

MARRIOTT INTERNATIONAL INC /MD/  
Form DEF 14A  
March 27, 2009  
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**SCHEDULE 14A**

**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

**Marriott International, Inc.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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“ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

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“ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1. Amount previously paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

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Corporate Headquarters:  
10400 Fernwood Road  
Bethesda, Maryland 20817

Mailing Address:  
Marriott Drive  
Washington, D.C. 20058

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD FRIDAY, MAY 1, 2009**

*To our Shareholders:*

March 27, 2009

The 2009 annual meeting of shareholders of Marriott International, Inc. (the *Company*) will be held at the JW Marriott Hotel, 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004 on Friday, May 1, 2009, beginning at 10:30 a.m. Doors to the meeting will open at 9:30 a.m. At the meeting, shareholders will act on the following matters:

1. Election of 11 directors;
2. Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009;
3. Approval of an amendment to the Marriott International, Inc. Stock and Cash Incentive Plan to increase the number of shares of the Company's Class A common stock authorized for issuance by 15 million; and
4. Any other matters that may properly be presented at the meeting.

Shareholders of record at the close of business on March 10, 2009, are entitled to notice of and to vote at this meeting.

For the convenience of our shareholders, proxies may be given either by telephone, electronically through the Internet, or by completing, signing, and returning the enclosed proxy card. In addition, shareholders may elect to receive future shareholder communications, including proxy materials, through the Internet. Instructions for each of these options can be found in the enclosed materials.

By order of the Board of Directors,  
Bancroft S. Gordon  
Secretary

**PLEASE REFER TO THE OUTSIDE BACK COVER FOR DIRECTIONS TO THE MEETING AND INFORMATION ON  
PARKING, PUBLIC TRANSPORTATION AND LODGING.**

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**MARRIOTT INTERNATIONAL, INC.**

**10400 FERNWOOD ROAD, BETHESDA, MARYLAND 20817**

**PROXY STATEMENT**

Our Board of Directors (the *Board*) solicits your proxy for the 2009 annual meeting of shareholders of Marriott International, Inc. ( *we*, *us*, or the *Company* ) to be held on Friday, May 1, 2009, beginning at 10:30 a.m., at the JW Marriott Hotel, 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004, and at any postponements or adjournments of the meeting. This proxy statement is first being released to shareholders by the Company on or about March 27, 2009.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 1, 2009:**

**THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS ARE AVAILABLE AT <http://bnymellon.mobular.net/bnymellon/mar>**

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

*What is the purpose of the annual meeting?*

At our annual meeting, shareholders will act upon the matters described in the accompanying notice of meeting. These actions include the election of 11 directors, ratification of the appointment of the independent registered public accounting firm (sometimes referred to as the *independent auditor* ), approval of an amendment to the Marriott International, Inc. Stock and Cash Incentive Plan (the *Stock Plan* ) to increase the number of shares of the Company's Class A common stock authorized for issuance by 15 million; and any other matters that may be properly presented at the meeting. In addition, our management will report on the Company's performance during fiscal 2008 and respond to questions from shareholders.

***Who is entitled to vote?***

Only shareholders of record at the close of business on the record date, March 10, 2009, are entitled to receive notice of and to vote at the meeting, or any postponement or adjournment of the meeting. Each outstanding share of the Company's Class A common stock entitles its holder to cast ten votes on each matter to be voted upon.

***Who can attend the meeting?***

All shareholders of record at the close of business on the record date, or their duly appointed proxies, may attend the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

You will find directions to the meeting, and information on parking, public transportation and lodging, on the back cover of this proxy statement.

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### ***What constitutes a quorum?***

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of Class A common stock of the Company outstanding on the record date and entitled to vote will constitute a quorum. A quorum is required for business to be conducted at the meeting. As of the March 10, 2009 record date, 351,480,456 shares of our Class A common stock were outstanding and entitled to vote. If you submit a properly executed proxy card, even if you abstain from voting, then you will be considered part of the quorum. Similarly, broker non-votes (described below) will be counted in determining whether there is a quorum.

### ***How do I vote?***

You may vote either by casting your vote in person at the meeting, or by marking, signing and dating each proxy card you receive and returning it in the prepaid envelope, by telephone, or electronically through the Internet by following the instructions included on your proxy card. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. The procedures, which are designed to comply with Delaware law, allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded.

If you hold your shares in street name through a broker or other nominee, you may be able to vote by telephone or electronically through the Internet in accordance with the voting instructions provided by that institution.

### ***What does the Board recommend?***

The Board's recommendations are set forth after the description of each item in this proxy statement. In summary, the Board recommends a vote:

- FOR election of the 11 director nominees (see Item 1 on page 5); and
- FOR ratification of the appointment of the independent auditor (see Item 2 on page 6).
- FOR approval of an amendment to the Stock Plan to increase the number of shares of the Company's Class A common stock authorized for issuance by 15 million (see Item 3 on page 6).

Unless you give other instructions, the persons named as proxy holders on the proxy card will vote in accordance with the Board's recommendations.

### ***How will my shares be voted?***



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Your shares will be voted as you indicate on the proxy card. If you return your signed proxy card but do not mark the boxes indicating how you wish to vote, your shares will be voted FOR the election of the 11 director nominees listed below, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent auditor for 2009 and FOR approval of an increase of 15 million shares of Class A common stock authorized for issuance under the Stock Plan.

*Can I change my vote or revoke my proxy after I return my proxy card, or after I vote by telephone or electronically?*

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised at the meeting. Regardless of the way in which you submitted your original proxy, you may change it by:

- (1) Returning a later-dated signed proxy card;

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- (2) Delivering a written notice of revocation to BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252-8015;
- (3) Voting by telephone or the Internet; or
- (4) Voting in person at the meeting.

If your shares are held through a broker or other nominee, you will need to contact that institution if you wish to change your voting instructions.

***How do I vote my 401(k) shares?***

If you participate in the Company's Employees Profit Sharing, Retirement and Savings Plan and Trust (the *401(k) Plan*) or the Sodexo Employee Savings Plan, you may give voting instructions as to the number of share equivalents allocated to your account as of the record date. You may provide voting instructions to the trustee under the applicable plan by completing and returning the proxy card accompanying this proxy statement. The trustee will vote your shares in accordance with your duly executed instructions if they are received by 11:59 p.m. Eastern Time, Tuesday, April 28, 2009. If you do not send instructions by this deadline or if you do not vote by proxy or return your proxy card with an unclear voting designation or no voting designation at all, the trustee will vote the number of shares equal to the share equivalents credited to your account in the same proportion that it votes shares for which it did receive timely instructions.

***What vote is required to approve each item?***

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion on some of the items to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those items and will not be counted in determining the number of shares necessary for approval for each item.

In the election of directors, each nominee must receive more FOR votes than AGAINST votes in order to be elected as a director. Instructions to ABSTAIN and broker non-votes will have no effect on the election of directors.

For ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm, the affirmative vote of the holders of a majority of the shares of Class A common stock represented in person or by proxy and entitled to vote on the item will be required for approval. Instructions to ABSTAIN with respect to this item will not be treated as votes cast, although they will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an abstention will have the effect of a vote AGAINST this item. Broker non-votes will not have any effect on the outcome of votes for this item.

For approval of the increase of 15 million shares of Class A common stock authorized for issuance under the Stock Plan, the affirmative vote of the holders of a majority of the shares of Class A common stock represented in person or by proxy and entitled to vote on the item will be required for approval, provided that shareholders holding a majority of the shares outstanding on the record date actually cast votes on this item. Accordingly, an abstention will have the effect of a vote AGAINST this item. Broker non-votes will not have any effect on the outcome of votes for this item.



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### ***Who will count the vote?***

Representatives of BNY Mellon Shareowner Services, our independent stock transfer agent, will count the votes and act as the inspector of election.

### ***What shares are included on my proxy card(s)?***

The shares on your proxy card(s) represent ALL of your shares of Class A common stock that the Company's stock transfer records indicate that you hold, including (i) any shares you may hold through the BNY Mellon Shareowner Services Program for Marriott International, Inc. Shareholders administered by The Bank of New York Mellon; (ii) if you are a current or former Marriott employee, any shares that may be held for your account by The Northern Trust Company as custodian for the 401(k) Plan; and (iii) if you are a current or former Sodexo Inc. employee, any shares that may be held for your account by State Street Bank and Trust Company as trustee for the Sodexo Employee Savings Plan. If you have shares in the 401(k) Plan or the Sodexo Employee Savings Plan and do not vote by proxy, or return your proxy card with an unclear voting designation or no voting designation at all, then Northern Trust or State Street, as applicable, will vote your shares in proportion to the way the other 401(k) Plan participants or Sodexo Employee Savings Plan participants, as applicable, voted their shares. Shares that are held in street name through a broker or other nominee are not included on the proxy card(s) furnished by the Company, but the institution will provide you with a voting instruction form.

### ***What does it mean if I receive more than one proxy card?***

If your shares are registered under different names or are held in more than one account, you may receive more than one proxy card. To ensure that all your shares are voted, please sign and return all proxy cards, or if you choose, vote by telephone or through the Internet using the personal identification number printed on each proxy card. We encourage you to have all accounts registered in the same name and address (whenever possible). You can accomplish this by contacting our transfer agent, BNY Mellon Shareowner Services, at (800) 311-4816.

### ***How will voting on any other business be conducted?***

Although we currently do not know of any business to be considered at the 2009 annual meeting other than the proposals described in this proxy statement, if any other business is properly presented at the annual meeting, your proxy gives authority to J.W. Marriott, Jr. and/or William J. Shaw to vote on such matters at their discretion.

### ***When are shareholder proposals for the 2010 annual meeting of shareholders due?***

To be considered for inclusion in our proxy statement for the 2010 annual meeting of shareholders, shareholder proposals must be received at our offices no later than the close of business November 27, 2009. Proposals must comply with Rule 14a-8 under the Securities Exchange Act of 1934, and must be submitted in writing to the Corporate Secretary, Marriott International, Inc., Department 52/862, Marriott Drive, Washington, D.C. 20058.

In addition, our bylaws require that, if a shareholder desires to introduce a shareholder proposal or nominate a director candidate from the floor of the 2010 annual meeting of shareholders, the shareholder must submit such proposal or nomination in writing to the Company's Secretary at the above address after January 1, 2010 and no later than January 31, 2010. The written proposal or nomination must comply with

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our bylaws. The Chairman of the meeting may refuse to acknowledge or introduce any shareholder proposal or the nomination of any person made after January 31, 2010, or that does not comply with our bylaws. If a shareholder fails to meet these deadlines or satisfy the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, the proxies we solicit allow us to vote on such proposals as we deem appropriate. You can find a copy of our bylaws in the Investor Relations section of the Company's website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on Corporate Governance and then Governance Documents or you may obtain a copy by submitting a request to the Corporate Secretary, Marriott International, Inc., Department 52/862, Marriott Drive, Washington, D.C. 20058.

### ***How much did this proxy solicitation cost and who paid that cost?***

The Company paid for this proxy solicitation. We hired MacKenzie Partners, Inc. to assist in the distribution of proxy materials and solicitation of votes for an estimated fee of \$6,500, plus reimbursement of certain out-of-pocket expenses. We also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders. Proxies will be solicited by mail, telephone, or other means of communication. Our directors, officers and regular employees who are not specifically employed for proxy solicitation purposes and who will not receive any additional compensation for such activities may also solicit proxies.

### ***Can I receive future shareholder communications electronically through the Internet?***

Yes. You may elect to receive future notices of meetings, proxy materials and annual reports electronically through the Internet. If you have previously consented to electronic delivery, your consent will remain in effect until withdrawn. To consent to electronic delivery:

- If your shares are registered in your own name, and not in street name through a broker or other nominee, simply log in to the Internet site maintained by our transfer agent, BNY Mellon Shareowner Services, at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) and the step-by-step instructions will prompt you through enrollment.
- If your shares are registered in street name through a broker or other nominee, you must first vote your shares using the Internet, at [www.proxyvote.com](http://www.proxyvote.com), and immediately after voting, fill out the consent form that appears on-screen at the end of the Internet voting procedure.

You may withdraw this consent at any time and resume receiving shareholder communications in print form.

## **PROPOSALS TO BE VOTED ON**

### **ITEM 1 Election of Directors**

All of our directors are standing for election at the 2009 annual meeting, and each director elected will hold office for a term expiring at the 2010 annual meeting of shareholders or until his or her successor is elected or appointed.

The following current directors of the Company have been nominated for re-election as a director:

J.W. Marriott, Jr.  
Mary K. Bush  
Lawrence W. Kellner  
Debra L. Lee

John W. Marriott III  
George Muñoz  
Harry J. Pearce  
Steven S Reinemund

W. Mitt Romney  
William J. Shaw  
Lawrence M. Small

You can find information on the director nominees beginning on page 14.

