

MARRIOTT INTERNATIONAL INC /MD/
Form 10-K405/A
December 10, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

ANNUAL 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 Fiscal Year Ended December 29, 2000

Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.

Delaware
(State of Incorporation)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which
Class A Common Stock, \$0.01 par value (240,980,998 shares outstanding as of November 30, 2001)	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange

The aggregate market value of shares of common stock held by non-affiliates at October 31, 2001, was \$5,892,493,985

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 if disclosure by delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Documents Incorporated by Reference

Portions of the Proxy Statement prepared for the 2001 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

Index to Exhibits is located on pages 62 through 64.

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PART I

Throughout this report, we refer to Marriott International, Inc., together with its subsidiaries, as "we," "us," or "the Company."

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 annual report, could cause results to differ materially from those expressed in such forward-looking statements.

- . competition for each of our business segments;
- . business strategies and their intended results;
- . the balance between supply of and demand for hotel rooms, timeshare units, senior living accommodations and corporate apartments;
- . our continued ability to obtain new operating contracts and franchise agreements;
- . our ability to develop and maintain positive relations with current and potential hotel and senior living community owners;
- . the effect of international, national and regional economic conditions including the duration and severity of the current economic downturn in the United States and the terrorist attacks on New York and Washington and their aftermath;
- . the availability of capital to allow us and potential hotel owners to fund investments;
- . the effect that internet hotel reservation channels may have on the rates that we are able to charge for hotel rooms; and
- . other risks described from time to time in our filings with the

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Securities and Exchange Commission (the SEC).

ITEMS 1 and 2. BUSINESS AND PROPERTIES

We are a worldwide operator and franchisor of hotels and related lodging facilities, an operator of senior living communities, and a provider of distribution services. Our operations are grouped into six business segments, Full Service Lodging, Select Service Lodging, Extended Stay Lodging, Timeshare, Senior Living Services and Distribution Services, which represented 55, 9, 6, 8, 7, and 15 percent, respectively, of total sales in the fiscal year ended December 29, 2000.

In our Lodging business, we operate, develop and franchise hotels under 14 separate brand names and we operate, develop and market Marriott timeshare properties under 3 separate brand names. Our lodging business includes the Full Service, Select Service, Extended Stay and Timeshare segments.

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In our Senior Living Services segment at December 29, 2000, we developed and operated 153 senior living communities offering independent living, assisted living and skilled nursing care for seniors in the United States.

Marriott Distribution Services (MDS) supplies food and related products to external customers and to internal lodging and senior living services operations throughout the United States.

Financial information by industry segment and geographic area as of December 29, 2000 and for the three fiscal years then ended, appears in the Business Segments note to our Consolidated Financial Statements included in this annual report.

Formation of "New" Marriott International - Spinoff in March 1998

We became a public company in March 1998, when we were spun off (the Spinoff) as a separate entity by the company formerly named "Marriott International, Inc." (Old Marriott). Our company - the "new" Marriott International - was formed to conduct the lodging, senior living and distribution services businesses formerly conducted by Old Marriott.

The Spinoff was effected through a dividend of one share of our common stock and one share of our Class A Common Stock for each share of Old Marriott Common Stock outstanding on March 20, 1998. As the result of a shareholders' vote at our 1998 annual meeting of shareholders, on May 21, 1998 we converted all of our outstanding shares of common stock into shares of Class A Common Stock on a one-for-one basis.

At the same time as the Spinoff, Old Marriott merged its remaining businesses - food service and facilities management - with the similar businesses of Sodexo Alliance, S.A. (Sodexo Alliance) in the United States and Canada, to form Sodexo Marriott Services, Inc. (SMS). On June 20, 2001, SMS became a wholly-owned subsidiary of Sodexo Alliance and changed its name to Sodexo, Inc. We are providing certain transitional administrative services to SMS, and MDS provides food distribution services to many of SMS's food service locations.

Lodging

We operate or franchise 2,099 lodging properties worldwide, with 390,469 rooms as of December 29, 2000. In addition, we provide 6,959 furnished corporate

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housing units. We believe that our portfolio of lodging brands - from luxury to economy to extended stay to corporate housing - is the broadest of any company in the world, and that we are the leader in the quality tier of the vacation timesharing business. Consistent with our focus on management and franchising, we own very few of our lodging properties. Our lodging brands include:

Full Service Lodging

- . Marriott Hotels, Resorts and Suites
- . Marriott Conference Centers
- . JW Marriott Hotels
- . Renaissance Hotels, Resorts and Suites
- . Ramada International Hotels, Resorts and Suites (Europe, Middle East and Asia/Pacific)
- . Bvlgari Hotels and Resorts/1/
- . The Ritz-Carlton Hotels

Extended Stay Lodging

- . Residence Inn
- . TownePlace Suites
- . Marriott Executive Apartments
- . ExecuStay by Marriott

Timeshare

- . Marriott Vacation Club International
- . Horizons by Marriott Vacation Club
- . The Ritz-Carlton Club

Select Service Lodging

- . Courtyard
- . Fairfield Inn
- . SpringHill Suites

/1/As part of our ongoing strategy to expand our reach through partnerships with preeminent, world-class companies, in early 2001, we announced our plans to launch a joint venture with Bulgari SpA to introduce a distinctive new luxury hotel brand - Bulgari Hotels and Resorts.

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Company-Operated Lodging Properties

At December 29, 2000, we operated a total of 931 properties (231,416 rooms) as owned or under long-term management or lease agreements with property owners (together, the Operating Agreements).

Terms of our management agreements vary, but typically we earn a management fee which comprises a base fee, which is a percentage of the revenues of the hotel, and an incentive management fee, which is based on the profits of the hotel. Our management agreements also typically include reimbursement of costs (both direct and indirect) of operations. Such agreements are generally for initial periods of 20 to 30 years, with options to renew for up to 50 additional years. Our lease agreements also vary, but typically include fixed annual rentals plus additional rentals based on a percentage of annual revenues in excess of a fixed amount. Many of the Operating Agreements are subordinated to mortgages or other liens securing indebtedness of the owners. Additionally, a number of the Operating Agreements permit the owners to terminate the agreement if financial returns fail to meet defined levels and we have not cured such deficiencies.

For lodging facilities that we manage, we are responsible for hiring, training and supervising the managers and employees required to operate the facilities and for purchasing supplies, for which we generally are reimbursed by the owners. We provide centralized reservation services, and national advertising, marketing and promotional services, as well as various accounting and data processing services. For lodging facilities that we manage, we prepare and implement annual operating budgets that are subject to owner review.

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Franchised Lodging Properties

We have franchising programs that permit the use of certain of our brand names and our lodging systems by other hotel owners and operators. Under these programs, we generally receive an initial application fee and continuing royalty fees, which typically range from four percent to six percent of room revenues for all brands, plus two percent to three percent of food and beverage revenues for certain full-service hotels. In addition, franchisees contribute to our national marketing and advertising programs, and pay fees for use of our centralized reservation systems. At December 29, 2000, we had 1,168 franchised properties (159,053 rooms).

Summary of Properties by Brand

As of December 29, 2000 we operated or franchised the following properties by brand (excluding 6,959 corporate housing rental units):

Brand	Company-operated		Proper
	Properties	Rooms	ty
Marriott Hotels, Resorts and Suites	238	105,396	1
Ritz-Carlton	38	13,018	
Renaissance Hotels, Resorts and Suites	78	30,133	
Ramada International	7	1,325	
Residence Inn	139	18,052	2
Courtyard	280	43,689	2
TownePlace Suites	31	3,290	
Fairfield Inn	52	7,526	3
SpringHill Suites	12	1,736	
Marriott Vacation Club International	47	5,556	
Marriott Executive Apartments and other	9	1,695	
Total	931	231,416	1,1
	=====	=====	=====

We plan to open over 200 hotels (more than 35,000 rooms) during 2001. We believe that we have access to sufficient financial resources to finance our growth, as well as to support our ongoing operations and meet debt service and other cash requirements. Nonetheless, our ability to sell properties that we develop, and the ability of hotel developers to build or acquire new Marriott properties, which are important parts of our growth plans, is partially dependent on the availability and price of capital.

Marriott Hotels, Resorts and Suites (including JW Marriott Hotels and Marriott Conference Centers) primarily serve business and leisure travelers and meeting groups at locations in downtown and suburban areas, near airports and at resort locations. Most Marriott full-service hotels contain from 300 to 500 rooms. Marriott full-service hotels typically have swimming pools, gift shops, convention and banquet facilities, a variety of restaurants and lounges and parking facilities. Marriott resort hotels have additional recreational facilities, such as tennis courts and golf courses. The 13 Marriott Suites (approximately 3,400 rooms) are full-service suite hotels that typically contain

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approximately 260 suites, each consisting of a living room, bedroom and bathroom. Marriott Suites have limited meeting space. Unless otherwise indicated, references throughout this report to Marriott Hotels, Resorts and Suites include JW Marriott Hotels and Marriott Conference Centers.

JW Marriott Hotels are located in many of the world's major gateway cities in upscale business and resort locations. These 13 hotels cater to discerning upscale travelers seeking a lodging experience of high comfort and prestige. Most JW Marriott Hotels contain 300 to 450 rooms. In addition to the features found in a typical Marriott full-service hotel, the facilities and amenities in the JW Marriott Hotels include valet parking, upgraded in-room amenities, "on-call" housekeeping, upgraded executive business centers and fitness centers/spas, and 24-hour room service.

We operate 13 conference centers (3,154 rooms), located throughout the United States. Some of the centers are used exclusively by employees of the sponsoring organization, while others are marketed to outside meeting groups and individuals. The centers typically include meeting room space, dining facilities, guestrooms and recreational facilities.

Room operations contributed the majority of hotel sales for fiscal year 2000 with the remainder coming from food and beverage operations, recreational facilities and other services. Although business at many resort properties is seasonal depending on location, overall hotel profits have been relatively stable and include only moderate seasonal fluctuations.

Marriott Hotels, Resorts and Suites Geographic Distribution at December 29, 2000	Hotels	

United States (41 states and the District of Columbia) ..	270	(111,690 rooms)
	=====	
Non-U.S. (50 countries and territories)		
Americas (Non-U.S.)	27	
Continental Europe	26	
United Kingdom	37	
Asia	19	
Africa and the Middle East	11	
Australia	3	

Total Non-U.S.	123	(37,531 rooms)
	=====	

Ritz-Carlton hotels and resorts are renowned for their distinctive architecture and for the quality of their facilities, dining and guest service. Most Ritz-Carlton hotels have 250 to 350 guest rooms and typically include meeting and banquet facilities, a variety of restaurants and lounges, gift shops, swimming pools and parking facilities. Guests at most of the Ritz-Carlton resorts have access to additional recreational amenities, such as tennis courts and golf courses.

Ritz-Carlton Luxury Hotels and Resorts Geographic Distribution at December 29, 2000	Hotels	

United States (12 states and the District of Columbia) ..	21	(7,611 rooms)
	=====	
Non-U.S. (15 countries and territories)	17	(5,407 rooms)
	=====	

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Renaissance is a global quality-tier brand, which targets business travelers, group meetings and leisure travelers. Renaissance hotels are generally located in downtown locations of major cities, in suburban office parks, near major gateway airports and in destination resorts. Most hotels contain 300 to 500 rooms; however, a few of the convention hotels are larger, and some hotels in non-gateway markets, particularly in Europe, are smaller. Renaissance hotels typically include an all-day dining restaurant, a specialty restaurant, club floors and lounge, boardrooms, and convention and banquet facilities. Renaissance resorts have additional recreational facilities including golf, tennis and water sports.

Renaissance Hotels, Resorts and Suites	
Geographic Distribution at December 29, 2000	Hotels

United States (19 states and the District of Columbia) ..	47 (19,475 rooms)
=====	
Non-U.S. (26 countries and territories)	
Americas (Non-U.S.)	8
Continental Europe	16
United Kingdom	5
Asia	22
Africa and the Middle East	8
Australia	1

Total Non-U.S.	60 (20,653 rooms)
=====	

Ramada International is a moderately-priced brand targeted at business and leisure travelers. Each full-service Ramada International property includes a restaurant, a cocktail lounge and full-service meeting and banquet facilities. Ramada International hotels are located primarily in Europe in major and secondary cities, near major international airports and suburban office park locations. We also receive a royalty fee from Cendant Corporation and Ramada Franchise Canada Limited for the use of the Ramada name in the United States and Canada, respectively. On December 20, 2000 we announced our plans to convert approximately 80 Treff hotels to Ramada-Treff hotels. We also entered into an agreement with Treff hotels for them to develop, over the next five years, ten new Ramada International hotels per year, primarily in Germany and Switzerland.

Ramada International	
Geographic Distribution at December 29, 2000	Hotels

Americas (Non-U.S.)	2
Continental Europe	31
Asia	10
Africa and the Middle East	4

Total (14 countries and territories)	47 (9,195 rooms)
=====	

Residence Inn is the U.S. market leader among extended-stay lodging products, which caters primarily to business, government and family travelers who stay more than five consecutive nights. Residence Inns generally have 80 to 150 rooms, with a mix of studio, one bedroom and two-bedroom suites. Most inns feature a series of residential style buildings with landscaped walkways, courtyards and recreational areas. The inns do not have restaurants but offer complimentary continental breakfast. Each suite contains a fully equipped kitchen, and many suites have wood-burning fireplaces.

Residence Inn	
Geographic Distribution at December 29, 2000	Hotels

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United States (46 states and the District of Columbia) ..	345	(40,115 rooms)
	=====	
Canada	8	(1,159 rooms)
	=====	
Mexico	1	(76 rooms)
	=====	

Courtyard is our moderate-price select-service hotel product. Aimed at individual business and leisure travelers as well as families, Courtyard hotels maintain a residential atmosphere and typically have 80 to 150 rooms. Well landscaped grounds include a courtyard with a pool and social areas. Most hotels feature meeting rooms, limited restaurant and lounge facilities, and an exercise room. The operating systems developed for these hotels allow Courtyard to be price-competitive while providing better value through superior facilities and guest service.

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Courtyard Geographic Distribution at December 29, 2000	Hotels	

United States (44 states and the District of Columbia) ..	479	(66,750 rooms)
	=====	
Non-U.S. (9 countries)	41	(7,091 rooms)
	=====	

TownePlace Suites is a moderately priced, extended-stay hotel product that is designed to appeal to business and leisure travelers. The typical TownePlace Suites hotel contains 95 high quality studio and two-bedroom suites. Each suite has a fully equipped kitchen and separate living area. Each hotel provides housekeeping services and has on-site exercise facilities, an outdoor pool, 24-hour staffing and laundry facilities. At December 29, 2000, 84 TownePlace Suites (8,532 rooms) were located in 29 states.

Fairfield Inn is our economy lodging product, which competes directly with major national economy motel chains. Aimed at cost-conscious individual business and leisure travelers, a typical Fairfield Inn has 65 to 135 rooms and offers a swimming pool, complimentary continental breakfast and free local phone calls. At December 29, 2000, 439 Fairfield Inns (41,412 rooms) were located in 46 states and the District of Columbia.

SpringHill Suites is our all-suite brand in the moderate-price tier of lodging products. SpringHill Suites feature suites that are 25 percent larger than a typical hotel guest room and offer a broad range of amenities, including complimentary continental breakfast and exercise facilities. At December 29, 2000, 61 properties (6,521 rooms) were located in 24 states.

Marriott Vacation Club International develops, sells and operates vacation timesharing resorts. Revenues are generated from three primary sources: (1) selling fee simple and other forms of timeshare intervals, (2) operating the resorts and (3) financing consumer purchases of timesharing intervals.

Many timesharing resorts are located adjacent to Marriott hotels, and timeshare owners have access to certain hotel facilities during their vacation. Owners can trade their annual interval for intervals at other Marriott timesharing resorts or for intervals at certain timesharing resorts not otherwise sponsored by Marriott through an affiliated exchange company. Owners also can trade their unused interval for points in the Marriott Rewards frequent stay program, enabling them to stay at over 2,000 Marriott hotels worldwide.

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In 2000, we successfully launched The Ritz-Carlton Club, our luxury vacation timesharing resort, with two premier locations: St Thomas, U.S. Virgin Islands and Aspen, Colorado. We also initiated sales at Horizons by Marriott Vacation Club (Horizons) at a resort in Branson, Missouri and at our flagship resort in Orlando, Florida. Horizons represents our entrance into the moderate tier vacation ownership market.

Marriott Vacation Club International's owner base continues to expand, with 182,000 owners at year end 2000, compared to 140,000 in 1999.

Marriott Vacation Club International (all brands)

Geographic Distribution at December 29, 2000	Resorts	Units
Continental United States	40	4,586
Hawaii	2	386
Caribbean	3	285
Europe	2	299
Total	47	5,556

We provide temporary housing (serviced apartments) for business executives and others who need quality accommodations outside their home country, usually for 30 or more days. Some serviced apartments operate under the Marriott Executive Apartments brand, which is designed specifically for the long-term international traveler. At December 29, 2000, nine serviced apartment properties (1,695 units), including four Marriott Executive Apartments, were located in five countries and territories. All Marriott Executive Apartments are located outside the United States.

ExecuStay provides furnished corporate apartments for stays of one month or longer nationwide. ExecuStay owns no residential real estate and provides units primarily through short-term lease agreements with apartment owners and managers.

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Other Activities

Marriott Golf manages 26 golf course facilities for us and for other golf course owners.

We operate 19 systemwide hotel reservation centers, 13 of them in the U.S. and Canada and six internationally, that handle reservation requests for Marriott lodging brands worldwide, including franchised properties. We own one of the U.S. facilities and lease the others.

Our Architecture and Construction Division assists in the design, development, construction and refurbishment of lodging properties and senior living communities and is paid a fee by the property owners.

Competition

We encounter strong competition both as a lodging operator and as a franchisor. There are over 650 lodging management companies in the United States, including several that operate more than 100 properties. These operators are primarily private management firms, but also include several large national chains that own and operate their own hotels and also franchise their brands. Management contracts are typically long-term in nature, but most allow the hotel owner to replace the management firm if certain financial or performance

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criteria are not met.

Affiliation with a national or regional brand is prevalent in the U.S. lodging industry. In 2000, the majority of U.S. hotel rooms were brand-affiliated. Most of the branded properties are franchises, under which the operator pays the franchisor a fee for use of its hotel name and reservation system. The franchising business is fairly concentrated, with the three largest franchisors operating multiple brands accounting for a significant proportion of all U.S. rooms.

Outside the United States branding is much less prevalent, and most markets are served primarily by independent operators. We believe that chain affiliation will increase in overseas markets as local economies grow, trade barriers are reduced, international travel accelerates and hotel owners seek the economies of centralized reservation systems and marketing programs.

