foreclosure (or sale in lieu thereof) on all such security the guarantor will pay the holder of such Indebtedness the amount (if any) by which the aggregate proceeds received by such holder from such foreclosure or sale fall short of a specified amount, provided that such specified amount does not exceed 25% of the original principal amount of such secured Indebtedness.

"Foreign Currency Equivalent" means, with respect to any amount in Dollars, the amount of an Alternate Currency that could be purchased with such amount of Dollars using the reciprocal of foreign exchange rate(s) specified in the definition of the term "Dollar Equivalent", as determined by the Administrative Agent.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, except that, with respect to the determination of compliance by the Company with the covenant set forth in Section 6.01(j), "GAAP" shall mean such principles in the United States of America as in effect as of the date of, and used in, the preparation of the audited financial statements of the Company referred to in Section 5.01(e).

"Granting Bank" has the meaning specified in Section 9.07(a).

"Guarantee" of any Person means (a) any obligation, contingent or otherwise, directly or indirectly guaranteeing any Debt for Borrowed Money of any other Person and (b) any other arrangement having the economic effect of a Guarantee and the principal purpose of which is to assure a creditor against loss in respect of Debt for Borrowed Money, in each case other than (i) the endorsement for collection or deposit in the ordinary course of business, (ii) any Foreclosure Guarantee and (iii) any Bondable Lease Obligation. The amount of any Guarantee (other than for purposes of determining the Company's obligations under Article X) shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made, and (b) the maximum amount for which such Person may be liable pursuant to the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such Person's maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

"Guaranteed Obligations" has the meaning specified in Section 10.01.

"Indebtedness" of any Person means (i) all Debt for Borrowed Money of such Person, (ii) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person and (iii) all Guarantees of such Person.

"Indemnified Party" has the meaning specified in Section 9.04(b).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Expense" means, for any period, gross interest expense plus capitalized interest for such period, in each case determined in accordance with GAAP.

"Interest Period" means: (a) with respect to each Eurocurrency Rate Loan, the period commencing on the date of such Eurocurrency Rate Loan and ending on the numerically corresponding day in the first, second, third or sixth (or, if requested by the Company and acceptable to each of the Lenders, ninth or twelfth) calendar month thereafter, as the Company (on its own behalf and on behalf of any other Borrower) may, upon notice received by the Administrative Agent not later than 12:00 noon (New York City time) on the third Business Day prior to the first day of such Interest Period, select;

(b) with respect to each Base Rate Loan, the period commencing on the date of such Base Rate Loan and ending on the first Quarterly Date thereafter; and

(c) with respect to each Competitive Bid Loan, the period commencing on the date of such Competitive Bid Loan and ending on the maturity date thereof determined in accordance with Section 2.02(c);

provided that:

(i) the Company may not select any Interest Period that ends after the Final Termination Date;

(ii) Interest Periods commencing on the same date for Revolving Loans comprising part of the same Revolving Loan Borrowing shall be of the same duration; and

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided in the case of any Interest Period for a Eurocurrency Rate Loan, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"Lenders" means the Banks listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 9.07.

"Leverage Ratio" means, as at the last day of any fiscal quarter of the Company ending on or after the date hereof, the ratio of:

(a) Adjusted Total Debt as of such day, to

(b) Consolidated EBITDA for the period of four fiscal quarters ending on such day; provided that amounts reflected on the consolidated statements of income and cash flows of the Company and its Subsidiaries that are directly attributable to the acquisition, pre-commencement and operation of Synthetic Fuel Facilities shall be excluded from the calculation of Consolidated EBITDA for purposes of determining the Leverage Ratio; and provided further that "Synthetic Fuel Facility" means any interest of the Company and its Subsidiaries in a facility which produces synthetic fuel that qualifies for tax credits based on Section 29 of the Code.

"LIBOR Loan" means any Eurocurrency Rate Loan which is denominated in any Currency and bears interest at a rate determined in accordance with clause (a) of the definition of Eurocurrency Rate in this Section 1.01.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement having the practical effect of any of the foregoing, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loans" means all Revolving Loans, all Swing Loans and all Competitive Bid Loans.

"Loan Documents" means this Agreement, the Notes, each Designation Letter, each Termination Letter and the Communications Agreement.

"Local Time" means, with respect to any Loan denominated, or any payment to be made, in Dollars, New York City time, and with respect to any Loan denominated, or any payment to be made, in an Alternate Currency, the local time in the Principal Financial Center for such Currency.

"Mandatory Costs" means, with respect to any Lender, the percentage rate per annum calculated by the Administrative Agent in accordance with Schedule III.

"Margin Regulations" means, collectively, Regulations T, U and X, as from time to time in effect, and any regulation replacing the same, of the Board of Governors of the Federal Reserve System, or any successor thereto.

"Marriott Family Member" means Alice Marriott, J.W. Marriott, Jr., Richard E. Marriott, any brother or sister of J.W. Marriott, Sr., any children or grandchildren of any of the foregoing, any spouses of any of the foregoing, or any trust or other entity established primarily for the benefit of one or more of the foregoing.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations or properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations or properties of the Company and its Subsidiaries taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under the Loan Documents or (c) the ability of the Company to perform its obligations under the Loan Documents.

"Material Subsidiary" means, at any time, a Subsidiary of the Company having (i) at least 10% of the total Consolidated assets of the Company and its Subsidiaries (determined as of the last day of the most recent fiscal quarter of the Company) or (ii) at least 10% of the Consolidated revenues of the Company and its Subsidiaries for the fiscal year of the Company then most recently ended.

"MICC" means Marriott International Capital Corporation, a Delaware corporation.

"Moody's" means Moody's Investors Service, Inc., or any successor by merger or consolidation to its business.

"Multiemployer Plan" of any Person means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, and which is a defined benefit plan, to which such Person or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and at least one Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4064 or Section 4069 of ERISA in the event such plan has been or were to be terminated.

"MVCI" means Marriott Ownership Resorts, Inc. (d/b/a Marriott Vacation Club International).

"Non-Recourse Indebtedness" means any Indebtedness of the Company or any of its Subsidiaries if, and so long as, such Indebtedness meets the requirements of clause (i), clause (ii), clause (iii) or clause (iv) below:

(i) Such Indebtedness is secured solely by Purchase Money Liens and:

(a) the instruments governing such Indebtedness limit the recourse (whether direct or indirect) of the holders thereof against the Company and its Subsidiaries for the payment of such Indebtedness to the property securing such Indebtedness (with customary exceptions, including, without limitation, recourse for fraud, waste, misapplication of insurance or condemnation proceeds, and environmental liabilities); provided that any partial Guarantee by, or any other limited recourse for payment of such Indebtedness against, the Company or its Subsidiaries which is not expressly excluded from the definition of "Guarantee" in this Section 1.01 shall, to the extent thereof, constitute a Guarantee for purposes of the calculation of Adjusted Total Debt but shall not prevent the non-guaranteed and non-recourse portion of such Indebtedness from constituting Non-Recourse Indebtedness; and

(b) if such Indebtedness is incurred after the date hereof by the Company or a Subsidiary of the Company which is organized under the laws of the United States or any of its political subdivisions, either:

(x) (1) the holders of such Indebtedness shall have irrevocably agreed that in the event of any bankruptcy, insolvency or other similar proceeding with respect to the obligor of such Indebtedness, such holders will elect (pursuant to Section 1111(b) of the Federal Bankruptcy Code or otherwise) to be treated as fully secured by, and as having no recourse against such obligor or any property of such obligor other than, the property securing such Indebtedness, and (2) if, notwithstanding any election pursuant to clause (1) above, such holders shall have or shall obtain recourse against such obligor or any property of such obligor other than the property securing such Indebtedness, such recourse shall be subordinated to the payment in full in cash of the obligations owing to the Lenders and the Administrative Agent hereunder and under the Notes; or

(y) the property securing such Indebtedness is not material to the business, condition (financial or otherwise), operations or properties of the Company and its Subsidiaries, taken as a whole, as determined at the time such Indebtedness is incurred;

(ii) (a) The sole obligor of such Indebtedness (such obligor, a "Specified Entity") is a corporation or other entity formed solely for the purpose of owning (or owning and operating) property which is (or may be) subject to one or more Purchase Money Liens, (b) such Specified Entity owns no other material property, (c) the sole collateral security provided by the Company and its Subsidiaries with respect to such Indebtedness (if any) consists of property owned by such Specified Entity and/or the capital stock of (or equivalent ownership interests in) such Specified Entity (provided that any partial Guarantee by, or any other limited recourse for payment of such Indebtedness against, the Company or its Subsidiaries which is not expressly excluded from the definition of "Guarantee" in this Section 1.01 shall, to the extent thereof, constitute a Guarantee for purposes of the calculation of Adjusted Total Debt but shall not prevent the non-guaranteed and non-recourse portion of such Indebtedness from constituting Non-Recourse Indebtedness), and (d) such Specified Entity conducts its business and operations separately from that of the Company and its other Subsidiaries;

(iii) Such Indebtedness is COLI Debt; or

(iv) Such Indebtedness is non-recourse Indebtedness in an aggregate principal amount not exceeding $53,782,000 owing by Essex House Condominium Corporation (a Subsidiary of the Company), as Owner Participant under the Trust Indenture and Security Agreement (Delta 1993-6) dated as of June 1, 1993 with NationsBank of Georgia, N.A., as indenture trustee, which Indebtedness is secured by a Boeing 767 aircraft leased to Delta Airlines and by an assignment of such lease.

"Note" means a Revolving Loan Note or a Competitive Bid Loan Note.

"Notice of Competitive Bid Loan Borrowing" has the meaning specified in Section 3.02(a).

"Notice of Revolving Loan Borrowing" has the meaning specified in Section 3.01(a).

"Notice of Swing Loan Borrowing" has the meaning specified in Section 3.03(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Operating Agreement" means an agreement between the Company or one of its Subsidiaries and the owner of a lodging or senior living facility pursuant to which the Company or such Subsidiary operates such lodging or senior living facility.

"Other Taxes" has the meaning specified in Section 2.11(b).

"Participating Member State" means each state so described in any EMU Legislation.

"Participation Agreement" means a loan participation agreement in substantially the form of Exhibit C-2 hereto.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor.

"Permitted Liens" means any of the following:

(a) Liens for taxes, assessments and governmental charges or levies which are not yet due or are payable without penalty or of which the amount, applicability or validity is being contested by the Company or the Subsidiary whose property is subject thereto in good faith by appropriate proceedings as to which adequate reserves are being maintained;

(b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested or defended in good faith by appropriate proceedings, or which are suspended or released by the filing of lien bonds, or deposits to obtain the release of such Liens;

(c) pledges, deposits and other Liens made in the ordinary course of business to secure obligations under worker's compensation laws, unemployment insurance, social security legislation or similar legislation or to secure public or statutory obligations;

(d) Liens to secure the performance of bids, tenders, contracts, leases or statutory obligations, or Liens to secure obligations under the Self-Insurance Program, or to secure surety, stay or appeal or other similar types of deposits, Liens or pledges (to the extent such Liens do not secure obligations for the payment of Debt for Borrowed Money);

(e) attachment or judgment Liens to the extent such Liens are being contested in good faith and by proper proceedings, as to which adequate reserves are being maintained (provided that any such Liens as to which enforcement has been commenced and is unstayed, by reason of pending appeal or otherwise, for a period of more than thirty consecutive days, do not, in the aggregate, secure judgments in excess of $25,000,000);

(f) Liens on any property of any Subsidiary of the Company to secure Indebtedness owing by it to the Company or another Subsidiary of the Company;

(g) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes;

(h) Liens arising in connection with operating leases incurred in the ordinary course of business of the Company and its Subsidiaries;

(i) Liens created in connection with the L/C Cash Collateral Account, as defined in the $1,500,000,000 Credit Agreement dated as of July 31, 2001, among the Company, Citibank, N.A., in its capacity as Administrative Agent, The Bank of Nova Scotia, in its capacity as Letter of Credit Agent, and certain Lenders parties thereto, as from time to time amended; or any similar cash collateral account arrangement in relation to letters of credit under any credit agreement that replaces said Credit Agreement;

(j) (i) subordination of any Operating Agreement to any ground lease and/or any mortgage debt of the owner or landlord, and (ii) any agreement by the Company or any of its Subsidiaries as operator to attorn to the holder of such mortgage debt, the lessor under such ground lease or any successor to either; and

(k) additional Liens upon cash and investment securities; provided that (i) the only obligations secured by such Liens are obligations arising under Swap Transactions entered into with one or more counterparties who are not Affiliates of the Company or any of its Subsidiaries and (ii) the aggregate fair market value of cash and investment securities covered by such Liens does not at any time exceed the aggregate amount of the respective termination or liquidation payments that would be payable to such counterparties upon the occurrence of an event of default or other similar event as to which the Company or any of its Subsidiaries is the defaulting or affected party (subject to the application of any customary and reasonable collateral valuation discount percentages and minimum collateral transfer thresholds and timing provisions contained in the respective security and margin agreements).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, limited liability company, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pounds Sterling" means the lawful money of England.

"Principal Financial Center" means, in the case of any Currency, the principal financial center of the country of issue of such Currency, as determined by the Administrative Agent.

"property" or "properties" means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Public Debt Rating" means, as of any date, the lowest rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of long-term senior unsecured, non-credit enhanced debt issued by the Company. For purposes of the foregoing:

(a) if no Public Debt Rating shall be available from either S&P or Moody's, the Applicable Margin and the Applicable Percentage will be set in accordance with Level 6 under the definition of "Applicable Margin" or "Applicable Percentage", as the case may be;

(b) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin and the Applicable Percentage shall be determined by reference to the available rating;

(c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin and the Applicable Percentage shall be based upon the higher rating, provided that if the lower rating falls more than one level below the higher rating (or in any event if the higher split rating is Level 5), then the Applicable Margin and the Applicable Percentage shall be based on the rating set forth in the level under the definition of "Applicable Margin" or "Applicable Percentage" immediately above the level for such lower rating; and

(d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change.

"Purchase Money Lien" means any Lien on property, real or personal, acquired or constructed by the Company or any Subsidiary of the Company after December 30, 1994:

(i) to secure the purchase price of such property;

(ii) that was existing on such property at the time of acquisition thereof by the Company or such Subsidiary and assumed in connection with such acquisition;

(iii) to secure Indebtedness otherwise incurred to finance the acquisition or construction of such property (including, without limitation, Indebtedness incurred to finance the cost of acquisition or construction of such property within 24 months after such acquisition or the completion of such construction); or

(iv) to secure any Indebtedness incurred in connection with any extension, refunding or refinancing of Indebtedness (whether or not secured and including Indebtedness under this Agreement) incurred, maintained or assumed in connection with, or otherwise related to, the acquisition or construction of such property;

provided in each case that (1) such Liens do not extend to or cover or otherwise encumber any property other than property acquired or constructed by the Company and its Subsidiaries after December 30, 1994, and (2) such Liens do not cover current assets of the Company or any of its Subsidiaries other than current assets that relate solely to other property subject to such Lien.

"Quarterly Dates" means the last Business Day of each March, June, September and December, commencing on the first such date to occur after the Effective Date.