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We do not know of any reason why any of the nominees would be unable to serve. However, if any of the nominees should become unable to serve as a director, the Board may designate a substitute nominee or reduce the size of the Board. If the Board designates a substitute nominee, the persons named as proxies will vote FOR that substitute nominee.

The Company's bylaws prescribe the voting standard for election of directors as a majority of the votes cast in an uncontested election, such as this one, where the number of nominees does not exceed the number of directors to be elected. Under this standard, a nominee must receive more FOR votes than AGAINST votes in order to be elected as a director. In a contested election, where the number of nominees exceeds the number of directors to be elected (which is not the case at the 2009 annual meeting), the directors will be elected by a plurality of the shares present in person or by proxy and entitled to vote on the election of directors. Under the Company's Governance Principles, if a nominee who already serves as a director is not elected, that nominee shall offer to tender his or her resignation to the Board. The Nominating and Corporate Governance Committee will then recommend to the Board whether to accept or reject the resignation, or whether other action should be taken. Within 90 days of the certification of election results, the Board will publicly disclose its decision regarding whether to accept or reject the resignation.

**The Board recommends a vote FOR each of the 11 director nominees.**

### **ITEM 2 Ratification of Appointment of Independent Registered Public Accounting Firm**

The Audit Committee of the Board has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009. Ernst & Young LLP, a firm of registered public accountants, has served as the Company's independent registered public accounting firm since May 3, 2002. Ernst & Young LLP will examine and report to shareholders on the consolidated financial statements of the Company and its subsidiaries.

Representatives of Ernst & Young LLP will be present at the annual meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions. You can find information on pre-approval of independent auditor fees and Ernst & Young LLP's 2008 and 2007 fees beginning on page 25.

The Board has put this proposal before the shareholders because the Board believes that seeking shareholder ratification of the appointment of the independent auditor is good corporate practice. If the appointment of Ernst & Young LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders' vote when determining whether to continue the firm's engagement.

**The Board recommends a vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009.**

### **ITEM 3 Approval of an Amendment to the Stock Plan to increase the Number of Shares of the Company's Class A Common Stock Authorized for Issuance by 15 Million**

The Board is seeking shareholder approval to increase by 15 million the number of shares authorized for issuance under the Stock Plan. The Board approved the increase by amendment of the Stock Plan on February 5, 2009, subject to shareholder approval. Shareholder approval of this amendment to the Stock Plan also will constitute re-approval of the Stock Plan for purposes of Section 162(m) of the Internal Revenue Code, as



discussed below.

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The Stock Plan is an amendment and restatement of the Marriott International, Inc. Cash and Stock Incentive Plan, which the shareholders initially approved at the 2002 annual shareholders meeting. The Stock Plan's purpose is to promote and enhance the long-term growth of the Company by providing for stock and cash awards designed to align the interests of officers and directors with those of the Company's shareholders.

***Reason for Management's Request***

Historically, management has requested shareholder approval every two or three years for additional share authorization under the Stock Plan, based on projected utilization. Since the last such approval on May 6, 2005, which was for an additional 10 million shares, management has taken several steps to reduce the rate of share usage under the plan. As a result of these measures, it has now been four years since the last request for additional shares.

Based on the current value of the Company's Class A common stock, management believes that the 15 million additional shares being requested will be sufficient for awards expected to be granted under the Stock Plan through 2011 or 2012.

The table below sets forth information on share utilization under the Stock Plan.

**Equity Plan Share Reservation**

|  |                 |
|--|-----------------|
| Shares currently authorized under the Stock Plan               | 170 million     |
| Shares issued under the Stock Plan through January 2, 2009     | (111.6 million) |
| Shares subject to outstanding awards as of January 2, 2009     | (50.1 million)  |
| Estimated shares awarded from January 3, 2009 through May 2009 | (1 million)     |
| Estimated shares available to be granted as of May 2009        | 7.3 million     |
| Additional shares requested under this amendment               | 15 million      |

***Description of the Amendment to the Stock Plan***

If the proposed amendment is approved, Section 4.1 of the Stock Plan would read as follows (new language is in italics):

**4.1 Number of Shares.** Subject to Articles 4.2 and 4.3 herein, (a) no more than *185,000,000* shares of Class A Common Stock of the Company may be issued pursuant to Awards granted under the Plan, and (b) the maximum aggregate number of Shares that may be subject to any Awards (other than 1998 Conversion Awards) granted in any one fiscal year to any single employee shall be 1,500,000.

*Section 162(m) of the Internal Revenue Code*

The Stock Plan is designed so that equity-based compensation awards and cash-based performance awards made under it will qualify as performance-based compensation within the meaning of Section 162(m) of the Code, and thus be tax deductible by the Company.

In general, under Section 162(m), compensation in excess of \$1 million paid in any one year to the Company's Chief Executive Officer or any of the Company's three other most highly compensated

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executive officers (other than the Company's Chief Financial Officer), must qualify as performance-based in order to be tax deductible. One of the requirements for compensation to qualify as performance-based is that the material terms of the performance goals used under a plan must be disclosed to and approved by the Company's shareholders. These material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. Each of these aspects is described below for awards under the Stock Plan. Shareholder approval of the Stock Plan, as amended, will be deemed to constitute re-approval of each of these aspects of the Stock Plan for purposes of the approval requirements of Section 162(m).

### ***Why You Should Vote For the Proposal***

The Board recommends shareholder approval of the amendment to the Stock Plan because the Company's continued ability to grant an appropriate number of equity-based awards is crucial to permit the Company to effectively compete for key employee talent.

The Board believes that it is in the long-term interest of the Company and its shareholders to strengthen the ability to attract, motivate and retain employees, officers, and directors, and to provide additional incentive for those persons through stock ownership and other incentives to improve operations, increase profits and strengthen the mutuality of interest between those persons and the Company's shareholders. Except as described above, no other amendments are being made to the Stock Plan. A description of the material features of the Stock Plan is set forth below.

**The Board recommends a vote FOR approval of the Stock Plan, as amended.**

### ***Description of the Stock Plan***

The principal terms of the Stock Plan are summarized below. This summary is qualified in its entirety by reference to the full text of the Stock Plan. The Stock Plan was filed as an exhibit to a Current Report on Form 8-K that we filed on November 12, 2008, and is available through the Securities and Exchange Commission (SEC) Filings link on the Investor Relations page of our website ([www.marriott.com/investors](http://www.marriott.com/investors)) and upon written request to the Company's Corporate Secretary. In the case of any inconsistency between this summary and the terms of the Stock Plan, the Stock Plan will govern.

### ***Shares Available under the Plan***

The Stock Plan currently provides for the issuance of 170 million shares of the Company's Class A common stock. Under the proposed amendment, 15 million shares would be added to the number of shares available for issuance under the Stock Plan, resulting in a total of 185 million authorized shares. As of January 2, 2009, approximately 50.1 million shares of the Company's Class A common stock were subject to outstanding awards granted under the Stock Plan, 111.6 million shares have been issued under the Stock Plan, and approximately 8.3 million shares remained available for future issuance.

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The Stock Plan prohibits any employee from receiving awards of more than 1,500,000 shares of Class A common stock in any fiscal year (excluding for this purpose any conversion awards in connection with the 1998 Spin-Off described below).

The Stock Plan allows the Compensation Policy Committee to appropriately adjust the number of shares available for issuance and subject to outstanding awards, as well as this one-year share limitation, if certain events occur. These events include a change in capitalization of the Company, such as a stock split,

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reverse stock split, stock dividend, share combination or recapitalization, or a corporate transaction, such as a merger, consolidation, separation, acquisition of property or shares, stock rights offering, spinoff or other distribution of stock or property of the Company, any reorganization (whether or not taxable) or any partial or complete liquidation of the Company or any similar event affecting the Company. These adjustments are permitted to ensure that the then-current value of the shares subject to such awards or limits is not affected by any such event.

In 2008, 5.6 million restricted stock units were granted (2.6 million, most of which were granted in February, and 3.0 million were granted in August). The grants made in August would ordinarily have been made in February 2009, but were accelerated to encourage associate retention in a difficult economic climate. Awards for the most senior executives were not accelerated. As a result, the company expects fewer overall grants in 2009.

### *Administration*

The Stock Plan is administered by the Compensation Policy Committee appointed by the Board. All members of this committee are non-employee directors of the Company.

The Compensation Policy Committee has broad discretion to determine the employees and directors eligible for awards and the size and type of awards to be granted and to interpret the provisions of the Stock Plan. The Stock Plan provides that, upon a change in control of the Company, the Compensation Policy Committee or the Board may provide for the substitution of awards (or, where no such substitute awards are available, crediting an equivalent value to the awardee's account in the Company's nonqualified deferred compensation plan), or the distribution, exercise, cash-out, exchange for value, or the waiver of any existing terms and conditions of the outstanding awards.

### *Eligibility*

Approximately 3,700 management employees, and nine of the Company's non-employee directors, are currently eligible to participate in the Stock Plan. The Compensation Policy Committee has discretion to determine which employees will receive awards. Non-employee directors of the Company are eligible solely for purposes of receiving certain director stock awards and making deferral elections with respect to director fees. In addition, employees and non-employee directors of the Company, and certain individuals who are former employees of the Company and its predecessors, received certain conversion awards in connection with the 1998 Spin-Off.

### *Type of Awards*

The Stock Plan provides for a number of different types of stock awards. These include Stock Appreciation Rights ( *SARs* ), Option awards; Restricted Stock awards ( *RS* ); Deferred Stock awards consisting of Deferred Stock Bonus Awards ( *DSBs* ) and Deferred Stock Agreements ( *DSAs* ); Special Recognition Stock Awards; Restricted Stock Unit awards ( *RSUs* ), also known as MI Share awards; and other awards. Each type of award is summarized below.

*SARs and Option Awards.* SARs, which were first awarded under the Stock Plan in 2006, give the recipient the right to receive a number of shares based on the appreciation in the Company's share price above the grant price of the SAR, when vested. SARs typically vest 25% each year, over a four-year period following grant. The exercise

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price of SARs cannot be less than the fair market value of Class A common stock on the date of grant. Each SAR has been issued with a 10-year term, although the Stock Plan allows for terms of up to 15 years. SARs have been increasingly used by the Company in part because they utilize fewer shares of stock than Option awards.

Option awards entitle the recipient to purchase shares upon the payment of the exercise price, in cash or stock, when vested. Like SARs, Options vest 25% each year, over a four-year period following grant. The exercise price of Options cannot be less than the fair market value of Class A common stock on the date of grant. Since February 2001, all Options have been issued with a 10-year term; Options issued prior to February 2001 have a 15-year term. While all outstanding Options are non-qualified, the Stock Plan also permits incentive stock options under section 422 of the Code. Other than in connection with a change in capitalization or similar event referred to above, the Stock Plan prohibits amending SARs and Option awards to change the exercise price.

The Stock Plan provides for special vesting and exercise rules in certain circumstances. If an awardee ceases to be an employee or goes on leave of absence for more than 12 months (except in the case of a leave approved by the Compensation Policy Committee) while holding an exercisable SAR or Option, the SAR or Option will terminate if not exercised within the following three months, or, if earlier, the expiration of the original term of the SAR or Option. However, SARs and Options granted to awardees who subsequently become approved retirees (as defined below) will continue to vest and will not expire until the earlier of (i) the expiration of the SAR or Option in accordance with its original term or (ii) five years from the date of termination of employment, with the exception that, depending on the terms of the award, a portion of the awards granted to the approved retiree in his last year of employment may be forfeited upon termination in proportion to the number of months the awardee was not employed during the period from the grant date to the first vesting date under the award. If an awardee dies while employed by the Company, or while an approved retiree, all the awardee's SARs or Options become fully vested and may be exercised until the earlier of the expiration date for such SARs or Options or one year after the awardee's death. If an awardee who is not an approved retiree dies within three months after termination of employment, the awardee's remaining SARs or Options may be exercised to the same extent and during the same period that the awardee could have exercised the SARs or Options if the awardee had not died. For purposes of the Stock Plan, an approved retiree is an employee who terminates employment by reason of permanent disability or retirement with approval from the Compensation Policy Committee after attaining age 55 with 10 years of service or, for awards granted prior to 2006, after 20 years of service, and while a noncompetition agreement is honored.

*RS Awards.* Although permitted under the Stock Plan, the Company has not issued RS awards since 2003. Under a RS award, delivery of shares is subject to the lapse of a restriction period, continued employment with the Company and satisfaction of such other requirements as may be imposed by the Compensation Policy Committee, such as achievement of specific performance objectives of the Company, the business unit or the individual.