Based on lodging industry data, we have nearly an eight percent share of the U.S. hotel market (based on number of rooms), less than a one percent share of the lodging market outside the United States and a nine percent share of annual worldwide timesharing sales of about \$8 billion. We believe that our hotel brands are attractive to hotel owners seeking a management company or franchise affiliation, because our hotels typically generate higher occupancies and Revenue per Available Room (REVPAR) than direct competitors in most market areas. We attribute this performance premium to our success in achieving and maintaining strong customer preference. Approximately 30 percent of our ownership resort sales come from additional purchases by or referrals from existing owners. We believe that the location and quality of our lodging facilities, our marketing programs, reservation systems and our emphasis on guest service and satisfaction are contributing factors across all of our brands.

Properties that we operate or franchise are regularly upgraded to maintain their competitiveness. Our management, lease, and franchise agreements provide for the allocation of funds, generally a fixed percentage of revenue, for periodic renovation of buildings and replacement of furnishings. We believe that the ongoing refurbishment program is adequate to preserve the competitive position and earning power of the hotels. We also strive to update and improve the products and services we offer. We believe that by operating a number of hotels in each of our brands, we stay in direct touch with customers and react to changes in the marketplace more quickly than chains which rely exclusively on franchising.

Marriott Rewards is a frequent guest program with a total of over 14 million members, and nine participating Marriott brands. The Marriott Rewards program yields repeat guest business due to rewarding frequent stays with points toward free hotel stays and other rewards, or airline miles with any of 20 participating airline programs. We believe that Marriott Rewards generates substantial repeat business that might otherwise go to competing hotels.

Marriott Senior Living Services

In our Senior Living Services business, we develop and operate both "independent full-service" and "assisted living" senior living communities and provide related senior care services. Most are rental communities with monthly rates that depend on the amenities and services provided. We are one of the largest U.S. operators of senior living communities in the quality tier.

At December 29, 2000 we operated 153 senior living communities in 30 states.

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	Communities	Units (1)
	-----	-----
Independent full-service		
- owned	3	1,193
- operated under long-term agreements	42	11,649
	-----	-----
	45	12,842
Assisted living		
- owned	46	5,010
- operated under long-term agreements	62	8,066
	-----	-----
	108	13,076
	-----	-----
Total senior living communities	153	25,918
	=====	=====

(1) Units represent independent living apartments plus beds in assisted living and nursing centers.

At December 29, 2000, we operated 45 independent full-service senior living communities, which offer both independent living apartments and personal assistance units for seniors. Most of these communities also offer licensed nursing care.

At December 29, 2000, we also operated 108 assisted living senior living communities principally under the names "Brighton Gardens by Marriott," "Village Oaks," and "Marriott MapleRidge." Assisted living communities are for seniors who benefit from assistance with daily activities such as bathing, dressing or medication. Brighton Gardens is a quality-tier assisted living concept which generally has 90 assisted living suites and in certain locations, 30 to 45 nursing beds in a community. In some communities, separate on-site centers also provide specialized care for residents with Alzheimer's or other memory-related disorders. Village Oaks is a moderately-priced assisted living concept which emphasizes companion living and generally has 70 suites in a community. This concept is geared for the cost conscious senior who benefits from the companionship of another unrelated individual. Marriott MapleRidge assisted living communities consist of a cluster of six or seven 14-room cottages which offer residents a smaller scale, more intimate setting and family-like living at a moderate price.

The assisted living concepts typically include three meals per day, linen and housekeeping services, security, transportation, and social and recreational activities. Additionally, skilled nursing and therapy services are generally available to Brighton Gardens residents.

Terms of the senior living services management agreements vary but typically include base management fees, ranging from four to six percent of revenues, central administrative services reimbursements and incentive management fees. Such agreements are generally for initial periods of five to 30 years, with options to renew for up to 25 additional years. Under the leases covering certain of the communities, we pay the owner fixed annual rent plus additional rent equal to a percentage of the amount by which annual revenues exceed a fixed amount.

Our Senior Living Services business competes mostly with local and regional providers of long-term health care and senior living services, although there are some national providers in the assisted living market. We compete by operating well-maintained facilities, and by providing quality health care, food service and other services at competitive prices. The reputation for service, quality care and know how associated with the Marriott name is also attractive to residents and their families. We have focused on developing relationships

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with professionals who often refer seniors to senior living communities, such as hospital discharge planners and physicians.

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Marriott Distribution Services

MDS is a United States limited-line distributor of food and related supplies, carrying an average of 3,000 product items per distribution center. This segment originally focused on purchasing, warehousing and distributing food and supplies to other Marriott businesses. However, MDS has increased its third-party business to about 89 percent of total sales volume for the year ended December 29, 2000.

MDS operated a nationwide network of 13 distribution centers at December 29, 2000. Leased facilities are generally built to our specifications, and utilize a narrow aisle concept and technology to enhance productivity.

Through MDS, we compete with numerous national, regional and local distribution companies in the \$147 billion U.S. food distribution industry. We attract clients by adopting competitive pricing policies and by maintaining one of the highest order fill rates in the industry. In addition, our limited product lines, operating systems, and other economies provide a favorable cost structure, which we are able to leverage in pursuing new business.

Employee Relations

At December 29, 2000, we had approximately 153,000 employees. Approximately 6,350 employees were represented by labor unions. We believe relations with our employees are positive.

Other Properties

In addition to the operating properties discussed above, we lease an 870,000 square foot office building in Bethesda, Maryland, which serves, as our headquarters.

We believe our properties are in generally good physical condition with need for only routine repair and maintenance.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings which were settled during our 2000 fiscal year are described in the "Contingent Liabilities" footnote in the financial statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data." Other legal proceedings are incorporated by reference to the "Subsequent Events" footnote in the financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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Part II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

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The range of prices of our common stock and dividends declared per share for each quarterly period within the last two years are as follows:

		Stock Price				Dividends
		High		Low		Declared Per Share
1999	First Quarter	\$ 39	15/16	\$ 29		\$ 0.050
	Second Quarter	44	1/2	33		0.055
	Third Quarter	38	1/2	33	5/16	0.055
	Fourth Quarter	36	1/4	29	9/16	0.055

		Stock Price				Dividends
		High		Low		Declared Per Share
2000	First Quarter	\$ 34	3/4	\$ 26	1/8	\$ 0.055
	Second Quarter	38		29	1/2	0.060
	Third Quarter	42	3/8	34	5/8	0.060
	Fourth Quarter	43	1/2	34	1/8	0.060

At November 30, 2001, there were 240,980,998 shares of Class A Common Stock outstanding held by 53,756 shareholders of record. Our Class A Common Stock is traded on the New York Stock Exchange, Chicago Stock Exchange, Pacific Stock Exchange and Philadelphia Stock Exchange.

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ITEM 6. SELECTED HISTORICAL FINANCIAL DATA

The following table presents summary selected historical financial data for the Company derived from our financial statements as of and for the five fiscal years ended December 29, 2000.

Since the information in this table is only a summary and does not provide all of the information contained in our financial statements, including the related notes, you should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements. Per share data and Shareholders' Equity have not been presented for periods prior to 1998 because we were not a publicly-held company during that time.

	2000	1999	Fiscal 1998
	(in millions, except per share data)		
Income Statement Data:			
Sales	\$10,080	\$ 8,739	\$ 8,739
Operating Profit Before Corporate Expenses and Interest	922	830	830

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Net Income	479	400
Per Share Data:		
Diluted Earnings Per Share	1.89	1.51
Cash Dividends Declared235	.215
Balance Sheet Data (at end of year):		
Total Assets	8,237	7,324
Long-Term and Convertible Subordinated Debt	2,016	1,676
Shareholders' Equity	3,267	2,908
Other Data:		
Systemwide Sales/2/	19,781	17,684

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- /1/ Fiscal year 1996 includes 53 weeks, all other years include 52 weeks.
- /2/ Systemwide sales comprise revenues generated from guests at managed, franchised, owned, and leased, hotels and senior living communities, together with sales generated by our other businesses. We consider 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, systemwide sales should not be considered an alternative to revenues, operating profit, net income, cash flows from operations, or any other operating measure prescribed by accounting principles generally accepted in the United States. In addition, 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.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion presents an analysis of results of our operations for fiscal years ended December 29, 2000, December 31, 1999, and January 1, 1999. Revenue per available rooms (REVPAR) is calculated by dividing room sales for comparable properties by room nights available to guests for the period. We consider REVPAR to be a meaningful indicator of our performance because it measures the period over period growth in room revenues for comparable properties. REVPAR may not be comparable to similarly titled measures such as revenues. Comparable REVPAR, room rate and occupancy statistics used throughout this report are based on U.S. properties operated by us except for Fairfield Inn, which data also include franchised units. Systemwide sales and statistics include data from our franchised properties, in addition to our owned, leased and managed properties. Systemwide statistics are based on comparable worldwide units and reflect the impact of foreign exchange rates.

In 1998 we changed our accounting policy to no longer include the working capital and sales of managed hotels and managed senior living communities in our financial statements. Instead, our sales include fees earned plus costs recovered from owners of managed properties.

Consolidated Results

2000 Compared to 1999

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Net income increased 20 percent to \$479 million and diluted earnings per share advanced 25 percent to \$1.89. Profit growth was driven by our strong U.S. lodging operations, lower system-related costs associated with the year 2000 and the impact on the 1999 financial results of a \$39 million pretax charge to reflect a litigation settlement. Results were also impacted by a \$15 million one-time write-off of a contract investment in our Distribution Services segment in the first quarter of 2000.

Sales increased 15 percent to \$10 billion in 2000, reflecting strong revenue resulting from new and established hotels, contributions from established Senior Living communities, as well as new customers in our Distribution Services business. Systemwide sales increased by 12 percent to \$19.8 billion in 2000.

1999 Compared to 1998

Net income increased three percent to \$400 million in 1999 and diluted earnings per share advanced three percent to \$1.51. Overall profit growth in 1999 was curtailed by a \$39 million pretax charge to reflect an agreement to settle litigation, incremental costs of our Year 2000 readiness efforts, and an operating loss in our Senior Living Services business.

Sales increased 10 percent to \$8.7 billion in 1999, reflecting revenue gains at established hotels, and contributions from new lodging properties and Senior Living communities. Systemwide sales grew 10 percent to \$17.7 billion in 1999.

Marriott Lodging

(dollars in millions)	2000	1999	1998	Annual 00/99
Sales	\$7,911	\$7,041	\$6,311	+12%
Operating profit	936	827	704	+13%

2000 Compared to 1999

Marriott Lodging, which includes our full service, select service, extended stay, and timeshare segments, reported a 13 percent increase in operating profit on 12 percent higher sales in 2000. Results reflected solid room rate growth at U.S. hotels, and contributions from new properties worldwide. Lodging operating profit in 2000 was attributable to base management fees (28 percent of total), franchise fees (17 percent), land rent and other income (three percent), resort timesharing (15 percent), and incentive management fees and other profit participations (37 percent).

Across our full-service lodging brands (Marriott Hotels, Resorts and Suites, Renaissance Hotels, Resorts and Suites and Ritz-Carlton), REVPAR for comparable company-operated U.S. properties grew by an average of 7.2 percent in 2000. Average room rates for these hotels rose 6.3 percent, while occupancy increased slightly to 77.4 percent. In 2000, as a result of the termination of two Ritz-Carlton management agreements, we wrote off our \$3 million investment in these contracts. In addition, due to the bankruptcy of the owner of one hotel, we reserved \$6 million of our investment in that management agreement.

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Our domestic select-service and extended-stay brands (Residence Inn, Courtyard, Fairfield Inn, TownePlace Suites and SpringHill Suites) added a total of 161 properties (18,870 rooms) and deflagged seven properties (1,500 rooms), primarily franchises, during the 2000 fiscal year. REVPAR for comparable properties increased 5.5 percent.

	Comparable U.S. properties		Compa Syste
	2000	Change vs. 1999	
Marriott Hotels, Resorts and Suites			
Occupancy	78.2%	+0.4% pts.	75.7%
Average daily rate	\$ 149.50	+6.2%	\$ 136.37
REVPAR	\$ 116.95	+6.8%	\$ 103.27
Ritz-Carlton			
Occupancy	77.5%	+0.1% pts.	77.5%
Average daily rate	\$ 242.26	+9.2%	\$ 228.01
REVPAR	\$ 187.75	+9.4%	\$ 176.75
Renaissance Hotels, Resorts and Suites			
Occupancy	73.3%	+2.0% pts.	70.9%
Average daily rate	\$ 142.27	+4.5%	\$ 119.95
REVPAR	\$ 104.35	+7.5%	\$ 85.07
Residence Inn			
Occupancy	83.5%	+0.7% pts.	82.2%
Average daily rate	\$ 104.88	+5.1%	\$ 102.25
REVPAR	\$ 87.61	+6.1%	\$ 84.10
Courtyard			
Occupancy	78.9%	- pts.	77.0%
Average daily rate	\$ 97.68	+5.7%	\$ 93.51
REVPAR	\$ 77.05	+5.7%	\$ 71.96
Fairfield Inn			
Occupancy	69.7%	-1.0% pts.	69.7%
Average daily rate	\$ 61.32	+3.8%	\$ 61.32
REVPAR	\$ 42.75	+2.4%	\$ 42.75

Results for international lodging operations were favorable in 2000, despite a decline in the value of the Euro against the U.S. dollar, reflecting strong demand in the Middle East, Asia, Europe and the Caribbean region.

Marriott Vacation Club International also posted favorable profit growth in 2000, reporting a 34 percent increase in contract sales. The increase in contract sales reflects interest in our newest brands, Horizons by Marriott Vacation Club in Orlando, Florida, and The Ritz-Carlton Club resorts in St. Thomas, U.S. Virgin Islands, and Aspen, Colorado, as well as continued strong demand for our timeshare properties in Hawaii, Aruba and California. The profit growth in 2000 was impacted by a \$6 million decline in gains from the sale of notes receivable arising from lower note sale volume. At the end of the year, 24 resorts were in active sales, 23 resorts were sold out and an additional 13 resorts were under development.

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The Marketplace by Marriott (Marketplace), our hospitality procurement business, prepared for its launch as an independent company. In January 2001, Marriott and Hyatt Corporation formed a joint venture, Avendra LLC, and

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we each merged our respective procurement businesses into it. Avendra LLC, is an independent professional procurement services company serving the North American hospitality market and related industries. Bass Hotels & Resorts, Inc., ClubCorp USA Inc. and Fairmont Hotels & Resorts, Inc. joined Avendra LLC in May 2001.

1999 Compared to 1998

Marriott Lodging reported a 17 percent increase in operating profit and 12 percent higher sales in 1999. Results reflected higher room rates for U.S. hotels, contributions from new hotels worldwide, and strong interval sales in resort timesharing. Lodging operating profit in 1999 was attributable to base management fees (27 percent of total), franchise fees (17 percent) and land rent (three percent) that are based on fixed dollar amounts or percentages of sales. The balance was attributable to our timesharing business (15 percent), and to incentive management fees and other income based on the profits of the underlying properties (38 percent).

Across our Lodging brands, REVPAR for comparable company-operated U.S. properties grew by an average of 3.7 percent in 1999. Average room rates for these hotels rose 3.6 percent, while occupancy remained at 77.5 percent. Occupancy, average daily rate and REVPAR for each of our principal established brands are shown in the following table.

	Comparable U.S. properties		Compan
	1999	Change vs. 1998	System 1999
Marriott Hotels, Resorts and Suites			
Occupancy.....	77.5%	-0.1% pts.	75.6%
Average daily rate.....	\$ 140.86	+3.9%	\$ 131.61
REVPAR.....	\$ 109.22	+3.9%	\$ 99.55
Ritz-Carlton			
Occupancy.....	77.8%	+3.4% pts.	76.4%
Average daily rate.....	\$ 219.37	+5.5%	\$ 207.28
REVPAR.....	\$ 170.67	+10.3%	\$ 158.28
Renaissance Hotels, Resorts and Suites			
Occupancy.....	70.8%	+0.5% pts.	68.1%
Average daily rate.....	\$ 132.09	+2.1%	\$ 115.65
REVPAR.....	\$ 93.54	+2.9%	\$ 78.75
Residence Inn			
Occupancy.....	83.0%	-0.1% pts.	81.9%
Average daily rate.....	\$ 99.03	+0.9%	\$ 97.95
REVPAR.....	\$ 82.23	+0.8%	\$ 80.20
Courtyard			
Occupancy.....	79.3%	-0.1% pts.	77.3%

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Average daily rate.....	\$	91.48	+2.8%	\$	88.59
REVPAR.....	\$	72.53	+2.7%	\$	68.48
Fairfield Inn					
Occupancy.....		71.0%	-2.2% pts.		71.0%
Average daily rate.....	\$	58.87	+3.3%	\$	58.76
REVPAR.....	\$	41.80	+0.1%	\$	41.75

International hotel operations posted improved results in 1999, reflecting profit growth for properties in continental Europe, the Middle East, Latin America and the Caribbean region.

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Marriott Vacation Club International achieved a 22 percent increase in contract sales in 1999, as well as higher income from resort management. Strong interval sales were generated at timeshare resorts in Florida, South Carolina, Hawaii and Spain. During 1999, we had 21 resorts in active sales, including the initial project (Orlando, Florida) for Horizons by Marriott Vacation Club, a new product line targeting the moderate price tier of the timeshare market.

Marriott Senior Living Services

(dollars in millions)	2000	1999	1998	----- Annu 00/99
Sales.....	\$669	\$559	\$479	+20%
Operating (loss) profit.....	(18)	(18)	15	-

2000 Compared to 1999

Marriott Senior Living Services posted a 20 percent increase in sales in 2000, reflecting the net addition of nine properties during the year and a four percentage point increase in occupancy for comparable communities to 88 percent. Despite the increase in sales, profitability was impacted by start-up inefficiencies for new properties, higher administrative expenses, pre-opening costs for new communities, costs related to debt associated with facilities developed by unaffiliated third parties, and charges associated with our decision to limit new construction until the market improves, resulting in a loss of \$18 million.

1999 Compared to 1998

Marriott Senior Living Services posted a 17 percent increase in sales in 1999, as we added a net total of 31 new communities (4,216 living units) during the year. Occupancy for comparable communities increased by nearly one percentage point to 90 percent in 1999.

The division reported an operating loss in 1999, primarily as a result of \$18 million of pre-opening costs for new communities, increased accounts receivable reserves, and one-time charges associated with our decision to slow new construction until market conditions improve.

Marriott Distribution Services

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(dollars in millions)	2000	1999	1998	Annual 00/99
Sales	\$1,500	\$1,139	\$1,178	+32%
Operating profit	4	21	17	-81%

2000 Compared to 1999

Marriott Distribution Services (MDS) posted a 32 percent increase in sales for 2000, reflecting the commencement of service to three large restaurant chains in the year. Operating profit declined \$17 million as a result of start-up inefficiencies associated with the new business and a \$15 million pretax write-off of an investment in a contract with Boston Chicken, Inc. and its Boston Market-controlled subsidiaries, a major customer that filed for bankruptcy in October 1998. McDonald's Corporation (McDonald's) acquired Boston Market in 2000, and during the first quarter of 2000, MDS entered into an agreement with McDonald's to continue providing distribution services to Boston Market restaurants (refer to the "Intangible Assets" footnote in the financial statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data").