"Reference Banks" means Citibank, Bank of America, N.A. and The Bank of Nova Scotia.

"Register" has the meaning specified in Section 9.07(c).

"Required Lenders" means Lenders having at least 51% of the aggregate amount of the Commitments or, if the Commitments shall have terminated, Lenders holding at least 51% of the aggregate unpaid principal amount of the Loans (provided that, for purposes hereof, neither any Borrower, nor any of its Affiliates, if a Lender, shall be included in (i) the Lenders holding such amount of the Loans or having such amount of the Commitments or (ii) determining the aggregate unpaid principal amount of the Loans or the total Commitments).

"Revolving Loan" means a Loan by a Lender to a Borrower as part of a Revolving Loan Borrowing and refers to a Base Rate Loan or a Eurocurrency Rate Loan, each of which shall be a "Type" of Revolving Loan.

"Revolving Loan Borrowing" means a borrowing consisting of simultaneous Revolving Loans of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Loan Note" means a promissory note of a Borrower payable to the order of any Lender, in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Loans made by such Lender to such Borrower.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor by merger or consolidation to its business.

"Screen" means:

(i) in relation to LIBOR, Page 3750 of the Telerate Service of Bridge Information Services (or any successor or substitute page, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for the purposes of providing quotations of interest rates applicable to such Currency in the London interbank market); and

(ii) in relation to EURIBOR, Page 248 of the Telerate Service of Bridge Information Services (or any successor or substitute page, or any successor to or

substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for the purposes of providing quotations of interest rates applicable to Euros within the member states of the European Union which are Participating Member States).

"Self-Insurance Program" means the self-insurance program (including related self-funded insurance programs) established and maintained by the Company in the ordinary course of its business.

"Significant Shareholder" means any Person that:

(i) is either a Marriott Family Member or on the date hereof possesses, directly or indirectly, and such possession has been publicly disclosed, the power to vote 5% or more of the outstanding shares of common stock of the Company,

(ii) is or hereafter becomes a spouse of or any other relative (by blood, marriage or adoption) of a Person described in clause (i),

(iii) is or becomes a transferee of the interests of any of the foregoing Person or Persons by descent or by trust or similar arrangement intended as a method of descent, or

(iv) is (x) an employee benefit or stock ownership plan of the Company or (y) a grantor trust established for the funding, directly or indirectly, of the Company's employee benefit plans and programs.

"Single Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and no Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SLS Entity" means any of Marriott Senior Living Services, Inc. and Marriott Senior Living Services Investment 10, Inc. and each other Subsidiary of the Company that owns or operates a senior living services facility.

"SPC" has the meaning specified in Section 9.07(a).

"Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or estate of which more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, limited liability company or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; provided that so long as accounts of Avendra are not

Consolidated, Avendra will not be treated as a Subsidiary of the Borrower or a Subsidiary of any Subsidiary of the Borrower for purposes of this Agreement.

"Swap Transaction" means (a) any rate, basis, commodity, currency, debt or equity swap, (b) any cap, collar or floor agreement, (c) any rate, basis, commodity, currency, debt or equity exchange or forward agreement, (d) any rate, basis, commodity, currency, debt or equity option, (e) any other similar agreement, (f) any option to enter into any of the foregoing, (g) any investment management, master or other agreement providing for any of the foregoing and (h) any combination of any of the foregoing.

"Swing Loan" means a Loan made by (a) the Swing Loan Bank pursuant to Section 3.03 or (b) any Lender pursuant to Section 3.03.

"Swing Loan Bank" means Mellon Bank, N.A. or such other Lender as shall, with the consent of the Swing Loan Bank, the Administrative Agent and the Company, have assumed all or any portion of the obligations of the Swing Loan Bank to make Swing Loans.

"Swing Loan Borrowing" means a borrowing consisting of a Swing Loan made by a Swing Loan Bank.

"Swing Loan Facility" means an aggregate amount not to exceed $25,000,000 at any time outstanding.

"Swing Loan Reduction" has the meaning specified in Section 2.01.

"Target Operating Day" means any day that is not (i) a Saturday or Sunday, (ii) Christmas Day or New Year's Day or (iii) any other day on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (or any successor settlement system) is not scheduled to operate (as determined by the Administrative Agent).

"Taxes" has the meaning specified in Section 2.11(a).

"Termination Date" of any Lender means the date three (3) years after the Effective Date (as the same may be changed pursuant to Section 9.07(a)(vi)) or, if earlier, the date of termination in whole of the Commitments pursuant to the second sentence of Section 2.05 or pursuant to Section 7.01.

"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

"Type" has the meaning specified in the definition of "Revolving Loan".

"Unused Commitments" means, at any time, the aggregate amount of the Commitments then unused and outstanding after giving effect to the Competitive Bid Loan Reduction and the Swing Loan Reduction.

"Voting Stock" means capital stock issued by a corporation or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right to so vote has been suspended by the happening of such contingency.

"Welfare Plan" means a welfare plan, as defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" of any Person means any Subsidiary of such Person 100% of the Voting Stock of which (other than directors' qualifying shares or other shares held to satisfy legal or regulatory requirements) are directly or indirectly owned by such Person, or by one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

"Withdrawal Liability" has the meaning specified in Part 1 of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II

AMOUNTS AND TERMS OF THE LOANS

SECTION 2.01. The Revolving Loans.

(a) Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Loans to the Company and any Designated Borrower in Dollars or (in the case of any Eurocurrency Rate Loan only) in any Alternate Currency from time to time on any Business Day during the period from the Effective Date until the Termination Date of such Lender in an aggregate amount as to all Borrowers not to exceed at any time outstanding the amount of such Lender's Commitment; provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of (i) the aggregate amount of Competitive Bid Loans then outstanding and (ii) the aggregate amount of Swing Loans then outstanding, and such deemed uses of the aggregate amount of the Commitments shall be applied to the Lenders ratably according to their respective Commitments as in effect from time to time (such deemed uses of the aggregate amount of the Commitments with respect to (a)

Competitive Bid Loans being a "Competitive Bid Loan Reduction" and (b) Swing Loans being a "Swing Loan Reduction").

(b) Each Revolving Loan Borrowing shall be in an aggregate amount not less than $10,000,000 or, in the case of Eurocurrency Rate Loans denominated in an Alternate Currency, the Foreign Currency Equivalent thereof (or, if less, an aggregate amount equal to the lesser of (x) the difference between the aggregate amount of a proposed Competitive Bid Loan Borrowing requested by the Company and the aggregate amount of Competitive Bid Loans offered to be made by the Lenders and accepted by the Company in respect of such Competitive Bid Loan Borrowing, if such Competitive Bid Loan Borrowing is made on the same date as such Revolving Loan Borrowing and (y) the then remaining Unused Commitments of the Lenders participating in such Borrowing, as applicable) and (subject to Section 2.08(d)) shall consist of Revolving Loans of the same Type in the same Currency made on the same day by the Lenders ratably according to their respective Commitments.

(c) Within the limits of each Lender's Commitment, each Borrower may from time to time borrow, repay pursuant to Section 2.06 or prepay pursuant to Section 2.09 and reborrow under this Section 2.01.

(d) For purposes of determining (i) whether the amount of any Borrowing, together with all other Loans then outstanding, would exceed the aggregate amount of the Commitments, and (ii) whether the aggregate outstanding principal amount of the Loans is such as to require prepayment under Section 2.06(e), the outstanding principal amount of any Loan that is denominated in an Alternate Currency shall be deemed to be the Dollar Equivalent of the Alternate Currency amount of such Loan.

SECTION 2.02. The Competitive Bid Loans.

(a) The Company may request the making of Competitive Bid Loan Borrowings to any Borrower in Dollars or in any Alternate Currency from time to time on any Business Day during the period from the Effective Date until the date occurring 30 days prior to the Final Termination Date in the manner set forth in Section 3.02, provided that, following the making of each Competitive Bid Loan Borrowing, the aggregate amount of the Loans then outstanding shall not exceed the lesser of (i) the Current Aggregate Commitment and (ii) the aggregate amount of the Commitments scheduled to be in effect on the scheduled maturity date of the Competitive Bid Loans to be made as part of such Borrowing.

(b) Within the limits and on the conditions set forth in this Section 2.02, each Borrower may from time to time borrow under this Section 2.02, repay or prepay pursuant to subsection (c) below, and reborrow under this Section 2.02, provided that a Competitive Bid Loan Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Loan Borrowing.

(c) Each Borrower shall repay to the Administrative Agent for the account of each Lender which has made a Competitive Bid Loan to such Borrower, or each other holder of a Competitive Bid Loan Note of such Borrower, on the maturity date of each Competitive Bid Loan made to such Borrower (such maturity date being that specified by the Company for repayment of such Competitive Bid Loan in the related Notice of Competitive Bid Loan Borrowing delivered pursuant to Section 3.02 and provided in the Competitive Bid Loan Note evidencing such Competitive Bid Loan), the then unpaid principal amount of such Competitive Bid Loan. Unless otherwise agreed by the relevant Lender in its sole discretion, no Borrower shall have the right to prepay any principal amount of any Competitive Bid Loan of such Lender except, and then only on the terms specified by the Company for such Competitive Bid Loan in the related Notice of Competitive Bid Loan Borrowing delivered pursuant to Section 3.02 and set forth in the Competitive Bid Loan Note evidencing such Competitive Bid Loan.

(d) Each Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Loan made to such Borrower from the date of such Competitive Bid Loan to the date the principal amount of such Competitive Bid Loan is repaid in full, at the rate of interest for such Competitive Bid Loan specified by the Lender making such Competitive Bid Loan in its notice with respect thereto delivered pursuant to Section 3.02, payable on the interest payment date or dates specified by the Company for such Competitive Bid Loan in the related Notice of Competitive Bid Loan Borrowing delivered pursuant to Section 3.02, as provided in the Competitive Bid Loan Note evidencing such Competitive Bid Loan.

(e) The indebtedness of each Borrower resulting from each Competitive Bid Loan made to such Borrower as part of a Competitive Bid Loan Borrowing shall be evidenced by a separate Competitive Bid Loan Note of such Borrower payable to the order of the Lender making such Competitive Bid Loan.

SECTION 2.03. The Swing Loans. The Company may request the Swing Loan Bank to make, and the Swing Loan Bank agrees, on the terms and conditions hereinafter set forth, to make Swing Loans to any Borrower in Dollars from time to time on any Business Day during the period from the date of the initial Borrowing until 60 days before the Final Termination Date in an aggregate amount as to all Borrowers not to exceed at any time outstanding the lesser of (i) the Swing Loan Facility and (ii) the then Unused Commitments of Lenders having Termination Dates falling on or after the proposed maturity date of such Swing Loan. Each Swing Loan Borrowing shall bear interest at the Base Rate. Within the limits of the Swing Loan Facility and the Unused Commitments as aforesaid, each Borrower may borrow under this Section 2.03, repay pursuant to Section 2.06 or prepay pursuant to Section 2.09 and reborrow under this Section 2.03.

SECTION 2.04. Fees.

(a) Facility Fees. The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee on the average daily amount (whether used or unused) of such Lender’s Commitment (computed without regard to any Competitive Bid

Loan Reduction or any Swing Loan Reduction) from the Effective Date (in the case of each Bank), and from the effective date specified in the Acceptance pursuant to which it became a Lender (in the case of each other Lender), until the Termination Date of such Lender, payable in arrears on each Quarterly Date during the term of such Lender's Commitment, and on the Termination Date of such Lender, at a rate per annum equal to the Applicable Percentage in effect from time to time.

(b) Competitive Bid Loan Fee. The Company agrees to pay to the Administrative Agent for its own account a fee in the amount of $2,500 for each request made by the Company for a Competitive Bid Loan Borrowing pursuant to Section 3.02.

(c) Utilization Fees. The Company agrees to pay to the Administrative Agent for the account of each Lender a utilization fee on the amount of outstanding Loans of such Lender for each day that the aggregate outstanding principal amount of Loans shall exceed 25% of the aggregate amount of the Commitments at a rate per annum equal to the Applicable Percentage in effect from time to time, payable on each day on which interest is payable hereunder, and computed on the same basis as interest on each relevant Loan.

(d) Other Fees. The Company agrees to pay to the Administrative Agent such fees as from time to time may be separately agreed between the Company and the Administrative Agent.

SECTION 2.05. Reductions of the Commitments. The Commitment of each Lender shall be automatically reduced to zero on the Termination Date of such Lender. In addition, the Company shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that (i) the aggregate amount of the Commitments of the Lenders shall not be reduced pursuant to this sentence to an amount which is less than the aggregate principal amount of the Loans then outstanding and (ii) each partial reduction shall be in an aggregate amount of at least $10,000,000. Each Commitment reduction pursuant to this Section 2.05 shall be permanent.

SECTION 2.06. Repayment.

(a) Revolving Loans. Each Borrower shall repay the principal amount of each Revolving Loan made by each Lender to such Borrower, in the Currency of such Revolving Loan, and each Revolving Loan made by such Lender shall mature, on the last day of the Interest Period for such Revolving Loan.

(b) Competitive Bid Loans. Each Borrower shall repay the principal amount of each Competitive Bid Loan made by each Lender to such Borrower, in the Currency of such Loan, as provided in Section 2.02(c).

(c) Swing Loans. Each Borrower shall repay to the Swing Loan Bank (with notice to the Administrative Agent), and to the Administrative Agent for the account of

each other Lender that has made a Swing Loan, the outstanding principal amount of each Swing Loan to such Borrower made by each of them on the earlier of the maturity date specified in the applicable Notice of Swing Loan Borrowing (which maturity shall be no later than the seventh day after the requested date of such Borrowing) and the Termination Date of such Lender.

(d) Certain Prepayments.

(i) If at any time (1) the aggregate amount of all Loans (for which purpose the amount of any Loan that is denominated in an Alternate Currency shall be deemed to be the Dollar Equivalent thereof as of the date of determination) exceeds (2) 103% of the then Current Aggregate Commitment, the Administrative Agent shall use all reasonable efforts to give prompt written notice thereof to the Company, specifying the amount to be prepaid under this clause (i), and the Company shall, within two Business Days of the date of such notice, prepay the Loans, or cause Loans to be prepaid, in an amount so that after giving effect thereto the aggregate outstanding principal amount of the Loans (determined as aforesaid) does not exceed the aggregate amount of the Commitments; provided that any such payment shall be accompanied by any amounts payable under Section 9.04(c). The determinations of the Administrative Agent hereunder shall be conclusive and binding on the Company and the other Borrowers in the absence of manifest error.

(ii) In addition, if on the last day of any Interest Period the aggregate outstanding principal amount of the Loans (after giving effect to any Loans being made to repay Loans maturing on that date) would exceed 100% of the aggregate amount of the Commitments, the Administrative Agent shall use all reasonable efforts to give prompt written notice thereof to the Company, specifying the amount to be prepaid under this clause (ii), and the Company shall, within two Business Days of the date of such notice, prepay the Loans, or cause Loans to be prepaid, or reduce the requested Loans in such amounts that after giving effect to such action the aggregate outstanding principal amount of the Loans (after giving effect to any Loans being made to repay Loans maturing on that date) does not exceed the aggregate amount of the Commitments; provided that any such payment shall be accompanied by any amounts payable under Section 9.04(c). The determinations of the Administrative Agent hereunder shall be conclusive and binding on the Company and the other Borrowers in the absence of manifest error.