A percentage of the shares subject to a RS award, as determined by the Compensation Policy Committee, may be released from restriction following an employee's retirement with the Committee's approval at or beyond age 55 with 10 years of service or with 20 years of service. Shares are also released from restriction upon the employee's death or permanent disability.

*Deferred Stock Awards.* Deferred Stock awards, consisting of DSBs and DSAs, have not been made since 2001 and 2003, respectively, and the Compensation Policy Committee has decided to suspend the issuance of such awards indefinitely.



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DSBs were granted as part of the annual performance bonus awards to employees. Eligible award recipients were able to elect either a current award or a deferred award.

A current award is distributed in 10 annual installments commencing one year after the award is granted. Any undistributed shares subject to a current award are forfeited and the award terminated if the employee's employment with the Company is terminated for any reason other than permanent disability, death or termination of employment with retirement approval from the Compensation Policy Committee at or beyond age 55 with 10 years of service or after 20 years of service. Any undistributed shares not subject to forfeiture continue to be paid to the employee or the employee's beneficiary under the distribution schedule that would have applied to those shares if the employee had not terminated employment, or over such shorter period as the Compensation Policy Committee may determine.

A deferred award is distributed to the recipient, as elected by such recipient, either in a lump sum or in up to 10 installments beginning the January following termination of employment. Deferred award shares contingently vest pro rata in annual installments commencing one year after the award is granted to the employee, and continuing on each January 2 thereafter until the expiration of a 10-year period from the commencement date. All shares subject to the deferred award will vest upon permanent disability, death or termination of employment with retirement approval from the Compensation Policy Committee after reaching age 55 with 10 years of service or after 20 years of service. Vesting will stop when employment terminates for any other reason.

DSAs generally provide that vested deferred shares are distributed in 10 consecutive annual installments beginning in the January following the date the employee retires or becomes permanently disabled or otherwise ceases to be an employee of the Company. Under some awards, distribution is deferred to age 65 following cessation of employment. Shares vest contingently over a specified term or in pro rata annual installments until age 65. A percentage of the shares subject to a DSA, as determined by the Compensation Policy Committee, will vest following an employee's retirement with the Committee's approval at or beyond age 55 with 10 years of service or with 20 years of service. Shares also vest upon the employee's death or permanent disability.

*Special Recognition Stock Awards.* Special Recognition Stock Awards are special one-time awards granted in recognition of employee performance for special efforts on behalf of the Company. While all full-time, nonunion employees are eligible, the grant of actual awards is subject to the discretion of the Compensation Policy Committee.

*RSU awards.* RSUs, known as MI Share awards, give the awardee a contractual right to receive shares of Class A common stock of the Company under a specified vesting schedule, provided the awardee satisfies certain other conditions. The vesting schedule typically provides that 25% of the shares subject to an MI Share award will vest each year over four years, with adjustments for off-cycle grants. The Company began issuing MI Share awards in part because it could deliver the same value as it could with Options while utilizing fewer shares of Company stock.

If an awardee retires with special approval from the Committee following age 55 with 10 years of service (and, for MI Share awards granted before February 2006, with 20 years of service) or terminates employment due to permanent disability, the MI Shares shall continue to vest over the vesting period specified in the MI Share award agreement as if the awardee continued employment, subject to certain conditions. However, depending on the terms of the award, a portion of the awards granted to a retiree in his or her last year of employment may be forfeited upon termination in proportion to the number of

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months the awardee was not employed during the period from the grant date to the first vesting date under the award. Subject to certain conditions, upon an awardee's death, unvested MI Shares shall immediately vest in full.

Shares are transferred to the awardee upon vesting, provided that the awardee has been continuously employed, has refrained from competing with the Company and has not committed any criminal offense or malicious tort relating to or against the Company or, as determined by the Committee in its discretion, engaged in willful or grossly negligent acts that are, or potentially could be, harmful to the Company's operations, financial condition or reputation. Failure to meet the vesting or other conditions will result in forfeiture of the MI Shares. MI Share awards do not entitle the holder to vote the Shares or receive dividends until and unless such Shares are transferred to the recipient.

*Other Awards.* The Compensation Policy Committee may grant to employees any other awards denominated or payable in cash, Class A common stock, a Class A common stock equivalent or appreciation unit or security convertible into Class A common stock or in any combination of these forms. These other share-based awards may be issued alone or in tandem with other awards and may be made subject to any terms and conditions as determined by the Compensation Policy Committee and specified in the award agreements. Commencing in 2003, the Company issued SARs and RSUs under this provision of the Stock Plan, which are substantially the same as the SAR and MI Share awards described above.

The Compensation Policy Committee also may grant cash performance-based awards not based on Class A common stock on such terms and conditions as the Committee shall determine. No individual may receive a payment with respect to a cash performance-based award in excess of \$4 million in any calendar year.

### *Performance Measures*

To ensure the tax deductibility to the Company of awards made under the Stock Plan, the Compensation Policy Committee may condition the grant or payment of awards to employees on the attainment of performance objectives. Under the Stock Plan, the performance objectives are measured by one or more of the following factors regarding the Company or the applicable business unit: (i) consolidated cash flows, (ii) consolidated financial reported earnings, (iii) consolidated economic earnings, (iv) earnings per share of Class A common stock, (v) business unit financial reported earnings, (vi) business unit economic earnings, (vii) business unit cash flow, (viii) return on invested capital, (ix) consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), (x) business unit EBITDA, and (xi) appreciation in the price of the Company's Class A common stock, considered alone or as measured against the performance of a group of companies approved by the Compensation Policy Committee.

### *Change in Control Provision*

Effective November 7, 2008, the Stock Plan was amended to provide that, upon the occurrence of a change in control of the Company as defined in the Stock Plan, certain executives of the Company are eligible for the following treatment if their employment is terminated by the Company other than for the executive's misconduct (or by the executive for Good Reason, as defined under the Stock Plan) within three months before or twelve months following a change in control: (i) their Deferred Stock awards, MI Shares and similar Other Share-Based Awards vest and are distributed; (ii) their SARs and Options vest and remain exercisable until the earlier of their scheduled expiration or twelve months (or 5 years for an approved retiree as defined above) following termination of employment; and (iii) their cash performance-based awards are paid out based on the target level of performance, pro rated for the days worked during the relevant fiscal year. However, each of these benefits are subject to a cut-back, so that no such benefits

will be provided to the extent it would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provisions of the Internal Revenue Code.

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### *Directors' Stock Awards and Fee Deferral Elections*

After each annual meeting of the shareholders, the Board may designate non-employee directors who will receive awards of deferred shares of Class A common stock, known as Non-Employee Director Share Awards. The awards are fully vested when granted, but the Compensation Policy Committee has provided that the awards will be distributed in shares of Class A common stock either in a lump sum in the year following the date the award is made or over a period of one to ten years following retirement from the Board, as elected by the director. Non-employee directors are directors who are not full-time, salaried employees of the Company.

The Stock Plan provides for the deferral of fees for non-employee directors at their election. The election must be made prior to an Annual Meeting and remains in effect until the next Annual Meeting. The amounts deferred are credited, as of the date of deferral, to a bookkeeping account as stock units. The number of stock units credited to the account is equal to the fee amount divided by the per share value of Class A common stock on the date the fee amount would have been paid. The stock units are fully vested when credited to the accounts. The accounts are credited with additional stock units as of each dividend payment date on the Class A common stock, to reflect the dividend payment payable on shares of Class A common stock. Upon a non-employee director's resignation, retirement or death (or if the non-employee director is not re-elected), the stock units in the director's account will be paid in an equal number of shares of Class A common stock in a lump sum or in equal annual installments over a period, not to exceed 10 years, as elected by the director.

The Stock Plan also provides that non-employee directors may elect to receive all or any part of his or her annual retainer in the form of Director SARs or Options. The Director SARs or Options, if elected, have a value, determined by the Compensation Policy Committee based on a binomial pricing model, equal to the amount of the annual retainer the non-employee director elects to receive in the form of Director SARs or Options. The election is made on or before each Annual Meeting and the valuation is made as of the first full trading day following the Annual Meeting (the date of the grant). The Director SARs or Options become fully vested upon grant and become fully exercisable on the first anniversary of the grant date of the award, or if earlier, upon the recipient's termination due to death or permanent disability. The exercise price is the fair market value of a share of Class A common stock on the date of grant.

Non-employee directors are not eligible for other stock awards.

### *Conversion Awards*

In connection with the 1998 spinoff of the Company from its former parent company (Old Marriott), certain conversion awards were made under the 1998 Plan in shares of Class A common stock. These awards were made in replacement of certain awards denominated in shares of Class A common stock of Old Marriott outstanding on the effective date of the 1998 Spin-Off and held by individuals who were not employees of Old Marriott after the 1998 Spin-Off. These conversion awards are administered under the Stock Plan. The awards are subject to the terms and conditions substantially similar to those governing the awards as they were in effect before the 1998 Spin-Off.

### *Federal Income Tax Consequences*

The following is a brief description of the federal income tax consequences generally arising with respect to the awards granted under the Stock Plan. The discussion is intended for the information of shareholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the Stock Plan.

To the extent that any Option does not satisfy the requirements for an incentive stock option, it will be treated as a nonqualified stock option. A nonqualified stock option holder generally will not recognize

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income for federal income tax purposes at the time the option is granted and generally will recognize ordinary income upon exercise of a nonqualified stock option in an amount equal to the difference between the fair market value of the Class A common stock on the exercise date and the exercise price. When shares acquired upon exercise of a nonqualified stock option are sold or otherwise disposed of, the option holder will recognize gain (or loss) equal to the difference between the amount realized and the option holder's tax basis in the shares. A nonqualified stock option holder's tax basis in shares of Class A common stock received upon exercise of the option generally is the sum of the exercise price paid and the ordinary income recognized as a result of exercising the nonqualified stock option. The Company will be entitled to a deduction for federal income tax purposes with respect to the exercise of a nonqualified stock option at the same time and in the same amount as ordinary income is recognized by the option holder. SARs receive the same income tax treatment as nonqualified stock options with respect to the appreciation in the underlying shares from the date of grant to the date of exercise.

An option holder will not recognize ordinary taxable income upon the grant or exercise of an incentive stock option. However, the option holder may be subject to the alternative minimum tax upon exercise of an Option that qualifies as an incentive stock option. Upon sale of the shares acquired upon exercise of an incentive stock option, any gain recognized will be taxed as capital gain if such shares have been held for at least two years from the date the option was granted and at least one year from the date the shares were transferred to the option holder. Any sale or other disposition of the shares acquired upon exercise of an incentive stock option prior to the expiration of the holding period described in this paragraph is deemed a disqualifying disposition unless the option is exercised after the option holder's death by the option holder's estate or by the person who acquired the right to exercise the option by reason of the option holder's death. Upon a disqualifying disposition, an incentive stock option holder will recognize ordinary income in an amount equal to the lesser of (a) the excess of the fair market value of shares on the date the option was exercised over the exercise price or (b) the excess of the amount realized upon such disposition over the exercise price. If the amount realized exceeds the fair market value of the shares on the date of the exercise, the excess will be treated as capital gain. An incentive stock option holder's tax basis in shares of Class A common stock received upon exercise of the option is equal to the exercise price paid. The Company will not be entitled to a deduction for federal income tax purposes at the time an incentive stock option is granted or exercised or, unless a disqualifying disposition has occurred, at the time the shares acquired upon exercise of the option are sold. If an incentive stock option holder makes a disqualifying disposition, the Company will be entitled to take a deduction at the same time and in the same amount as the ordinary income recognized by the option holder.

The holder of MI Share and Deferred Stock awards recognize income to the extent the underlying shares are vested (or, in the case of deferred distribution, when they are distributed) based on the value of the shares at the time of vesting (or distribution, as applicable). The holder of such awards generally will acquire basis in the awards equal to the ordinary income recognized. The Company is entitled to take a deduction at the same time and in the same amount as the ordinary income recognized by the holder of these awards.

**CORPORATE GOVERNANCE**

**Our Board of Directors**

Each of the following individuals presently serves on our Board and has a term of office expiring at the 2009 annual meeting. The age shown below for each director is as of May 1, 2009, which is the date of the annual meeting. Each director has been nominated for a one-year term ending at the 2010 annual meeting of shareholders or the election or appointment of his or her successor:

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**J.W. Marriott, Jr. (Chairman of the Board), age: 77.** Mr. Marriott is Chairman of the Board of Directors and our Chief Executive Officer. He joined Marriott Corporation in 1956, became President and a director in 1964, Chief Executive Officer in 1972 and Chairman of the Board in 1985. He serves on the board of trustees of The J. Willard & Alice S. Marriott Foundation, is a member of the executive committee of the World Travel & Tourism Council, and is a member of the National Business Council. Mr. Marriott has served as our Chairman and Chief Executive Officer since the Company's inception in 1997, and served as

Chairman and Chief Executive Officer of the Company's predecessors since 1985. He is the father of John W. Marriott III, the Vice Chairman of the Company's Board of Directors. Mr. Marriott has been a director of the Company or its predecessors since 1964.