1999 Compared to 1998

Operating profit for Marriott Distribution Services increased 24 percent in 1999 on a modest decline in sales. The division benefited from higher gross margins per case and reduced inventory losses compared to 1998.

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Corporate Expenses, Interest and Taxes

2000 Compared to 1999

Corporate expenses decreased \$44 million in 2000 to \$120 million primarily due to a \$39 million pretax charge in 1999 associated with a litigation settlement and systems-related costs associated with Year 2000 that were incurred in 1999, offset by costs incurred in 2000 associated with new corporate systems and a \$3 million charge due to a change in our vacation accrual policy. Interest expense increased \$39 million as a result of borrowings to finance growth outlays and share repurchases. Interest income increased \$23 million primarily due to the collection of \$14 million of interest associated with an international loan that was previously reserved for and increased advances and loan fundings made during 2000. Our effective income tax rate decreased to approximately 36.8 percent in 2000 from 37.3 percent in 1999 primarily due to increased income in countries with lower effective tax rates.

1999 Compared to 1998

Corporate expenses increased to \$164 million in 1999 primarily due to a \$39 million pretax charge associated with an agreement to settle pending litigation, together with increased systems-related costs, including \$22 million of costs associated with our Year 2000 readiness program, compared to \$12 million of Year 2000 readiness program costs in 1998. Interest expense more than doubled to \$61 million as a result of borrowings to finance growth outlays and share

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repurchases. Our effective income tax rate decreased to approximately 37.3 percent in 1999 from 38.3 percent in 1998, primarily due to the impact of tax-oriented investments, and increased income in countries with lower effective tax rates.

Lodging Development

Marriott Lodging opened 238 properties totaling approximately 40,000 rooms across its brands in 2000, while 19 hotels (approximately 5,400 rooms) exited the system. Highlights of the year included:

- . Twenty-two full-service properties (approximately 5,400 rooms) opened outside the United States. These include our first hotels in Romania, Chile and Peru.
- . Fifty-five hotels (approximately 11,700 rooms) converted from independent status or competitor chains, including the 782-room Renaissance Hotel in Honolulu, Hawaii, the 577-room Renaissance Hotel in Kissimee, Florida, and the 349-room Renaissance Hotel in Miami Beach, Florida.
- . The addition of 161 properties (approximately 18,900 rooms) to our select-service and extended-stay brands.
- . The launch of The Ritz-Carlton Club resorts in Aspen, Colorado, and St. Thomas, U.S. Virgin Islands, the development of a Horizons by Marriott Vacation Club resort in Branson, Missouri, and a new Marriott Vacation Club International resort in Shadow Ridge, California.

At year-end 2000, we had over 400 hotel properties and more than 70,000 rooms under construction or approved for development. We expect to open over 200 hotels and timesharing resorts (more than 35,000 rooms) in 2001. Over a five-year period (1999 to 2003), we plan to add 175,000 rooms to our lodging system. These growth plans are subject to numerous risks and uncertainties, many of which are outside our control. See "Forward-Looking Statements" above and "Liquidity and Capital Resources" below.

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Senior Living Services Development

Due to oversupply conditions in some senior housing markets, we decided in 1999 to dramatically slow development of planned communities. Consequently, a number of projects in the early stages of development were postponed or cancelled. Additional projects were cancelled in the second and fourth quarters of 2000.

Liquidity and Capital Resources

We have credit facilities, which support our commercial paper program and letters of credit. At December 29, 2000, our cash balances combined with our available borrowing capacity under the credit facilities was \$2.3 billion. We consider these resources, together with cash expected to be generated by operations, adequate to meet our short-term and long-term liquidity requirements, to finance our long-term growth plans, and to meet debt service and other cash requirements. 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.

The Company has been adversely affected in the aftermath of the recent

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terrorist attacks on New York and Washington. Since the attacks, our hotels have experienced significant short-term declines in occupancy compared to the prior year. At present, it is not possible to predict either the severity or duration of such declines in the medium- or long-term, or the potential impact on the Company's results of operations, financial condition or cash flows. However, as a result of the significant short-term declines in occupancy, the Company has taken steps to reduce costs, including reductions in staff. The Company is undertaking a comprehensive analysis of its cost structure including, among other things, overall staffing levels and facilities related costs. Furthermore, the Company is evaluating hotel financial performance subsequent to September 11, 2001 and its impact on the Company's investments and contingent obligations. Declines in hotel profitability reduce management and franchise fees and could give rise to fundings or losses under investments and contingent obligations that we have made in connection with hotels that we manage or franchise. The outcome of the Company's analysis may result in charges to operations and potentially a material adverse impact on our financial position, results of operations and cashflows.

Cash from Operations

Cash from operations was \$850 million in 2000, \$711 million in 1999, and \$605 million in 1998. Net income is stated after depreciation expense of \$123 million in 2000, \$96 million in 1999, and \$76 million in 1998, and after amortization expense of \$72 million in 2000, \$66 million in 1999 and \$64 million in 1998. While our timesharing business generates strong operating cash flow, annual amounts are affected by the timing of cash outlays for the acquisition and development of new resorts, and cash received from purchaser financing. We include interval sales we finance in cash from operations when we collect cash payments or the notes are sold for cash.

Earnings before interest expense, income taxes, depreciation and amortization (EBITDA) increased to \$1,052 million in 2000 compared to \$860 million in 1999, and \$802 million in 1998, and has grown at a 19 percent compounded annual rate since 1995.

We consider EBITDA to be an indicator of our operating performance because it can be used to measure our ability to service debt, fund capital expenditures and expand our business. Nevertheless, one should not consider EBITDA an alternative to net income, operating profit, cash flows from operations, or any other operating or liquidity measure prescribed by accounting principles generally accepted in the United States.

A substantial portion of our EBITDA is based on fixed dollar amounts or percentages of sales. These include lodging base management fees, franchise fees and land rent. With more than 2,000 hotels and senior living communities in the Marriott system, no single property or region is critical to our financial results.

Our ratio of current assets to current liabilities was .74 at December 29, 2000, compared to .92 at December 31, 1999. Each of our businesses minimizes working capital through cash management, strict credit-granting policies, aggressive collection efforts and high inventory turnover.

Investing Activities Cash Flows

Acquisitions. We continually seek opportunities to enter new markets, increase market share or broaden service offerings through acquisitions.

Dispositions. Asset sales generated proceeds of \$742 million in 2000, \$436 million in 1999 and \$332 million in 1998. Proceeds in 2000 are net of \$79 million of financing and joint venture investments made by us in connection with the sales transactions. In 2000 we closed on the sales of 23 hotels and 15

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senior living communities, which we continue to operate under long-term operating agreements. Subsequent to year-end, we closed on 16 lodging properties and one senior living community for cash proceeds of \$361 million.

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Capital Expenditures and Other Investments. Capital expenditures of \$1,095 million in 2000, \$929 million in 1999 and \$937 million in 1998, included development and construction of new hotels and senior living communities and acquisitions of hotel properties. Over time, we expect to sell certain lodging and senior living properties under development, or to be developed, while continuing to operate them under long-term agreements.

We also expect to continue to make other investments to grow our businesses, including loans, minority equity investments and development of new timeshare resorts in connection with adding units to our lodging business.

On February 23, 2000, we entered into an agreement to resolve litigation involving certain limited partnerships formed in the mid-to late 1980s. Under the agreement, we paid \$31 million to partners in four limited partnerships and acquired, through an unconsolidated joint venture (the Courtyard Joint Venture) with affiliates of Host Marriott Corporation (Host Marriott), substantially all of the limited partners' interests in two other limited partnerships, Courtyard by Marriott Limited Partnership (CBM I) and Courtyard by Marriott II Limited Partnership (CBM II). These partnerships own 120 Courtyard by Marriott hotels. The Courtyard Joint Venture was financed with equity contributed in equal shares by us and affiliates of Host Marriott and approximately \$200 million in mezzanine debt provided by us. Our total investment in the joint venture, including mezzanine debt, is approximately \$300 million.

In early 2000, the Company estimated the amount of the planned investment in the Courtyard Joint Venture based upon (1) estimated post acquisition cash flows, including anticipated changes in the related hotel management agreements to be made contemporaneously with the investment; (2) the investee's new capital structure; and (3) estimates of prevailing discount rates and capitalization rates reflected in the market at that time. The investment in the Courtyard Joint Venture was consummated late in the fourth quarter of 2000. For purposes of purchase accounting, the Courtyard Joint Venture valued its investment in the partnership units based on (1) pre-acquisition cash flows; (2) the pre-acquisition capital structure; and (3) prevailing discount rates and capitalization rates in December 2000.

Due to a number of factors, the equity values used in the purchase accounting for the Courtyard Joint Venture's investment were different than limited partner unit estimates included in the CBM I and CBM II Purchase Offer and Consent Solicitations (the "Solicitations"). At a 20 percent discount rate, the combined CBM I and CBM II estimates reflected in the Solicitations totaled \$254 million. In the purchase accounting, the corresponding equity value in the Courtyard Joint Venture totaled \$372 million. The principal differences between these two amounts are attributed to the following: (1) the investment was consummated almost one year subsequent to the time the original estimates were prepared (\$30 million); and (2) a lower discount rate (17 percent) and capitalization rate reflecting changes in market conditions versus the date at which the estimates in the solicitations were prepared (\$79 million). The Company assessed its potential investment and any potential loss on settlement based on post-acquisition cash flows. The purchase accounting was based on pre-acquisition cash flows and capital structure. As a result, the factors giving rise to the differences outlined above did not materially impact the Company's previous assessment of any expense related to litigation. The post-settlement equity of the Joint Venture is considerably lower than the

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pre-acquisition equity due to additional indebtedness post-acquisition and the impact of changes to the management agreements made contemporaneously with the transaction.

The overall results of our Lodging businesses are not generally impacted by fluctuations in the values of hotel real estate because (1) we own less than one percent of the total number of hotels that we operate or franchise; (2) management and franchise fees are generally based upon hotel revenues and profits versus hotel sales values; and (3) our management agreements generally do not terminate upon hotel sale.

We have made loans to owners of hotels and senior living communities that we operate or franchise. Loans outstanding under this program totaled \$592 million at December 29, 2000, including the mezzanine debt related to the Courtyard Joint Venture, \$295 million at December 31, 1999, and \$213 million at January 1, 1999. Unfunded commitments aggregating \$829 million were outstanding at December 29, 2000, of which \$332 million are expected to be funded in 2001 and \$573 million are expected to be funded in total. These loans typically are secured by mortgages on the projects. We participate in a program with an unaffiliated lender in which we may partially guarantee loans made to facilitate third-party ownership of hotels and senior living services communities that we operate or franchise.

Cash from Financing Activities

Long-term debt increased by \$340 million in 2000 and \$409 million in 1999, primarily to finance our capital expenditure and share repurchase programs.

Our financial objectives include diversifying our financing sources, optimizing the mix and maturity of our long-term debt and reducing our working capital. At year-end 2000, our long-term debt (including commercial paper borrowings of \$827 million) had an average interest rate of 6.8 percent and an average maturity of approximately 4.7 years. The ratio of fixed rate long-term debt to total long-term debt was .59 as of December 29, 2000.

In April 1999, January 2000 and January 2001, we filed "universal shelf" registration statements with the Securities and Exchange Commission in the amounts of \$500 million, \$300 million and \$300 million, respectively. As of August 3, 2001, we had offered and sold to the public under these registration statements, \$300 million of debt securities at 7 7/8 %, due 2009 and \$300 million at 8 1/8 %, due 2005, leaving a balance of \$500 million available for future offerings.

In January 2001, we issued, through a private placement, \$300 million of seven percent senior unsecured notes due 2008, and received net proceeds of \$297 million. We have agreed to make and complete a registered exchange offer for these notes and, if required, to implement a resale shelf registration statement. If we fail to do so on a timely basis, we will pay additional interest to the holders of these notes. The registered exchange offer is expected to be completed in the second half of 2001 and significant additional interest payments are not anticipated.

We have entered into revolving credit agreements that provide for borrowings of \$1.5 billion expiring in March 2003, and \$500 million expiring in February 2004. Loans of \$26 million were outstanding at December 29, 2000, under these facilities, which support our commercial paper program and letters of credit. We had \$1.1 billion of unused revolving credit available under these facilities as of December 29, 2000. Borrowings under these facilities bear interest at LIBOR plus a spread, based on our public debt rating.

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We called for mandatory redemption of our Liquid Yield Option Notes (LYONs) in 1999. Approximately 64 percent of LYONs holders elected to convert their notes to common stock, for which we issued 6.1 million shares. The other 36 percent of LYONs holders received cash totaling \$120 million, which reduced by 3.4 million common shares the dilutive impact of these convertible debt securities issued by a predecessor company in 1996. Nine percent of the cash redemption price was reimbursed to us by our predecessor company (Sodexo Marriott Services, Inc.).

On May 8, 2001, we issued zero-coupon convertible senior notes due 2021, known as LYONs, and received cash proceeds of \$405 million. The LYONs are convertible into approximately 6.4 million shares of our Class A common stock and carry a yield to maturity of 0.75 percent.

We determine our debt capacity based on the amount and variability of our cash flows. EBITDA coverage of gross interest cost was 6.9 times in 2000, and cash flow requirements under our loan agreements were exceeded by a substantial margin. At December 29, 2000, we had public debt ratings of BBB+ and Baa1 from Standard and Poor's and Moody's, respectively.

Share Repurchases. We periodically repurchase our common stock to replace shares needed for employee stock plans and for other corporate purposes. We purchased 10.8 million of our shares in 2000 at an average price of \$31 per

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share, and 10.8 million shares in 1999 at an average price of \$33 per share. As of December 29, 2000, we had been authorized by our Board of Directors to repurchase an additional 19.6 million shares.

Dividends. In August 2000, our Board of Directors increased the quarterly cash dividend by nine percent to \$.06 per share and in August 2001, our Board of Directors increased the quarterly cash dividend by an additional eight percent to \$.065 per share.

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Other Matters

Einstein/Noah Bagel Corporation

In 1996, MDS became the exclusive provider of distribution services to Einstein/Noah Bagel Corp. (ENBC), which operates over 450 bagel shops in 29 states and the District of Columbia. In March 2000, ENBC disclosed that its independent auditors had expressed substantial doubt about ENBC's ability to continue as a going concern, due to its inability to meet certain financial obligations. On April 27, 2000, ENBC and its majority-owned operating subsidiary filed voluntary bankruptcy petitions for protection under Chapter 11 of the Federal Bankruptcy code in the U.S. Bankruptcy Court for the District of Arizona in Phoenix. On April 28, 2000, the Court approved a \$31 million debtor-in-possession credit facility to allow for operation of the companies during reorganization, and also approved the payment in the ordinary course of business of prepetition trade creditor claims, including those of MDS, subject to recovery by the debtors under certain circumstances. On July 27, 2000, the Court entered an order approving ENBC's assumption of the MDS contract. MDS continues to distribute to ENBC and has been receiving full payment in accordance with the terms of its contractual agreement. On June 19, 2001, ENBC was acquired by New World Coffee-Manhattan Bagel Inc. and the contract was assumed by the new owner.

Inflation

Inflation has been moderate in recent years, and has not had a significant impact on our businesses.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. We manage our exposure to this risk by monitoring available financing alternatives and through development and application of credit granting policies. Our strategy to manage exposure to changes in interest rates is unchanged from December 31, 1999. Furthermore, we do not foresee any significant changes in our exposure to fluctuations in interest rates or in how such exposure is managed in the near future.

The following sensitivity analysis displays how our earnings and the fair values of certain instruments we hold are affected by changes in interest rates.

We hold notes receivable that earn interest at variable rates. Hypothetically, an immediate one percentage point change in interest rates would change annual interest income by \$3 million, based on the balances of these

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notes receivable at December 29, 2000 and December 31, 1999.

Changes in interest rates also impact the fair value of our long-term fixed rate debt and long-term fixed rate notes receivable. Based on the balances outstanding at December 29, 2000, and December 31, 1999, a hypothetical immediate one percentage point change in interest rates would change the fair value of our long-term fixed rate debt by \$50 million and \$41 million, respectively, and would change the fair value of long-term fixed rate notes receivable by \$22 million and \$5 million, respectively.