SECTION 2.07. Interest.

(a) Ordinary Interest. Each Borrower shall pay interest on the unpaid principal amount of each Loan made by each Lender to such Borrower, in the Currency of such Loan, from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Loans and Swing Loans. If such Loan is a Revolving Loan or a Swing Loan, a rate per annum equal at all times to the Base Rate in effect from time to time, payable on each Quarterly Date while such Revolving Loan or Swing Loan is outstanding and, on the date such Revolving Loan or Swing Loan shall be paid in full.

(ii) Eurocurrency Rate Loans. If such Revolving Loan is a Eurocurrency Rate Loan, a rate per annum equal at all times during each Interest Period for such Revolving Loan to the sum of the Eurocurrency Rate for such Interest Period plus the Applicable Margin plus Mandatory Costs, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, at three-month intervals following the first day of such Interest Period.

(b) Default Interest. Notwithstanding the foregoing, each Borrower shall pay interest on (x) the unpaid principal amount of each Loan made by each Lender to such Borrower that is not paid when due, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to two percentage points (2%) per annum above the rate per annum required to be paid on such Loan pursuant to said clause (a)(i) or (a)(ii) and (y) the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to two percentage points (2%) per annum above the rate per annum required to be paid on Base Rate Loans pursuant to clause (a)(i) above.

SECTION 2.08. Interest Rate Determinations.

(a) Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Eurocurrency Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the Administrative Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks.

(b) The Administrative Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or (ii), and the applicable rate, if any, displayed on the relevant Screen or furnished by each Reference Bank, as the case may be, for the purpose of determining the applicable interest rate under Section 2.07(a)(ii).

(c) If prior to 10:00 A.M. (New York City time) on any date on which an interest rate is to be determined pursuant to (a) the proviso to the definition of clause (a) of "Eurocurrency Rate" relating to LIBOR Loans, the Administrative Agent receives notice from two or more of the Reference Banks that deposits in the relevant Currency are not being offered by such Reference Bank or Banks to prime banks in the London (or, in the case of Pounds Sterling, Paris) interbank market for the applicable Interest Period or in

the applicable amounts or (b) the provision in the definition of clause (b) of "Eurocurrency Rate" relating to EURIBOR Loans, the Administrative Agent receives notice from two or more of the Reference Banks that deposits in the Euros are not being offered by such Reference Bank or Banks to prime banks in the European interbank market for the applicable Interest Period or in the applicable amounts, the Administrative Agent shall so notify the Company of such circumstances, whereupon the right of the Company to select Eurocurrency Rate Loans in such Currency for any requested Revolving Loan Borrowing or any subsequent Revolving Loan Borrowing shall be suspended until the first date on which the circumstances causing such suspension cease to exist. If the Company shall not, in turn, before 11:00 A.M. (New York City time) on such date notify the Administrative Agent that its Notice of Revolving Loan Borrowing with respect to which such Eurocurrency Rate was to be determined shall be converted to a Notice of Revolving Loan Borrowing for Eurocurrency Rate Loan in a different Currency or a Base Rate Loan, such Notice of Revolving Loan Borrowing shall be deemed to be canceled and of no force or effect, and Company shall not be liable to the Administrative Agent or any Lender with respect thereto except as set forth in Section 3.01(c). In the event of such a suspension, the Administrative Agent shall review the circumstances giving rise to such suspension at least weekly and shall notify the Company and the Lenders promptly of the end of such suspension, and thereafter the Borrowers shall be entitled, on the terms and subject to the conditions set forth herein, to borrow Eurocurrency Rate Loans in such Currency.

(d) Notwithstanding anything in this Agreement to the contrary, no Lender whose Termination Date falls prior to the last day of any Interest Period for any Eurocurrency Rate Loan (a "Relevant Lender") shall participate in such Loan. Without limiting the generality of the foregoing, no Relevant Lender shall (i) participate in a Borrowing of any Eurocurrency Rate Loan having an initial Interest Period ending after such Lender's Termination Date, (ii) have any outstanding Eurocurrency Rate Loan continued for a subsequent Interest Period if such subsequent Interest Period would end after such Lender's Termination Date or (iii) have any outstanding Base Rate Loan Converted into a Eurocurrency Rate Loan if such Eurocurrency Rate Loan would have an initial Interest Period ending after such Lender's Termination Date. If any Relevant Lender has outstanding a Eurocurrency Rate Loan that cannot be continued for a subsequent Interest Period pursuant to clause (ii) above or has outstanding a Base Rate Loan that cannot be Converted into a Eurocurrency Rate Loan pursuant to clause (iii) above, such Lender's ratable share of such Eurocurrency Rate Loan (in the case of said clause (ii)) shall be repaid by the relevant Borrower on the last day of its then current Interest Period and such Lender's ratable share of such Base Rate Loan (in the case of said clause (iii)) shall be repaid by the relevant Borrower on the day on which the Loans of Lenders unaffected by said clause (iii) are so Converted. Subject to the terms and conditions of this Agreement, the Borrowers may fund the repayment of the Relevant Lenders' ratable shares of such Eurocurrency Rate Loans and Base Rate Loans by borrowing from Lenders hereunder that are not Relevant Lenders.

SECTION 2.09. Prepayments.

(a) The Borrowers shall have no right to prepay any principal amount of any Revolving Loan or Swing Loan other than as provided in subsection (b) below.

(b) Each Borrower may, (i) upon at least the number of Business Days' prior notice specified in the first sentence of Section 3.01(a) with respect to any Revolving Loan of the same Type, or (ii) upon notice by no later than 11:00 A.M. (New York City time) on the date of prepayment of any Swing Loan, in either case given to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given, such Borrower shall, prepay the outstanding principal amounts of the Loans made to such Borrower comprising part of the same Revolving Loan Borrowing or Swing Loan Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment (other than any prepayment of any Swing Loan) shall be in an aggregate principal amount not less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof (or the Foreign Currency Equivalent of such respective amounts) and (y) if any prepayment of any Eurocurrency Rate Loans shall be made on a date which is not the last day of an Interest Period for such Loans (or on a date which is not the maturity date of such Swing Loans), such Borrower shall also pay any amounts owing to each Lender pursuant to Section 9.04(c) so long as such Lender makes written demand upon such Borrower therefor (with a copy of such demand to the Administrative Agent) within 20 Business Days after such prepayment.

(c) Upon the occurrence of a Change of Control, if so requested in writing by the Required Lenders through the Administrative Agent within sixty (60) days after the Company notifies the Administrative Agent of the occurrence of such Change of Control, (i) the Company shall, on a day not later than five Business Days after the date of such request, prepay and/or cause to be prepaid the full principal of and interest on the Loans and the Notes and all other amounts whatsoever payable under this Agreement (including without limitation amounts payable under Section 9.04(c) as a result of such prepayment) and (ii) the Commitments shall, on the date of such request, forthwith terminate.

(d) If (i) the obligations of the Company under Article X with respect to any outstanding Guaranteed Obligations owing by any Designated Borrower (herein, the "Affected Borrower") shall for any reason (x) be terminated, (y) cease to be in full force and effect or (z) not be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with its terms, and (ii) such condition continues unremedied for 15 days after written notice thereof shall have been given to the Company by the Administrative Agent or any Lender, then the Affected Borrower shall, no later than the 15th day after the date of such notice, prepay (and the Company shall cause to be prepaid) the full principal of and interest on the Loans owing by, and the Notes payable by, such Affected Borrower and all other amounts whatsoever payable hereunder by such Affected Borrower (including, without limitation, all amounts payable under Section 9.04(c) as a result of such prepayment).

SECTION 2.10. Payments and Computations.

(a) (i) Except to the extent otherwise provided herein, all payments of principal of and interest on Loans made in Dollars, and all other amounts (other than the principal of and interest on any Loan denominated in an Alternate Currency) payable by a Borrower under this Agreement and the Notes, shall be made in Dollars, and all payments of principal of and interest on Loans denominated in an Alternate Currency shall (subject to Section 2.10(e)) be made in such Alternate Currency, in each case in immediately available funds, without deduction, setoff or counterclaim, to the Administrative Agent's Account for the relevant Currency, not later than 11:00 A.M. (New York City time) (in the case of Loans denominated in Dollars and other amounts payable in Dollars) or 11:00 A.M. Local Time in the location of the Administrative Agent's Account (in the case of Loans denominated in an Alternate Currency), on the day when due, provided that if a new Loan is to be made by any Lender to any Borrower on a date on which such Borrower is to repay any principal of an outstanding Loan of such Lender in the same Currency, such Lender shall apply the proceeds of such new Loan to the payment of the principal to be repaid and only an amount equal to the difference between the principal to be borrowed and the principal to be repaid shall be made available by such Lender to the Administrative Agent as provided in Article III or paid by such Borrower to the Administrative Agent pursuant to this Section 2.10, as the case may be.

(ii) The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or fees ratably (other than amounts payable pursuant to Section 2.02, 2.08(d), 2.11 or 3.04) to the Lenders entitled thereto for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement.

(iii) Upon its acceptance of an Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Acceptance the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned or assumed thereby to the Lender assignee thereunder (as the case may be). The parties to each Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on the Base Rate and of facility fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days, and all computations of utilization fees shall be as specified in Section 2.04(d),

in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurocurrency Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that such Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(e) Anything in Sections 2.06 or 2.07 to the contrary notwithstanding, and without prejudice to Sections 2.07(b) or 7.01(a), if any Borrower shall fail to pay any principal or interest denominated in an Alternate Currency within one Business Day after the due date therefor in the case of principal and three Business Days after the due date therefor in the case of interest (without giving effect to any acceleration of maturity under Article VII), the amount so in default shall automatically be redenominated in Dollars on the day one Business Day after the due date therefor in the case of a principal payment and three Business Days after the due date therefor in the case of an interest payment in an amount equal to the Dollar Equivalent of such principal or interest.

SECTION 2.11. Taxes.

(a) Any and all payments by each Borrower hereunder or under the Notes shall be made, in accordance with Section 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on or measured by its net income (including alternative minimum taxable income), and franchise taxes imposed on it, by any jurisdiction under the laws of which such Person is organized or in which such Person is resident or doing business, or any political subdivision thereof (all such non-excluded

taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Notes to any such Person, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.11) such Person receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Notes or the other Loan Documents (hereinafter referred to as "Other Taxes").

(c) Each Borrower will indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.11) paid in good faith by such Lender or the Administrative Agent (as the case may be) and any liability (including, without limitation, penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided, however, that (i) no Borrower shall be liable to any Person for any liability arising from or with respect to Taxes or Other Taxes, which results from the gross negligence or willful misconduct of the Administrative Agent or such Lender, (ii) so long as no Event of Default has occurred and is continuing, the Administrative Agent or such Lender, as applicable, shall use its reasonable best efforts to cooperate with each Borrower in contesting any Taxes or Other Taxes which such Borrower reasonably deems to be not correctly or legally asserted or otherwise not due and owing and (iii) no Borrower shall be liable to the Administrative Agent or such Lender (as the case may be) for any such liability arising prior to the date 120 days prior to the date on which such Person first makes written demand upon such Borrower for indemnification therefor. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes by a Borrower, such Borrower will furnish to the Administrative Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof.

(e)(i) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank and on the date of the Acceptance pursuant to which it becomes a Lender in the case of each other Lender, on or before the date that such form expires or becomes obsolete or after the occurrence of any event within the control of such Lender (including a change in Applicable Lending Office but not

including a change in law) requiring a change in the most recent form so delivered by it, and from time to time thereafter if requested in writing by the Company (but only so long thereafter as such Lender remains lawfully able to do so), shall provide the Company with either Internal Revenue Service form W-8BEN or W-8ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying in the case of form W-8BEN that such Lender is either (i) entitled to benefits under an income tax treaty to which the United States is a party that reduces the rate of withholding tax on payments under this Agreement or (ii) is a Portfolio Interest Eligible Non-Bank or certifying in the case of form W-8ECI that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero (or if such Lender cannot provide at such time such form because it is not entitled to reduced withholding under a treaty and the payments are not effectively connected income), withholding tax at such rate (or at the then existing U.S. statutory rate if the Lender cannot provide such a form) shall be considered excluded from "Taxes" as defined in Section 2.11(a) unless and until such Lender provides the appropriate form certifying that a zero rate applies, whereupon withholding tax at such zero rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was in compliance with the provisions of Section 9.07(g) and was entitled to payments under Section 2.11(a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term "Taxes" shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States interest withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this Section 2.11(e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the relevant Lender considers to be confidential, such Lender shall give notice thereof to the Company and shall not be obligated to include in such form or document such confidential information. For purposes of this paragraph (e) the term "Portfolio Interest Eligible Non-Bank" means a Lender that certifies in form and substance reasonably satisfactory to the Borrower that (i) it is not a bank within the meaning of Code section 881(c)(3)(A), (ii) it is not a 10% shareholder of the Borrower within the meaning of Code section 881(c)(3)(B) and (iii) it is not a controlled foreign corporation related to the Borrower within the meaning of Code section 881(c)(3)(C).

(ii) In addition, upon the reasonable request of the Company (through the Administrative Agent) on behalf of any Borrower that is not a U.S. Borrower, each Lender will use all reasonable efforts to provide to such Borrower (if it can do so without material cost to such Lender) such forms or other documentation as

may be requested by such Borrower in order to cause interest on Loans to such Borrower, to the fullest extent permitted by applicable law, to be subject to a reduced rate of withholding under the laws of the jurisdiction of organization of such Borrower; and if any such form or document requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof, that the relevant Lender considers to be confidential, such Lender shall give notice thereof to the Company and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Person that is required pursuant to Section 2.11(e) to provide a Borrower with any documentation described therein but has failed to provide a Borrower with such documentation or notice that it cannot provide such form or other documentation (other than if such failure is due to a change in law occurring subsequent to the date on which a form or other documentation originally was required to be provided, or if such form or other documentation otherwise is not required under the first sentence of subsection (e) above), such Person shall not be entitled to indemnification under Section 2.11(a) with respect to Taxes; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form or other documentation required hereunder, the relevant Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.11 shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(h) Notwithstanding any contrary provisions of this Agreement, in the event that a Lender that originally provided such form or other documentation as may be required under Section 2.11(e) thereafter ceases to qualify for complete exemption from withholding tax, such Lender may assign its interest under this Agreement to any Eligible Assignee and such assignee shall be entitled to the same benefits under this Section 2.11 as the assignor provided that the rate of withholding tax applicable to such assignee shall not exceed the rate then applicable to the assignor.

(i) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 2.11 shall survive the payment in full of principal and interest hereunder and under the Notes and the termination of the Commitments.

(j) If a Borrower is required to pay any Lender any Taxes under Section 2.11(c), such Lender shall be an "Affected Person", and the Company shall have the rights set forth in Section 3.07 to replace such Affected Person.