**John W. Marriott III (Vice Chairman of the Board), age: 47.** Mr. Marriott is Chief Executive Officer of JWM Family Enterprises, L.P., a private partnership which develops and owns hotels. He was appointed Vice Chairman of the Company's Board of Directors in October 2005. Until December 30, 2005, Mr. Marriott was the Company's Executive Vice President-Lodging and President of North American Lodging. Over the past 30 years, Mr. Marriott also served in a number of other positions with the Company and its predecessors, including Executive Vice President of Sales & Marketing, Brand Management, and Operations Planning and Support, Senior Vice President for Marriott's Mid-

Atlantic Region, Vice President of Development, Director of Finance, General Manager, Director of Food & Beverage, restaurant manager and cook. In April 2002, Mr. Marriott was named by the U.S. Department of Commerce and the Japanese government to co-chair a special task force to promote travel between the United States and Japan. In January 2004, he was named one of the most influential executives by Business Travel News. Mr. Marriott serves as a director on the boards of the National Zoo and the Washington Airport Task Force. He is the son of J.W. Marriott, Jr. Mr. Marriott has been a director of the Company since 2002.

**Mary K. Bush, age: 61.** The Honorable Mary K. Bush has served as the President of Bush International, LLC, which advises U.S. corporations and foreign governments on international financial markets, banking and economic matters, since 1991. She has served as the U.S. Government's representative on the IMF Board, head of the Federal Home Loan Bank System and a board member of Sallie Mae. She led the International Finance Department at Fannie Mae and was advisor to the Deputy Secretary of the Treasury. Earlier in her career, she managed corporate banking and advisory relationships in New York at Citibank, Bankers

Trust and Chase. In 2006, President Bush appointed her Chairman of the HELP Commission on reforming foreign aid and she now serves on the U.S. Treasury Advisory Committee on the Auditing Profession. She is a member of the board of directors of the following publicly traded companies: Briggs & Stratton, Discover Financial Services, ManTech International Corporation, United Airlines Corporation and The Pioneer Family of Mutual Funds. Ms. Bush has been a director of the Company since May 2008.

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**Lawrence W. Kellner, age: 50.** Mr. Kellner is Chairman of the Board and Chief Executive Officer of Continental Airlines, Inc. He served as President and Chief Operating Officer of Continental Airlines from March 2003 to December 30, 2004, as President from May 2001 to March 2003 and has been a member of Continental Airlines board of directors since 2001. He joined the airline in 1995 as Senior Vice President and Chief Financial Officer. Mr. Kellner is also a director of the Air Transport Association. On the civic front, he is a member of the board of directors for the Greater Houston Partnership, Houston Minority Business Council, Central Houston, Inc., the Methodist Hospital and the Spring Branch Education Foundation, and is a member of the Boy Scouts of America National Executive Board. Mr. Kellner also serves on the advisory board of the March of Dimes and Teach for America. Mr. Kellner has been a director of the Company since 2002.

**Debra L. Lee, age: 54.** Ms. Lee is Chairman and Chief Executive Officer of BET Networks, a media and entertainment subsidiary of Viacom, Inc. that owns and operates Black Entertainment Television and several other ventures. She joined BET in 1986 and served in a number of executive posts before ascending to her present position in January 2006, including President and Chief Executive Officer from June 2005, President and Chief Operating Officer from 1995 to May 2005, Executive Vice President and General Counsel, and Vice President and General Counsel. Prior to joining BET, Ms. Lee was an attorney with Washington, D.C.-based law firm Steptoe & Johnson. She serves on the boards of directors of the following publicly traded companies: Eastman Kodak Company, WGL Holdings, Inc., and Revlon, Inc. She is also a director of the following professional and civic organizations: the National Cable & Telecommunications Association, Center for Communication, Girls, Inc., the Kennedy Center's Community & Friends, the National Symphony Orchestra, and the Alvin Ailey Dance Theater. She is a Trustee at Brown University. Ms. Lee has been a director of the Company since 2004.

**George Muñoz, age: 57.** Mr. Muñoz has been a principal in the Washington, D.C.-based firm Muñoz Investment Banking Group, LLC since 2001. He has also been a partner in the Chicago-based law firm Tobin, Petkus & Muñoz LLC since 2001. He served as President and Chief Executive Officer of Overseas Private Investment Corporation from 1997 to January 2001. Mr. Muñoz was Chief Financial Officer and Assistant Secretary of the U.S. Treasury Department from 1993 until 1997. Mr. Muñoz is a certified public accountant and an attorney. He is a director of the following publicly traded companies: Altria Group, Inc., Anixter International, Inc., and Esmark, Inc. He also serves on the board of trustees of the National Geographic Society. Mr. Muñoz has been a director of the Company since 2002.



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**Harry J. Pearce, age: 66.** Mr. Pearce has been Non-executive Chairman of Nortel Networks Corporation since 2005 and Chairman of MDU Resources Group, Inc. since 2006. He was Chairman of Hughes Electronics Corporation, a subsidiary of General Motors Corporation, from May 2001 until the sale by General Motors of its interest in Hughes in December 2003. He had served on the Hughes board since November 1992. Mr. Pearce is a member of the board of directors of the New York Bone Marrow Foundation, The National Defense University Foundation, Lauri Strauss Leukemia Foundation, Stewart Franke Leukemia Foundation and the National Bone Marrow Transplant Link. He also serves on the board of trustees of Northwestern University and the advisory board of the University of Michigan Cancer Center. Mr. Pearce has been a director of the Company or its predecessors since 1995.

**W. Mitt Romney, age: 62.** Governor Romney most recently served as the Governor of the Commonwealth of Massachusetts from 2003 through 2007. He was also a candidate for the 2008 Republican presidential nomination. Prior to his time as Governor, he was President and Chief Executive Officer of the 2002 Winter Olympic Games in Salt Lake City. Gov. Romney started his career in business in 1978 as a Vice President of Bain & Company, Inc., a management consulting firm based in Boston, Massachusetts. In 1984, he left Bain & Company, Inc. to co-found a spin-off private equity investment company, Bain Capital, where he worked until 1998. Gov. Romney served as a director of the Company or its predecessors from 1993 through 2002 and rejoined the Board in January 2009. Gov. Romney was suggested to the Nominating and Corporate Governance Committee as a potential director candidate by the Chairman of the Board and Chief Executive Officer, J.W. Marriott, Jr.

**Steven S Reinemund, age: 61.** Mr. Reinemund has served as the Dean of Business and Professor of Leadership Strategy at Wake Forest University since July 2008. In 2007, Mr. Reinemund retired from Pepsico where he served as Chairman and Chief Executive Officer from 2001 until 2006 and Chairman until May 2007. He joined Pepsico in 1984 and held the positions of President and Chief Executive Officer Pizza Hut, Chairman and Chief Executive Officer Frito-Lay and President and Chief Operating Officer Pepsico. He was a director of Pepsico from 1996 until May 2007. He is a director of the following publicly traded companies: American Express Company and Exxon Mobil Corp. He is also a member of the board of directors of the United States Naval Academy Foundation and the Cooper Institute. Mr. Reinemund has been a director of the Company since 2007.

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**William J. Shaw, age: 63.** Mr. Shaw has served as President and Chief Operating Officer of the Company or its predecessors since 1997. On May 1, 2009, Mr. Shaw will become Vice Chairman of the Company and will no longer act as President and Chief Operating Officer. He joined Marriott Corporation in 1974, was appointed Corporate Controller in 1979 and a Vice President in 1982. In 1986, Mr. Shaw was appointed Senior Vice President-Finance and Treasurer of Marriott Corporation. He was appointed Chief Financial Officer and Executive Vice President of Marriott Corporation in April 1988. In 1992, he was appointed

President of the Marriott Service Group. Mr. Shaw serves on the board of trustees of the University of Notre Dame. He also serves on the board of directors of Washington Mutual Investors Fund and is a member of the NCAA Leadership Advisory Board. Mr. Shaw has been a director of the Company or its predecessors since 1997.

**Lawrence M. Small, age: 67.** Mr. Small is the former Secretary of the Smithsonian Institution, a position he held from January 2000 to March 2007. Mr. Small previously had been President and Chief Operating Officer of Fannie Mae, the nation's largest source of financing for home mortgages, from 1991 to 2000. Before joining Fannie Mae, he served as Vice Chairman and Chairman of the executive committee of the boards of directors of Citicorp and Citibank, N.A. He currently also serves on the board of directors of The Chubb Corporation and New York City's Spanish Repertory Theater. Mr. Small has served as a director of the Company or its predecessors since 1995.

Sterling D. Colton, a former director of the Company's predecessors, holds the title of director emeritus, but does not vote at or attend Board meetings and is not a nominee for election.

The Board met four times in person in 2008. The Company encourages all directors to attend the annual meeting of shareholders. All directors attended the Company's annual shareholders meeting in 2008. No director attended fewer than 75% of the total number of meetings of the Board and Committees on which such director served.

## **Governance Principles**

The Board has adopted Governance Principles that meet or exceed the New York Stock Exchange ( *NYSE* ) Listing Standards. The portion of our Governance Principles addressing director independence appears below, and the full text of the Governance Principles can be found in the Investor Relations section of the Company's website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on "Corporate Governance" and then "Governance Documents." A copy may also be obtained upon request from the Company's Corporate Secretary. Our Governance Principles establish the limit on the number of board memberships for the Company's directors at three, including Marriott, for directors who are chief executive officers of public companies and five for other directors. In recommending Ms. Bush as a nominee for election, the Board noted her resignation, effective April 15, 2009, from one of the other five public companies at which she is a director.

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### Director Independence

Our Governance Principles include the following standards for director independence:

5. **Independence of Directors.** At least two-thirds of the directors shall be independent, provided that having fewer independent directors due to the departure, addition or change in independent status of one or more directors is permissible temporarily, so long as the two-thirds requirement is again satisfied by the later of the next annual meeting of shareholders or nine months. To be considered independent, the board must determine that a director has no direct or indirect material relationship with Marriott. The board has established the guidelines set forth below to assist it in determining director independence. For the purpose of this section 5, references to Marriott include any of Marriott's consolidated subsidiaries:

a. A director is not independent if (i) the director is, or has been within the preceding three years, employed by Marriott; (ii) the director is a current partner or employee of Marriott's independent auditor, or was within the preceding three years a partner or employee of Marriott's independent auditor and personally worked on the audit of Marriott within that time; (iii) an immediate family member of the director is, or has been within the preceding three years, employed by Marriott as an executive officer; (iv) an immediate family member of the director is a current partner of Marriott's independent auditor, or is a current employee of Marriott's independent auditor and personally works on the audit of Marriott; (v) an immediate family member of the director was within the preceding three years a partner or employee of Marriott's independent auditor and personally worked on the audit of Marriott within that time; (vi) the director or an immediate family member is, or has been within the preceding three years, part of an interlocking directorate in which the director or an immediate family member is employed as an executive officer of another company for which a present executive officer of Marriott at the same time serves on the compensation committee of that other company; (vii) the director has received, or an immediate family member has received, during any 12-month period within the preceding three years, more than \$120,000 in direct compensation from Marriott, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or (viii) the director is a current employee, or an immediate family member is a current executive officer, of another company that does business with Marriott where the annual sales to, or purchases from, Marriott are in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or two percent of the consolidated gross annual revenues of that other company.

b. The following commercial or charitable relationships are not material relationships that would impair a Marriott director's independence: (i) service as an executive officer of another company which is indebted to Marriott, or to which Marriott is indebted, where the total amount of either company's indebtedness to the other is less than two percent of the total consolidated assets of the other company; and (ii) service by a Marriott director or his or her immediate family member as an officer, director or trustee of a charitable organization, where Marriott's discretionary charitable contributions to that organization are in an amount equal to or less than the greater of \$1 million or two percent of that organization's consolidated gross annual revenues. The board annually reviews all commercial and charitable relationships of directors, and publishes whether directors previously identified as independent continue to satisfy the foregoing tests.

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c. For relationships not covered by the guidelines in paragraph (b) above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth in paragraphs (a) and (b) above.

The Board undertook its annual review of director independence in February 2009. As provided in the Governance Principles, the purpose of these reviews was to determine whether any such relationships or transactions were inconsistent with a determination that the director or nominee is independent.