Although commercial paper is classified as long-term debt (based on our ability and intent to refinance it on a long-term basis) all commercial paper matures within two months of year-end. Based on the balances of commercial paper outstanding at December 29, 2000, and December 31, 1999, a hypothetical one percentage point change in interest rates would change interest by \$8 million for both periods, on an annualized basis.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial information is included on the pages indicated:

	Page

Report of Independent Public Accountants	24
Consolidated Statement of Income	25
Consolidated Balance Sheet	26
Consolidated Statement of Cash Flows	27
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Shareholders' Equity	29
Notes to Consolidated Financial Statements	30-55

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Marriott International, Inc.:

We have audited the accompanying consolidated balance sheet of Marriott International, Inc. and subsidiaries as of December 29, 2000 and December 31, 1999, and the related consolidated statements of income as revised - see page 31 of notes to consolidated financial statements, cash flows and comprehensive income for each of the three fiscal years in the period ended December 29, 2000 and the consolidated statement of shareholders' equity for each of the two fiscal years ended December 29, 2000 and the period from March 27, 1998 to January 1, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform

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an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained on page 31 of the notes to consolidated financial statements, Marriott International, Inc. has revised its consolidated financial statements to change the method of accounting for the Marriott Rewards Program in accordance with Staff Accounting Bulletin (SAB) No. 101 "Revenue Recognition in Financial Statements." The effect of adopting SAB No. 101 on January 1, 2000 was to increase both the revenues and expenses by \$63 million. However, there was no change in financial position, cash flows, net income or basic and diluted earnings per share. The consolidated statements of income for each of the three fiscal years in the period ended December 29, 2000 were revised to present expanded line items related to sales and operating costs and expenses. In addition, Marriott International, Inc. added additional information regarding reportable segments under SFAS 131 "Disclosures about Segments of an Enterprise and Related Information" and certain other disclosures to the notes to consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marriott International, Inc. and subsidiaries as of December 29, 2000 and December 31, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 29, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Vienna, Virginia
December 4, 2001

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MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF INCOME
Fiscal Years Ended December 29, 2000, December 31, 1999 and January 1, 1999
(\$ in millions, except per share amounts)

	2000 ----- As revised
SALES	
Management and franchise fees	\$ 940
Distribution services	1,500
Other	2,002

	4,442
Other revenues from managed properties	5,638

	10,080

OPERATING COSTS AND EXPENSES	
Distribution services	1,496
Other	2,024

Other costs from managed properties	3,520
	5,638

	9,158

OPERATING PROFIT BEFORE CORPORATE EXPENSES	
AND INTEREST	922
Corporate expenses	(120)
Interest expense	(100)
Interest income	55

INCOME BEFORE INCOME TAXES	757
Provision for income taxes	278

NET INCOME	\$ 479
	=====
Basic Earnings Per Share	\$ 1.99
	=====
Diluted Earnings Per Share	\$ 1.89
	=====

See Notes To Consolidated Financial Statements

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MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEET
December 29, 2000 and December 31, 1999
(\$ in millions)

	December 29, 2000	December 1999
	-----	-----
ASSETS		
Current assets		
Cash and equivalents	\$ 334	\$
Accounts and notes receivable	728	
Inventories, at lower of average cost or market	97	
Prepaid taxes	197	
Other	59	
	-----	-----
	1,415	1,
	-----	-----

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Property and equipment	3,241	2,
Intangible assets	1,833	1,
Investments in affiliates	747	
Notes and other receivables	661	
Other	340	
	-----	-----
	\$ 8,237	\$ 7,
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 660	\$
Accrued payroll and benefits	440	
Self-insurance	27	
Other payables and accruals	790	
	-----	-----
	1,917	1,
	-----	-----
Long-term debt	2,016	1,
Self-insurance	122	
Other long-term liabilities	915	
Shareholders' equity		
ESOP preferred stock	-	
Class A common stock, 255.6 million shares issued	3	
Additional paid-in capital	3,590	2,
Retained earnings	851	
Unearned ESOP shares	(679)	
Treasury stock, at cost	(454)	(
Accumulated other comprehensive income	(44)	
	-----	-----
	3,267	2,
	-----	-----
	\$ 8,237	\$ 7,
	=====	=====

See Notes To Consolidated Financial Statements

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Fiscal Years Ended December 29, 2000, December 31, 1999 and January 1, 1999
(\$ in millions)

	2000

OPERATING ACTIVITIES	
Net income	\$ 479
Adjustments to reconcile to cash provided by operations:	
Depreciation and amortization	195
Income taxes	133
Timeshare activity, net	(195)

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Other	48
Working capital changes:	
Accounts receivable	(53)
Inventories	(4)
Other current assets	28
Accounts payable and accruals	219

Cash provided by operations	850

INVESTING ACTIVITIES	
Capital expenditures	(1,095)
Acquisitions	-
Dispositions	742
Loan advances	(389)
Loan collections and sales	93
Other	(377)

Cash used in investing activities	(1,026)

FINANCING ACTIVITIES	
Commercial paper, net	46
Issuance of long-term debt	338
Repayment of long-term debt	(26)
Redemption of convertible subordinated debt	-
Issuance of Class A common stock	58
Dividends paid	(55)
Purchase of treasury stock	(340)
Advances to Old Marriott	-

Cash provided by financing activities	21

(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(155)
CASH AND EQUIVALENTS, beginning of year	489

CASH AND EQUIVALENTS, end of year	\$ 334
	=====

See Notes To Consolidated Financial Statements

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MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Fiscal Years Ended December 29, 2000, December 31, 1999 and January 1, 1999
(\$ in millions)

	2000

Net income	\$ 479
Other comprehensive (loss) income:	
Foreign currency translation adjustments	(10)
Other	2

Total other comprehensive (loss) income	----- (8) -----
Comprehensive income	\$ 471 =====

See Notes To Consolidated Financial Statements

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MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Period from March 27, 1998 to December 29, 2000
(in millions, except per share amounts)

Common shares outstanding		Class A common stock	Additional paid-in capital	Retained earnings	Unearned E shares
255.6	Spinoff on March 27, 1998	\$ 3	\$ 2,711	\$ -	\$
-	Net income, after the Spinoff	-	-	301	
-	Dividends (\$.195 per share)	-	-	(49)	
1.5	Employee stock plan issuance and other, after the Spinoff	-	2	(34)	
(13.7)	Purchase of treasury stock	-	-	-	
243.4	Balance, January 1, 1999	3	2,713	218	
-	Net income	-	-	400	
-	Dividends (\$.215 per share)	-	-	(53)	
5.5	Employee stock plan issuance and other	-	29	(87)	
2.1	ExecuStay acquisition	-	-	(4)	
(10.8)	Purchase of treasury stock	-	-	-	
6.1	Conversion of convertible subordinated debt	-	(4)	34	
246.3	Balance at December 31, 1999	3	2,738	508	
-	Net income	-	-	479	
-	Dividends (\$.235 per share)	-	-	(56)	
5.5	Employee stock plan issuance and other	-	852	(80)	(67)

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(10.8)	Purchase of treasury stock	-	-	-
241.0	Balance at December 29, 2000	\$ 3	\$ 3,590	\$ 851
				\$ (67)

See Notes To Consolidated Financial Statements

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MARRIOTT INTERNATIONAL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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), formerly New Marriott MI, Inc., as if we were a separate entity for all periods presented. During periods prior to March 27, 1998, we were a wholly owned subsidiary of the former Marriott International, Inc. (Old Marriott).

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

Also on March 27, 1998, Old Marriott was renamed Sodexo Marriott Services, Inc. (SMS) and its food service and facilities management business was combined with the North American operations of Sodexo Alliance, S.A. (Sodexo), a worldwide food and management services organization. On June 20, 2001, SMS became a wholly-owned subsidiary of Sodexo Alliance and changed its name to Sodexo, Inc.

For purposes of governing certain of the ongoing relationships between us and SMS after the Spinoff and to provide for orderly transition, we entered into various agreements with SMS including the Employee Benefits and Other Employee Matters Allocation Agreement, Liquid Yield Option Notes (LYONs) Allocation Agreement, Tax Sharing Agreement, Trademark and Trade Name License Agreement, Noncompetition Agreement, Employee Benefit Services Agreement, Procurement Services Agreement, Distribution Services Agreement, and other transitional services agreements. Effective as of the Spinoff date, pursuant to these agreements, we assumed sponsorship of certain of Old Marriott's employee benefit plans and insurance programs and succeeded to Old Marriott's liability to LYONs holders under the LYONs Indenture, nine percent of which was assumed by SMS.

All material intercompany transactions and balances between entities included in these consolidated financial statements have been eliminated. Sales by us to

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SMS of \$350 million in 2000, \$435 million in 1999 and \$434 million in 1998, have not been eliminated. Changes in Investments and Net Advances from Old Marriott represent our net income, the net cash transferred between Old Marriott and us, and certain non-cash items.

Prior to the Spinoff, we operated as a unit of Old Marriott, utilizing Old Marriott's centralized systems for cash management, payroll, purchasing and distribution, employee benefit plans, insurance and administrative services. As a result, substantially all cash received by us was deposited in and commingled with Old Marriott's general corporate funds. Similarly, our operating expenses, capital expenditures and other cash requirements were paid by Old Marriott and charged directly or allocated to us. Certain assets and liabilities related to our operations were managed and controlled by Old Marriott on a centralized basis. Prior to the Spinoff such assets and liabilities were allocated to us based on our use of, or interest in, those assets and liabilities. In our opinion, the methods for allocating costs, assets and liabilities prior to the Spinoff were reasonable. We now perform these functions independently and the costs incurred have not been materially different from those allocated prior to the Spin-off.

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, and the reported amounts of sales and expenses during the reporting period. Accordingly, ultimate results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the 2000 presentation.

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Fiscal Year

Our fiscal year ends on the Friday nearest to December 31. All fiscal years presented include 52 weeks.

Financial Statement Revision

We have revised the consolidated financial statements to change our method of accounting for the Marriott Rewards Program in accordance with Staff Accounting Bulletin (SAB) No. 101 "Revenue Recognition in Financial Statements." The effect of adopting SAB No. 101 on January 1, 2000 was to increase both revenues and expenses by \$63 million for the year ended December 29, 2000. However, there was no change in financial position, cash flows, net income or basic and diluted earnings per share. We have also revised the consolidated financial statements for each of the three fiscal years in the period ended December 29, 2000, to present expanded line items related to sales and operating costs and expenses and to expand the number of reportable segments under Statement of Financial Accounting Standards (FAS) No. 131 "Disclosures about Segments of an Enterprise and Related Information" to include Full Service, Select Service, Extended Stay, Timeshare, Senior Living Services and Distribution Services. In addition, we added disclosures related to revenue recognition and certain other items to the notes to the consolidated financial statements.

Revenue Recognition

Our sales include (1) management and franchise fees, (2) sales from our

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distribution services business, (3) sales from lodging properties and senior living communities owned or leased by us, and sales made by our other businesses; and (4) certain other revenues from properties managed by us. Management fees comprise a base fee, which is a percentage of the revenues of hotels or senior living communities, 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. Other revenues from managed properties include direct and indirect costs that are reimbursed to us by lodging and senior living community owners for properties that we manage. Other revenues include revenues from hotel properties and senior living communities that we own or lease, along with sales from our timeshare and ExecuStay businesses.

We recognize base fees as revenue when earned in accordance with the contract. In interim periods 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.

Distribution Services: We recognize revenue from our distribution services business when goods have been shipped and title passes to the customer in accordance with the terms of the applicable distribution contract.

Timeshare: We recognize revenue from timeshare interest sales in accordance with FAS No. 66, "Accounting for Sales of Real Estate." We recognize sales when a minimum of 10 percent of the purchase price for the timeshare interval has been received, the period of cancellation with refund has expired, receivables are deemed collectible and certain minimum sales and construction levels have been attained.

Owned and Leased Units: We recognize room sales and revenues from guest services 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." Franchise fees are recognized as revenue in each accounting period as fees are earned and become receivable from the franchisee.

Other Revenues from Managed Properties: We recognize other revenues from managed properties when we incur the related reimbursable costs.

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

We recognized sales in the year ended December 29, 2000, December 31, 1999 and January 1, 1999 as shown in the following table. Lodging includes our Full Service, Select Service, Extended Stay, and Timeshare business segments.

	2000	
	Senior Living Services	Distribution Services
Lodging		

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Sales

(\$ in millions)

Management and franchise fees	\$ 907	\$ 33	\$ -	\$
Other	1,702	300	1,500	
	-----	-----	-----	-----
	2,609	333	1,500	
Other revenues from managed properties	5,302	336	-	
	-----	-----	-----	-----
	7,911	669	1,500	1
	-----	-----	-----	-----
Operating costs and expenses				
Operating costs	1,673	351	1,496	
Other costs from managed properties	5,302	336	-	
	-----	-----	-----	-----
	6,975	687	1,496	
	-----	-----	-----	-----
Operating profit before corporate expenses and interest.....	\$ 936	\$ (18)	\$ 4	\$
	=====	=====	=====	=====

1999

	Lodging	Senior Living Services	Distribution Services	T
	-----	-----	-----	-----
Sales				
(\$ in millions)				
Management and franchise fees	\$ 800	\$ 23	\$ -	\$
Other	1,326	267	1,139	2
	-----	-----	-----	-----
	2,126	290	1,139	3
Other revenues from managed properties	4,915	269	-	5
	-----	-----	-----	-----
	7,041	559	1,139	8
	-----	-----	-----	-----
Operating costs and expenses				
Operating costs	1,299	308	1,118	2
Other costs from managed properties	4,915	269	-	5
	-----	-----	-----	-----
	6,214	577	1,118	7
	-----	-----	-----	-----
Operating profit before corporate expenses and interest	\$ 827	\$ (18)	\$ 21	\$
	=====	=====	=====	=====

	1998			
	Lodging	Senior Living Services	Distribution Services	Total
Sales (\$ in millions)				
Management and franchise fees	\$ 721	\$ 23	\$ -	\$ 744
Other	956	217	1,178	2,351
	1,677	240	1,178	3,095
Other revenues from managed properties	4,634	239	-	4,873
	6,311	479	1,178	7,968
Operating costs and expenses				
Operating costs	973	225	1,161	2,359
Other costs from managed properties	4,634	239	-	4,873
	5,607	464	1,161	7,232
Operating profit before corporate expenses and interest	\$ 704	\$ 15	\$ 17	\$ 736

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Ground Leases

We are both the lessor and lessee of land under long-term operating leases, which include scheduled increases in minimum rents. These scheduled rent increases are recognized on a straight-line basis over the initial lease terms.

Real Estate Sales

We account for the sales of real estate in accordance with FAS No. 66. Gains on sales of real estate are reduced by the maximum exposure to loss if we have continuing involvement with the property and do not transfer substantially all of the risks and rewards of ownership. We reduced gains on sales of real estate due to maximum exposure to loss by \$18 million in 2000, \$8 million in 1999, and \$57 million in 1998.

Profit Sharing Plan

We contribute to a profit sharing plan for the benefit of employees meeting certain eligibility requirements and electing participation in the plan. Contributions are determined annually by the Board of Directors. We recognized compensation cost from profit sharing of \$55 million in 2000, \$46 million in 1999 and \$45 million in 1998.

Self-Insurance Programs

We are self-insured for certain levels of general liability, workers' compensation, employment practices and employee medical coverage. Estimated costs of these self-insurance programs are accrued at the present value of projected settlements for known and incurred but not reported claims. We use a discount rate of five percent to determine the present value of the projected settlements, which we consider to be reasonable given our history of settled claims, including payment patterns and the fixed nature of the individual settlements.

Marriott Rewards

Marriott Rewards is our frequent guest incentive marketing program. Marriott Rewards members earn points based on their spending at our lodging operations and, to a lesser degree, through participation in affiliated partners' programs, such as those offered by airlines and credit card companies. Points can be redeemed at most Marriott company operated and franchised properties; however, points cannot be redeemed for cash.

Points are accumulated and tracked on the members' behalf, and can be redeemed for hotel stays at most of our lodging operations, airline tickets, airline frequent flier program miles, rental cars, and a variety of other awards.

Marriott Rewards is provided as a marketing program to participating hotels. The cost of operating the program, including the estimated cost of award redemption, is charged to hotels based on members' qualifying expenditures.

Effective January 1, 2000, we changed our method of accounting for the Marriott Rewards program in accordance with SAB No. 101. Under the new accounting method, 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 determine the fair value of the future redemption obligation based on statistical formulas which project timing of future point redemption based on historical levels, including an estimate of the "breakage" for points that will never be redeemed, and an estimate of the points that will eventually be redeemed. These factors determine the required liability for outstanding points. Our management and franchise agreements require that we be reimbursed currently for the costs of operating the program, including marketing, promotion, and communicating with, and performing member services for the Marriott Rewards members. Due to the requirement that hotels reimburse us for program operating costs as incurred, we receive and recognize the balance of the revenue from hotels in connection with the Marriott Rewards program at the time such costs are incurred and expensed. 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.

Prior to January 1, 2000, the amounts received by us in respect of the Marriott Rewards Program from managed, owned and leased hotels were recognized as revenue together with an associated expense at the time the points were

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

awarded. No revenues or expenses were recorded in respect of franchised hotels or program partners. The effect of the adoption of the change in accounting policy described above is to increase sales and expenses by \$63 million in the year ended December 29, 2000. There was no impact on net income, and we expect the ongoing impact to our financial statements to be immaterial.

The liability for the Marriott Rewards program was \$554 million at December 29, 2000 and \$433 million at December 31, 1999, of which \$310 million and \$289 million, respectively, are included in other long-term liabilities in the accompanying consolidated balance sheet.

Cash and Equivalents

We consider all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Valuation of Long-Lived Assets

We review the carrying values of long-lived assets when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If we expect an asset to generate cash flows less than the asset's carrying value at the lowest level of identifiable cash flows, then a loss is recognized for the difference between the asset's carrying amount and its fair value.

Investments

We consolidate entities that we control due to holding a majority voting interest. We account for investments in joint ventures using the equity method of accounting when we exercise significant influence over the venture. If we do not exercise significant influence, we account for the investment using the cost method of accounting. We account for investments in limited partnerships and limited liability companies using the equity method of accounting when we own more than a minimal investment.

New Accounting Standards

We will adopt FAS No. 142, "Goodwill and other Intangible Assets," in the first quarter of 2002. The new rules require that goodwill is not amortized, but is reviewed annually for impairment. We estimate that adoption of FAS No. 142 will result in an annual increase in net income of approximately \$30 million.

In the first quarter of 2001, we adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which resulted in no material impact to our financial statements.

In the fourth quarter of 2000, we adopted SAB No. 101, which was effective January 1, 2000. The implementation of SAB No. 101 did not have a material impact on annual or quarterly earnings.

In the fourth quarter of 2000, we adopted FAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The implementation of FAS No. 140 resulted in increased footnote disclosures, but did not have an effect on our consolidated financial statements.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." We adopted SOP 98-5 in the first quarter of 1999 by expensing

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pre-opening costs for Company-owned lodging and senior living communities as incurred. The adoption of SOP 98-5 resulted in a pretax expense of \$22 million in 1999.

RELATIONSHIPS WITH MAJOR CUSTOMERS

In December 1998, Host Marriott Corporation (Host Marriott) reorganized its business operations to qualify as a real estate investment trust (REIT). In conjunction with its conversion to a REIT, Host Marriott spun off, in a taxable transaction, a new company called Crestline Capital Corporation (Crestline). As part of the Crestline spinoff, Host Marriott transferred to Crestline all of the senior living communities previously owned by Host Marriott, and Host Marriott entered into lease or sublease agreements with subsidiaries of Crestline for substantially

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

all of Host Marriott's lodging properties. Our lodging and senior living community management and franchise agreements with Host Marriott were also assigned to these Crestline subsidiaries. The lodging agreements now provide for us to manage the Marriott hotels, Ritz-Carlton hotels, Courtyard hotels and Residence Inn hotels leased by the lessee. Our consent is required for the lessee to take certain major actions relating to leased properties that we manage. Effective as of January 1, 2001, a Host Marriott taxable subsidiary acquired the lessee entities for the full-service hotels in the United States and took an assignment of the lessee entities' interests in the leases for the hotels in Canada.

We recognized sales of \$2,746 million, \$2,553 million and \$2,144 million and operating profit before corporate expenses and interest of \$235 million, \$221 million and \$197 million during 2000, 1999 and 1998, respectively, from lodging properties owned or leased by Host Marriott. Additionally, Host Marriott is a general partner in several unconsolidated partnerships that own lodging properties operated by us under long-term agreements. We recognized sales of \$622 million, \$562 million and \$712 million and operating profit before corporate expenses and interest of \$72 million, \$64 million and \$83 million in 2000, 1999 and 1998, respectively, from the lodging properties owned by these unconsolidated partnerships. We also leased land to certain of these partnerships and recognized land rent income of \$26 million in 2000 and \$24 million in both 1999 and 1998.

In December 2000, we acquired, through an unconsolidated joint venture (the Courtyard Joint Venture) with an affiliate of Host Marriott, 120 Courtyard by Marriott hotels. Prior to the formation of the Courtyard Joint Venture, Host Marriott was a general partner in the unconsolidated partnerships that owned the 120 Courtyard by Marriott hotels. Included above in amounts recognized from lodging properties owned by unconsolidated partnerships are sales of \$345 million, \$334 million and \$295 million, operating profit before corporate expenses and interest of \$53 million, \$50 million and \$53 million and land rent income of \$19 million in 2000 and \$18 million in both 1999 and 1998, related to the 120 Courtyard by Marriott hotels.