SECTION 2.12. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Loans or the Swing Loans made by it (other than pursuant to Section 2.08(d), 2.11, 3.04, 3.07 or 9.04(c)) in excess of its ratable share of payments on account of the Revolving Loans or the Swing Loans obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Loans or the Swing Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided, however, that, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.12 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.13. Conversion of Revolving Loans.

(a) Optional. Each Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 12:00 noon (New York City time) on (x) the third (or the fourth, in the case of Eurocurrency Rate Loans denominated in an Alternate Currency) Business Day prior to the date of the proposed Conversion into Eurocurrency Rate Loans and (y) the first Business Day prior to the date of the proposed Conversion into Base Rate Loans, and, in each case, subject to the provisions of Section 3.04, Convert all or any portion of the Revolving Loans of one Type in the same Currency comprising the same Revolving Loan Borrowing into Revolving Loans of the other Type in the same Currency; provided, however, that any Conversion of Eurocurrency Rate Loans into Base Rate Loans shall be made only on the last day of an Interest Period for such Eurocurrency Rate Loans and any Conversion of Base Rate Loans into Eurocurrency Rate Loans shall be in an amount not less than the minimum amount specified in Section 3.01(b). Each such notice of Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Loans to be Converted and (iii) if such Conversion is into Eurocurrency Rate Loans, the duration of the initial Interest Period for such Revolving Loans. Each notice of Conversion shall be irrevocable and binding on the Borrowers.

(b) Mandatory. If the Company shall fail to select the duration of any Interest Period for any Eurocurrency Rate Loans in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Administrative Agent will forthwith so notify the Company and the Lenders, whereupon each such Eurocurrency Rate Loan will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Loan.

(c) Conversions Generally. Each Borrower and the Lenders hereby acknowledge that Conversions pursuant to this Section 2.13 do not constitute Borrowings and, accordingly, do not result in the remaking of any of the Company's representations and warranties pursuant to Section 4.02 or Section 4.03.

SECTION 2.14. Borrowings by Designated Borrowers.

(a) The Company may, at any time or from time to time, designate one or more Wholly-Owned Subsidiaries as Borrowers hereunder by furnishing to the Administrative Agent a letter (a "Designation Letter") in duplicate, in substantially the form of Exhibit F-1, duly completed and executed by the Company and such Subsidiary. Upon any such designation of a Subsidiary, such Subsidiary shall be a Designated Borrower and a Borrower entitled to borrow Revolving Loans and Competitive Bid Loans on and subject to the terms and conditions of this Agreement.

(b) So long as all principal of and interest on all Loans made to any Designated Borrower have been paid in full, the Company may terminate the status of such Borrower as a Borrower hereunder by furnishing to the Administrative Agent a letter (a "Termination Letter") in substantially the form of Exhibit F-2, duly completed and executed by the Company. Any Termination Letter furnished hereunder shall be effective upon receipt by the Administrative Agent, which shall promptly notify the Lenders, whereupon the Lenders shall promptly deliver to the Company (through the Administrative Agent) the Notes, if any, of such former Borrower. Notwithstanding the foregoing, the delivery of a Termination Letter with respect to any Borrower shall not terminate (i) any obligation of such Borrower that remains unpaid at the time of such delivery (including without limitation any obligation arising thereafter in respect of such Borrower under Section 2.11 or 3.04) or (ii) the obligations of the Company under Article X with respect to any such unpaid obligations.

ARTICLE III

MAKING THE LOANS

SECTION 3.01. Making the Revolving Loans.

(a) Each Revolving Loan Borrowing shall be made on notice, given not later than (x) 12:00 noon (New York City time, or, in the case of a Borrowing in an Alternate Currency, London time) on the third (or, in the case of a Borrowing to be denominated in an Alternate Currency, fourth) Business Day prior to the date of a Eurocurrency Rate Loan Borrowing, and (y) 11:00 A.M. (New York City time) on the day of a Base Rate Loan Borrowing, by the Company (on its own behalf and on behalf of any Designated Borrower) to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier, telex or cable. Each such notice of a Revolving Loan Borrowing (a "Notice of Revolving Loan Borrowing") shall be made in writing, or orally and confirmed immediately in writing, by telecopier, telex or cable, in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Loan

Borrowing (which shall be a Business Day), (ii) Currency and Type of Revolving Loan comprising such Revolving Loan Borrowing, (iii) aggregate amount of such Revolving Loan Borrowing, (iv) in the case of a Revolving Loan Borrowing comprised of Eurocurrency Rate Loans, the Interest Period for each such Revolving Loan and (v) the name of the Borrower (which shall be the Company or a Designated Borrower). Each Lender shall (A) before 11:00 A.M. Local Time on the date of such Borrowing (in the case of a Eurocurrency Rate Loan Borrowing) and (B) before 1:00 P.M. (New York City time) on the date of such Borrowing (in the case of a Base Rate Loan Borrowing), make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account for the relevant Currency in same day funds, such Lender's ratable portion of such Revolving Loan Borrowing; provided that, with respect to Borrowings of Eurocurrency Rate Loans, no Lender having a Termination Date prior to the last day of the initial Interest Period for such Eurocurrency Rate Loans shall participate in such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article IV, the Administrative Agent will make such funds available to the relevant Borrower in such manner as the Administrative Agent and the Company may agree; provided, however, that the Administrative Agent shall first make a portion of such funds equal to the aggregate principal amount of any Swing Loan as to which a Borrower has received timely notice made by the Swing Loan Bank, and by any other Lender and outstanding on the date of such Revolving Loan Borrowing, plus interest accrued and unpaid thereon to and as of such date, available to the Swing Loan Bank, and such other Lenders for repayment of such Swing Loans.

(b) Anything in subsection (a) above to the contrary notwithstanding, the Company may not select Eurocurrency Rate Loans for any Revolving Loan Borrowing if the aggregate amount of such Revolving Loan Borrowing is less than $10,000,000 or the Foreign Currency Equivalent thereof.

(c) Subject to Sections 2.08(c) and 3.05, each Notice of Revolving Loan Borrowing shall be irrevocable and binding on the Company and the relevant Borrower. In the case of any Revolving Loan Borrowing by a Borrower which the related Notice of Revolving Loan Borrowing specifies is to be comprised of Eurocurrency Rate Loans, such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Loan Borrowing for such Revolving Loan Borrowing the applicable conditions set forth in Article IV, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Loan to be made by such Lender as part of such Revolving Loan Borrowing when such Revolving Loan, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time any Revolving Loan Borrowing is required to be made that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Revolving Loan Borrowing, the Administrative Agent may assume that such Lender has

made such portion available to the Administrative Agent on the date of such Revolving Loan Borrowing in accordance with subsection (a) of this Section 3.01 and the Administrative Agent may, in reliance upon such assumption, make available to the relevant Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the relevant Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Revolving Loans comprising such Revolving Loan Borrowing and (ii) in the case of such Lender, the Federal Funds Rate, provided that such Borrower retains its rights against such Lender with respect to any damages it may incur as a result of such Lender's failure to fund, and notwithstanding anything herein to the contrary, in no event shall such Borrower be liable to such Lender or any other Person for the interest payable by such Lender to the Administrative Agent pursuant to this sentence. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Loan as part of such Revolving Loan Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Loan to be made by it as part of any Revolving Loan Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Loan on the date of such Revolving Loan Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Loan to be made by such other Lender on the date of any Revolving Loan Borrowing.

SECTION 3.02. Making the Competitive Bid Loans.

(a) The Company (on its own behalf and on behalf of any Designated Borrower) may request a Competitive Bid Loan Borrowing under this Section 3.02 by delivering to the Administrative Agent a notice (made in writing, or orally and confirmed immediately in writing, by telecopier, telex or cable) of a Competitive Bid Loan Borrowing (a "Notice of Competitive Bid Loan Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying the date (which shall be a Business Day) and aggregate amount of the proposed Competitive Bid Loan Borrowing, the Currency thereof, the maturity date for repayment of each Competitive Bid Loan to be made as part of such Competitive Bid Loan Borrowing (which maturity date may not be later than 180 days or six months, as applicable, after the date of such Competitive Bid Loan Borrowing (or, if earlier, the Final Termination Date)), the interest payment date or dates relating thereto, the name of the Borrower (which shall be the Company or a Designated Borrower), and any other terms to be applicable to such Competitive Bid Loan Borrowing, not later than (i) 10:00 A.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time at least one Business Day prior to the date of the proposed Competitive Bid Loan Borrowing, if the Company shall specify in the Notice of Competitive Bid Loan Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum and (ii) 12:00 noon New York (or, in the case of a Borrowing in an Alternate

Currency, London) time at least four Business Days prior to the date of the proposed Competitive Bid Loan Borrowing, if the Company shall instead specify in the Notice of Competitive Bid Loan Borrowing the basis to be used by the Lenders in determining the rates of interest to be offered by them. The Administrative Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Loan Borrowing received by it from the Company by sending such Lender a copy of the related Notice of Competitive Bid Loan Borrowing.

(b) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Loans to a Borrower as part of such proposed Competitive Bid Loan Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Administrative Agent (which shall give prompt notice thereof to the Company), before 10:00 A.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time (i) on the date of such proposed Competitive Bid Loan Borrowing, in the case of a Notice of Competitive Bid Loan Borrowing delivered pursuant to clause (i) of paragraph (a) above and (ii) three Business Days before the date of such proposed Competitive Bid Loan Borrowing, in the case of a Notice of Competitive Bid Loan Borrowing delivered pursuant to clause (ii) of paragraph (a) above, of the minimum amount and maximum amount of each Competitive Bid Loan which such Lender would be willing to make as part of such proposed Competitive Bid Loan Borrowing (which amounts may, subject to the proviso to the first sentence of Section 2.02(a), exceed such Lender's Commitment), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Loan; provided that if the Administrative Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Company of such offer before 9:00 A.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Administrative Agent, before 10:00 A.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time on the date on which notice of such election is to be given to the Administrative Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Loan as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Loan as part of such proposed Competitive Bid Loan Borrowing.

(c) The Company shall, in turn, (i) before 11:30 A.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time on the date of such proposed Competitive Bid Loan Borrowing, in the case of a Notice of Competitive Bid Loan Borrowing delivered pursuant to clause (i) of paragraph (a) above and (ii) before 1:00 P.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time three Business Days before the date of such proposed Competitive Bid Loan Borrowing, in the case of a Notice of Competitive Bid Loan Borrowing delivered pursuant to clause (ii) of paragraph (b) above, either:

(A) cancel such Competitive Bid Loan Borrowing by giving the Administrative Agent notice to that effect, or

(B) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (b) above, in its sole discretion, by giving notice to the Administrative Agent of the amount of each Competitive Bid Loan (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Company by the Administrative Agent on behalf of such Lender for such Competitive Bid Loan pursuant to paragraph (b) above) to be made by each Lender as part of such Competitive Bid Loan Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (b) above by giving the Administrative Agent notice to that effect.

(d) If the Company notifies the Administrative Agent that such Competitive Bid Loan Borrowing is canceled pursuant to paragraph (c)(A) above, the Administrative Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Loan Borrowing shall not be made.

(e) If the Company accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (c)(B) above, the Administrative Agent shall in turn promptly notify (i) each Lender that has made an offer as described in paragraph (b) above, of the date and aggregate amount of such Competitive Bid Loan Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (b) above have been accepted by the Company, (ii) each Lender that is to make a Competitive Bid Loan as part of such Competitive Bid Loan Borrowing, of the amount of each Competitive Bid Loan to be made by such Lender as part of such Competitive Bid Loan Borrowing, and (iii) each Lender that is to make a Competitive Bid Loan as part of such Competitive Bid Loan Borrowing, upon receipt, that the Administrative Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article IV. Each Lender that is to make a Competitive Bid Loan as part of such Competitive Bid Loan Borrowing shall, before 1:00 P.M. New York (or, in the case of a Borrowing in an Alternate Currency, London) time on the date of such Competitive Bid Loan Borrowing specified in the notice received from the Administrative Agent pursuant to clause (i) of the preceding sentence or any later time when such Lender shall have received notice from the Administrative Agent pursuant to clause (iii) of the preceding sentence, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account for the relevant Currency such Lender's portion of such Competitive Bid Loan Borrowing, in same day funds. Upon fulfillment of the applicable conditions set forth in Article IV and after receipt by the Administrative Agent of such funds, the Administrative Agent will make such funds available to the relevant Borrower at the Administrative Agent's aforesaid address. Promptly after each Competitive Bid Loan Borrowing the Administrative Agent will notify each Lender of the amount of the Competitive Bid Loan Borrowing, the consequent Competitive Bid Loan Reduction and the dates upon which such Competitive Bid Loan Reduction commenced and will terminate.

(f) Following the making of each Competitive Bid Loan Borrowing, the Company shall be in compliance with the limitation set forth in the proviso to the first sentence of Section 2.02(a).

(g) Notwithstanding anything to the contrary in Section 2.02 or in the foregoing provisions of this Section 3.02, no Lender whose Termination Date occurs prior to the maturity date for any Competitive Bid Loan requested in a Notice of Competitive Bid Loan Borrowing shall be entitled to receive or to make a quote pursuant to such Notice of Competitive Bid Loan Borrowing or otherwise to participate in such Competitive Bid Loan Borrowing.

SECTION 3.03. Making the Swing Loans, Etc.

(a) Each Swing Loan Borrowing shall be made on oral notice, given not later than 3:00 P.M. (New York City time) on the date of the proposed Swing Loan Borrowing, by the Company (on its own behalf and on behalf of any Designated Borrower) to the Swing Loan Bank. Promptly thereafter, the Company shall give written notice of the Swing Loan Borrowing (each such notice a "Notice of Swing Loan Borrowing") to the Administrative Agent by electronic mail, and shall specify therein (i) the Borrower (which shall be the Company or a Designated Borrower), (ii) the date of such Borrowing (which shall be a Business Day), (iii) the amount of such Borrowing, (iv) the maturity of such Borrowing (which maturity shall be no later than the seventh day after the requested date of such Borrowing) and (v) the account of the relevant Borrower to which the proceeds of such Borrowing are to be made available.

(b) The Swing Loan Bank shall (subject to the applicable conditions set forth in Article IV) make the amount of such Swing Loan available to the relevant Borrower at the account specified in the relevant Notice of Swing Loan Borrowing.