During these reviews, the Board recognized the current or recent employment of J.W. Marriott, Jr., John W. Marriott III, and William J. Shaw and the family relationships of J.W. Marriott, Jr. and John W. Marriott III with other Company executives. The Board considered that the remaining director nominees each serve as directors or executive officers of companies that do business with Marriott and that in each case the payments to and from Marriott were significantly less than the two percent threshold in Marriott's Governance Principles. The Board further considered that some of the remaining nominees are also affiliated with charitable organizations that received contributions from Marriott and/or the J. Willard and Alice S. Marriott Foundation and that the contribution amounts were significantly below the charitable contribution threshold in Marriott's Governance Principles.

Based on the standards set forth in the Governance Principles and after reviewing the relationships described above, the Board affirmatively determined that Mary K. Bush, Lawrence W. Kellner, Debra L. Lee, George Muñoz, Harry J. Pearce, Steven S. Reinemund, W. Mitt Romney, and Lawrence M. Small are each independent of the Company and its management. J.W. Marriott, Jr., John W. Marriott III, and William J. Shaw are considered not independent as a result of their employment with the Company and/or family relationships.

## **Committees of the Board**

The Board has six standing committees: Audit, Compensation Policy, Finance, Nominating and Corporate Governance, Committee for Excellence, and Executive. The Board has adopted a written charter for each committee, and those charters are available on the Investor Relations section of our website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on Corporate Governance and then Committee Charters. Copies of the committee charters also may be obtained upon request from the Company's Corporate Secretary.

### ***Audit Committee***

*Members:* George Muñoz (Chair), Mary K. Bush, and Harry J. Pearce. Lawrence W. Kellner was a member of the Committee until January 7, 2009.

- The members of the Committee are not employees of the Company. The Board has determined that the members of the Committee are independent as defined under our Governance Principles, the NYSE Listing Standards and applicable U.S. SEC rules.
- The Audit Committee met four times in person and three times telephonically in 2008.

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- There is unrestricted access between the Audit Committee and the independent auditors and internal auditors.
- The Board has determined that the following Audit Committee members are financial experts as defined in SEC rules:

George Muñoz

Mary K. Bush

Harry J. Pearce

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### *Responsibilities include:*

- Appointing, retaining, overseeing, and determining the compensation and services of the Company's independent auditors.
- Pre-approving the terms of all audit services, and any permissible non-audit services, to be provided by the Company's independent auditors.
- Overseeing the independent auditors' qualifications and independence, including considering whether any circumstance, including the performance of any permissible non-audit services, would impair the independence of the Company's independent registered public accounting firm.
- Overseeing the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements.
- Overseeing the Company's internal control environment and compliance with legal and regulatory requirements.
- Overseeing the performance of the Company's internal audit function and independent auditors.

### *Compensation Policy Committee*

*Members:* Steven S Reinemund (Chair), Mary K. Bush (beginning after her election to the Board at the 2008 annual meeting of shareholders), and Lawrence M. Small.

- The members of the Committee are not employees of the Company. The Board has determined that the members of the Committee are independent as defined under our Governance Principles and the NYSE Listing Standards.
- The Compensation Policy Committee met four times in 2008.

### *Responsibilities include:*

- Establishing the principles related to the compensation programs of the Company.
- Designing and recommending to the Board policies and procedures relating to senior officers' compensation and employee benefit plans.
- Setting the annual compensation for the Chairman of the Board and Chief Executive Officer and the President, including salary, bonus and incentive and equity compensation, subject to approval by the Board.

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- Approving executive officer and senior management salary adjustments, bonus payments and stock awards.
- Designing and recommending to the Board the annual compensation of non-employee directors compensation.

### *Finance Committee*

*Members:* W. Mitt Romney (Chair), Lawrence W. Kellner, John W. Marriott III, and Lawrence M. Small.

- The members of the Committee are not employees of the Company. The Board has determined that the members of the Committee other than John W. Marriott III are independent as defined under our Governance Principles and the NYSE Listing Standards.
- The Finance Committee was established on January 7, 2009.

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### *Responsibilities include:*

- Making recommendations to the Board for approval of an Annual Consolidated Budget and review the Company's performance against such budget.
- Providing guidance to the full Board and management on proposed mergers, acquisitions, divestitures and other significant transactions and investments that are required to be submitted for Board approval.
- Providing guidance to the full Board and management on the Company's capital adequacy, credit rating, borrowing needs and proposed debt and equity programs.
- Providing guidance to the full Board and management on the Company's shareholder distribution activities including dividend payments, share repurchases and similar activities.
- Providing guidance to the full Board and management on the Company's corporate insurance coverage.

### *Nominating and Corporate Governance Committee*

*Members:* Lawrence W. Kellner (Chair), Debra L. Lee, and Steven S Reinemund.

- The members of the Committee are not employees of the Company. The Board has determined that the members of the Committee are independent as defined under our Governance Principles and the NYSE Listing Standards.
- The Nominating and Corporate Governance Committee met three times in person and once telephonically in 2008.

### *Responsibilities include:*

- Making recommendations to the Board regarding corporate governance matters and updates to the Governance Principles.
- Reviewing qualifications of candidates for Board membership.
- Advising the Board on a range of matters affecting the Board and its committees, including making recommendations with respect to qualifications of director candidates, selection of committee chairs, committee assignments and related matters affecting the functioning of the Board.
- Reviewing the Company's conflict of interest and related party transactions policies, and approving certain related party transactions as provided for in those policies.



- Resolving conflict of interest questions involving directors and senior executive officers.

*Committee for Excellence*

*Members:* Board members include Debra L. Lee (Chair), George Muñoz, Harry J. Pearce, and William J. Shaw. Company officer members include Amy McPherson, Executive Vice President-Global Sales & Marketing; Kathleen Matthews, Executive Vice President-Global Communications and Public Affairs; and David A. Rodriguez, Executive Vice President-Global Human Resources. Lawrence M. Small was a member of the Committee until January 7, 2009 and Norman K. Jenkins, the former Senior Vice President-North American Lodging Development was a member of the Committee until December 31, 2008.

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- The members of the Committee consist of at least three members of the Board. The Committee may also consist of officers and employees of the Company who are not directors. At least one member of the Committee is independent as defined under our Corporate Governance Principles and the NYSE Listing Standards. The Committee's charter provides that an independent director will always be the Chairman of the Committee.
- The Committee for Excellence met three times in 2008.

### *Responsibilities include:*

- Identifying and encouraging efforts undertaken by the Company to promote and leverage the recruitment, retention, and advancement of women and minorities as employees of the Company.
- Identifying and evaluating efforts undertaken by the Company to promote and leverage an increasingly diverse ownership, franchisee, customer, and vendor base.
- Enhancing the public's recognition of the Company's efforts and successes to promote diversity and value people of different backgrounds, experiences, and cultures to benefit Marriott's strategic competitive advantage.

### *Executive Committee*

*Members:* J.W. Marriott, Jr. (Chair) and Lawrence W. Kellner.

- The Executive Committee did not meet in 2008.

### *Responsibilities include:*

- Exercises the powers of the Board when the Board is not in session, subject to specific restrictions as to powers retained by the full Board. Powers retained by the full Board include those relating to amendments to the certificate of incorporation and bylaws, mergers, consolidations, sales or exchanges involving substantially all of the Company's assets, dissolution and, unless specifically delegated by the Board to the Executive Committee, those powers relating to declarations of dividends and issuances of stock.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Policy Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related party.

### **Meetings of Independent Directors**

Company policy requires that the independent directors meet without management present at least twice a year. In 2008, the independent directors met without management present three times. The Chairman of the Nominating and Corporate Governance Committee, currently Mr. Kellner, presides at the meetings of the independent directors.

#### **Selection of Director Nominees**

The Nominating and Corporate Governance Committee will consider candidates for Board membership suggested by its members and other Board members, as well as by management and shareholders. As a shareholder, you may recommend any person for consideration as a nominee for

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director by writing to the Nominating and Corporate Governance Committee of the Board of Directors, c/o Marriott International, Inc., Marriott Drive, Department 52/862, Washington, D.C. 20058. Recommendations must include the name and address of the shareholder making the recommendation, a representation that the shareholder is a holder of record of Class A common stock, biographical information about the individual recommended and any other information the shareholder believes would be helpful to the Nominating and Corporate Governance Committee in evaluating the individual recommended.

Once the Nominating and Corporate Governance Committee has identified a candidate, the Committee evaluates the candidate against the qualifications set out in the Governance Principles, including:

- character, judgment, personal and professional ethics, integrity, values, and familiarity with national and international issues affecting business;
- depth of experience, skills, and knowledge complementary to the Board and the Company's business; and
- willingness to devote sufficient time to carry out the duties and responsibilities effectively.

The Committee also considers such other relevant factors as it deems appropriate. The Committee makes a recommendation to the full Board as to any persons it believes should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee. The procedures for considering candidates recommended by a shareholder for Board membership are consistent with the procedures for candidates recommended by members of the Nominating and Corporate Governance Committee, other members of the Board or management.

## **Shareholder Communications with the Board**

Shareholders and others interested in communicating with the Chair of the Nominating and Corporate Governance Committee, the Audit Committee, the non-employee directors, or any of the employee directors may do so by e-mail to [business.ethics@marriott.com](mailto:business.ethics@marriott.com) or in writing to the Business Ethics Department, Marriott Drive, Department 52/924.09, Washington, D.C. 20058. All communications are forwarded to the appropriate directors for their review, except that the Board has instructed the Company not to forward solicitations, bulk mail or communications that do not address Company-related issues. The Company reports to the directors on the status of all outstanding concerns addressed to the non-employee directors, the Chair of the Nominating and Corporate Governance Committee, or the Audit Committee on a quarterly basis. The non-employee directors, the Chair of the Nominating and Corporate Governance Committee, or the Audit Committee may direct special procedures, including the retention of outside advisors or counsel, for any concern addressed to them.

## **Code of Ethics and Business Conduct Guide**

The Company has long maintained and enforced an Ethical Conduct Policy that applies to all Marriott associates, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer and to each member of the Board. The Ethical Conduct Policy is available in the Investor Relations section of our website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on Corporate Governance and then Governance Documents. Any future changes or amendments to our Ethical Conduct Policy, and any waiver of our Ethical Conduct Policy that applies to our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or a member of our Board, will promptly be posted to our Investor Relations website. The Company also maintains a Business Conduct Guide that is available at the same location on our Investor

Relations website. A copy of both the Ethical Conduct Policy and the Business Conduct Guide may also be obtained upon request from the Company's Corporate Secretary.

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**AUDIT COMMITTEE REPORT AND INDEPENDENT AUDITOR FEES**

**Report of the Audit Committee**

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal controls over financial reporting. The Company's independent auditors are engaged to audit and express opinions on the conformity of the Company's financial statements to United States generally accepted accounting principles ( *GAAP* ) and the effectiveness of the Company's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed the audited financial statements together with the results of management's assessment of the internal controls over financial reporting with management and the Company's independent auditor. The Audit Committee also discussed with the independent auditors those matters required to be discussed by the independent auditors with the Audit Committee under the rules adopted by the Public Company Accounting Oversight Board ( *PCAOB* ) and the Audit Committee received and discussed with the independent auditors their annual written report on their independence from the Company and its management, as required by the PCAOB Rules.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 2, 2009, which was filed with the SEC on February 12, 2009.

Members of the Audit Committee:

George Muñoz, Chair

Mary K. Bush

Harry J. Pearce

**Pre-Approval of Independent Auditor Fees and Services Policy**

The Audit Committee's Pre-Approval of Independent Auditor Fees and Services Policy provides for pre-approval of all audit, audit-related, tax and other permissible non-audit services provided by our principal independent auditor on an annual basis and additional services as needed. The policy also requires additional approval of any engagements that were previously approved but are anticipated to exceed pre-approved fee levels. The policy permits the Audit Committee Chair to pre-approve principal independent auditor services where the Company deems it necessary or advisable that such services commence prior to the next regularly scheduled meeting (provided that the Audit Committee Chair must report to the full Audit Committee on any pre-approval determinations).