We have provided Host Marriott with financing for a portion of the cost of acquiring properties to be operated or franchised by us, and may continue to provide financing to Host Marriott in the future. The outstanding principal

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balance of these loans was \$9 million and \$11 million at December 29, 2000, and at December 31, 1999, respectively, and we recognized \$1 million, \$1 million and \$5 million in 2000, 1999 and 1998, respectively, in interest and fee income under these credit agreements with Host Marriott.

We have guaranteed the performance of Host Marriott and certain of its affiliates to lenders and other third parties. These guarantees were limited to \$12 million at December 29, 2000. No payments have been made by us pursuant to these guarantees. We continue to have the right to purchase up to 20 percent of Host Marriott's outstanding common stock upon the occurrence of certain events generally involving a change of control of Host Marriott. This right expires 2017, and Host Marriott has granted an exception to the ownership limitations in its charter to permit full exercise of this right, subject to certain conditions related to ownership limitations applicable to REITs generally. We lease land to Host Marriott that had an aggregate book value of \$222 million at December 29, 2000. This land has been pledged to secure debt of the lessees. We have agreed to defer receipt of rentals on this land, if necessary, to permit the lessees to meet their debt service requirements.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

We are party to agreements which provide for us to manage the senior living communities owned by Crestline. We recognized sales of \$185 million, \$177 million and \$173 million and operating profit before corporate expenses and interest of \$3 million, \$3 million and \$5 million under these agreements during 2000, 1999 and 1998, respectively.

We are party to management agreements with entities owned by or affiliated with another hotel owner which provide for us to manage hotel properties owned or leased by those entities. We recognized sales of \$557 million, \$531 million and \$560 million during 2000, 1999, and 1998, respectively, from these properties.

PROPERTY AND EQUIPMENT

	2000	1999

	(\$ in millions)	
Land.....	\$ 597	\$ 658
Buildings and leasehold improvements.....	1,240	1,075
Furniture and equipment.....	647	523
Timeshare properties	914	587
Construction in progress	349	429
	-----	-----
	3,747	3,272
Accumulated depreciation and amortization	(506)	(427)
	-----	-----
	\$ 3,241	\$ 2,845
	=====	=====

We record property and equipment at cost, including interest, rent and real

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estate taxes incurred during development and construction. Interest capitalized as a cost of property and equipment totaled \$52 million in 2000, \$33 million in 1999 and \$21 million in 1998. We capitalize the cost of improvements that extend the useful life of property and equipment when incurred. These capitalized costs may include structural costs, equipment, fixtures, floor and wall coverings and paint. All other repairs and maintenance costs are expensed as incurred. We compute depreciation using the straight-line method over the estimated useful lives of the assets (three to 40 years). We amortize leasehold improvements over the shorter of the asset life or lease term.

ACQUISITIONS AND DISPOSITIONS

ExecuStay

On February 17, 1999, we completed a cash tender offer for approximately 44 percent of the outstanding common stock of ExecuStay Corporation (ExecuStay), a leading provider of leased corporate apartments in the United States. On February 24, 1999, substantially all of the remaining common stock of ExecuStay was converted into nonvoting preferred stock of ExecuStay, which we acquired on March 26, 1999, for approximately 2.1 million shares of our Class A Common Stock. Our aggregate purchase price totaled \$116 million inclusive of \$63 million of our Class A common stock. Unaudited pro forma sales, net income and diluted earnings per share for 1998, calculated as if ExecuStay had been acquired at the beginning of that year, were \$8,095 million, \$390 million and \$1.45, respectively. Unaudited pro forma sales, net income and diluted earnings per share for 1999, calculated as if ExecuStay had been acquired at the beginning of that year, were \$8,762 million, \$399 million and \$1.50, respectively. The unaudited pro forma combined results of operations do not reflect our expected future results of operations.

We consolidated the operating results of ExecuStay from February 24, 1999, and have accounted for the acquisition using the purchase method of accounting. We are amortizing the resulting goodwill on a straight-line basis over 30 years.

The Ritz-Carlton Hotel Company, L.L.C.

In 1995, we acquired a 49 percent beneficial ownership interest in The Ritz-Carlton Hotel Company, L.L.C., which owns the management agreements on the Ritz-Carlton hotels and resorts, the licenses for the Ritz-Carlton trademarks and trade name, as well as miscellaneous assets. The investment was acquired for a total consideration

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

of approximately \$200 million. On March 19, 1998, we increased our ownership interest in The Ritz-Carlton Hotel Company, L.L.C. to approximately 99 percent for additional consideration of approximately \$90 million. Prior to March 19, 1998, we were entitled to a cumulative preferred return on invested capital which provided us with economic value significantly in excess of our ownership interest in The Ritz-Carlton Hotel Company L.L.C. Under that preferred return, we received substantially all of The Ritz-Carlton Hotel Company L.L.C.'s operating cash flow from 1995 through our acquisition of the additional 50 percent interest in 1998. We expect to acquire the remaining one percent within the next several years. We accounted for the acquisition using the purchase method of accounting. We allocated the purchase cost to the assets acquired and

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the liabilities assumed based on estimated fair values. We amortize the resulting goodwill on a straight-line basis over 40 years. We amortize the amounts allocated to management agreements on a straight-line basis over the estimated lives of the agreements. Prior to March 19, 1998, we accounted for our investment in The Ritz-Carlton Hotel Company, L.L.C. using the equity method of accounting. The pro forma results for 1998, assuming The Ritz-Carlton Hotel Company L.L.C. had been acquired at the beginning of that year, would not be materially different from the reported results.

Dispositions

In the fourth quarter of 2000 we sold land, at book value, for \$46 million to a joint venture in which we hold a minority interest. The joint venture plans to build a resort hotel, which will be partially funded with up to \$92 million of mezzanine financing to be provided by us. We have also provided the joint venture with a \$45 million senior debt service guarantee.

In 2000, we sold and leased back, under long-term, limited-recourse leases, three lodging properties and one senior living community for an aggregate purchase price of \$118 million. We agreed to pay a security deposit of \$3 million for the lodging properties, which will be refunded at the end of the leases. The sales price exceeded the net book value by \$4 million, which is being recognized as a reduction of rent expense over the 15-year initial lease terms.

In 2000, we agreed to sell 23 lodging properties for \$519 million in cash. We will continue to operate the hotels under long-term management agreements. As of December 29, 2000, sales of 17 of those properties had been completed for \$461 million, resulting in pretax gains of \$27 million. Fourteen of the seventeen properties are accounted for under the full accrual method in accordance with FAS No. 66. The buyers did not make adequate minimum initial investments in the remaining three properties, which we accounted for under the cost recovery method. The sale of four of the seventeen properties was to a joint venture in which we have a minority interest. Where the full accrual method applied, we recognized profit proportionate to the outside interests in the joint venture at the date of sale. We recognized \$9 million of the net gains in 2000, and will recognize the remainder in subsequent years provided certain contingencies in the sales contracts expire. Unaffiliated third-party tenants will lease 13 of the properties from the buyers. In 2000, one of these tenants replaced us as the tenant on nine other properties sold and leased back by us in 1997 and 1998. We now manage these nine previously leased properties under long-term management agreements, and gains on the sale of these properties of \$15 million were recognized as our leases were cancelled throughout 2000. In connection with the sale of four of the properties, we provided \$39 million of mezzanine funding and agreed to provide the buyer with up to \$161 million of additional loans to finance future acquisitions of Marriott-branded hotels. We also acquired a minority interest in the joint venture that purchased the four hotels.

On April 28, 2000, we sold 14 senior living communities for cash proceeds of \$194 million. We simultaneously entered into long-term management agreements for the communities with a third-party tenant, which leases the communities from the buyer. In connection with the sale we provided a credit facility to the buyer to be used, if necessary, to meet its debt service requirements. The buyer's obligation to repay us under the facility is guaranteed by an unaffiliated third party. We also extended a limited credit facility to the tenant to cover operating shortfalls, if any. We accounted for the sale under the cost recovery method, and will recognize the resulting gain when the credit facilities expire.

In 1999, we sold an 89 percent interest in one hotel, and concurrently signed a long-term lease on the property. We are accounting for this transaction under the financing method, and the sales proceeds of \$58 million are reflected as long-term debt in the accompanying consolidated balance sheet.

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

In 1999, we agreed to sell and leaseback, under long-term, limited-recourse leases, four hotels for approximately \$59 million in cash. At the same time, we agreed to pay security deposits of \$2 million, which will be refunded at the end of the leases. As of December 29, 2000, all of the properties had been sold, resulting in a sales price that exceeded the net book value by \$4 million, which we will recognize as a reduction of rent expense over the 15-year initial lease terms. We can renew the leases on all four hotels at our option.

During 1999, we sold four hotels and three senior living communities for \$55 million and \$52 million, respectively, resulting in pretax gains of \$10 million. We recognized \$2 million of the gain in both 2000 and 1999, and the balance will be recognized provided certain contingencies in the sales contracts expire. We operate these hotels under long-term management agreements.

On December 29, 1998, we agreed to sell and leaseback, under long-term, limited-recourse leases, 17 hotels for approximately \$202 million in cash. At the same time, we agreed to pay security deposits of \$21 million, which will be refunded at the end of the leases. As of December 31, 1999, all of the properties had been sold, resulting in a sales price that exceeded the net book value by \$19 million, which is being recognized as a reduction of rent expense over the 15-year initial lease terms.

During 1998, we agreed to sell, subject to long-term management agreements, eight lodging properties and 11 senior living communities for consideration of \$183 million and \$178 million, respectively. As of December 31, 1999, sales of all of these properties had been completed, resulting in pretax gains of \$69 million. We recognized \$8 million, \$21 million and \$12 million of these gains in 2000, 1999 and 1998, respectively. The balance will be recognized provided certain contingencies in the sales contracts expire.

In connection with the long-term, limited-recourse leases described above, Marriott International, Inc. has guaranteed the lease obligations of the tenants, wholly-owned subsidiaries of Marriott International, Inc., for a limited period of time (generally three to five years). After the guarantees expire, the lease obligations become non-recourse to Marriott International, Inc.

In sales transactions where we retain a management contract, the terms and conditions of the management contract are comparable to the terms and conditions of the management agreements obtained directly with third party owners in competitive bid processes.

ASSET SECURITIZATIONS

We periodically sell, with limited recourse, through qualified special purpose entities ("SPEs"), notes receivable originated by Marriott Vacation Club International in connection with the sale of timeshare intervals. We continue to service the notes and transfer all proceeds collected to the SPEs. We retain servicing assets and beneficial interests in the securitizations in the form of interest-only strips. The beneficial interests are limited to the present value of cash available after paying financing expenses, program fees, and absorbing credit losses. Gains from the sales of notes receivable totaled \$22 million in

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2000, \$29 million in 1999, and \$26 million in 1998 and are included in other sales in the consolidated statement of income.

At the date of securitization and at the end of each reporting period, we estimate the fair value of the interest-only strips and servicing assets using a discounted cash flow model. These transactions utilize interest rate swaps to protect the net interest margin associated with the beneficial interest, and the interest-only strips are treated as "Available for Sale" securities under the provisions of FAS No. 115, "Accounting for certain Investments in Debt and Equity Securities," with changes in fair values reported through other comprehensive income in the accompanying consolidated balance sheet. The key assumptions used in measuring the fair value of the interest-only strips at the time of securitization and at the end of each reporting period during the year ended December 29, 2000, were as follows: average discount rate of 7.82 percent; average expected annual prepayments, including defaults, of 12.72 percent; and expected weighted average life of prepayable notes receivable of 86 months. Our key assumptions are based on experience. To date, actual results have not materially affected the carrying value of the beneficial interests.

Cash flows between us and third-party purchasers during the year ended December 29, 2000, were as follows: net proceeds to us from new securitizations of \$144 million, repurchases by us of delinquent loans (over 150 days

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

overdue) of \$12 million, servicing fees received by us of \$2 million and cash flows received on retained interests of \$18 million.

On December 12, 2000, we repurchased notes receivable with a principal balance of \$359 million and immediately sold those notes, along with \$19 million of additional notes, in a \$378 million securitization to an investor group. Net proceeds from these transactions of \$16 million are included in the net proceeds from securitizations of \$144 million disclosed above. We realized a gain of \$3 million, primarily associated with the \$19 million of additional notes sold, which is included in the \$22 million gain on the sales of notes receivable for fiscal year 2000 disclosed above.

At December 29, 2000, \$439 million of principal remains outstanding in all securitizations in which we have a retained interest-only strip. Delinquencies of more than 90 days at December 29, 2000, amounted to \$1 million. Loans repurchased by the Company, net of obligors subsequently curing delinquencies, during the year ended December 29, 2000, amounted to \$7 million. We have been able to resell timeshare units underlying repurchased loans without incurring material losses.

We have completed a stress test on the net present value of the interest-only strips and the servicing assets with the objective of measuring the change in value associated with independent changes in individual key variables. The methodology used applied unfavorable changes that would be considered statistically significant for the key variables of prepayment rate, discount rate, and weighted average remaining term. The net present value of the interest-only strips and servicing assets was \$72 million at December 29, 2000, before any stress test changes were applied. An increase of 100 basis points in the prepayment rate would decrease the year-end valuation by \$2 million, or two percent, and an increase of 200 basis points in the prepayment rate would decrease the year-end valuation by \$3 million, or four percent. An increase of

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100 basis points in the discount rate would decrease the year-end valuation by \$1 million, or two percent, and an increase of 200 basis points in the discount rate would decrease the year-end valuation by \$3 million, or four percent. A decline of two months in the weighted average remaining term would decrease the year-end valuation by \$1 million, or two percent, and a decline of four months in the weighted average remaining term would decrease the year-end valuation by \$2 million, or four percent.

INTANGIBLE ASSETS

	2000	1999
	(\$ in millions)	
Management, franchise and license agreements.....	\$ 861	\$ 771
Goodwill.....	1,245	1,246
Other.....	7	23
	2,113	2,040
Accumulated amortization.....	(280)	(220)
	\$ 1,833	\$ 1,820

We amortize intangible assets on a straight-line basis over periods of three to 40 years. Intangible amortization expense totaled \$64 million in 2000, \$62 million in 1999 and \$54 million in 1998.

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

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

SHAREHOLDERS' EQUITY

Eight hundred million shares of our Class A Common Stock with a par value of \$.01 per share are authorized. Ten million shares of preferred stock, without par value, are authorized, with none issued.

On March 27, 1998, our Board of Directors adopted a shareholder rights plan

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under which one preferred stock purchase right was distributed for each share of our Class A Common Stock. Each right entitles the holder to buy 1/1000th of a share of a newly issued series of junior participating preferred stock of the Company at an exercise price of \$175. The rights will be exercisable 10 days after a person or group acquires beneficial ownership of 20 percent or more of our Class A Common Stock, or begins a tender or exchange for 30 percent or more of our Class A Common Stock. Shares owned by a person or group on March 27, 1998, and held continuously thereafter are exempt for purposes of determining beneficial ownership under the rights plan. The rights are nonvoting and will expire on the tenth anniversary of the adoption of the shareholder rights plan, unless exercised or previously redeemed by us for \$.01 each. If we are involved in a merger or certain other business combinations not approved by the Board of Directors, each right entitles its holder, other than the acquiring person or group, to purchase common stock of either the Company or the acquirer having a value of twice the exercise price of the right.

As of December 29, 2000, we had been authorized by our Board of Directors to repurchase an additional 19.6 million shares of our Class A Common Stock.

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

During the second quarter of 2000 we established an employee stock ownership plan (the ESOP) solely to fund employer contributions to the profit sharing plan. The ESOP acquired 100,000 shares of special-purpose Company convertible preferred stock (ESOP Preferred Stock) for \$1 billion. The ESOP Preferred Stock has a stated value and liquidation preference of \$10,000 per share, pays a quarterly dividend of one percent of the stated value, and is convertible into our Class A Common Stock at any time based on the amount of our contributions to the ESOP and the market price of the common stock on the conversion date, subject to certain caps and a floor price. We hold a note from the ESOP, which is eliminated upon consolidation, for the purchase price of the ESOP Preferred Stock. The shares of ESOP Preferred Stock are pledged as collateral for the repayment of the ESOP's note, and those shares are released from the pledge as principal on the note is repaid. Shares of ESOP Preferred Stock released from the pledge may be redeemed for cash based on the value of the common stock into which those shares may be converted. Principal and interest payments on the ESOP's debt are expected to be forgiven periodically to fund contributions to the ESOP and release shares of ESOP Preferred Stock. Unearned ESOP shares are reflected within shareholders' equity and are amortized as shares of ESOP Preferred Stock are released and cash is allocated to employees' accounts.

INCOME TAXES

Total deferred tax assets and liabilities as of December 29, 2000, and December 31, 1999, were as follows:

	2000	1999
	-----	-----
	(\$ in millions)	
Deferred tax assets.....	\$ 471	\$ 424
Deferred tax liabilities.....	(399)	(340)
	-----	-----
Net deferred taxes.....	\$ 72	\$ 84
	=====	=====

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The tax effect of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax assets and liabilities as of December 29, 2000, and December 31, 1999, were as follows:

	2000	1999
	-----	-----
	(\$ in millions)	
Self-insurance.....	\$ 65	\$ 74
Employee benefits.....	169	151
Deferred income.....	45	51
Other reserves.....	13	32
Frequent guest program.....	65	44
Timeshare operations.....	(21)	(10)
Property, equipment and intangible assets....	(213)	(231)
Other, net.....	(51)	(27)
	-----	-----
Net deferred taxes.....	\$ 72	\$ 84
	=====	=====

At December 29, 2000, we had approximately \$26 million of tax credits that expire through 2020.

We have made no provision for U.S. income taxes, or additional foreign taxes, on the cumulative unremitted earnings of non-U.S. subsidiaries (\$186 million as of December 29, 2000) because we consider these earnings to be permanently invested. These earnings could become subject to additional taxes if remitted as dividends, loaned to us or a U.S. affiliate, or if we sell our interests in the affiliates. We cannot practically estimate the amount of additional taxes that might be payable on the unremitted earnings.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

The provision for income taxes consists of:

	2000	1999
	-----	-----
	(\$ in millions)	
Current		
- Federal	\$ 216	\$ 117
- State	28	26
- Foreign	26	24
	-----	-----
	270	167
Deferred		
- Federal	(2)	58
- State	10	12
- Foreign	-	-
	-----	-----
	8	70
	-----	-----
	\$ 278	\$ 237

The current tax provision does not reflect the benefits attributable to us relating to our ESOP of \$109 million in 2000 or the exercise of employee stock options of \$42 million in 2000, \$44 million in 1999 and \$39 million in 1998. The taxes applicable to other comprehensive income are not material.