(c) Upon demand by the Swing Loan Bank through the Administrative Agent, each other Lender having a Termination Date on or after the scheduled maturity date of such Swing Loan shall purchase from the Swing Loan Bank, and the Swing Loan Bank shall sell and assign to each other Lender, such other Lender's pro rata share (determined based on the aggregate Commitments of all Lenders having Termination Dates on or after the scheduled maturity date of such Swing Loan) of each outstanding Swing Loan made by the Swing Loan Bank (and related claims for accrued and unpaid interest), by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of the Swing Loan Bank by deposit to the Administrative Agent at its aforesaid address, in same day funds, an amount equal to the sum of (x) the portion of the outstanding principal amount of such Swing Loans to be purchased by such Lender plus (y) interest accrued and unpaid to and as of such date on such portion of the outstanding principal amount of such Swing Loans. Each Lender's obligation to make such payments to the Administrative Agent for the account of the Swing Loan Bank under this paragraph (c), and the Swing Loan Bank's right to receive the same, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the failure of any other Lender to make its payment under this

paragraph (c), the financial condition of the Company (or any other Person), the existence of any Default, the failure of any of the conditions set forth in Article IV to be satisfied, or the termination of the Commitments. Each such payment to the Swing Loan Bank shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender agrees to purchase its pro rata share of such outstanding Swing Loans on (i) the Business Day on which demand therefor is made by the Swing Loan Bank, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by the Swing Loan Bank to any other Lender of a portion of the Swing Loan Bank's Swing Loans, the Swing Loan Bank represents and warrants to such other Lender that the Swing Loan Bank is the legal and beneficial owner of such interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Swing Loan, the Loan Documents or any party thereto. If and to the extent that any Lender shall not have so made the amount of such Swing Loan available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent for the account of the Swing Loan Bank forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Swing Loan Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate. If such Lender shall pay to the Administrative Agent such amount for the account of the Swing Loan Bank, such amount so paid in respect of principal shall constitute a Swing Loan by such Lender for purposes of this Agreement, and the outstanding principal amount of the Swing Loans made by the Swing Loan Bank shall be reduced by such amount.

SECTION 3.04. Increased Costs.

(a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurocurrency Rate Reserve Percentage, in each case as of the date of determination thereof) in or in the interpretation of any law or regulation, in each case as of the date hereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) which implements any introduction or change specified in clause (i) above, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Loans, then the Company shall from time to time, within ten Business Days after written demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost incurred during the 90-day period prior to the date of such demand. A certificate as to the amount of such increased cost, submitted to the Company and the Administrative Agent by such Lender and showing in reasonable detail the basis for the calculation thereof, shall be prima facie evidence of such costs.

(b) If any Lender determines that compliance with (i) the introduction of or any change in or in the interpretation of, any law or regulation, in each case after the date

hereof, or (ii) any guideline or request from any central bank or other governmental authority (whether or not having the force of law) which implements any introduction or change specified in clause (i) above, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, within ten Business Days after written demand by such Lender (with a copy of such demand to the Administrative Agent), the Company shall from time to time pay to the Administrative Agent for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances incurred during the 90-day period prior to the date of such demand, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Company and the Administrative Agent by such Lender and showing in reasonable detail the basis for the calculation thereof shall be prima facie evidence of such costs.

(c) Without limiting the effect of the foregoing, the Company shall pay to each Lender on the last day of each Interest Period so long as such Lender is maintaining reserves against Eurocurrency Liabilities (or so long as such Lender is maintaining reserves against any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender that includes any Eurocurrency Rate Loans) an additional amount (determined by such Lender and notified to the Company through the Administrative Agent) equal to the product of the following for each Eurocurrency Rate Loan for each day during such Interest Period:

(i) the principal amount of such Eurocurrency Rate Loan outstanding on such day; and

(ii) the remainder of (x) a fraction the numerator of which is the rate (expressed as a decimal) at which interest accrues on such Eurocurrency Rate Loan for such Interest Period as provided in this Agreement (less the Applicable Margin) and the denominator of which is one minus the Eurocurrency Rate Reserve Percentage in effect on such day minus (y) such numerator; and

(iii) 1/360.

(d) If the Company is required to pay any Lender any amounts under this Section 3.04, the applicable Lender shall be an "Affected Person", and the Company shall have the rights set forth in Section 3.07 to replace such Affected Person.

SECTION 3.05. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurocurrency

Lending Office to perform its obligations hereunder to make Eurocurrency Rate Loans or to fund or maintain Eurocurrency Rate Loans hereunder, then, subject to the provisions of Section 3.07, (i) the obligation of such Lender to make Eurocurrency Rate Loans hereunder shall be suspended until the first date on which the circumstances causing such suspension cease to exist, (ii) any Eurocurrency Rate Loans made or to be made by such Lender shall be converted automatically to Base Rate Loans and (iii) such Lender shall be an "Affected Person", and the Company shall have the right set forth in Section 3.07 to replace such Affected Person. In the event of such a suspension, such Lender shall review the circumstances giving rise to such suspension at least weekly and shall notify the Company, the Administrative Agent and the Lenders promptly of the end of such suspension, and thereafter the Company shall be entitled to borrow Eurocurrency Rate Loans from such Lender.

SECTION 3.06. Reasonable Efforts to Mitigate. Each Lender shall use its reasonable best efforts (consistent with its internal policy and legal and regulatory restrictions) to minimize any amounts payable by the Company under Section 3.04 and to minimize any period of illegality described in Section 3.05. Without limiting the generality of the foregoing, each Lender agrees that, to the extent reasonably possible to such Lender, it will change its Eurocurrency Lending Office if such change would eliminate or reduce amounts payable to it under Section 3.04 or eliminate any illegality of the type described in Section 3.05, as the case may be. Each Lender further agrees to notify the Company promptly, but in any event within five Business Days, after such Lender learns of the circumstances giving rise to such a right to payment or such illegality have changed such that such right to payment or such illegality, as the case may be, no longer exists.

SECTION 3.07. Right to Replace Affected Person or Lender. In the event the Company is required to pay any Taxes with respect to an Affected Person pursuant to Section 2.11(c) or any amounts with respect to an Affected Person pursuant to Section 3.04, or receives a notice from an Affected Person pursuant to Section 3.05, or is required to make a payment to any Lender (which Lender shall be deemed to be an "Affected Person" for purposes of this Section 3.07(a)) under Section 9.15, the Company may elect, if such amounts continue to be charged or such notice is still effective, to replace such Affected Person as a party to this Agreement, provided that, concurrently therewith, (i) another financial institution which is an Eligible Assignee and is reasonably satisfactory to the Company and the Administrative Agent (or if the Lender then serving as Administrative Agent is the Person to be replaced and the Administrative Agent has resigned its position, the Lender becoming the successor Administrative Agent) shall agree, as of such date, to purchase for cash and at par the Loans of the Affected Person, pursuant to an Assignment and Acceptance and to become a Lender for all purposes under this Agreement and to assume all obligations (including all outstanding Loans) of the Affected Person to be terminated as of such date and to comply with the requirements of Section 9.07 applicable to assignments (other than clause (a)(iv) thereof), and (ii) the Company shall pay to such Affected Person in same day funds on the day of such replacement all interest, fees and other amounts then due and owing to such Affected Person by the Company hereunder to and including the date of termination, including without limitation payments due such Affected Person under Section 2.11, costs incurred under Section 3.04 or Section 9.15 and payments owing under Section 9.04(c).

SECTION 3.08. Use of Proceeds. The proceeds of the Loans shall be available (and each Borrower agrees that it shall use such proceeds) for general corporate purposes (including, without limitation, commercial paper backup and to finance acquisitions) of the Company and its Subsidiaries; provided that neither any Lender nor the Administrative Agent shall have any responsibility for the use of any of the proceeds of Loans.

ARTICLE IV

CONDITIONS OF LENDING

SECTION 4.01. Conditions Precedent to Initial Borrowing. The obligation of each Lender to make a Loan on the occasion of the initial Borrowing shall be subject to the conditions precedent that, on a date (the "Effective Date") not later than August 5, 2003, the Administrative Agent shall have received each of the following:

(a) Each of the following documents, which shall be in form and substance satisfactory to the Administrative Agent and (except for the Notes) in sufficient copies for each Lender:

(i) The Revolving Loan Notes payable by the Company and any Designated Borrower to the order of the Lenders, respectively.

(ii) Certified copies of (x) the charter and by-laws of the Company, (y) the resolutions of the Board of Directors of the Company authorizing and approving this Agreement and the Notes, and (z) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of the Company's Law Department, substantially in the form of Exhibit D and covering such other matters relating hereto as any Lender, through the Administrative Agent, may reasonably request.

(v) A favorable opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to the Administrative Agent, substantially in the form of Exhibit E.

(vi) A certificate of a senior officer of the Company to the effect that (x) the representations and warranties contained in Section 5.01 are correct (other than any such representations or warranties which, by their terms, refer to a prior date) and (y) no event has occurred and is continuing which constitutes a Default.

(vii) The Communications Agreement, duly executed and delivered by the Company.

(b) Confirmation that (1) the Company has paid all accrued fees and expenses of the Administrative Agent and the Lenders hereunder (including the fees and expenses of counsel to the Administrative Agent to the extent then payable), including without limitation all accrued but unpaid fees and expenses under the Existing Credit Agreement, to the extent the same have been invoiced to the Company at least two (2) Business Days prior to the Effective Date, and (2) the Company has paid in full the principal of and interest on the Loans and the Notes as defined in, and all other amounts whatsoever payable under, the Existing Credit Agreement and has terminated the Commitments as defined therein.

SECTION 4.02. Conditions Precedent to Each Revolving Loan Borrowing and Swing Loan Borrowing. The obligation of each Lender to make a Loan (other than a Swing Loan made by a Lender pursuant to Section 3.03) or a Competitive Bid Loan) on the occasion of each Borrowing (including the initial Borrowing), and the right of the Company to request a Swing Loan Borrowing, shall be subject to the further conditions precedent that:

(i) in the case of the first Borrowing by a Designated Borrower the Company shall have furnished to the Administrative Agent such Revolving Loan Notes, corporate documents, resolutions and legal opinions relating to such Designated Borrower as the Administrative Agent may reasonably require, and

(ii) on the date of such Borrowing the following statements shall be true (and the acceptance by a Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Company and such Borrower that on the date of such Borrowing or issuance such statements are true):

(a) The representations and warranties contained in Section 5.01 (except the Excluded Representations) are correct on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a date other than the date of such Borrowing; and

(b) No event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, which constitutes a Default;

provided that the conditions set forth in clause (ii) of this Section 4.02 shall not be applicable to a Borrowing if, as a result of and immediately after giving effect to such Borrowing and to the application of proceeds thereof, the aggregate outstanding principal amount of the Revolving Loans and Swing Loans is not increased thereby.

SECTION 4.03. Conditions Precedent to Each Competitive Bid Loan Borrowing. The obligation of each Lender which is to make a Competitive Bid Loan on the occasion of a Competitive Bid Loan Borrowing (including the initial Competitive Bid Loan Borrowing) to make such Competitive Bid Loan as part of such Competitive Bid Loan Borrowing is subject to the conditions precedent that:

(a) the Administrative Agent shall have received the written confirmatory Notice of Competitive Bid Loan Borrowing with respect thereto;

(b) on or before the date of such Competitive Bid Loan Borrowing, but prior to such Competitive Bid Loan Borrowing, the Administrative Agent shall have received a Competitive Bid Loan Note payable to the order of such Lender for each of the one or more Competitive Bid Loans to be made by such Lender as part of such Competitive Bid Loan Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Loan to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Loan in accordance with Sections 2.02 and 3.02; and

(c) on the date of such Competitive Bid Loan Borrowing the following statements shall be true (and the acceptance by the Company of the proceeds of such Competitive Bid Loan Borrowing shall constitute a representation and warranty by the Company that on the date of such Competitive Bid Loan Borrowing such statements are true):

(i) The representations and warranties contained in Section 5.01 (except the Excluded Representations) are correct on and as of the date of such Competitive Bid Loan Borrowing, before and after giving effect to such Competitive Bid Loan Borrowing and to the application of the proceeds therefrom, as though made on and as of such date other than any such representations or warranties which, by their terms, refer to a date other than the date of such Competitive Bid Loan Borrowing;

(ii) No event has occurred and is continuing, or would result from such Competitive Bid Loan Borrowing or from the application of the proceeds therefrom, which constitutes a Default; and

(iii) No event has occurred and no circumstance exists as a result of which the information concerning the Company that has been provided to the Administrative Agent and each Lender by the Company in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein taken as a whole, in the light of the time and circumstances under which they were made, not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company and each of its Material Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed would not have a Material Adverse Effect and (iii) has all the requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted except where the failure to do so would not have a Material Adverse Effect.

(b) The execution, delivery and performance by the Company of the Loan Documents, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Company's certificate of incorporation or by-laws, (ii) violate any law, rule or regulation (including, without limitation, the Securities Act of 1933 and the Securities Exchange Act of 1934 and the regulations thereunder, and Regulations U and X issued by the Board of Governors of the Federal Reserve System, each as amended from time to time), or order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Company or any of its Subsidiaries or any of their properties, except if such conflict, breach or default would not have a Material Adverse Effect, or (iv) result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Company or its Subsidiaries. The Company is not in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, except for such violation or breach which would not have a Material Adverse Effect.

(c) Except as have been obtained, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of the Loan Documents, or for consummation of the transactions contemplated hereby, except and to the extent that any failure to obtain such authorization, approval or other action would not have a Material Adverse Effect.

(d) Each of the Loan Documents is, and the Notes when delivered hereunder will be, legal, valid and binding obligations of the Company enforceable against the Company in accordance with its terms.

(e) (i) The Company has heretofore furnished to each of the Lenders unaudited consolidated balance sheets of the Company and its Subsidiaries as at June 20, 2003, the related unaudited consolidated statements of income of the Company and its Subsidiaries for the periods of 12 and 24 weeks ended on said date and the related unaudited consolidated statement of cash flows of the Company and its Subsidiaries for the period of 24 weeks ended on said date, and consolidated balance sheets of the Company and its Subsidiaries as at January 3, 2003 and the related consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year ended January 3, 2003, together with the opinion of Ernst & Young LLP covering said consolidated balance sheet and statements for the fiscal year ended January 3, 2003. All such financial statements are complete and correct and fairly present the consolidated financial condition of the Company and its Subsidiaries as at said respective dates and the consolidated results of their operations for the respective periods so presented all in accordance with GAAP. Since January 3, 2003, there has been no Material Adverse Change.

(f) No information, exhibit or report furnished by or on behalf of the Company to the Administrative Agent or any Lender in connection with the execution of the Loan Documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein taken as a whole, in the light of the time and circumstances under and the time at which they were made, not misleading.

(g) There is no pending or threatened action or proceeding affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator which (i) is reasonably likely to have a Material Adverse Effect or (ii) purports to affect this Agreement or the transactions contemplated hereby.

(h) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan that has resulted or could reasonably be expected to result in a liability to the Company or its ERISA Affiliates in excess of $5,000,000.

(i) Neither the Company nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that it has incurred any Withdrawal Liability, and neither the Company nor any of its ERISA Affiliates, to the best of the Company’s knowledge and belief, is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan, in each case other than any Withdrawal Liability that would not have a Material Adverse Effect.

(j) Neither the Company nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, except where such reorganization or termination would not have a Material Adverse Effect.

(k) The Company and each of its Subsidiaries have filed, have caused to be filed or have been included in all tax returns (federal, state, local and foreign) required to be filed and have paid (or have accrued any taxes shown that are not due with the filing of such returns) all taxes shown thereon to be due, together with applicable interest and penalties, except in any case where the failure to file any such return or pay any such tax is not in any respect material to the Company or the Company and its Subsidiaries taken as a whole.