**Table of Contents****Independent Registered Public Accounting Firm Fee Disclosure**

The following table presents fees for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements for fiscal 2008 and fiscal 2007 and fees billed for audit-related services, tax services and all other services rendered by our independent registered public accounting firm for fiscal 2008 and fiscal 2007. The Audit Committee approved all of the fees presented in the table below.

|   | <b>Independent Registered<br/>Public Accounting Firm Fees Paid<br/>Related to Fiscal 2008<br/>Ernst &amp; Young LLP</b> | <b>Independent Registered<br/>Public Accounting Firm Fees Paid<br/>Related to Fiscal 2007<br/>Ernst &amp; Young LLP</b> |
|---|---|---|
| <b>Audit Fees:</b>                      |   |   |
| Consolidated Audit(1)                   | \$ 4,880,735  | \$ 5,210,814  |
| International Statutory Audits(2)       | 2,914,980   | 2,413,066   |
|   | 7,795,715   | 7,623,880   |
| Audit-Related Fees(3)                   | 906,100   | 1,110,284   |
| Tax Fees (primarily compliance work)(4) | 1,473,067   | 963,172   |
| <b>Total Fees</b>                       | <b>\$ 10,174,882</b>  | <b>\$ 9,697,336</b>   |

- (1) Principally fees for the audit of the Company's annual financial statements, the audit of the effectiveness of the Company's internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, the auditors' review of the Company's quarterly financial statements, and services provided in connection with the Company's regulatory filings.
- (2) Fees for statutory audits of our international subsidiaries.
- (3) Principally audits as required under our agreements with our hotel owners as well as audits of our employee benefits plans.
- (4) Principally tax compliance services related to our international entities.



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**EXECUTIVE AND DIRECTOR COMPENSATION**

**Report of the Compensation Policy Committee**

The Compensation Policy Committee (the *Committee*), which is composed solely of independent members of the Board, assists the Board in fulfilling its responsibilities relating to executive compensation. The Committee is responsible for overseeing compensation programs that enable the Company to attract, retain and motivate executives capable of establishing and implementing business plans in the best interests of the shareholders. The Committee, on behalf of and in certain instances subject to the approval of the Board, reviews and approves compensation programs for certain senior officer positions. In this context, the Committee reviewed and discussed with management the Company's Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Following the reviews and discussions referred to above, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K and this proxy statement.

Members of the Compensation Policy Committee:

Steven S Reinemund, Chair

Mary K. Bush

Lawrence M. Small

**Compensation Discussion and Analysis**

This section explains the Company's executive compensation program for the following *Named Executive Officers*:

|                    |   |
|--------------------|---|
| J.W. Marriott, Jr. | Chairman and Chief Executive Officer  |
| William J. Shaw    | President and Chief Operating Officer   |
| Arne M. Sorenson   | Executive Vice President, Chief Financial Officer and President Continental European Lodging Operations |
| James M. Sullivan  | Executive Vice President, Lodging Development   |
| Robert J. McCarthy | President, North American Lodging Operations and Global Brand Management                                |

**Overview of 2008 Compensation**

For 2008, annual incentive compensation was down from 2007, reflecting the fact that the Company did not achieve earnings per share ( *EPS* ) and other financial goals, but balanced by strong individual performance by our Named Executive Officers in meeting operational goals. Salaries were increased by less than 5% early in 2008, and to date no salary increases have been recommended for 2009. Equity awards to our Named

Executive Officers, our sole form of long-term compensation and, for 2008, consisting solely of SARs, were awarded early in the year and currently are out-of-the-money, reflecting the alignment of our compensation programs with the declines our shareholders have experienced in the current economic environment. In view of the current economic climate and its impact on the Company, Mr. Marriott has declined to accept the equity compensation that the Board approved for him in February 2009.

### **Philosophy**

The Company believes that strong and consistent leadership are the keys to long-term success within the hospitality industry. Marriott has a long history of delivering results for shareholders by relying on talented, hard-working employees ( associates ) who uphold the Company's ideals and unique culture.

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The Company believes that the Named Executive Officers should be paid in a manner that contributes to shareholder value. Therefore, compensation is designed to motivate the Named Executive Officers to perform their duties in ways that will help the Company achieve its short- and long-term objectives. In addition, each element of compensation is designed to provide the Company with the ability to attract and retain important talent both within and outside of our industry at costs consistent with market practice.

This pay philosophy extends from senior management to front-line operations. The Named Executive Officers participate in the same retirement and health and welfare benefit plans and programs that are available to other Company associates throughout the organization. The Company does not provide the Named Executive Officers with a pension plan, single-trigger change in control payments or related tax gross-ups, nor does it have employment agreements with the Named Executive Officers.

The Company believes that providing consistent and competitive levels of compensation over the long term is necessary to sustain this culture and continuity of leadership. Therefore, recognizing that the Company's annual financial results can fluctuate dramatically given the cyclical nature of the hospitality business and its sensitivity to the global economy, the Committee emphasizes a long-term perspective when determining the appropriate pay level and mix of pay, and may make adjustments to Named Executive Officer pay in its subjective discretion to reflect one-time market events which otherwise could unduly enrich or penalize the Named Executive Officers.

In particular, the Company believes it is appropriate to emphasize equity (i.e., Marriott stock awards) as the primary long-term executive compensation vehicle. The Committee believes that the opportunity to receive a combination of SARs and time-based RSUs provides the right mix of performance-based compensation and long-term retention to reward executives for business results.

In following this compensation philosophy, Named Executive Officer total compensation consists of the following elements:

Base Salary

Annual Bonuses

Annual and Supplemental Stock Awards

Other Benefits

### **Compensation Consultant**

The Compensation Policy Committee selected and retained a compensation consultant, Pearl Meyer & Partners, to assist the Committee in establishing and implementing executive and director compensation strategy. The consultant reports to and was instructed in its duties by the Committee. In carrying out its responsibilities, the consultant worked with the Executive Vice President, Global Human Resources. The consultant receives no other compensation from the Company outside its role as advisor to the Committee, other than fees paid by the Company for the CHiPS Executive & Senior Management Survey (see Market Data below). The compensation consultant reviewed and concurred with the compensation recommendations for the Named Executive Officers that were presented to the Committee as discussed below.

**Total Compensation**

The Committee sets total compensation and each element of pay for the Named Executive Officers, subject to approval by the full Board for Mr. Marriott and Mr. Shaw. The Committee refers to the total compensation of executives between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of a broad-based and select group of

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companies (as described below) as a guideline for setting Named Executive Officer compensation. In our experience, this range of total compensation opportunity typically is sufficient to attract and retain key executive talent. However, the Committee retains discretion to deviate from this range in the event of superior Company or individual performance or competitive recruiting pressures.

For 2008, total compensation for Messrs. Marriott, Shaw, Sorenson and McCarthy in all cases fell below the 75<sup>th</sup> percentile and was within or approximately within the 50<sup>th</sup> to 75<sup>th</sup> percentile range. In reviewing the data, management may utilize discretion in determining the relevance of each survey. For example, the surveys do not reflect a relevant position match for Mr. Sullivan, our Executive Vice President, Lodging Development. In addition, when reviewing the survey results for Chief Financial Officers, the Committee considered adjustments for the fact that the survey data do not reflect Mr. Sorenson's additional responsibilities as President Continental European Lodging Operations.

The Committee set the 2008 total compensation level for Mr. Sullivan by reviewing publicly-disclosed compensation data for development and real estate executives at other hotel companies. It also considered his historical contributions to the Company and experience in the Marriott development organization. In addition, Mr. Sullivan's compensation reflects his responsibilities for leading the Owner and Franchise Services and Mergers and Acquisitions departments. Mr. Sullivan will retire from the Company on April 10, 2009.

Prior to each fiscal year, the Company's Human Resources Department collects and analyzes external market data for the Named Executive Officer positions and assesses how the Named Executive Officers' compensation compares to the 50<sup>th</sup> to 75<sup>th</sup> percentile range. Based on this review, the Executive Vice President, Global Human Resources presents to the Committee a summary of the market data and recommendations for total compensation and each element of compensation. For annual stock awards, he recommends a dollar value for the awards which is later converted into a number of shares based on the value of a share of Company stock on the grant date of the award. In addition, he recommends plan threshold, target, and maximum payout targets for the next fiscal year's annual bonus plans, stated as a percentage of base salary.

Prior to making his recommendations to the Committee, the Executive Vice President, Global Human Resources consults with the Chief Executive Officer about the analysis regarding all elements of executive pay to take into consideration Mr. Marriott's extensive knowledge and historical perspective of the business community, the Company and the hotel industry. For example, Mr. Marriott historically has provided valuable insight on issues such as pay equity among executives, share usage and industry practice. Mr. Marriott also reviews the achievements of each Named Executive Officer for the fiscal year and presents these reviews to the Committee.

The Committee reviews the above recommendations, obtains further input and counsel from Pearl Meyer & Partners, considers any appropriate changes, and in its discretion, determines payouts and awards of compensation for each Named Executive Officer for the fiscal year. For Mr. Marriott's and Mr. Shaw's compensation, the Committee reports its recommendations for full Board approval. The Committee does not follow a specific formula for allocating the amount of compensation among each element of pay, but reviews the value delivered through each element and the mix of total compensation against the market data for the Named Executive Officers and makes adjustments in its discretion. For example, the Company does not offer a traditional pension plan. The Committee believes that this is an appropriate departure from market practice because the Company allocates a higher portion of compensation to equity pay, which provides long-term income potential that is linked to shareholder value.

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In its final determination, the Committee is not constrained by rigid, categorical guidelines or formulae to determine the elements and levels of compensation for the Named Executive Officers. It relies upon its collective judgment as applied to the challenges confronting the Company as well as subjective factors such as leadership ability, individual performance, retention needs and future potential.

### Market Data

The external market data includes several revenue-based surveys as well as a custom survey of companies specifically selected by the Committee. The Committee believes that, based on the recommendation of the compensation consultant, the companies participating in the revenue-based and custom surveys represent the broad pool of executive talent for which the Company competes.

In general, the revenue-based surveys used for establishing Named Executive Officer pay include companies with median annual revenue ranging from \$10 to \$20 billion. For 2008, the surveys were the *CHiPS Executive & Senior Management Survey*, the *Hewitt Total Compensation Measurement: Executive Survey*, the *Towers Perrin CDB Executive Database*, and the *Fred Cook Survey of Long-Term Incentives*. The Committee did not consider the individual companies in the revenue-based surveys when making compensation decisions.

The custom survey consists of consumer product and service companies selected by the Committee on the basis of their similarity to the Company on a number of financial metrics and based on their shared emphasis on customer service and brand image. The financial metrics used for 2008 included annual revenue, annual net income, assets, EBITDA (earnings before interest, taxes, depreciation, and amortization), total capital (sum of long-term debt, total shareholders' equity, and minority interest, excluding deferred income tax reserve and investment credit) and total market value. Other factors considered were performance measures such as return on equity, return on net assets, cash flow return and five-year growth rate for EPS, sales and total shareholder return. The Committee does not apply specific weights to these factors. For 2008, the companies in the custom survey included:

|                    |               |                           |             |
|--------------------|---------------|---------------------------|-------------|
| American Express   | FedEx         | Kellogg                   | Target      |
| AMR                | General Mills | Kimberly-Clark            | Walt Disney |
| Anheuser-Busch     | H.J. Heinz    | McDonalds                 | Yum! Brands |
| Colgate-Palmolive  | Hilton Hotels | Nordstrom                 |             |
| Darden Restaurants | J.C. Penney   | Starwood Hotels & Resorts |             |

This list of companies remained unchanged from the prior year with the following exceptions:

- Removed Cendant because they spun off Wyndham, their hotel business, and full year data for Wyndham was not available.
- Removed Limited Brands because they ceased to provide relevant survey information.
- Added Nordstrom and Target because of their emphasis on customer service and brand image and because their financial and performance results aligned with the other companies in the custom survey.

Each year the compensation consultant reviews a summary of the survey results and advises the Committee as to whether the survey results are credible based on its analysis of other surveys and its general analysis of current compensation practices. For 2008, the compensation consultant advised the Committee that the survey results were an appropriate market data reference point.

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**Table of Contents****Base Salary**

The Committee reviews individual base salaries for the Named Executive Officers (subject to Board approval for Mr. Marriott's and Mr. Shaw's salary adjustments) each February for the current fiscal year, with any adjustments being retroactive to the first day of the fiscal year. For 2008, the Human Resources Department compiled and presented data to the Committee demonstrating that the average annual base salary increase for the overall market for senior executives in recent years has ranged from 3% to 5%. The Human Resources Department recommended increases for 2008 of approximately 4.7% for each of the Named Executive Officers because the Company had strong results for 2007 and because the Named Executive Officer leadership team was recognized to have contributed significantly to those results. The compensation consultant reviewed and supported the recommendations. Based on these recommendations and its subjective assessment of the executives' individual contributions and internal pay equity among the executives, the Committee approved, for 2008, a 4.64% annual increase in base salary for Mr. Marriott and a 4.7% annual increase for Messrs. Shaw, Sorenson and Sullivan. Mr. McCarthy's base pay was increased by 4.5%.