A reconciliation of the U.S. statutory tax rate to our effective income tax rate follows:

	2000	1999
	-----	-----
U.S. statutory tax rate	35.0 %	35.0 %
State income taxes, net of U.S. tax benefit	3.6	3.9
Foreign income	(1.4)	(0.3)
Corporate-owned life insurance	-	-
Tax credits	(3.1)	(5.4)
Goodwill amortization	1.6	1.8
Other, net	1.1	2.3
	-----	-----
Effective rate	36.8 %	37.3 %
	=====	=====

Cash paid for income taxes, net of refunds, was \$145 million in 2000, \$150 million in 1999 and \$164 million in 1998.

As part of the Spinoff, we entered into a tax sharing agreement with SMS, which reflects each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state or other taxes relating to the business of Old Marriott and the Company prior to the Spinoff.

During periods prior to the Spinoff, we were included in the consolidated federal income tax return of Old Marriott. The income tax provision reflects the portion of Old Marriott's historical income tax provision attributable to our operations. We believe that the income tax provision, as reflected, is comparable to what the income tax provision would have been if we had filed a separate return during the periods presented.

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

LEASES

Our future obligations under operating leases at December 29, 2000, are summarized below:

Fiscal Year	(\$ in millions)
-----	-----

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2001	\$	176
2002		174
2003		168
2004		165
2005		163
Thereafter		1,914

Total minimum lease payments	\$	2,760
		=====

Most leases have initial terms of up to 20 years, and contain one or more renewal options, generally for five- or 10-year periods. The leases provide for minimum rentals, and additional rentals based on our operations of the leased property. The total minimum lease payments above include \$1,399 million representing obligations of consolidated subsidiaries that are non-recourse to Marriott International, Inc.

Rent expense consists of:

	2000	1999	199
	-----	-----	-----
	(\$ in millions)		
Minimum rentals	\$ 149	\$ 158	\$ 13
Additional rentals	97	102	10
	-----	-----	-----
	\$ 246	\$ 260	\$ 23
	=====	=====	=====

LONG-TERM DEBT

Our long-term debt at December 29, 2000, and December 31, 1999, consisted of the following:

	2000

	(\$ in mill)
Senior notes, average interest rate of 7.5% at December 29, 2000, maturing through 2009	\$ 1,001
Commercial paper, interest rate of 7.3% at December 29, 2000	827
Endowment deposits (non-interest bearing)	108
Other	122

	2,058
Less current portion	(42)

	\$ 2,016
	=====

The debt is unsecured with the exception of \$15 million, which is secured by real estate.

In April 1999, January 2000 and January 2001, we filed "universal shelf" registration statements with the Securities and Exchange Commission in the amount of \$500 million, \$300 million and \$300 million, respectively. As of

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January 30, 2001, we had offered and sold to the public \$600 million of debt securities under these registration statements, leaving a balance of \$500 million available for future offerings.

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

In January 2001, we issued, through a private placement, \$300 million of seven percent Series E Notes due 2008, and received net proceeds of \$297 million. We have agreed to promptly make and complete a registered exchange offer for these notes and, if required, to implement a resale shelf registration statement. If we fail to do so on a timely basis, we will pay additional interest to the holders of these notes.

In March 2000, we sold \$300 million principal amount of 8-1/8 percent Series D Notes, which mature in 2005, in a public offering made under our shelf registration statements. We received net proceeds of approximately \$298 million from the offering, after paying underwriting discounts, commissions and offering expenses.

In September 1999, we sold \$300 million principal amount of 7-7/8 percent Series C Notes, which mature in 2009, in a public offering made under our shelf registration statement. We received net proceeds of approximately \$296 million from this offering, after paying underwriting discounts, commissions and offering expenses.

In November 1998, we sold, through a private placement, \$400 million of unsecured senior notes (Series A and B Notes). Proceeds net of discounts totaled \$396 million. On April 23, 1999, we commenced a registered exchange offer to exchange the privately placed Series A and B Notes for publicly registered new notes on substantially identical terms. All of the privately placed Series A and B Notes were tendered for exchange, and new notes were issued to the holders on May 31, 1999.

In March 1998 and February 1999, respectively, we entered into \$1.5 billion and \$500 million multicurrency revolving credit facilities (the Facilities) each with terms of five years. Borrowings bear interest at the London Interbank Offered Rate (LIBOR) plus a spread, based on our public debt rating. Additionally, annual fees are paid on the Facilities at a rate also based on our public debt rating. Commercial paper, supported by the Facilities, is classified as long-term debt based on our ability and intent to refinance it on a long-term basis.

We are in compliance with covenants in our loan agreements, which require the maintenance of certain financial ratios and minimum shareholders' equity, and also include, among other things, limitations on additional indebtedness and the pledging of assets.

The 2000 statement of cash flows excludes \$79 million of financing and joint venture investments made by us in connection with asset sales. The 1999 statement of cash flows excludes \$215 million of convertible subordinated debt that was converted to equity in November 1999, \$54 million of debt that we assumed during 1999, and \$15 million of notes receivable we received in a 1999 asset sale that we subsequently sold for cash. The 1998 statement of cash flows excludes \$31 million of notes receivable forgiven as part consideration for the 1998 acquisition of The Ritz-Carlton Hotel Company, L.L.C., and \$12 million of long-term debt assumed in 1998.

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Aggregate debt maturities are: 2001 - \$42 million; 2002 - \$14 million; 2003 - \$834 million; 2004 - \$220 million; 2005 - \$515 million; and \$433 million thereafter.

Cash paid for interest was \$125 million in 2000, \$63 million in 1999 and \$23 million in 1998.

CONVERTIBLE SUBORDINATED DEBT

On March 25, 1996, Old Marriott issued \$540 million (principal amount at maturity) of zero coupon convertible subordinated debt in the form of LYONs due 2011. The LYONs were issued and recorded at a discount representing a yield to maturity of 4.25 percent. Accretion was recorded as interest expense and an increase to the carrying value. Gross proceeds from the LYONs issuance were \$288 million. Upon consummation of the Spinoff, we assumed the LYONs, and SMS assumed a nine percent share of the LYONs obligation based on the relative equity values of SMS and the Company at the Spinoff.

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

The LYONs were redeemable by us at any time on or after March 25, 1999, for cash equal to the issue price plus accrued original issue discount. On October 7, 1999, we delivered a mandatory redemption notice to the holders of the LYONs indicating our plan to redeem them on November 8, 1999, for \$619.65 in cash per LYON. Holders of 347,000 LYONs elected to convert each LYON into 17.52 shares of our Class A Common Stock and 2.19 shares of SMS common stock prior to the close of business on November 8, 1999. The aggregate redemption payment for the remaining 193,000 LYONs totaled \$120 million. Pursuant to the LYONs Allocation Agreement entered into with SMS as part of the Spinoff, SMS funded nine percent of the aggregate LYONs redemption payment. We funded the redemption payment with proceeds from commercial paper borrowings. Unamortized deferred financing costs of \$2 million relating to the LYONs that were redeemed were recognized as interest expense in 1999.

EARNINGS PER SHARE

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

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).

	2000	1999	1998
	-----	-----	-----
Computation of Basic Earnings Per Share			

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Net income	\$ 479	\$ 400	\$ 390
Weighted average shares outstanding	241.0	247.5	249.8
	-----	-----	-----
Basic Earnings Per Share	\$ 1.99	\$ 1.62	\$ 1.56
	=====	=====	=====
Computation of Diluted Earnings Per Share			
Net income	\$ 479	\$ 400	\$ 390
After-tax interest expense on convertible subordinated debt	-	7	8
	-----	-----	-----
Net income for diluted earnings per share	\$ 479	\$ 407	\$ 398
	=====	=====	=====
Weighted average shares outstanding	241.0	247.5	249.8
Effect of Dilutive Securities			
Employee stock purchase plan	0.1	0.2	-
Employee stock option plan	7.5	8.7	8.1
Deferred stock incentive plan	5.4	5.4	5.7
Convertible subordinated debt	-	8.0	9.5
	-----	-----	-----
Shares for diluted earnings per share	254.0	269.8	273.1
	=====	=====	=====
Diluted Earnings Per Share	\$ 1.89	\$ 1.51	\$ 1.46
	=====	=====	=====

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. For periods prior to November 8, 1999, when all of our convertible subordinated debt was redeemed or converted, we used the if-converted method for purposes of calculating diluted earnings per share.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

INVESTMENTS AND NET ADVANCES FROM OLD MARRIOTT

The following is an analysis of Old Marriott's investment in the Company:

	1998

	(\$ in millions)
Balance at beginning of year	\$ 2,586
Net income	89
Advances to Old Marriott	(100)
Employee stock plan issuance and other	116
Spinoff on March 27, 1998	(2,691)

Balance at end of year	\$ -
	=====

EMPLOYEE STOCK PLANS

In connection with the Spinoff, we issued stock options, deferred shares and restricted shares with the same value as the respective Old Marriott awards as of the Spinoff under our 1998 Comprehensive Stock and Cash Incentive Plan (Comprehensive Plan). Under the Comprehensive Plan, we may award to participating employees (1) options to purchase our Class A Common Stock (Stock Option Program and Supplemental Executive Stock Option awards), (2) deferred shares of our Class A Common Stock and (3) restricted shares of our Class A Common Stock. In addition we have an employee stock purchase plan (Stock Purchase Plan). In accordance with the provisions of Opinion No. 25 of the Accounting Principles Board, we recognize no compensation cost for the Stock Option Program, the Supplemental Executive Stock Option awards or the Stock Purchase Plan.

Deferred shares granted to officers and key employees under the Comprehensive Plan generally vest over 10 years in annual installments commencing one year after the date of grant. Certain employees may elect to defer receipt of shares until termination or retirement. We accrue compensation expense for the fair market value of the shares on the date of grant, less estimated forfeitures. We granted 0.9 million deferred shares during 2000. Compensation cost recognized during 2000, 1999 and 1998 was \$18 million, \$15 million and \$12 million, respectively.

Restricted shares under the Comprehensive Plan are issued to officers and key employees and distributed over a number of years in annual installments, subject to certain prescribed conditions including continued employment. We recognize compensation expense for the restricted shares over the restriction period equal to the fair market value of the shares on the date of issuance. We awarded 0.1 million restricted shares under this plan during 2000. We recognized compensation cost of \$4 million, \$4 million and \$3 million in 2000, 1999 and 1998, respectively.

Under the Stock Purchase Plan, eligible employees may purchase our Class A Common Stock through payroll deductions at the lower of the market value at the beginning or end of each plan year.

Employee stock options may be granted to officers and key employees at exercise prices equal to the market price of our Class A Common Stock on the date of grant. Nonqualified options expire 10 years after the date of grant, except those issued from 1990 through 2000, which expire 15 years after the date of the grant. Most options under the Stock Option Program are exercisable in cumulative installments of one quarter at the end of each of the first four years following the date of grant. In February 1997, 2.1 million Supplemental Executive Stock Option awards were awarded to certain of our officers. The options vest after eight years but could vest earlier if our stock price meets certain performance criteria. These options have an exercise price of \$25 and 0.2 million of them were forfeited during 1998. None of them were exercised during 2000, 1999 or 1998 and 1.9 million remained outstanding at December 29, 2000. The annual grant of options under the Comprehensive Plan, which occurred in November 1999 and previous years, was moved to February, commencing in 2001.

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For the purposes of the following disclosures required by FAS No. 123, "Accounting for Stock-Based Compensation," the fair value of each option granted during 2000, 1999 and 1998 was \$15, \$14 and \$11, respectively. We estimated the fair value of each option granted on the date of grant using the Black-Scholes option-pricing model, using the assumptions noted in the following table:

	2000	1999	1998
Annual dividends	\$ 24	\$ 22	\$ 20
Expected volatility	30 %	29 %	28 %
Risk-free interest rate	5.8 %	6.7 %	5.8 %
Expected life (in years)	7	7	7

Pro forma compensation cost for the Stock Option Program, the Supplemental Executive Stock Option awards and employee purchases pursuant to the Stock Purchase Plan subsequent to December 30, 1994, recognized in accordance with FAS No. 123, would reduce our net income as follows (in millions, except per share amounts):

	2000	1999	1998
Net income as reported	\$ 479	\$ 400	\$ 390
Pro forma net income	\$ 435	\$ 364	\$ 366
Diluted earnings per share as reported ..	\$ 1.89	\$ 1.51	\$ 1.46
Pro forma diluted earnings per share	\$ 1.71	\$ 1.38	\$ 1.38

A summary of our Stock Option Program activity during 2000, 1999 and 1998 is presented below:

	Number of options (in millions)	Weighted average exercise price
Outstanding at March 27, 1998	-	\$ -
New awards at the Spinoff	27.3	16
Granted during the year	6.4	28
Exercised during the year	(1.5)	11
Forfeited during the year	(0.7)	20
Outstanding at January 1, 1999	31.5	19
Granted during the year	6.9	33
Exercised during the year	(4.2)	12
Forfeited during the year	(0.4)	30
Outstanding at December 31, 1999	33.8	22
Granted during the year	0.6	36
Exercised during the year	(3.9)	16
Forfeited during the year	(0.5)	32
Outstanding at December 29, 2000	30.0	\$ 23

There were 20.5 million, 19.3 million and 19.1 million exercisable options under the Stock Option Program at December 29, 2000, December 31, 1999, and January 1, 1999, respectively, with weighted average exercise prices of \$19, \$16 and \$13, respectively.

At December 29, 2000, 59.4 million shares were reserved under the

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Comprehensive Plan (including 30.0 million shares under the Stock Option Program and 1.9 million shares of the Supplemental Executive Stock Option awards) and 3.0 million shares were reserved under the Stock Purchase Plan.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Stock options issued under the Stock Option Program outstanding at December 29, 2000, were as follows:

Range of exercise prices	Outstanding			Exercisable	
	Number of Options (in millions)	Weighted average remaining life (in years)	Weighted average exercise price	Number of options (in millions)	Weighted average exercise price
\$ 3 to 5	2.7	6	\$ 5	2.7	\$ 5
6 to 9	1.8	7	7	1.8	7
10 to 15	3.8	9	13	3.9	13
16 to 24	3.7	10	20	3.7	20
25 to 37	17.8	13	31	8.4	30
38 to 43	0.2	15	41	-	42
\$ 3 to 43	30.0	11	\$ 23	20.5	\$ 19

FAIR VALUE OF FINANCIAL INSTRUMENTS

We assume that the fair values of current assets and current liabilities are equal to their reported carrying amounts. The fair values of noncurrent financial assets and liabilities are shown below.

	2000		1999	
	Carrying amount	Fair value	Carrying amount	Fair value
	(\$ in millions)		(\$ in millions)	
Notes and other receivables	\$ 1,180	\$ 1,206	\$ 708	\$ 720
Long-term debt and other long-term liabilities	1,998	1,974	1,646	1,568

We value notes and other receivables based on the expected future cash flows discounted at risk adjusted rates. We determine valuations for long-term debt and other long-term liabilities based on quoted market prices or expected future payments discounted at risk adjusted rates.

CONTINGENT LIABILITIES

We issue guarantees to lenders and other third parties in connection with financing transactions and other obligations. These guarantees were limited, in the aggregate, to \$256 million at December 29, 2000, including guarantees involving major customers. We are currently unable to estimate the impact that the recent terrorist attacks on New York and Washington could have on the extent to which we may fund under these guarantees. In addition, we have made physical completion guarantees relating to two hotel properties with minimal expected funding. As of December 29, 2000, we had extended approximately \$829 million of loan commitments to owners of lodging properties and senior living communities under which we expect to fund approximately \$332 million by December 28, 2001, and \$573 million in total. Letters of credit outstanding on our behalf at December 29, 2000, totaled \$73 million, the majority of which related to our self-insurance programs. At December 29, 2000, we had repurchase obligations of \$41 million related to notes receivable from timeshare interval purchasers, which have been sold with limited recourse.

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

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

On February 23, 2000, we entered into an agreement, which was subsequently embodied in a definitive agreement executed on March 9, 2000, to resolve the litigation described below involving certain limited partnerships formed in the mid- to late 1980s. The agreement was reached with lead counsel to the plaintiffs in the lawsuits described below, and with the special litigation committee appointed by the general partner of two of the partnerships, Courtyard by Marriott Limited Partnership (CBM I) and Courtyard by Marriott II Limited Partnership (CBM II). The agreement was amended on September 23, 2000, to increase the amount that CBM I settlement class members were to receive after deduction of court-awarded attorneys' fees and expenses and to provide that the defendants, including the Company, would pay a portion of the attorneys' fees and expenses of the CBM I settlement class.

Under the agreement, we acquired, through an unconsolidated joint venture with affiliates of Host Marriott Corporation (Host Marriott), substantially all of the limited partners' interests in CBM I and CBM II. These partnerships own 120 Courtyard by Marriott hotels. We continue to manage the 120 hotels under long-term agreements. The joint venture was financed with equity contributed in equal shares by us and an affiliate of Host Marriott and approximately \$200 million in mezzanine debt provided by us. Our total investment in the joint venture, including the mezzanine debt, is approximately \$300 million. Final court approval of the CBM I and CBM II settlements was granted on October 24, 2000, and became effective on December 8, 2000.

The agreement also provided for the resolution of litigation with respect to four other limited partnerships. On September 28, 2000, the court entered a final order with respect to those partnerships, and on that same date, we and Host Marriott each paid into escrow approximately \$31 million for payment to the plaintiffs in the Texas Multi-Partnership lawsuit described below in exchange for dismissal of the complaints and full releases.

We recorded a pretax charge of \$39 million, which was included in corporate expenses in the fourth quarter of 1999, to reflect the settlement transactions.

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Courtyard by Marriott II Limited Partnership Litigation

On June 7, 1996, a group of partners in CBM II filed a lawsuit against Host Marriott, the Company and others, Whitey Ford, et al. v. Host Marriott Corporation, et al., in the 285/th/ Judicial District Court of Bexar County, Texas, alleging breach of fiduciary duty, breach of contract, fraud, negligent misrepresentation, tortious interference, violation of the Texas Free Enterprise and Antitrust Act of 1983 and conspiracy in connection with the formation, operation and management of CBM II and its hotels. The plaintiffs sought unspecified damages. On January 29, 1998, two other limited partners, A.R. Milkes and D.R. Burklew, filed a petition in intervention seeking to convert the lawsuit into a class action, and a class was certified. In March 1999, Palm Investors, L.L.C., the assignee of a number of limited partnership units acquired through various tender offers, and Equity Resource, an assignee of a number of limited partnership units, through various of its funds, filed pleas in intervention, which among other things added additional claims relating to the 1993 split of Marriott Corporation and to the 1995 refinancing of CBM

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MARRIOTT INTERNATIONAL, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

II's indebtedness. On August 17, 1999, the general partner of CBM II appointed an independent special litigation committee to investigate the derivative claims described above and to recommend to the general partner whether it was in the best interests of CBM II for the derivative litigation to proceed. The general partner agreed to adopt the recommendation of the committee. Under Delaware law, the recommendation of a duly appointed independent litigation committee is binding on the general partner and the limited partners. Following certain adjustments to the underlying complaints, including the assertion as derivative claims some of the claims previously filed as individual claims, a final amended class action complaint was filed on January 6, 2000. The lawsuit was dismissed as part of the settlement described above.