(l) The Company does not intend to treat the Loans and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Company determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. The Company acknowledges that one or more of the Lenders may treat its Loans as part of a transaction that is subject to Treasury Regulation Section 1.6011-4 or Section 301.6112-1, and the Administrative Agent and such Lender or Lenders, as applicable, may file such IRS forms or maintain such lists and other records as they may determine is required by such Treasury Regulations.

ARTICLE VI

COVENANTS OF THE COMPANY

SECTION 6.01 Affirmative Covenants. So long as any obligations under this Agreement or any Note shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will, unless the Required Lenders shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA, the Securities Act of 1933 and all Environmental Laws, except, in each case, any non-compliance which would not have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, all taxes, assessments, claims and governmental charges or levies imposed upon it or upon its property, except to the extent that any failure to do so would not have a Material Adverse Effect; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, claim or charge that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, appropriate and adequate insurance with responsible and reputable insurance companies or associations or with self-insurance programs to the extent consistent with prudent practices of the Company and its Subsidiaries or otherwise customary in their

respective industries in such amounts and covering such risks as is customary in the industries in which the Company or such Subsidiary operates.

(d) Payment of Welfare Plans. Pay, and cause each of its Material Subsidiaries to pay, the aggregate annualized cost (including, without limitation, the cost of insurance premiums) with respect to post-retirement benefits under Welfare Plans for which the Company and its Material Subsidiaries are liable.

(e) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that (i) the Company and its Material Subsidiaries may consummate any transaction permitted under Section 6.02(b) and (ii) neither the Company nor such Subsidiary shall be required to preserve any right or franchise (other than the corporate existence of each Borrower) when, in the good faith business judgment of the Company, such preservation or maintenance is neither necessary nor appropriate for the prudent management of the business of the Company.

(f) Visitation Rights. At any reasonable time during normal business hours and upon reasonable prior notice and from time to time, permit the Administrative Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(g) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account as are necessary to prepare Consolidated financial statements in accordance with GAAP, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with GAAP.

(h) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except where failure to do so would not have a Material Adverse Effect.

(i) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, quarterly condensed and consolidated balance sheets and consolidated statement of cash flows of the Company as of the end of such quarter and statements of income of the Company for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief accounting officer of the Company (or another appropriate officer of the Company designated by said chief accounting officer) and certificates as to compliance with the terms of this

Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 6.01(j), provided that in the event of any change in GAAP used in preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 6.01(j), a statement of reconciliation conforming any information in such certificates with GAAP;

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of the Company commencing with fiscal year 2003 of the Company, certificates as to compliance with the terms of this Agreement which are otherwise provided under clause (i) above at the end of each fiscal quarter other than the last fiscal quarter of the fiscal year and a copy of the annual report for such year for the Company, containing audited financial statements for such year certified by (a) Ernst & Young LLP, (b) any other "Big Four" accounting firm or (c) other independent public accountants acceptable to the Required Lenders;

(iii) as soon as possible and in any event within five days after the Company obtains notice of the occurrence of each Event of Default and each Default continuing on the date of such statement, a statement of the chief accounting officer of the Company setting forth details of such Event of Default or Default and the action which the Company has taken and proposes to take with respect thereto;

(iv) promptly after request therefor, copies of all regular and periodic financial and/or other reports which the Company may from time to time make available to any of its public security holders or bond holders;

(v) promptly after the commencement thereof, notice of any action or proceeding of the kind referred to in Section 5.01(g);

(vi) promptly and in any event within 15 days after the Company or any ERISA Affiliate knows or should reasonably know that any ERISA Event has occurred with respect to which the liability or potential liability of the Company or any of its ERISA Affiliates exceeds or could reasonably be expected to exceed $10,000,000, a statement of a principal financial officer of the Company describing such ERISA Event and the action, if any, which the Company or such ERISA Affiliate proposes to take with respect thereto;

(vii) promptly and in any event within 10 Business Days after receipt thereof by the Company or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan where such action would have a Material Adverse Effect;

(viii) with respect to liabilities or potential liabilities of the Company or any of its ERISA Affiliates of $10,000,000 or more, promptly and in any event

within 20 Business Days after receipt thereof by the Company or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Company or any ERISA Affiliate concerning (1) the imposition of Withdrawal Liability by a Multiemployer Plan, (2) the reorganization or termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan or (3) the amount of liability incurred, or which may be incurred, by the Company or any ERISA Affiliate in connection with any event described in clause (1) or (2) above;

(ix) forthwith upon the occurrence of a Change of Control, notice thereof with a reasonable description thereof;

(x) promptly after request therefor, such other business and financial information respecting the condition or operations, financial or otherwise, of the Company or any of its Subsidiaries that any Lender through the Administrative Agent may from time to time reasonably request; and

(xi) contemporaneously with and as part of the certificates of compliance provided for under clauses (i) and (ii) above, a written statement signed by the Company substantially in the form of Exhibit H.

(j) Leverage Ratio. Maintain, as at the last day of each fiscal quarter of the Company beginning with the third fiscal quarter in 2003, a Leverage Ratio of not greater than 4.0 to 1.0.

(k) Reportable Transaction. Promptly after the Company has notified the Administrative Agent of any intention by the Company to treat the Loans and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), deliver a duly completed copy of IRS Form 8886 or any successor form to the Administrative Agent and each Lender.

SECTION 6.02 Negative Covenants. So long as any obligations under this Agreement or any Note shall remain unpaid or any Lender shall have any Commitment hereunder, the Company, unless the Required Lenders shall otherwise consent in writing:

(a) Liens, Etc. Will not create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens;

(ii) Liens outstanding on the Effective Date and described on Schedule II as of the Effective Date ("Existing Liens"), and any renewal, extension or replacement (or successive renewals, extensions or replacements) thereof which does not encumber any property of the Company or its Subsidiaries other than (1)

the property encumbered by the Lien being renewed, extended or replaced, (2) property acquired by the Company or its Subsidiaries in the ordinary course of business to replace property covered by Existing Liens, and (3) de minimis other property incidental to the property referred to in clause (1) or (2) above;

(iii) Purchase Money Liens;

(iv) Liens on properties of (X) MVCI, any SLS Entity or any of their respective Subsidiaries, and (Y) MICC, Luxury Finance LLC and any other Subsidiary of the Company principally engaged in the business of finance, banking, credit, leasing, insurance or other similar operations;

(v) Liens on properties of Subsidiaries of the Company, which properties are located outside the United States of America;

(vi) Liens securing COLI Debt; and

(vii) other Liens securing an aggregate principal amount of Indebtedness or other obligations not to exceed $300,000,000 at any time outstanding.

(b) Restrictions on Fundamental Changes. Will not, and will not permit any of its Material Subsidiaries to:

(i) merge or consolidate with or into, or

(ii) convey, transfer, lease or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of the property (whether now owned or hereafter acquired) of the Company and its Subsidiaries, taken as a whole, to, or

(iii) convey, transfer, lease or otherwise dispose of (whether in one transaction or a series of transactions, and whether by or pursuant to merger, consolidation or any other arrangement), any property (whether now owned or hereafter acquired) essential to the conduct of the lodging group of the Company and its Subsidiaries, taken as a whole, to, or

(iv) enter into any partnership, joint venture, syndicate, pool or other combination with,

any Person, in each case unless:

(w) no Default shall have occurred and then be continuing or would result therefrom, and

(x) in the case of a merger or consolidation of the Company, (1) the Company is the surviving entity or (2) the surviving entity expressly assumes by

an amendment to this Agreement duly executed by such surviving entity all of the Company's obligations hereunder and under the other the Loan Documents in a manner satisfactory to the Administrative Agent and the Required Lenders.

(c) Transactions with Affiliates. Will not enter into, or permit any of its Subsidiaries to enter into, any transaction with an Affiliate of the Company (other than the Company's Subsidiaries) that would be material in relation to the Company and its Subsidiaries, taken as a whole, even if otherwise permitted under this Agreement, except on terms that are fair and reasonable to the Company and its Subsidiaries and on terms no less favorable to the Company or such Subsidiary (considered as a whole in conjunction with all other existing arrangements and relationships with such Affiliate) than the Company or such Subsidiary would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(d) Dividends, Etc. Will not declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of capital stock of the Company, or purchase, redeem or otherwise acquire for value (or permit any of its Subsidiaries to do so) any shares of any class of capital stock of the Company or any warrants, rights or options to acquire any such shares, now or hereafter outstanding, in each case if, at the time thereof or after giving effect thereto, an Event of Default has occurred and is continuing.

(e) Change in Nature of Business. Will not engage in, or permit any of its Subsidiaries to engage in, any business that is material to the Company and its Subsidiaries, taken as a whole, that is not carried on by the Company or its Subsidiaries as of the Effective Date (or related to a business carried on as of such date) and which would have a Material Adverse Effect.

(f) Accounting Changes. Will not make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by GAAP.

(g) Margin Stock. Will not directly or indirectly use, or permit any other Borrower or any Subsidiary to use, any of the proceeds of any Loan in a manner that violates or contravenes the Margin Regulations. Without limiting the foregoing, the Company (i) will promptly notify the Administrative Agent if at any time more than 20% of the value of the assets of the Company and its Subsidiaries (as determined in good faith by the Company) that are subject to Section 6.02(a) or Section 6.02(b) consist of or are represented by margin stock within the meaning of the Margin Regulations, and (ii) will give the Administrative Agent at least 15 Business Days' prior written notice of any direct or indirect use of any of the proceeds of any Loan to buy or carry margin stock within the meaning of the Margin Regulations if, after giving effect thereto, more than 20% of the value of the assets of the Company and its Subsidiaries (as determined in good faith by the Company) that are subject to Section 6.02(a) or Section 6.02(b) consist of or are represented by margin stock within the meaning of the Margin Regulations, and will, if requested by the Administrative Agent, provide to the Administrative Agent prior

to the making of such Loan a legal opinion of counsel reasonably acceptable to the Administrative Agent confirming that such use of proceeds will not contravene this Section 6.02(g) together with appropriately executed and completed purpose statements on Form FR U-1; provided that in lieu of such legal opinion and purpose statements, the Company may provide to the Administrative Agent, together with such written notice, a certificate of the Company stating that at the date of such certificate and after applying the proceeds of such Loan not more than 25% of the value of the assets of the Company and its Subsidiaries (as determined in good faith by the Company) that are subject to Section 6.02(a) or Section 6.02(b) consist of or are represented by margin stock within the meaning of the Margin Regulations. Each Lender hereby confirms to the Company and to the Administrative Agent that in extending or maintaining credit hereunder it has not relied upon any such margin stock as collateral.

ARTICLE VII

EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) Any Borrower shall fail to pay any principal of any Loan when the same becomes due and payable; or (ii) any Borrower shall fail to pay any interest on any Loan, or any other payment under any Loan Document, for a period of three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Borrower herein or by any Borrower (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) The Company shall fail to perform or observe (i) any term, covenant or agreement contained in Section 6.01(j) or in Section 6.02(b), (c), (d), (e) or (g), or (ii) any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after written notice thereof shall have been given to the Company by the Administrative Agent or the Required Lenders; or

(d) The Company or any of its Material Subsidiaries shall fail to pay any principal of or premium or interest on any Indebtedness which is outstanding in a principal amount of at least $50,000,000 in the aggregate (but excluding Indebtedness evidenced by the Notes and Non-Recourse Indebtedness) of the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment, including, without limitation, a prepayment required in connection

with the sale of the sole asset or all assets securing such Indebtedness), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof; provided, however, that if there is acceleration of any Indebtedness which is included under this clause (d) solely because of a Guarantee by the Company or one of its Material Subsidiaries, an Event of Default will not exist under this clause (d) so long as the Company or such Material Subsidiary, as the case may be, fully performs its obligations in a timely manner under such Guarantee upon demand therefor by the beneficiary thereof; or

(e) The Company or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of $25,000,000 shall be rendered against the Company or any of its Material Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company or any ERISA Affiliate related to such ERISA Event) exceeds $20,000,000; or

(h) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Company and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $20,000,000 or requires payments exceeding $10,000,000 per annum; or

(i) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of such Multiemployer Plans immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $20,000,000;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the express consent, of the Required Lenders, by notice to the Company, declare the obligation of each Lender to make Loans to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the express consent, of the Required Lenders, by notice to the Company, declare the Notes, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Company or any of its Material Subsidiaries under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Loans shall automatically be terminated and (B) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by each Borrower.

ARTICLE VIII

THE AGENTS

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Reliance, Etc.

(a) None of the Agents or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (ii) may consult with legal counsel (including counsel for any Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

(b) The Joint Lead Arrangers and Joint Book Managers, as such, the Syndication Agent, as such, and the Documentation Agents, as such, each referred to on the cover page hereto, shall have no duties or obligations whatsoever under or with respect to this Agreement, the Notes or any other document or any matter related thereto.

SECTION 8.03. The Agents and their Affiliates as Lenders. With respect to its respective Commitment as a Lender, the Loans made by it as a Lender and the Notes issued to it as a Lender, each of the Agents party to this Agreement as Lenders shall have the same rights and powers under this Agreement as any other Lender in its capacity as a Lender and may exercise the same as though it were not an Agent; and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated, include each Agent in its individual capacity as a Lender. Each Agent, in its individual capacity as a Lender, and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower, any of its Subsidiaries and any Person who may do business with or own securities of any Borrower or any such Subsidiary, all as if each Agent were not an Agent under this Agreement and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on the financial statements referred to in Section 5.01 and such other documents and information as it

has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. The Lenders agree to indemnify each Agent (in each case to the extent not reimbursed by the Company), ratably according to their respective pro rata share, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Agent under this Agreement in its respective capacity as an agent hereunder, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse each Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees but excluding normal administrative expenses expressly excluded under Section 9.04(a)) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Agent is not reimbursed for such expenses by the Company as required under Section 9.04(a).