**Annual Bonuses**

To promote growth and profitability, the Company maintains two annual cash bonus plans: the Marriott International, Inc. Executive Officer Incentive Plan ( *Incentive Plan* ), which focuses primarily on an annual EPS objective, and the Marriott International, Inc. Executive Officer Individual Performance Plan ( *Individual Plan* ), which targets several other financial, operational and human capital objectives for the year. Together, the plans are designed to provide executives with appropriate compensation incentives to achieve identified annual corporate objectives.

In February, the Committee approved individual performance objectives for the current fiscal year under each bonus plan. In the following February or March after the release of the fiscal year audited financial results, the Committee reviews each individual's performance against the stated performance objectives to determine the actual bonus payments. The bonus payments are made as a percentage of salary within a range that corresponds to a threshold (if applicable), target (expressed as *norm* ) or maximum level of performance determined to have been achieved for the year. All of the Committee decisions regarding annual bonuses for Mr. Marriott and Mr. Shaw were subject to Board approval.

*Incentive Plan*

The Incentive Plan rewards executives for the Company's achievement of pre-established Company financial objectives. The Incentive Plan payout represents 50-60% of the executive's total annual bonus opportunity under the combined Incentive Plan and Individual Plan. In recent years including 2008, the Incentive Plan has focused entirely on earnings per share performance, except that Mr. McCarthy's objectives include a combination of EPS and operating profit from the North American Lodging Operations division ( *NALO* ), his primary area of responsibility.

The Company puts heavy emphasis on EPS as a performance measure because EPS is an important indicator of Company profitability and aligns the interests of management with that of shareholders. For the purpose of the Incentive Plan, the Company uses EPS as reported under U.S. GAAP, as may be modified during the goal setting process for items that are not expected to have a direct impact on the business going forward. For 2008, the company established the EPS and NALO Profit goals primarily through an extensive annual budgeting process whereby each hotel, timeshare property and individual corporate unit developed and submitted a budget. The Company consolidated the individual budgets and





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considered the external market factors such as global and domestic economic forecasts and lodging industry outlook, as well as internal factors such as current revenue from group bookings, expected unit growth for the year, and expected capital needs. The budget was reviewed and approved by the Board. Considering these factors, the Committee set the EPS goal for 2008 at a level that the Committee believed was achievable but not certain to be met. For 2008, the Incentive Plan's EPS performance goal was \$2.07. Mr. McCarthy's NALO Operating Profit goal was \$964.6 million.

For 2008, each Named Executive Officer was entitled to receive a bonus based on his achieved level of performance and its corresponding bonus level for the relevant performance goal, as follows:

| EPS                  |                      | NALO Operating Profit |                     |
|----------------------|----------------------|-----------------------|---------------------|
| Achievement vs. Goal | Achievement vs. Goal | Bonus Award           | Payout as % of Norm |
| Below 85%            | Below 85%            | No Bonus              | 0%                  |
| 85%                  | 85%                  | Threshold Bonus       | 25%                 |
| 95%                  | 97.5%                | Norm Bonus            | 100%                |
| 102%                 | 102%                 | Maximum Bonus         | 150 to 155%         |

Under the Incentive Plan, if the achievement falls between two of the stated performance achievement levels, the bonus payment is interpolated between the corresponding bonus levels. The specific performance level percentages were set by the Committee in consultation with the compensation consultant based on competitive market data as well as the Committee's subjective judgment. For 2008, the Company's EPS as reported under GAAP was \$.99, which did not meet the minimum achievement level. Consequently for 2008, none of the Named Executive Officers received a bonus for the EPS portion of the Incentive Plan. In addition, NALO operating profit was \$814 million. This amount is the sum of the segment results for North American Full-Service and North American Limited-Service reported in the Company's 2008 Form 10-K. Therefore, Mr. McCarthy did not receive a payout for the NALO Operating Profit portion of the Incentive Plan.

*Individual Plan*

The Individual Plan emphasizes individual executive performance as well as measures of business/operating unit financial and operational performance such as revenue growth relating to newly developed rooms and customer, owner/franchisee and associate satisfaction. The Company believes that these factors are the key to our success within the hospitality and service industry. The Individual Plan payout represents either 40% or 50% of the executives' total annual bonus opportunity. As indicated in the chart below, the weighting of each performance factor varies slightly among the eligible executives by position due to differences in accountability and responsibility. These performance factors reflect subjective assessment by the Committee and, like the EPS goal, are intended to establish high standards consistent with the Company's quality goals which are achievable but not certain to be met. The Committee assesses each individual's achievement of Individual Plan components, and determines a payout at or in between the threshold, norm or maximum award levels. The Committee's recommendation regarding each Individual Plan component for Mr. Marriott and Mr. Shaw were approved by the Board.

The awards potential under the Incentive Plan and Individual Plan for 2008 are reported in dollars in the Grants of Plan-Based Awards for Fiscal 2008 table, following this Compensation Discussion and Analysis. The actual payments for 2008 (paid in 2009) are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. The respective weightings of the relevant performance measures and the aggregate target and actual payments for 2008 under the combined Incentive Plan and Individual Plan are displayed in the table below. As reflected in the table, target awards



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range from 125% of salary for Mr. Marriott to 60% of salary for Mr. McCarthy. The Committee determined the differences in the target award percentages by reviewing market data for each position. The threshold award for each component is equal to 25% of the target award. The maximum award for each component is between 150% and 155% of the target award.

| Name               |                              | Incentive Plan     |                       | Individual Plan        |             |                         |                    |               | Total |
|--------------------|------------------------------|--------------------|-----------------------|------------------------|-------------|-------------------------|--------------------|---------------|-------|
|                    |                              | Earnings Per Share | Operating Profit-NALO | Individual Achievement | Room Growth | Franchisee Satisfaction | Guest Satisfaction | Human Capital |       |
| J.W. Marriott, Jr. | Weight of Total Award (%)    | 60                 | n/a                   | 20                     | 10          | 5                       | 5                  | n/a           | 100   |
|                    | Target Award as % of Salary  | 75                 | n/a                   | 25                     | 12.5        | 6.25                    | 6.25               | n/a           | 125   |
|                    | Actual Payout as % of Salary | 0                  | n/a                   | 38                     | 19          | 7.13                    | 8.04               | n/a           | 72.17 |
| William J. Shaw    | Weight of Total Award (%)    | 60                 | n/a                   | 20                     | 10          | 5                       | 5                  | n/a           | 100   |
|                    | Target Award as % of Salary  | 54                 | n/a                   | 18                     | 9           | 4.5                     | 4.5                | n/a           | 90    |
|                    | Actual Payout as % of Salary | 0                  | n/a                   | 27                     | 13.5        | 5.06                    | 5.74               | n/a           | 51.30 |
| Arne M. Sorenson   | Weight of Total Award (%)    | 60                 | n/a                   | 20                     | 10          | 5                       | 5                  | n/a           | 100   |
|                    | Target Award as % of Salary  | 45                 | n/a                   | 15                     | 7.5         | 3.75                    | 3.75               | n/a           | 75    |
|                    | Actual Payout as % of Salary | 0                  | n/a                   | 23                     | 11.5        | 4.31                    | 4.85               | n/a           | 43.66 |
| James M. Sullivan  | Weight of Total Award (%)    | 50                 | n/a                   | 15                     | 25          | 5                       | 5                  | n/a           | 100   |
|                    | Target Award as % of Salary  | 37.5               | n/a                   | 11.25                  | 18.75       | 3.75                    | 3.75               | n/a           | 75    |
|                    | Actual Payout as % of Salary | 0                  | n/a                   | 17.25                  | 28.75       | 4.31                    | 4.85               | n/a           | 55.16 |
| Robert J. McCarthy | Weight of Total Award (%)    | 20                 | 30                    | 20                     | 10          | 5                       | 5                  | 10            | 100   |
|                    | Target Award as % of Salary  | 12                 | 18                    | 12                     | 6           | 3                       | 3                  | 6             | 60    |
|                    | Actual Payout as % of Salary | 0                  | 0                     | 18                     | 9           | 3.38                    | 3.6                | 9             | 42.98 |

The performance components for each Named Executive Officer under the Individual Plan for 2008 were:

- Individual Achievement: Each year the Company sets specific management objectives for the Named Executive Officers. Each Named Executive Officer has a different set of objectives that is aligned to his unique responsibilities and role within the Company. The objectives are developed by Mr. Marriott and members of his executive team, and reviewed, modified as necessary and approved by the Committee (or the Board in the cases of Mr. Marriott's and Mr. Shaw's management objectives). The management objectives in some cases are difficult to accomplish and in some cases are among the core duties of the positions. Examples of the types of management objectives are:

Implement brand initiatives such as Great Room concept and Courtyard Redefinition

Achieve human capital goals

Promote lodging industry interests on public policy issues such as global tourism and immigration reform

The Committee's evaluation of management objectives is a rigorous and largely subjective assessment of the Named Executive Officers' qualitative performance. The management objectives are not assigned specific weightings and may be modified by the Committee if a change in

business circumstances warrants. The actual payments relating to management objectives are determined by the Committee based on its subjective assessment of each Named Executive Officer's job performance for the year. Maximum or above norm payouts occur if the Committee views the Named Executive Officer's overall performance to have been superior after its review of the

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achievement levels for each of the objectives. For each of the five years preceding 2008, the Named Executive Officers received award levels varying from above norm to a maximum payout for the individual achievement portion of the Individual Plan. For 2008, each of Named Executive Officers obtained a maximum payout for the individual achievement portion of the Individual Plan. In determining this level of payout for 2008, the Committee took into consideration that each Named Executive Officer achieved key individual objectives, including operational objectives such as the brand initiatives identified above, despite the substantially increased difficulty of attaining other goals due to the declining economy.

- **Room Growth:** Assessment of room growth was based on the number of rooms developed and a net present value estimate/calculation utilized by our management and Board in evaluating the potential performance of completed development projects. For 2008, the Company established the room growth goal primarily through an extensive annual budgeting process whereby a budget was developed and submitted for each geographic region that was identified for potential growth. The Company's Lodging Development Department consolidated the individual budgets and considered external market factors such as global and domestic economic forecasts and lodging industry outlook, as well as miscellaneous internal factors such as existing development resources. The room growth goal for 2008 was 51,100 rooms and \$685 million net present value. Achievement of the goal results in a maximum component bonus payout; achievement of 85% of the goal results in a threshold/norm component bonus payout; and achievement of less than 85% of the goal results in no component bonus payout. For 2008, the Company exceeded the above goals for the number and net present value of rooms developed. Consequently, for 2008 each Named Executive Officer received a maximum payout of the room growth portion of the Individual Plan.
- **Owner/Franchisee Satisfaction:** Assessment of owner and franchisee overall satisfaction is based on satisfaction survey results compared to the prior year. The Company retains a third party to survey the owners and franchisees of our North America hotels on various aspects of their relationship with the Company. Annual goals for certain key metrics are established at a level which generally exceeds the prior year's results. However the goals may be lower in some instances such as when prior year results are unusually high and are unlikely to be repeated, or when economic conditions make it highly unlikely to achieve. Public disclosure of the target and results would reveal confidential information about the Company's relationships with its owners and franchisees which would cause competitive or economic harm to the Company. Over the five years preceding 2008, the Named Executive Officers received a norm payout in one year and a maximum payout in four years. For 2008, each of the Named Executive Officers received an above norm, but below maximum payout for the owner/franchisee satisfaction portion of the Individual Plan.
- **Guest Satisfaction:** Guest satisfaction is assessed based on Company survey results for the year compared to pre-established goals. The Company retains a third party to conduct the survey. Similar to the owner/franchisee satisfaction objective, the guest satisfaction objective typically is set at a level which exceeds the prior year's results. Disclosure of the target and results would reveal confidential information about the Company's guest satisfaction strategies which would cause competitive or economic harm to the Company. The annual goals are difficult to accomplish and not certain to be met. Over the five years preceding 2008, the Named Executive Officers received an above threshold but below norm payout in three years and an above norm but below maximum payout performance in two years. For 2008, each of the Named Executive Officers received an above norm but below maximum payout for the guest satisfaction portion of the Individual Plan. The target and results for Mr. McCarthy consisted solely of guest satisfaction results from NALO, his primary area of responsibility.

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- **Human Capital:** As the leader of the Company's largest operations division, Mr. McCarthy has a separately weighted human capital goal. Human capital is measured by the results of the Company's annual associate opinion survey (conducted by a third party) as compared against survey results for the consumer services industry. For 2008, the target for a norm payout was to exceed the survey score of the consumer services industry, and the target for a maximum payout was to exceed the survey score of the consumer services industry by 10%. For 2008, Mr. McCarthy received a maximum payout for the human capital portion of the Individual Plan. For Mr. Marriott and Mr. Shaw, human capital objectives were evaluated as part of the Individual Achievement component described above.