Texas Multi-Partnership Lawsuits

On March 16, 1998, limited partners in several limited partnerships sponsored by Host Marriott or its subsidiaries filed a lawsuit, Robert M. Haas, Sr. and

Irwin Randolph Joint Tenants, et al. v. Marriott International, Inc., et al.,

Case No. 98-CI-04092, in the 57/th/ Judicial District Court of Bexar County, Texas, alleging that the defendants conspired to sell hotels to the partnerships for inflated prices and that they charged the partnerships excessive management fees to operate the partnerships' hotels. The plaintiffs further alleged that the defendants committed fraud, breached fiduciary duties and violated the provisions of various contracts. A Marriott International subsidiary manages each of the hotels involved and, as to some properties, the Company is the ground lessor and collects rent. The Company, several Marriott subsidiaries and J.W. Marriott, Jr. were among the several named defendants. This lawsuit was resolved as part of the settlement described above.

BUSINESS SEGMENTS

We are a diversified hospitality company with operations in six business segments: Full Service Lodging, which includes Marriott Hotels, Resorts and Suites, The Ritz-Carlton Hotels, Renaissance Hotels, Resorts and Suites, Ramada International and the fees we receive for the use of the Ramada name in the United States and Canada; Select Service Lodging, which includes Courtyard, Fairfield Inn and SpringHill Suites; Extended Stay Lodging, which includes

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Residence Inn, TownePlace Suites, ExecuStay and Marriott Executive Apartments; Timeshare, which includes the operation, ownership, development and marketing of Marriott's timeshare properties under the Marriott, Ritz-Carlton Club and Horizons brands; Senior Living Services, which includes the operation, ownership and development of senior living communities; and Distribution Services, which includes our wholesale food distribution business. We evaluate the performance of our segments based primarily on operating profit before corporate expenses and interest. We do not allocate income taxes at the segment level.

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.

	2000	1999	1998
	-----	-----	-----
	As revised	As revised	As revised
(\$ in millions)			
Sales			
Full Service	\$ 5,520	\$ 5,091	\$ 4,784
Select Service	901	788	700
Extended Stay	668	537	319
Timeshare	822	625	508
	-----	-----	-----
Total Lodging	7,911	7,041	6,311
Senior Living Services	669	559	479
Distribution Services	1,500	1,139	1,178
	-----	-----	-----
	\$ 10,080	\$ 8,739	\$ 7,968
	=====	=====	=====

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

	2000	1999	1998
	-----	-----	-----
	As revised	As revised	As revised
(\$ in millions)			
Operating profit (loss) before corporate expenses and interest			
Full Service	\$ 510	\$ 469	\$ 412
Select Service	192	167	150
Extended Stay	96	68	48
Timeshare	138	123	94
	-----	-----	-----
Total Lodging	936	827	704
Senior Living Services	(18)	(18)	15
Distribution Services	4	21	17
	-----	-----	-----
	\$ 922	\$ 830	\$ 736
	=====	=====	=====
Depreciation and amortization			
Full Service	\$ 86	\$ 74	\$ 72
Select Service	8	4	3

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Extended Stay	15	11	5
Timeshare	22	19	19
	-----	-----	-----
Total Lodging	131	108	99
Senior Living Services	28	21	19
Distribution Services	6	6	6
Corporate	30	27	16
	-----	-----	-----
	\$ 195	\$ 162	\$ 140
	=====	=====	=====
 Assets			
Full Service	\$ 3,453	\$ 2,861	\$ 2,494
Select Service	995	620	451
Extended Stay	399	395	256
Timeshare	1,634	1,283	1,084
	-----	-----	-----
Total Lodging	6,481	5,159	4,285
Senior Living Services	784	980	905
Distribution Services	194	187	179
Corporate	778	998	864
	-----	-----	-----
	\$ 8,237	\$ 7,324	\$ 6,233
	=====	=====	=====
 Capital expenditures			
Full Service	\$ 554	\$ 180	\$ 141
Select Service	262	182	123
Extended Stay	83	121	133
Timeshare	66	36	165
	-----	-----	-----
Total Lodging	965	519	562
Senior Living Services	76	301	329
Distribution Services	6	3	2
Corporate	48	106	44
	-----	-----	-----
	\$ 1,095	\$ 929	\$ 937
	=====	=====	=====

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

Sales from Distribution Services exclude sales (made at market terms and conditions) to other business segments of \$176 million, \$166 million and \$155 million in 2000, 1999 and 1998, respectively.

Segment operating expenses include selling, general and administrative expenses directly related to the operations of the businesses, aggregating \$682 million in 2000, \$592 million in 1999 and \$496 million in 1998.

The consolidated financial statements include the following related to international operations: sales of \$455 million in 2000, \$392 million in 1999 and \$323 million in 1998; operating profit before corporate expenses and interest of \$73 million in 2000, \$66 million in 1999 and \$49 million in 1998; and fixed assets of \$241 million in 2000, \$137 million in 1999 and \$102 million in 1998.

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SUBSEQUENT EVENTS

Contingent Liabilities

On March 30, 2001, Green Isle Partners, Ltd., S.E. (Green Isle) filed a 63-page complaint in Federal district court in Delaware against The Ritz-Carlton Hotel Company, L.L.C., The Ritz-Carlton Hotel Company of Puerto Rico, Inc. (Ritz-Carlton Puerto Rico), Marriott International, Inc., Marriott Distribution Services, Inc., Marriott International Capital Corp. and Avendra L.L.C. (Green

Isle Partners, Ltd. S.E., v. The Ritz-Carlton Hotel Company, L.L.C., et al,

civil action no. 01-202). Ritz-Carlton Puerto Rico manages The Ritz-Carlton San Juan Hotel, Spa and Casino located in San Juan, Puerto Rico under an operating agreement with Green Isle dated December 15, 1995 (the Operating Agreement).

The claim asserts 11 causes of action: three Racketeer Influenced and Corrupt Organizations Act (RICO) claims, together with claims based on the Robinson-Patman Act, breach of contract, breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, breach of implied duties of good faith and fair dealing, common law fraud and intentional misrepresentation, negligent misrepresentation, and fiduciary accounting. The complaint does not request termination of the Operating Agreement.

The claim includes allegations of: (i) national, non-competitive contracts and attendant kick-back schemes; (ii) concealing transactions with affiliates; (iii) false entries in the books and manipulation of accounts payable and receivable; (iv) excessive compensation schemes and fraudulent expense accounts; (v) charges of prohibited overhead costs to the project; (vi) charges of prohibited procurement costs; (vii) inflation of Group Service Expense; (viii) the use of prohibited or falsified revenues; (ix) attempts to oust Green Isle from ownership; (x) creating a financial crisis and then attempting to exploit it by seeking an economically oppressive contract in connection with a loan; (xi) providing incorrect cash flow figures and failing to appropriately reveal and explain revised cash flow figures.

The complaint seeks as damages the \$140 million, which Green Isle claims to have invested in the hotel (which includes \$85 million in third party debt), which the plaintiffs seek to treble to \$420 million under RICO and the Robinson-Patman Act.

On May 25, 2001, defendants moved to dismiss the complaint or, alternatively, to stay or transfer. Briefing of the motion is complete but oral argument has not yet been scheduled. On June 25, 2001, Green Isle filed its Chapter 11 Bankruptcy Petition in the Southern District of Florida.

Although we believe that the lawsuit described above is without merit, and we intend to vigorously defend against the claims being made against us, we cannot assure you as to the outcome of this lawsuit nor can we currently estimate the range of any potential loss to the Company.

Convertible Debt

On May 8, 2001 we received cash proceeds of \$405 million from the sale of zero-coupon convertible senior notes due 2021, known as LYONS.

The LYONS are convertible into approximately 6.4 million shares of our Class A common stock and will carry a yield to maturity of 0.75 percent. We may not redeem the LYONS prior to May 8, 2004, but may at the option of the holders be required to purchase the LYONS at their accreted value on May 8 of each of 2002,

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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 are amortizing the issuance costs of the LYONs into interest expense over the one-year period ending May 8, 2002. The LYONs are classified as long-term based on our ability and intent to refinance the obligation with long-term debt if we are required to repurchase the LYONs.

Dispositions

In the first quarter of 2001, we closed on sales of eight lodging properties and one senior living community for cash proceeds of \$241 million, resulting in gains of \$5 million. We recognized \$4 million of the gain and the balance will be recognized as certain contingencies in the sales contracts expire. We will continue to operate seven of these hotels under long-term management agreements.

In the second quarter of 2001, we sold four lodging properties for \$102 million. We will continue to operate the hotels under long-term management agreements. In the second quarter of 2001, in connection with the sale, the buyer terminated lease agreements for three properties sold and leased back to us in 1997 and 1998. In the third quarter of 2001, an additional six lease agreements were terminated. We now manage these nine previously leased properties under long-term management agreements, and gains on the sale of these properties of \$5 million were recognized in both the second quarter and third quarter as a result of the lease cancellations.

In the second quarter of 2001 we sold land, at book value, for \$31 million to a joint venture which plans to build two resort hotels in Orlando, Florida, for \$547 million. We will provide development services and have guaranteed completion of the project. The initial owners of the venture have the right to sell 20 percent of the venture's equity to us upon the opening of the hotels. At opening we also expect to hold approximately \$120 million in mezzanine loans that we have agreed to advance to the joint venture. We have provided the venture with additional credit facilities for certain amounts due under the first mortgage loan and to provide for limited minimum returns to the equity investors in the early years of the project, although we expect fundings under such support to be less than \$5 million.

In the third quarter of 2001, we sold two lodging properties, and some undeveloped land, for cash proceeds of \$146 million, resulting in gains of \$7 million. We recognized \$1 million of the gain and the balance will be recognized as certain contingencies in the sales contracts expire. We will continue to operate the two hotels under long-term management agreements.

September 11, 2001 Terrorist Attacks

The Company has been adversely affected in the aftermath of the recent terrorist attacks on New York and Washington. Since the attacks, our hotels have experienced significant short-term declines in occupancy compared to the prior year. At present, it is not possible to predict either the severity or duration of such declines in the medium- or long-term, or the potential impact on the Company's results of operations, financial condition or cash flows. However, as a result of the significant short-term declines in occupancy, the Company has taken steps to reduce costs, including reductions in staff. The Company is undertaking a comprehensive analysis of its cost structure including, among other things, overall staffing levels and facilities related costs. Furthermore, the Company is evaluating hotel financial performance subsequent to September

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11, 2001 and its impact on the Company's investments and contingent obligations. Declines in hotel profitability reduce management and franchise fees and could give rise to fundings or losses under investments and contingent obligations that we have made in connection with hotels that we manage or franchise. The outcome of the Company's analysis may result in charges to operations and potentially a material adverse impact on our financial position, results of operations and cashflows.

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MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

QUARTERLY FINANCIAL DATA - UNAUDITED

(\$ in millions, except per share data)

	2000/1/ (As revised)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	\$ 2,177	\$ 2,409	\$ 2,315	\$
Operating profit before corporate expenses and interest	\$ 193	\$ 247	\$ 216	\$
Net income	\$ 94	\$ 126	\$ 110	\$
Diluted earnings per share	\$ 0.37	\$ 0.50	\$ 0.43	\$
	1999/1/			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	\$ 1,895	\$ 2,042	\$ 1,995	\$
Operating profit before corporate expenses and interest	\$ 193	\$ 216	\$ 188	\$
Net income	\$ 100	\$ 114	\$ 96	\$
Diluted earnings per share ^{2/}	\$ 0.38	\$ 0.42	\$ 0.36	\$

/1/ The quarters consist of 12 weeks, except the fourth quarter, which consists of 16 weeks.

/2/ In 1999 the sum of the earnings per share for the four quarters differs from annual earnings per share due to the required method of computing the weighted average number of shares in interim periods.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 and 13.

As described below, certain information appearing in our Proxy Statement which was furnished to shareholders in connection with the 2001 Annual Meeting of Shareholders, is incorporated by reference in this Form 10-K Annual Report.

- ITEM 10. This information is incorporated by reference to the "Directors Standing For Election," "Directors Continuing In Office" and "Section 16(a) Beneficial Ownership Reporting Compliance" sections of our Proxy Statement which was furnished to shareholders in connection with the 2001 Annual Meeting. Information regarding executive officers is included below.
- ITEM 11. This information is incorporated by reference to the "Executive Compensation" section of our Proxy Statement, which was furnished to shareholders in connection with the 2001 Annual Meeting.
- ITEM 12. This information is incorporated by reference to the "Stock Ownership" section of our Proxy Statement, which was furnished to shareholders in connection with the 2001 Annual Meeting.
- ITEM 13. This information is incorporated by reference to the "Certain Transactions" section of our Proxy Statement, which was furnished to shareholders in connection with the 2001 Annual Meeting.

EXECUTIVE OFFICERS

Set forth below is certain information with respect to our executive officers.

Name and Title	Age	Business Experience
J. W. Marriott, Jr. Chairman of the Marriott International, Inc. Board and Chief Executive Officer	69	Mr. Marriott is Chairman of the Board Officer of the Company. He joined Mar (now known as Host Marriott Corporation) President and a director in 1964, Chief in 1972 and Chairman of the Board in 1975. He also is a director of Host Marriott Corporation and the Naval Academy. He serves on the Board of Trustees of the Geographic Society and The J. Willard Rouse Foundation, and the Board of Directors

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University, and is a member of the Executive Council of the World Travel & Tourism Council and the World Travel & Tourism Council and the World Travel & Tourism Council. Mr. Marriott has served as Chief Executive Officer of Marriott International Company since its inception in 1997, and as President and Chief Executive Officer of Old Marriott International Company from 1993 to March 1998. Mr. Marriott has served on the Board of Directors of the Company since March 1998.

Simon Cooper
Vice President;
President and Chief Operating Officer,
The Ritz-Carlton Hotel Company, L.L.C.

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Simon Cooper joined Marriott International in 1997 as President of Marriott Lodging Canada and as President of Marriott Lodging International. The New England Region was added to his responsibilities. Prior to joining Marriott International, Mr. Cooper was President and Chief Operating Officer of Marriott Hotels and Resorts. Mr. Cooper is the Chairman of the Board of Governors for University of Guelph. He is also a member of the Board of Trustees for the Educational Foundation of the American Hotel and Motel Association and the Board for the Canadian Tourism Commission. In February 2001, Mr. Cooper was appointed to his current position.

Edwin D. Fuller
Vice President;
President and Managing Director -
Marriott Lodging International

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Edwin D. Fuller joined Marriott International in 1977 in sales positions before being appointed as Vice President of Marketing in 1979. He became Regional Vice President of the Midwest Region in 1985, Regional Vice President of the Western Region in 1988, and in 1990 was appointed Vice President & Managing Director of Marriott International with a focus on developing the international market. He was named Executive Vice President of International Lodging in 1994, and in 1997 was appointed to his current position of President and Managing Director of International Lodging in 1997.

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Name and Title	Age	Business Experience
Brendan M. Keegan Vice President; Executive Vice President - Human Resources	58	Brendan M. Keegan joined Marriott Corporation in 1985 as the Corporate Organization Development Manager. He subsequently held several human resources positions, including Vice President of Organizational Development, Executive Succession Planning. In 1988, he was named Senior Vice President, Human Resources, Marriott Service Group. In April 1997, Mr. Keegan was named Senior Vice President of Human Resources, Marriott International, and in 1998 he was appointed to his current position. He has extensive experience in human resources functions, including compensation, benefits, labor and employee relations, organizational development, human resources planning and development. In 1998, he was appointed to his current position.
William W. McCarten Vice President; President - Marriott Services Group	53	William W. McCarten was named as President of Marriott Services Group (Marriott Senior Living and Marriott Distribution Services) in January 1998. Previously, Mr. McCarten served as President and Executive Officer of HMS Host Corporation.

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Marriott Services Corporation) from 1997 to 2000. He joined Marriott Corporation in 1985 as Vice President, Corporate Controller and Chief Accounting Officer in 1985 and Senior Vice President in 1987. He was named Executive Vice President, Host and Travel Planning in 1991 and President, Host and Travel Planning in 1993 he became President of Host Marriott International Operating Group and in 1995 was elected Senior Executive Officer and a director of Host Marriott International. McCarten is a past chairman on the Advisory Board of the McIntire School at the University of Virginia.

Terry Petty
Executive Vice President;
North American Lodging Operations

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Terry Petty joined Marriott Corporation in 1985 as Vice President of Marketing and Planning for Host International. He acquired Host International business and held the following positions: Vice President of Marketing, Marriott Hotels; General Manager, Perimeter Marriott Hotel; Vice President of Marketing for Marriott Vacation Club International; Vice President of Hotels for the West. In March 2000, Mr. Petty was appointed to the position.

Joseph Ryan
Executive Vice President and General Counsel

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Joseph Ryan joined Old Marriott in December 1976 as Executive Vice President and General Counsel. At that time, he was a partner in the law firm of Myers, serving as the Managing Partner until Myers' departure. He joined O'Melveny & Myers in 1976 and was admitted as a partner in 1976.

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Name and Title	Age	Business Experience
William J. Shaw Director, President and Chief Operating Officer	56	Mr. Shaw has served as President and Chief Operating Officer of the Company since March 1998 in service in the same capacity with Old Marriott (March 1998). Mr. Shaw joined Marriott in 1974, was elected Corporate Controller in 1974, President in 1982. In 1986, Mr. Shaw was elected Vice President--Finance and Treasurer of Marriott Corporation. He was elected Chief Financial Officer and Executive Vice President of Marriott in 1988. In February 1992, he was elected President of Marriott Service Group. Mr. Shaw is also on the Board of Directors of Sodexo Marriott. He also serves on the Board of Trustees of the University of Notre Dame and the Suburban Hospital. Mr. Shaw has served as a director of Old Marriott International (Sodexo Marriott Services, Inc.) since 1998 and is a director of the Company since March 1998.
Arne M. Sorenson Executive Vice President and Chief Financial Officer	43	Arne M. Sorenson joined Old Marriott in 1997 as Vice President of Business Development. He was instrumental in our acquisition of the Marriott Group in 1997. Prior to joining Marriott

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partner in the law firm of Latham & Washington, D.C., where he played a 1993 in the distribution of Old Marriott Corporation. Effective October 1, 1993, he was appointed Executive Vice President and General Officer.