SECTION 8.06. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent with the consent of the Company, which consent shall not be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be an Eligible Assignee and a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 8.07. Documentation Agents. The Documentation Agents listed on the cover hereof, in their capacities as such, shall have no obligations, duties or liabilities whatsoever under this Agreement.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Loan Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 4.01, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Loan Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Loan Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Loan Notes, or the number of Lenders, which shall be required for the Lenders or any of them to take any action hereunder, (f) release the guarantee set forth in Section 10.01 or (g) amend this Section 9.01; and provided further that (1) no amendment, waiver or consent shall affect the rights or duties of the Administrative Agent or the Swing Loan Bank, as the case may be, under this Agreement or any Note, unless such amendment, waiver or consent is in writing and signed by the Administrative Agent or the Swing Loan Bank, as the case may be, in addition to the Lenders required above to take such action and (2) no amendment, waiver or consent shall affect the rights or duties of any Lender that has made a Competitive Bid Loan unless such amendment, waiver or consent is in writing and signed by such Lender in respect of such Competitive Bid Loan, in addition to the Lenders required above to take such action.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopy, telegraphic, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to any Borrower, to the Company at 10400 Fernwood Road, Bethesda, Maryland 20817, Attention: Assistant Treasurer, Dept. 52/924.11, with a copy to the same address, Attention: Assistant General Counsel - Corporate Finance, Dept. 52/923; if to any Bank, to its Domestic Lending Office and its Foreign Lending Office, each as specified opposite its name on Schedule I hereto; if to any other Lender, to its Domestic Lending Office and its Foreign Lending Office, each as specified in the Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Betsy Wier, telephone no. 302-894-6025, telecopier no. 302-894-6120, with copies to Christen Laughton, telephone no. 302-894-6005, telecopier no. 302-894-6120; or to the Company or the Administrative Agent, at such other address as shall be designated by

such party in a written notice to the other parties and, to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Administrative Agent. All such notices and communications shall, (a) when mailed, be effective three Business Days after the same is deposited in the mails, (b) when mailed for next day delivery by a reputable freight company or reputable overnight courier service, be effective one Business Day thereafter, and (c) when sent by telegraph, telecopy, telex or cable, be effective when the same is telegraphed, telecopied and receipt thereof is confirmed by telephone or return telecopy, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VIII shall not be effective until received by the Administrative Agent; provided that the Company agrees to deliver notices and other information that it is obligated to furnish to the Administrative Agent pursuant to this Agreement in accordance with the Communications Agreement; provided further that each Lender acknowledges and accepts the terms of the Communications Agreement and agrees that Communications (as defined in the Communications Agreement) may be made available to such Lender as provided in the Communications Agreement, agrees to provide to the Administrative Agent, promptly after the date of this Agreement, an e-mail address for receipt of each notice to such Lender that Communications have been posted on the Platform referred to in the Communications Agreement, and agrees that such notice to such Lender of such posting shall constitute effective delivery of such Communications to such Lender hereunder.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses.

(a) The Company agrees to pay, whether or not any of the transactions contemplated hereby are consummated, on demand (x) all reasonable costs and expenses in connection with the preparation (excluding normal travel and related expenses incurred by the personnel of the Administrative Agent), execution, delivery, administration (excluding those which are customarily borne by the Administrative Agent), modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, and (y) the reasonable fees and expenses of counsel to the Administrative Agent and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay on demand all reasonable expenses of the Lenders (including, without limitation, reasonable counsel (including, without duplication, internal counsel) fees and expenses) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Administrative Agent, each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims,

damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in its agent or lending capacity under, or otherwise in connection with, the Loan Documents, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Loan Documents, the proposed or actual use of the proceeds therefrom or any of the other transactions contemplated hereby, whether or not such investigation, litigation or proceeding is brought by the Company, its shareholders or creditors or an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees not to assert any claim against the Administrative Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to any of the Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans. Each of the Lenders and the Administrative Agent agrees not to assert any claim against the Company, its Affiliates or any of their directors, officers, employees, attorneys and agents, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to any of the Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans.

(c) If (i) any payment of principal of any Eurocurrency Rate Loan is made other than on the last day of the Interest Period for such Loan, as a result of a payment pursuant to Section 3.04 or acceleration of the maturity of the Notes pursuant to Section 7.01 or for any other reason, or (ii) the Company gives notice of a Loan conversion pursuant to Section 2.08(c), then the Company shall, upon demand by any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Loan.

SECTION 9.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 7.01 to authorize the Administrative Agent to declare the Notes due and payable pursuant to the provisions of Section 7.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held (other than deposits at any account with respect to which such account states that the Company is acting in a fiduciary capacity) and other indebtedness at any time owing by such Lender to or for the credit

or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement and any Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Company after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective when it shall have been executed by the Company, the Administrative Agent and each Bank and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations.

(a) Each Lender may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Loans owing to it and the Note or Notes held by it); provided, however, that:

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any Competitive Bid Loans or Competitive Bid Loan Notes),

(ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment other than an assignment to another Lender (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $10,000,000 and shall be an integral multiple of $1,000,000 in excess thereof,

(iii) each such assignment shall be to an Eligible Assignee, and (unless such assignment shall be to a Subsidiary of the assigning Lender or to a Subsidiary of the bank holding company of which the assigning Lender is a Subsidiary) the Company and the Administrative Agent shall have consented to such assignment (which consents shall not be unreasonably withheld or delayed),

(iv) after giving effect to such assignment, the assigning Lender (together with all Affiliates of such Lender) shall continue to hold no less than 25% of its original Commitment hereunder and of the Loans owing to it, unless the Company shall otherwise agree,

(v) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an

Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $3,500, and

(vi) unless the Company and the Administrative Agent otherwise agree, the Termination Date of the assignee under each such assignment shall be deemed to be the then Final Termination Date.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall relinquish its rights and be released from its obligations under this Agreement, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance.

Notwithstanding anything to the contrary contained herein except for the conditions set for in clause (iv) of this Section 9.07(a), any Bank (a "Granting Bank") may grant to a special purpose funding vehicle (a "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.07 except for the conditions set forth in clause (iii) of this Section 9.07(a), any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any Eligible Assignee (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This section may not be amended without the written consent of the SPC.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and

the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 5.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Revolving Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Lender at any reasonable time and from time to time upon reasonable prior notice. The Administrative Agent shall provide the Company with a copy of the Register upon request.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Loan Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C-1 hereto, (1) accept such Assignment and Acceptance, (2) record the information contained therein in the Register and (3) give prompt notice thereof to the Company. Within five Business Days after its receipt of such notice, the relevant Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Revolving Loan Note or Notes a new Revolving Loan Note to the order of such Eligible Assignee in an amount equal to the Commitment

assumed by it pursuant to such Assignment and Acceptance and a new Revolving Loan Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Revolving Loan Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Revolving Loan Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-l hereto. Such surrendered Revolving Loan Note or Notes shall be marked "canceled" and shall be returned promptly to the Company.

(e) Each Lender may sell participations to one or more banks or other entities in or to a portion of its rights and obligations under this Agreement (including, without limitation, a portion of its Commitment, the Loans owing to it and the Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) except in the case of a participation involving a Lender and one of its Affiliates (and this exception shall apply only so long as the participant remains an Affiliate of such Lender), the parties to each such participation shall execute a participation agreement in substantially the form of the Participation Agreement, and (vi) no participant under any such participation shall have any right to approve any amendment to or waiver of any provision of any Loan Document, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would alter the principal of, or interest on, the Loan or Loans in which such participant is participating or any fees or other amounts payable to the Lenders hereunder, or postpone any date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable hereunder. Each Lender shall provide the Company with a list of entities party to all Participation Agreements with such Lender upon request.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information, including Confidential Information, relating to the Borrowers furnished to such Lender by or on behalf of the Borrowers; provided that, prior to any such disclosure of Confidential Information, the assignee or participant or proposed assignee or participant shall be informed of the confidential nature of such Confidential Information and shall agree to (i) preserve the confidentiality of any Confidential Information relating to the Borrowers received by it from such Lender and (ii) be bound by the provisions of Section 9.10.

(g) Notwithstanding any other provision in this Section 9.07, no Lender may assign its interest to an Eligible Assignee if, as of the effective date of such assignment, such assignment would increase the amount of Taxes, Other Taxes or increased costs payable under Sections 2.11 or 3.04, respectively.

(h) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time and without the consent of the Administrative Agent or any Borrower create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Loans owing to it and the Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 9.09. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.10. Confidentiality. None of the Administrative Agent or any Lender shall disclose any Confidential Information to any Person without the consent of the Company, other than (a) to such Person's Affiliates and their officers, directors, employees, agents, counsel, auditors and advisors of such Person or such Person's Affiliates, (b) to a proposed assignee, a proposed participant or a proposed counterparty (or its advisors) to any swap, securitization, or derivative transaction referencing or involving any of its rights or obligations of a Lender under this Agreement; provided that prior to any such disclosure, the proposed assignee, participant or counterparty (or its advisors) shall deliver to the Company a written agreement to preserve the confidentiality of any Confidential Information to the extent required by this Agreement, and then only on a confidential basis, (c) as required by any law, rule or regulation or judicial process, (d) in connection with any litigation to which any Lender or the Administrative Agent is a party or in connection with the exercise of any remedy hereunder or under any Note (provided that, in the case of this clause (d), such Lender or the Administrative Agent, as the case may be, uses reasonable efforts under the circumstances to obtain reasonable assurances that confidential treatment will be accorded to such information in connection with such litigation or exercise) and (e) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking or any aspects of any Lender's activities. Notwithstanding any other provision herein, each party hereto (and each party's employees, representatives or other agents) may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 9.11. Jurisdiction, Etc.

(a) Each of the parties hereto (and each Designated Borrower, by its acceptance of the proceeds of Loans made to it) hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or

federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action, proceeding or counterclaim arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto and each Designated Borrower hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State or, to the extent permitted by law, in such federal court. Each of the parties hereto and each Designated Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto and each Designated Borrower irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any action, proceeding or counterclaim arising out of or relating to this Agreement or the other Loan Documents in any New York State or federal court. Each of the parties hereto and each Designated Borrower hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.12. WAIVER OF JURY TRIAL. EACH BORROWER, THE ADMINISTRATIVE AGENT AND EACH OF THE LENDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE LOANS OR THE ACTIONS OF THE ADMINISTRATIVE AGENT OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

SECTION 9.13. Judgment Currency. This is an international loan transaction in which the specification of Dollars or an Alternate Currency, as the case may be (the "Specified Currency"), any payment in New York City or the country of the Specified Currency, as the case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to Loans denominated in the Specified Currency. The payment obligations of the Borrowers under this Agreement and the Notes shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of each Borrower in

respect of any such sum due from it to the Administrative Agent or any Lender hereunder (an "Entitled Person") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder or under the Notes in the Second Currency such Entitled Person may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and each Borrower hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify such Entitled Person against, and to pay such Entitled Person on demand in the Specified Currency, any difference between the sum originally due to such Entitled Person in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

SECTION 9.14. European Monetary Union.

(a) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in Euros, the Administrative Agent shall not be liable to any of the Borrowers or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in Euros) to the account of any Borrower or any Lender in the Principal Financial Center in the Participating Member State which such Borrower or such Lender, as the case may be, shall have specified for such purpose. For the purposes of this paragraph, "all relevant steps" means all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments in Euros.

(b) Other Consequential Changes. Without prejudice to the respective liabilities of the Borrowers to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement, except as expressly provided in this Section, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time reasonably specify to be necessary or appropriate to reflect the introduction of or changeover to Euros in Participating Member States.

ARTICLE X

GUARANTEE

SECTION 10.01. Guarantee. The Company hereby guarantees to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) of the principal of and interest on the Loans made by the Lender to, and the Notes held by each

Lender of, each Designated Borrower and all other amounts from time to time owing to the Lenders or the Administrative Agent by any Designated Borrower under this Agreement pursuant to its Designation Letter and under the Notes, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "Guaranteed Obligations"). The Company hereby further agrees that if any Designated Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration, by optional prepayment or otherwise) any of the Guaranteed Obligations, the Company will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 10.02. Obligations Unconditional.

(a) The obligations of the Company hereunder are unconditional irrespective of (i) the value, genuineness, validity, regularity or enforceability of any of the Guaranteed Obligations, (ii) any modification, amendment or variation in or addition to the terms of any of the Guaranteed Obligations or any covenants in respect thereof or any security therefor, (iii) any extension of time for performance or waiver of performance of any covenant of any Designated Borrower or any failure or omission to enforce any right with regard to any of the Guaranteed Obligations, (iv) any exchange, surrender, release of any other guaranty of or security for any of the Guaranteed Obligations, or (v) any other circumstance with regard to any of the Guaranteed Obligations which may or might in any manner constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent hereof that the obligations of the Company hereunder shall be absolute and unconditional under any and all circumstances.

(b) The Company hereby expressly waives diligence, presentment, demand, protest, and all notices whatsoever with regard to any of the Guaranteed Obligations and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Designated Borrower hereunder or under the Designation Letter of such Designated Borrower or any Note of such Designated Borrower or any other guarantor of or any security for any of the Guaranteed Obligations.

SECTION 10.03. Reinstatement. The guarantee in this Article X shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Designated Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder(s) of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

SECTION 10.04. Subrogation. Until the termination of the Commitments and the payment in full of the principal of and interest on the Loans and all other amounts payable to the Administrative Agent or any Lender hereunder, the Company hereby irrevocably waives all rights of subrogation or contribution, whether arising by operation of law (including, without limitation, any such right arising under the Federal Bankruptcy Code) or otherwise, by reason of any payment by it pursuant to the provisions of this Article X.

SECTION 10.05. Remedies. The Company agrees that, as between the Company on the one hand and the Lenders and the Administrative Agent on the other hand, the obligations of any Designated Borrower guaranteed under this Agreement may be declared to be forthwith due and payable, or may be deemed automatically to have been accelerated, as provided in Article VII, for purposes of Section 10.01 hereof notwithstanding any stay, injunction or other prohibition (whether in a bankruptcy proceeding affecting such Designated Borrower or otherwise) preventing such declaration as against such Designated Borrower and that, in the event of such declaration or automatic acceleration such obligations (whether or not due and payable by such Designated Borrower) shall forthwith become due and payable by the Company for purposes of said Section 10.01.

SECTION 10.06. Continuing Guarantee. The guarantee in this Article X is a continuing guarantee and shall apply to all Guaranteed Obligations whenever arising.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

The Borrower

MARRIOTT INTERNATIONAL, INC.

By: /s/ Carolyn B. Handlon

Title: Executive Vice President and
Global Treasurer

The Administrative Agent

CITIBANK, N.A.,
as Administrative Agent

By: /s/ William G. Martens, III

Title: Managing Director

COMMITMENT	BANKS
$45,000,000	CITIBANK, N.A. By: /s/ William G. Martens, III Title: Managing Director
$45,000,000	BANK OF AMERICA, N.A. By: /s/ Ansel McDowell Title: Principal
$40,000,000	THE BANK OF NOVA SCOTIA By: /s/ T. J. McNaught Title: Director
$40,000,000	MORGAN STANLEY BANK By: /s/ Jaap L. Tonckens Title: Vice President
$40,000,000	BARCLAYS BANK PLC By: /s/ Nicholas Bell Title: Director
$35,000,000	BNP PARIBAS By: /s/ Simone Vinocour Title: Vice President

$31,000,000	BANK ONE, NA By: /s/ James P. Krcmarik Title: Associate Director
$31,000,000	MELLON BANK, N.A. By: /s/ Maria N. Sisto Title: Vice President
$31,000,000	MERRILL LYNCH BANK USA By: /s/ Louis Adler Title: Vice President
$31,000,000	WELLS FARGO BANK, NATIONAL ASSOCIATION By: /s/ Lori Ross Title: Vice President
$24,000,000	JPMORGAN CHASE BANK By: /s/ Donald Shokrian Title: Managing Director

$24,000,000	SUNTRUST BANK By: /s/ Duncan Owen Title: Director
$24,000,000	FIFTH THIRD BANK By: /s/ David D. Melin Title: Vice President
$24,000,000	CREDIT SUISSE FIRST BOSTON By: /s/ William O'Daly Title: Director By: /s/ Cassandra Droogan Title: Associate
$20,000,000	MANUFACTURERS AND TRADERS TRUST COMPANY By: /s/ Timothy A. Knabe Title: Vice President
$15,000,000	FLEET NATIONAL BANK By: /s/ Jeffrey C. Lynch Title: Managing Director

SCHEDULE I

Applicable Lending Offices

CITIBANK, N.A.

Domestic Lending Office:
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: Betsy Wier
Fax: 302-894-6120
Tele: 302-894-6025

With copies to Christen Laughton
Fax: 302-894-6120
Tele: 302-894-6005

Eurodollar Lending Office:
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: Betsy Wier
Fax: 302-894-6120
Tele: 302-894-6025

With copies to Christen Laughton
Fax: 302-894-6120
Tele: 302-894-6005

BANK OF AMERICA, N.A.

Domestic Lending Office:
901 Main Street, 64th Floor
Dallas, TX 75202
Attn: Ansel McDowell
Fax: 214-209-0085
Tele: 214-209-0014

Eurodollar Lending Office:
901 Main Street, 64th Floor
Dallas, TX 75202
Attn: Ansel McDowell
Fax: 214-209-0085
Tele: 214-209-0014

THE BANK OF NOVA SCOTIA

Domestic Lending Office:
One Liberty Plaza
New York, NY 10006
Attn: Pier Griffith
Fax: (212) 225-5145
Tele: (212) 225-5084

Eurodollar Lending Office
One Liberty Plaza
New York, NY 10006
Attn: Pier Griffith
Fax: (212) 225-5145
Tele: (212) 225-5084

MORGAN STANLEY BANK

Domestic Lending Office:
750 Seventh Avenue, 11th Floor
New York, NY 10020
Attn: Christopher Whelan
Fax: (212) 762-2929
Tele: (212) 762-0346

Eurodollar Lending Office
750 Seventh Avenue, 11th Floor
New York, NY 10020
Attn: Christopher Whelan
Fax: (212) 762-2929
Tele: (212) 762-0346

BARCLAYS BANK PLC

Domestic Lending Office:
200 Park Avenue
New York, NY 10166
Attn: Christine Batiz
Fax: (212) 412-5387
Tele: (212) 412-3701

Eurodollar Lending Office:
200 Park Avenue
New York, NY 10166
Attn: Christine Batiz
Fax: (212) 412-5387
Tele: (212) 412-3701

BANK ONE, NA

Domestic Lending Office:
One Bank One Plaza
Suite IL1-0315
Chicago, IL 60670
Attn: Margie Smith
Fax: 312-732-1158
Tele: 312-732-5462

Eurodollar Lending Office:
One Bank One Plaza
Suite IL1-0315
Chicago, IL 60670
Attn: Dennis Redpath
Fax: 312-732-5939
Tele: 312-732-3044

BNP PARIBAS

Domestic Lending Office:
787 Seventh Avenue
New York, NY 10019
Attn: Simone Vinocour
Fax: (212) 841-3049
Tele: (212) 841-2205

Eurodollar Lending Office:
787 Seventh Avenue
New York, NY 10019
Attn: Simone Vinocour
Fax: (212) 841-3049
Tele: (212) 841-2205

MELLON BANK, N.A.

Domestic Lending Office:
3 Mellon Bank Center, 12th Floor
Pittsburgh, PA 15259
Attn: Sannford M. Richards
Fax: (412) 209-6118
Tele: (412) 234-8285

Eurodollar Lending Office:
3 Mellon Bank Center, 12th Floor
Pittsburgh, PA 15259
Attn: Sannford M. Richards
Fax: (412) 209-6118
Tele: (412) 234-8285

MERRILL LYNCH BANK USA

Domestic Lending Office:
15 W. South Temple, Suite 300
Salt Lake City, UT 84101
Attn: Derek Befus
Fax: (801) 359-4667
Tele: (801)-526-6838

Eurodollar Lending Office:
15 W. South Temple, Suite 300
Salt Lake City, UT 84101
Attn: Carl Malaret
Fax: (801) 359-4667
Tele: (801)-526-6838

WELLS FARGO BANK, NATIONAL ASSOCIATION

Domestic Lending Office:
201 Third Street
MAC 0187-081
San Francisco, CA 94103
Attn: Ginnie Padgett
Fax: (415) 979-0675
Tele: (415) 477-5374

Eurodollar Lending Office:
201 Third Street
MAC 0187-081
San Francisco, CA 94103
Attn: Ginnie Padgett
Fax: (415) 979-0675
Tele: (415) 477-5374

JPMORGAN CHASE BANK

Domestic Lending Office:
270 Park Avenue, 4th Floor
New York, NY 10017
Attn: Mariles Iida/Christie Tran
Fax: (713) 750-2892

Eurodollar Lending Office:
270 Park Avenue, 4th Floor
New York, NY 10017
Attn: Mariles Iida/Christie Tran
Fax: (713) 750-2892
Tele: (713) 750-2353/(713) 750-2352

SUNTRUST BANK

Domestic Lending Office:
120 E. Baltimore Street, 24th Floor
Baltimore, MD 21202
Attn: Andrew J. Hines
Fax: (410) 986-1672
Tele: (410) 986-1827

Eurodollar Lending Office:
120 E. Baltimore Street, 24th Floor
Baltimore, MD 21202
Attn: Andrew J. Hines
Fax: (410) 986-1672
Tele: (410) 986-1827

FIFTH THIRD BANK

Domestic Lending Office:
38 Fountain Square Plaza
Cincinnati, OH
Attn: David Melin
Fax: (513) 534-5947
Tele: (212) 534-6640

Eurodollar Lending Office:
38 Fountain Square Plaza
Cincinnati, OH
Attn: Kevin Jones
Fax: (513) 534-5947
Tele: (212) 579-4130

MANUFACTURERS AND TRADERS TRUST COMPANY

Domestic Lending Office:
1350 Eye Street, NW
Suite 200
Washington, DC 20005
Attn: Timothy Knabe
Fax: 202-661-7236
Tele: 202-661-7239

Eurodollar Lending Office:
1350 Eye Street, NW
Suite 200
Washington, DC 20005
Attn: Timothy Knabe
Fax: 202-661-7236
Tele: 202-661-7239

CREDIT SUISSE FIRST BOSTON

Domestic Lending Office:
Eleven Madison Avenue
New York, NY 10010
Attn: Simi Tanner
Fax: (212) 538-6851
Tele: (212) 538-3349

Eurodollar Lending Office:
Eleven Madison Avenue
New York, NY 10010
Attn: Simi Tanner
Fax: (212) 538-6851
Tele: (212) 538-3349

FLEET NATIONAL BANK

Domestic Lending Office:
100 Federal Street
MA DE 10010A
Boston, MA 02110
Attn: Jeff Seabron
Fax: 617-434-0800
Tele: 617-434-4796

Eurodollar Lending Office:
100 Federal Street
MA DE 10010A
Boston, MA 02110
Attn: Jeff Seabron
Fax: 617-434-0800
Tele: 617-434-4796

Existing Liens

Description	Obligor	Lien
Non-Recourse Indebtedness: Delta Airlines Boeing 767 lease	Essex House Condominium Corp.	$53.8 million
Liens encumbering the fee interests (including subordination of the right to receive ground rent) of the Company and its Subsidiaries in land leased to: (1) Courtyard by Marriott L.P. (2) Courtyard by Marriott II L.P. (3) Fairfield Inn by Marriott L.P.	Various	
Liens on two leased trucks in favor of G.E. Capital	Marriott Distribution Services, Inc.	$64,257

SCHEDULE III

[Mandatory Costs][1]

The Mandatory Cost rate is an addition to the interest rate on a sum to compensate a Bank for the cost resulting from the imposition from time to time under the Bank of England Act 1998 (the "Act") and/or by the Bank of England and/or the Financial Services Authority (the "FSA") (or other United Kingdom governmental authorities or agencies) of a requirement to place non-interest bearing cash ratio deposits or special deposits (whether interest bearing or not) with the Bank of England and/or pay fees to the FSA calculated by reference to liabilities used to fund the sum.

The Mandatory Cost rate will be the rate determined by the Administrative Agent (in consultation with the applicable Bank) (and rounded upward, if necessary, to the next 1/16th of 1%) as the rate resulting from the application (as appropriate) of the formula:

for Pounds Sterling sums:

$$\frac{XL + S(L - D) + F \times 0.01}{100 - (X+S)}$$

for other sums:

$$\frac{F \times 0.01}{300}$$

where on the day of application:

X is the percentage of eligible liabilities (in excess of any stated minimum) by reference to which the applicable Bank is required under the Act to maintain, cash ratio deposits with the Bank of England;

L is the percentage rate per annum at which Pounds Sterling deposits for the relevant period are offered by the applicable Bank to leading banks in the London interbank market at or about 11:00 am (London time) on that day;

F is the rate of charge payable by the applicable Bank to the FSA under the Fees Regulations expressed in pounds per £1 million of the Bank's fee base;

S is the level of interest bearing special deposits, expressed as a percentage of eligible liabilities, which the applicable Bank is required to maintain by the Bank of England (or other United Kingdom governmental authorities or agencies); and

D is the percentage rate per annum payable by the Bank of England to the applicable Bank on special deposits.

(X, L, S and D are to be expressed in the formula as numbers and not as percentages. A negative result obtained from subtracting D from L shall be counted as zero.)

[1] Citi please confirm.

The Mandatory Cost rate attributable to a sum for any period shall be calculated at or about 11:00 am (London time) on the first day of such period for the duration of such period.

The determination of the Mandatory Cost rate in relation to any period shall, in the absence of manifest error, be conclusive and binding on the parties hereto.

If there is a change in circumstance (including the imposition of alternative or additional requirements) which in the reasonable opinion of the applicable Bank or the Administrative Agent renders or will render either formula (or any element thereof or any defined term used therein) inappropriate or inapplicable, the Administrative Agent may vary the same after notice to the Company. Any such variation shall, in the absence of manifest error, be conclusive and binding on the parties and shall apply from the date specified in such notice.

For the purposes of this Schedule:

The terms "eligible liabilities" and "special deposits" shall bear the meanings given to them under or pursuant to the Act by the Bank of England (as appropriate), on the day of the application of the formula;

"fee base" has the meaning given to it in the Fees Regulations;

"Fees Regulations" shall mean, as appropriate, either:

(a) the Banking Supervision (Fees) Regulations 2000; or

(b) such regulations as from time to time may be in force, relating to the payment of fees for banking supervision.

Exhibit 12

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

	Thirty-six weeks ended	
	September 12, 2003	September 6, 2002
Income from continuing operations before minority interest expense and income taxes [1]	$ 263	$ 363
Loss related to equity method investees	4	—
	267	363
Add/(deduct):		
Fixed charges	128	127
Interest capitalized	(18)	(32)
Distributed income of equity method investees	17	15
Minority interest in pre-tax loss	20	—
Earnings available for fixed charges	$ 414	$ 473
Fixed charges:		
Interest expensed and capitalized [2]	$ 95	$ 91
Estimate of interest within rent expense	33	36
Total fixed charges	$ 128	$ 127
Ratio of earnings to fixed charges	3.2	3.7

(1) Reflected in income from continuing operations before minority interest and income taxes are losses from our Synthetic Fuel business of $104 million and $81 million, respectively, for the thirty-six weeks ended September 12, 2003 and September 6, 2002.

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

Exhibit 31.1

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(s) 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)) 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) 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
    (c) 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(s) 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 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 17, 2003

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.
Chairman of the Board and
Chief Executive Officer

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

I, Arne M. Sorenson, 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(s) 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)) 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) 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
    (c) 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(s) 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 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 17, 2003

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 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 12, 2003 (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 17, 2003

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.
Chairman of the Board
and Chief Executive Officer

I, Arne M. Sorenson, 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 12, 2003 (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 17, 2003

/s/ Arne M. Sorenson

Arne M. Sorenson
Executive Vice President and
Chief Financial Officer

Forward-Looking Statements

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

Dependence on others: Our present growth strategy for development of additional facilities entails entering into and maintaining various arrangements with present and future property owners, including Host Marriott Corporation and New World Development Company Limited. We cannot assure you that any of our current strategic arrangements will continue, or that we will be able to enter into future collaborations.

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

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

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

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

The lodging industry's uncertain recovery in the aftermath of the September 11, 2001 terrorist attacks and the military action in Iraq, will continue to impact our financial results and growth: Both the Company and the lodging industry have been hurt by the 2001 terrorist attacks on New York and Washington and their aftermath. Business and leisure travel, which was already suffering from a global economic downturn, decreased further after the attacks and has remained depressed as some potential travelers reduced or avoided discretionary travel in light of increased delays and safety concerns and as a result of further economic declines stemming from an erosion in consumer confidence. Weaker hotel performance has reduced management and franchise fees and given rise to fundings or losses under loans, guarantees and minority investments that we have made in connection with hotels that we manage, which has, in turn, had a material adverse impact on our financial performance. Owners of the hotels that we manage or franchise may also experience financial difficulty or face bankruptcy which could have a negative impact on their ability to maintain the hotel or pay fees to us. Declines in leisure travel and consumer confidence have also hurt our timeshare sales. Reduced and delayed development of new hotel properties due to adverse economic conditions in turn slows the growth in our management and franchise fees. Although both the lodging and travel industries had begun to recover by the spring of 2002, recent economic softness, concerns over the aftermath of the war in Iraq and potential military action in other countries and the possible failures of airlines presently in or facing bankruptcy and the likelihood of further airline service cutbacks has left it unclear whether, at what pace, and to what extent, that recovery will continue. Accordingly, adverse impacts on our business could continue or worsen for an unknown period of time.

Exit from the Senior Living Services Business: Our agreement to sell the Senior Living Services business provides for purchase price adjustments and indemnification of Sunrise based on pre-closing events and liabilities resulting from the consummation of the transaction. As the amount of such purchase price adjustments and indemnification obligations depends, in large part, on actions of third parties that are outside of our control, it is difficult to predict the ultimate impact of those adjustments and indemnities.

Synthetic Fuel: The Internal Revenue Service might reject any of our synthetic fuel tax credits on audit or may not issue a new private letter ruling enabling our purchaser to exercise its one-time option to return its ownership interests in the synthetic fuel operations to us. Our synthetic fuel operations could be interrupted due to problems at any of our operations, the power plants that buy synthetic fuel from us or the coal mines where we buy coal. Such interruptions could be caused by accidents, union activity, severe weather or other similar unpredictable events. Moreover, the performance of our Synthetic Fuel business is dependent on our ability to utilize the tax credits, which in turn is dependent on our financial performance.

Changes in privacy law could adversely affect our ability to effectively market our products: Our Timeshare business, and to a lesser extent our Lodging businesses, rely on a variety of direct marketing techniques, including telemarketing and mass mailings. We have already responded to some recent initiatives, such as the National Do Not Call Registry operated by the Federal Trade Commission which, although subject to outstanding legal challenges, became at least partially effective on October 1, 2003. These initiatives have created some concern regarding the effectiveness of telemarketing and mass mailing techniques going forward. Such initiatives as well as any related changes in law could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies. We also obtain lists of potential customers from travel service providers with whom we have substantial relationships and market to some individuals on these lists directly. If the acquisition of these lists were outlawed or otherwise restricted, either domestically, abroad or both, our ability to develop new customers and introduce them to our products could be materially and adversely affected.