James M. Sullivan 58
Executive Vice President -
Lodging Development

James M. Sullivan joined Marriott Corporation in 1983 and departed in 1983 to acquire, manage, and subsequently sell a successful restaurant. He returned to Marriott Corporation in 1984 as Director of Mergers and Acquisitions. Mr. Sullivan was Executive Vice President, Finance - Lodging in 1989 and Executive Vice President - Lodging Development in 1990 and was appointed Executive Vice President in December 1995.

William R. Tiefel 67
Vice Chairman;
Chairman - The Ritz-Carlton Hotel
Company, L.L.C.

William R. Tiefel joined Marriott Corporation in 1983 and was named President of Marriott Hotel and Resorts in 1988. He had previously served as Regional Manager and General Manager at several Marriott properties prior to being appointed Regional Vice President in 1985. He was later Executive Vice President of Marriott Hotel and Resorts and Marriott Owner. Mr. Tiefel was elected Executive Vice President of Marriott Corporation in November 1989. In March 1990, he was elected President - Marriott Lodging and Resorts with responsibility for all of Marriott's Lodging and Resorts. In May 1998, he was appointed to his current position.

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Name and Title	Age	Business Experience
Stephen P. Weisz Vice President; President - Marriott Vacation Club International	51	Stephen P. Weisz joined Marriott Corporation in 1983 and was named Regional Vice President of Marriott Vacation Club International in 1991. Mr. Weisz had previously served as Senior Vice President of Rooms Operations and was appointed as Vice President of the Rooms and Marketing Group. Mr. Weisz became Senior Vice President of Rooms and Marketing for Marriott Hotels, Resorts and Vacation Clubs in August 1992 and Executive Vice President in August 1994. In December 1996, Mr. Weisz was appointed President - Marriott Vacation Club International.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

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(1) FINANCIAL STATEMENTS

The response to this portion of Item 14 is submitted under Item 8 of this Report on Form 10-K.

(2) FINANCIAL STATEMENT SCHEDULES

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) EXHIBITS

Any shareholder who wants a copy of the following Exhibits may obtain one from us upon request at a charge that reflects the reproduction cost of such Exhibits. Requests should be made to the Secretary, Marriott International, Inc., Marriott Drive, Department 52/862, Washington, D.C. 20058.

Exhibit No.	Description	Incorporation by Reference (where a report or registration statement is indicated below, that document has previously filed with the SEC and exhibit is incorporated by reference)
2.1	Distribution Agreement dated as of September 30, 1997 with Sodexo Marriott Services, Inc.	Appendix A in our Form 10 filed October 1, 1998.
2.2	Agreement and Plan of Merger dated as of September 30, 1997 with Sodexo Marriott Services, Inc., Marriott-ICC Merger Corp., Sodexo Alliance, S.A. and International Catering Corporation.	Appendix B in our Form 10 filed October 1, 1998.
2.3	Omnibus Restructuring Agreement dated as of September 30, 1997 with Sodexo Marriott Services, Inc., Marriott-ICC Merger Corp., Sodexo Alliance, S.A. and International Catering Corporation.	Appendix C in our Form 10 filed October 1, 1998.
2.4	Amendment Agreement dated as of January 28, 1998 among Sodexo Marriott Services, Inc., Marriott-ICC Merger Corp., the Company, Sodexo Alliance, S.A. and International Catering Corporation.	Appendix D in our Form 10 filed October 1, 1998.
3.1	Third Amended and Restated Certificate of Incorporation of the Company.	Exhibit No. 3 to our Form 10-Q for the quarter ended June 18, 1999.
3.2	Amended and Restated Bylaws.	Exhibit No. 3.3 to our Form 10-K for the year ended January 1, 1999.

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3.3	Amended and Restated Rights Agreement dated as of August 9, 1999 with The Bank of New York, as Rights Agent.	Exhibit No. 4.1 to our Form 10-Q for the quarter ended September 10, 1999.
3.4	Certificate of Designation, Preferences and Rights of the Marriott International, Inc. ESOP Convertible Preferred Stock.	Exhibit No. 3.1 to our Form 10-Q for the quarter ended June 16, 2000.
3.5	Certificate of Designation, Preferences and Rights of the Marriott International, Inc. Capped Convertible Preferred Stock.	Exhibit No. 3.2 to our Form 10-Q for the quarter ended June 16, 2000.
4.1	Indenture dated November 16, 1998 with The Chase Manhattan Bank, as Trustee.	Exhibit No. 4.1 to our Form 10-K for the year ended January 1, 1999.
4.2	Form of 6.625% Series A Note due 2003.	Exhibit No. 4.2 to our Form 10-K for the year ended January 1, 1999.
4.3	Form of 6.875% Series B Note due 2005.	Exhibit No. 4.3 to our Form 10-K for the year ended January 1, 1999.
4.4	Form of 7.875% Series C Note due 2009.	Exhibit No. 4.1 to our Form 8-K dated January 1, 1999.
4.5	Form of 8.125% Series D Note due 2005.	Exhibit No. 4.1 to our Form 8-K dated January 1, 2000.
4.6	Form of 7.0% Series E Note due 2008.	Exhibit No. 4.1 (f) to our Form S-3 dated January 17, 2001.
4.7	Indenture, dated as of May 8, 2001, relating to the Liquid Yield Option Notes due 2021, with Bank of New York, as trustee.	Exhibit No. 4.2 to our Form S-3 filed May 8, 2001.
10.1	Employee Benefits and Other Employment Matters Allocation Agreement dated as of September 30, 1997 with Sodexho Marriott Services, Inc.	Exhibit No. 10.1 to our Form 10 filed September 13, 1998.
10.2	1998 Comprehensive Stock and Cash Incentive Plan.	Appendix L in our Form 10 filed on September 13, 1998.
10.3	Noncompetition Agreement between Sodexho Marriott Services, Inc. and the Company.	Exhibit No. 10.1 to our Form 10-Q for the quarter ended March 27, 1998.
10.4	Tax Sharing Agreement with Sodexho Marriott Services, Inc. and Sodexho Alliance, S.A.	Exhibit No. 10.2 to our Form 10-Q for the quarter ended March 27, 1998.
10.5	Distribution Agreement with Host Marriott Corporation, as amended.	Exhibit No. 10.3 to Form 8-K of Old Marriott dated October 25, 1993; Exhibit No. 10.2 to Form 10 of Old Marriott for the fiscal year ended December 31, 1995 (First Amendment); Exhibit Nos. 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 10.10, 10.11, 10.12, 10.13, 10.14, 10.15, 10.16, 10.17, 10.18, 10.19, 10.20, 10.21, 10.22, 10.23, 10.24, 10.25, 10.26, 10.27, 10.28, 10.29, 10.30, 10.31, 10.32, 10.33, 10.34, 10.35, 10.36, 10.37, 10.38, 10.39, 10.40, 10.41, 10.42, 10.43, 10.44, 10.45, 10.46, 10.47, 10.48, 10.49, 10.50, 10.51, 10.52, 10.53, 10.54, 10.55, 10.56, 10.57, 10.58, 10.59, 10.60, 10.61, 10.62, 10.63, 10.64, 10.65, 10.66, 10.67, 10.68, 10.69, 10.70, 10.71, 10.72, 10.73, 10.74, 10.75, 10.76, 10.77, 10.78, 10.79, 10.80, 10.81, 10.82, 10.83, 10.84, 10.85, 10.86, 10.87, 10.88, 10.89, 10.90, 10.91, 10.92, 10.93, 10.94, 10.95, 10.96, 10.97, 10.98, 10.99, 10.100, 10.101, 10.102, 10.103, 10.104, 10.105, 10.106, 10.107, 10.108, 10.109, 10.110, 10.111, 10.112, 10.113, 10.114, 10.115, 10.116, 10.117, 10.118, 10.119, 10.120, 10.121, 10.122, 10.123, 10.124, 10.125, 10.126, 10.127, 10.128, 10.129, 10.130, 10.131, 10.132, 10.133, 10.134, 10.135, 10.136, 10.137, 10.138, 10.139, 10.140, 10.141, 10.142, 10.143, 10.144, 10.145, 10.146, 10.147, 10.148, 10.149, 10.150, 10.151, 10.152, 10.153, 10.154, 10.155, 10.156, 10.157, 10.158, 10.159, 10.160, 10.161, 10.162, 10.163, 10.164, 10.165, 10.166, 10.167, 10.168, 10.169, 10.170, 10.171, 10.172, 10.173, 10.174, 10.175, 10.176, 10.177, 10.178, 10.179, 10.180, 10.181, 10.182, 10.183, 10.184, 10.185, 10.186, 10.187, 10.188, 10.189, 10.190, 10.191, 10.192, 10.193, 10.194, 10.195, 10.196, 10.197, 10.198, 10.199, 10.200, 10.201, 10.202, 10.203, 10.204, 10.205, 10.206, 10.207, 10.208, 10.209, 10.210, 10.211, 10.212, 10.213, 10.214, 10.215, 10.216, 10.217, 10.218, 10.219, 10.220, 10.221, 10.222, 10.223, 10.224, 10.225, 10.226, 10.227, 10.228, 10.229, 10.230, 10.231, 10.232, 10.233, 10.234, 10.235, 10.236, 10.237, 10.238, 10.239, 10.240, 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10.491, 10.492, 10.493, 10.494, 10.495, 10.496, 10.497, 10.498, 10.499, 10.500, 10.501, 10.502, 10.503, 10.504, 10.505, 10.506, 10.507, 10.508, 10.509, 10.510, 10.511, 10.512, 10.513, 10.514, 10.515, 10.516, 10.517, 10.518, 10.519, 10.520, 10.521, 10.522, 10.523, 10.524, 10.525, 10.526, 10.527, 10.528, 10.529, 10.530, 10.531, 10.532, 10.533, 10.534, 10.535, 10.536, 10.537, 10.538, 10.539, 10.540, 10.541, 10.542, 10.543, 10.544, 10.545, 10.546, 10.547, 10.548, 10.549, 10.550, 10.551, 10.552, 10.553, 10.554, 10.555, 10.556, 10.557, 10.558, 10.559, 10.560, 10.561, 10.562, 10.563, 10.564, 10.565, 10.566, 10.567, 10.568, 10.569, 10.570, 10.571, 10.572, 10.573, 10.574, 10.575, 10.576, 10.577, 10.578, 10.579, 10.580, 10.581, 10.582, 10.583, 10.584, 10.585, 10.586, 10.587, 10.588, 10.589, 10.590, 10.591, 10.592, 10.593, 10.594, 10.595, 10.596, 10.597, 10.598, 10.599, 10.600, 10.601, 10.602, 10.603, 10.604, 10.605, 10.606, 10.607, 10.608, 10.609, 10.610, 10.611, 10.612, 10.613, 10.614, 10.615, 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10.741, 10.742, 10.743, 10.744, 10.745, 10.746, 10.747, 10.748, 10.749, 10.750, 10.751, 10.752, 10.753, 10.754, 10.755, 10.756, 10.757, 10.758, 10.759, 10.760, 10.761, 10.762, 10.763, 10.764, 10.765, 10.766, 10.767, 10.768, 10.769, 10.770, 10.771, 10.772, 10.773, 10.774, 10.775, 10.776, 10.777, 10.778, 10.779, 10.780, 10.781, 10.782, 10.783, 10.784, 10.785, 10.786, 10.787, 10.788, 10.789, 10.790, 10.791, 10.792, 10.793, 10.794, 10.795, 10.796, 10.797, 10.798, 10.799, 10.800, 10.801, 10.802, 10.803, 10.804, 10.805, 10.806, 10.807, 10.808, 10.809, 10.810, 10.811, 10.812, 10.813, 10.814, 10.815, 10.816, 10.817, 10.818, 10.819, 10.820, 10.821, 10.822, 10.823, 10.824, 10.825, 10.826, 10.827, 10.828, 10.829, 10.830, 10.831, 10.832, 10.833, 10.834, 10.835, 10.836, 10.837, 10.838, 10.839, 10.840, 10.841, 10.842, 10.843, 10.844, 10.845, 10.846, 10.847, 10.848, 10.849, 10.850, 10.851, 10.852, 10.853, 10.854, 10.855, 10.856, 10.857, 10.858, 10.859, 10.860, 10.861, 10.862, 10.863, 10.864, 10.865, 10.866, 10.867, 10.868, 10.869, 10.870, 10.871, 10.872, 10.873, 10.874, 10.875, 10.876, 10.877, 10.878, 10.879, 10.880, 10.881, 10.882, 10.883, 10.884, 10.885, 10.886, 10.887, 10.888, 10.889, 10.890, 10.891, 10.892, 10.893, 10.894, 10.895, 10.896, 10.897, 10.898, 10.899, 10.900, 10.901, 10.902, 10.903, 10.904, 10.905, 10.906, 10.907, 10.908, 10.909, 10.910, 10.911, 10.912, 10.913, 10.914, 10.915, 10.916, 10.917, 10.918, 10.919, 10.920, 10.921, 10.922, 10.923, 10.924, 10.925, 10.926, 10.927, 10.928, 10.929, 10.930, 10.931, 10.932, 10.933, 10.934, 10.935, 10.936, 10.937, 10.938, 10.939, 10.940, 10.941, 10.942, 10.943, 10.944, 10.945, 10.946, 10.947, 10.948, 10.949, 10.950, 10.951, 10.952, 10.953, 10.954, 10.955, 10.956, 10.957, 10.958, 10.959, 10.960, 10.961, 10.962, 10.963, 10.964, 10.965, 10.966, 10.967, 10.968, 10.969, 10.970, 10.971, 10.972, 10.973, 10.974, 10.975, 10.976, 10.977, 10.978, 10.979, 10.980, 10.981, 10.982, 10.983, 10.984, 10.985, 10.986, 10.987, 10.988, 10.989, 10.990, 10.991, 10.992, 10.993, 10.994, 10.995, 10.996, 10.997, 10.998, 10.999, 11.000, 11.001, 11.002, 11.003, 11.004, 11.005, 11.006, 11.007, 11.008, 11.009, 11.010, 11.011, 11.012, 11.013, 11.014, 11.015, 11.016, 11.017, 11.018, 11.019, 11.020, 11.021, 11.022, 11.023, 11.024, 11.025, 11.026, 11.027, 11.028, 11.029, 11.030, 11.031, 11.032, 11.033, 11.034, 11.035, 11.036, 11.037, 11.038, 11.039, 11.040, 11.041, 11.042, 11.043, 11.044, 11.045, 11.046, 11.047, 11.048, 11.049, 11.050, 11.051, 11.052, 11.053, 11.054, 11.055, 11.056, 11.057, 11.058, 11.059, 11.060, 11.061, 11.062, 11.063, 11.064, 11.065, 11.066, 11.067, 11.068, 11.069, 11.070, 11.071, 11.072, 11.073, 11.074, 11.075, 11.076, 11.077, 11.078, 11.079, 11.080, 11.081, 11.082, 11.083, 11.084, 11.085, 11.086, 11.087, 11.088, 11.089, 11.090, 11.091, 11.092, 11.093, 11.094, 11.095, 11.096, 11.097, 11.098, 11.099, 11.100, 11.101, 11.102, 11.103, 11.104, 11.105, 11.106, 11.107, 11.108, 11.109, 11.110, 11.111, 11.112, 11.113, 11.114, 11.115, 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11.366, 11.367, 11.368, 11.369, 11.370, 11.371, 11.372, 11.373, 11.374, 11.375, 11.376, 11.377, 11.378, 11.379, 11.380, 11.381, 11.382, 11.383, 11.384, 11.385, 11.386, 11.387, 11.388, 11.389, 11.390, 11.391, 11.392, 11.393, 11.394, 11.395, 11.396, 11.397, 11.398, 11.399, 11.400, 11.401, 11.402, 11.403, 11.404, 11.405, 11.406, 11.407, 11.408, 11.409, 11.410, 11.411, 11.412, 11.413, 11.414, 11.415, 1

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		year ended December 31, 1999 (Fourth and Amendments); Exhibit No. 10.5 to our Form 10-K for the fiscal year ended December 29, 2000 (Amendment).
10.6	Restated Noncompetition Agreement with Host Marriott Corporation.	Exhibit No. 10.6 to our Form 10-Q for the quarter ended March 27, 1998.
10.7	\$1.5 billion Credit Agreement dated February 19, 1998 with Citibank, N.A., as Administrative Agent, and certain banks.	Exhibit No. 10.10 to our Form 10-K for the year ended January 2, 1998.
10.8	\$500 million Credit Agreement dated February 2, 1999 with Citibank, N.A. as Administrative Agent, and certain banks.	Exhibit No. 4.8 to our Form 10-K for the year ended January 1, 1999.
10.9	Settlement Agreement dated as of March 9, 2000 among A. R. Milkes, Robert M. Haas, Sr., and other plaintiffs and intervenors identified therein and the Company, Host Marriott Corporation, and other identified defendants, each by and through their respective counsel of record.	Exhibit No. 10.1 to our Form 10-Q/A for the quarter ended March 24, 2000.
10.10	Amended and restated Marriott International, Inc. 1998 Comprehensive Stock and Cash Incentive Plan.	Attachment A to the Company's definitive statement filed on March 23, 2000.
10.11	First Amendment to the Settlement Agreement dated as of September 23, 2000 among A.R. Milkes, Robert M. Haas, Sr., and other plaintiffs and intervenors identified therein and the Company, Host Marriott Corporation, and other identified defendants, each by and through their respective counsels of record.	Exhibit No. 10 to our Form 10-Q for the quarter ended September 8, 2000.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.	Filed with this report.
21	Subsidiaries of Marriott International, Inc.	Filed with this report.
23	Consent of Arthur Andersen LLP.	Filed with this report.
99	Forward-Looking Statements.	Filed with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 we have duly caused this Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, on this 10th day of December, 2001.

MARRIOTT INTERNATIONAL, INC.

By /s/ J.W. Marriott, Jr.

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J.W. Marriott, Jr.
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed by the following persons on our behalf in their capacities and on the date indicated above.

PRINCIPAL EXECUTIVE OFFICER:

/s/ J.W. Marriott, Jr.

J.W. Marriott, Jr.

Chairman of the Board, C
and Director

PRINCIPAL FINANCIAL OFFICER:

/s/ Arne M. Sorenson

Arne M. Sorenson

Executive Vice President
Chief Financial Officer

PRINCIPAL ACCOUNTING OFFICER:

/s/ Linda A Bartlett

Linda A. Bartlett

Vice President, Controll

DIRECTORS:

/s/ Henry Cheng Kar-Shun

Henry Cheng Kar-Shun, Director

/s/ W. Mitt Ro

W. Mitt Rom

/s/ Gilbert M. Grosvenor

Gilbert M. Grosvenor, Director

/s/ Roger W. S

Roger W. Sa

/s/ Richard E. Marriott

Richard E. Marriott, Director

/s/ William J.

William J.

/s/ Floretta Dukes McKenzie

Floretta Dukes McKenzie, Director

/s/ Lawrence M

Lawrence M.

/s/ Harry J. Pearce

Harry J. Pearce, Director