**Annual and Supplemental Stock Awards***Annual Stock Awards*

The Company grants equity compensation awards to the Named Executive Officers under the Stock Plan on an annual basis. By imposing four-year vesting conditions and offering the opportunity for long-term capital appreciation, the equity awards help the Company achieve its primary objectives of executive retention and linking Named Executive Officer pay to long-term Company performance. The Committee also believes that it is appropriate to emphasize equity awards as a significant component of total pay for the Named Executive Officers because the Company does not offer its executives a pension plan, severance plan, or substantial fringe benefits.

For 2008, the Named Executive Officers were permitted to choose to receive their equity awards as all stock settled SARs or an equal mix (based on grant date fair value) of RSUs and SARs. Similar to Options, which the Company offered to Named Executive Officers prior to 2006, SARs deliver the appreciation in Company stock over a period of time from the grant date until they are exercised. RSUs are a promise to deliver shares of Company stock at stated future vesting dates. Both SARs and RSUs use fewer shares than Options use, which was a factor the Committee considered when approving these types of awards starting in 2006. The Committee believes that giving the executives this choice of awards has provided significant reward potential and flexibility to meet the executives' individual financial planning profiles and needs.

The target values (stated in dollars) for the annual equity awards for each Named Executive Officer for 2008 were:

| <b>Name</b>        | <b>Target Value(\$)</b> |
|--------------------|-------------------------|
| J.W. Marriott, Jr. | \$ 5,770,600            |
| William J. Shaw    | \$ 2,366,800            |
| Arne M. Sorenson   | \$ 1,857,000            |
| James M. Sullivan  | \$ 1,857,000            |
| Robert J. McCarthy | \$ 1,207,700            |

For Messrs. Marriott, Shaw, Sorenson and McCarthy, the target values for the annual awards were set at the 50<sup>th</sup> percentile of the external market data described in the Market Data section above. The target value for Mr. Sullivan was determined based on a subjective evaluation of publicly disclosed compensation data for development and real estate executives at other hotel companies as well as his tenure in the Company and experience in the hotel industry. These targets were recommended by the Human Resources Department, validated by the compensation consultant and approved by the Committee (with Board approval for

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Mr. Marriott's and Mr. Shaw's targets). The target values increased for Messrs. Marriott, Sorenson and Sullivan and decreased for Messrs. Shaw and McCarthy, when compared with prior year award values, based on external market data for both long-term incentive and total compensation.

### *Supplemental Stock Awards*

Supplemental stock awards (typically RSUs) tend to be infrequent and are presented for approval at quarterly Board meetings in recognition of special performance, to retain key talent or as a sign-on employment inducement. The Company considers a number of factors when determining supplemental stock grants such as individual performance, the size of competitive long-term awards, key contributions and retention needs. In order to maintain total compensation consistent with the above-described guidelines, the Committee may adjust the components of total compensation in future years to account for current year supplemental awards. Supplemental stock awards may have different vesting schedules depending upon the Company's retention objectives for the individual recipient. None of the Named Executive Officers received a supplemental stock award in 2008.

### *Grant Timing and Pricing*

The Company typically grants annual stock awards in February each year on the second business day following the release of its prior fiscal year annual earnings. This timing is designed to avoid the possibility that the Company could grant stock awards prior to the release of material, non-public information that is likely to result in an increase in its stock price, or to delay the grant of stock awards until after the release of material, non-public information that is likely to result in a decrease in the Company's stock price.

Executives derive value from their Options and stock-settled SARs based on the appreciation in the value of the underlying shares of Company stock. For purposes of measuring this appreciation, the Company sets the exercise or base price as the average of the high and low prices of the Company stock on the NYSE on the date the awards are granted. This average price valuation is common practice and offers no inherent pricing advantage to the executive or the Company.

### **Nonqualified Deferred Compensation Plan**

In addition to a qualified 401(k) plan, the Company offers senior management the opportunity to defer payment and income taxation of a portion of their salary/commissions, bonus and/or annual cash incentives under the Marriott International, Inc. Executive Deferred Compensation Plan. The plan also provides participants the opportunity for long-term capital appreciation by crediting their accounts with notional earnings (or losses) based on the performance of benchmark investment funds selected by participants. The Committee believes that offering this plan to executives is critical to achieve the objectives of attracting and retaining talent, particularly because the Company does not offer a defined benefit pension plan. The Company makes a discretionary matching contribution to the Named Executive Officers' deferred compensation accounts following each fiscal year. The rate of match is determined as an estimate of the matching contributions that the Named Executive Officers would receive in the Company's 401(k) plan but for limitations imposed under the Internal Revenue Code. Throughout the year, the Company accrues for a matching contribution of 75% of deferrals up to 6% of cash compensation. The Committee has discretion to adjust the actual match allocation based on fiscal year financial results but no such adjustment was made for 2008. The Company also may make an additional discretionary contribution to the Named Executive Officers' deferred compensation accounts based on subjective factors such as individual performance, key contributions and retention needs. There were no additional discretionary contributions for the Named Executive Officers in 2008.





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### **Other Compensation**

The Company offers certain other perquisites and personal benefits to its executives. One benefit is complimentary rooms, food and beverages at Company-owned, operated or franchised hotels and the use of hotel related services such as Marriott-managed golf and spa facilities while on personal travel. These benefits are offered to encourage executive officers to visit and personally evaluate our properties. The value of these benefits is included in the executives' wages for tax purposes, and the Company does not provide tax gross-ups to the executives with respect to these benefits.

In addition, the executives may participate in Company-wide plans and programs. Some of these benefits are paid for by the executives such as 401(k) plan elective deferrals, vision coverage, long- and short-term disability, group life and accidental death and dismemberment insurance, health care and dependent care spending accounts, retiree medical coverage and tuition reimbursement. Other benefits are paid for or subsidized by the Company such as the 401(k) Company match, certain group medical and dental benefits and business travel accident insurance.

The Company does not have employment agreements or severance plans for its Named Executive Officers. The Committee believes that the combination of the compensation and benefit programs discussed above currently is adequate to attract and retain executive talent, but the Committee continuously monitors the market for development in executive compensation practices to ensure that the Company remains competitive.

### **Change in Control**

During 2008, the Committee reviewed market practices, the Company's policy of providing no pension or severance plan and the overall executive compensation structure, and based on that review recommended to the Board that the Company provide limited double trigger change in control benefits. The Committee believes that, with these carefully structured benefits, the Named Executive Officers would be better able to perform their duties with respect to any potential proposed corporate transaction without the influence of or distraction by concerns about how their personal employment or financial status will be affected, while shareholder interests would be protected and enhanced by providing greater certainty regarding executive pay obligations in the context of planning and negotiating any potential corporate transactions. Accordingly, the Board approved amendments to the Stock Plan and Executive Deferred Compensation Plan providing that, in the event that a Named Executive Officer is terminated by the Company other than for the executive's misconduct (or by the executive for Good Reason, as defined under the Stock Plan) during the period beginning three months before and ending twelve months following a change in control of the Company, the Named Executive Officer will immediately vest in all unvested equity awards and Executive Deferred Compensation Plan balances. In those circumstances, all Options and SARs will be exercisable no later than the earlier of the original expiration date of the awards or twelve months (or in the case of an approved retiree, five years) following the termination of employment, and all other stock awards shall be immediately distributed following the later of the termination of employment or the change in control event. In addition, any cash incentive payments under the Incentive Plan will be made immediately based on the target performance level, pro-rated based on the days worked during the year until the Named Executive Officer's termination of employment. The Company did not provide for any tax gross-ups on these benefits, and instead, specifically limited the benefits to avoid adverse tax consequences to the Company. Specifically, each of these benefits are subject to a cut-back, so that no such benefits will be provided to the extent it would result in the loss of a deduction or imposition or excise taxes under the golden parachute excess parachute payment provision of the Internal Revenue Code. The section, Payments Upon Termination or Change in Control below,

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includes a table that reflects the intrinsic value of unvested stock awards and unvested Executive Deferred Compensation accounts that each Named Executive Officer would receive due to an involuntary termination of employment in connection with a change in control.

**Tax Considerations**

Internal Revenue Code Section 162(m) limits the Company's federal income tax deduction for compensation in excess of one million dollars paid to Named Executive Officers except for the Chief Financial Officer. However, performance-based compensation can be excluded from the limitation so long as it meets certain requirements. The Committee believes that compensation under the Incentive Plan as well as SARs and Options satisfy the requirements for exemption under Section 162(m).

For 2008, the compensation under the Individual Plan and RSUs did not meet the requirements for exemption as performance-based compensation under Section 162(m). However, the Committee believes that the value of preserving the ability to structure compensation programs to meet a variety of corporate objectives, such as workforce planning, customer satisfaction and other non-financial business requirements, justifies the cost of being unable to deduct a portion of the executives' compensation.

**Executive Compensation Tables and Discussion****Summary Compensation Table**

The following Summary Compensation Table shows the compensation we paid in fiscal years 2006, 2007 and 2008 to our Chief Executive Officer, our Chief Financial Officer, and to our other three most highly compensated executive officers as of January 2, 2009.

| Name and<br>Principal Position   | Fiscal<br>Year | Salary<br>\$(1) | Stock<br>Awards<br>\$(2) | Option/Stock                             | Non-Equity                              | All Other             | Total<br>(\$) |
|--|----------------|-----------------|--------------------------|--|---|-----------------------|---------------|
|  |                |                 |                          | Appreciation<br>Right<br>Awards<br>\$(2) | Incentive Plan<br>Compensation<br>\$(1) | Compensation<br>\$(3) |               |
| J.W. Marriott, Jr.<br>Chairman and Chief   | 2008           | 1,253,654       | 1,184,855                | 6,240,289                                | 904,700                                 | 405,770               | 9,989,268     |
|  | 2007           | 1,175,500       | 6,161,719                | 2,279,108                                | 2,166,916                               | 364,897               | 12,148,140    |
| Executive Officer<br>William J. Shaw<br>President and Chief                                      | 2006           | 1,119,506       | 6,000,429                | 3,770,912                                | 1,376,096                               | 329,865               | 12,596,808    |
|  | 2008           | 1,019,231       | 1,242,541                | 2,727,026                                | 522,891                                 | 153,798               | 5,665,487     |
|  | 2007           | 955,000         | 3,851,855                | 1,024,156                                | 1,239,018                               | 115,925               | 7,185,954     |
| Operating Officer<br>Arne M. Sorenson<br>Executive Vice<br>President, Chief<br>Financial Officer | 2006           | 908,800         | 3,778,694                | 1,683,065                                | 982,867                                 | 398,500               | 7,751,926     |
|  | 2008           | 682,885         | 983,378                  | 2,650,803                                | 298,165                                 | 71,886                | 4,687,117     |
|  | 2007           | 640,000         | 944,174                  | 2,481,182                                | 698,624                                 | 74,638                | 4,838,618     |
|  | 2006           | 609,000         | 895,548                  | 2,213,468                                | 536,834                                 | 237,109               | 4,491,959     |

and President

Continental

European Lodging

|                          |      |         |           |           |         |        |           |
|--------------------------|------|---------|-----------|-----------|---------|--------|-----------|
| James M. Sullivan        | 2008 | 682,885 | 1,078,830 | 1,959,050 | 376,696 | 72,750 | 4,170,211 |
| Executive Vice President | 2007 | 640,000 | 2,119,974 | 1,519,986 | 717,824 | 63,029 | 5,060,813 |

Lodging Development

|                    |      |         |         |           |         |         |           |
|--------------------|------|---------|---------|-----------|---------|---------|-----------|
| Robert J. McCarthy | 2008 | 585,803 | 872,564 | 1,107,939 | 251,749 | 207,587 | 3,025,642 |
| President North    | 2007 | 550,000 | 889,916 | 1,068,510 | 475,915 | 199,159 | 3,183,500 |
|                    | 2006 | 500,000 | 600,304 | 683,229   | 319,350 | 205,570 | 2,308,453 |

American Lodging

Operations

and Global Brand

Management

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- (1) These columns report all amounts earned as salary or under the Company's Incentive Plan and Individual Plan during the fiscal year, whether paid or deferred under certain Company employee benefit plans. The Company's 2008 fiscal year included 53 weeks resulting in an additional week of salary.
- (2) The value reported for Stock Awards and Option/SAR awards is the aggregate cost recognized in the Company's financial statements for such awards for the fiscal year including awards granted in prior years. The costs for awards made during 2006, 2007 and 2008 are determined in accordance with Financial Accounting Standard (FAS) No. 123(R), disregarding adjustments for forfeiture assumptions, and the costs for awards made prior to 2006 are determined in accordance with the modified prospective transition method under FAS No. 123(R). In accordance with FAS No. 123(R), the Company recognizes, in the year of grant, over 90% of the grant-date value of awards granted in 2006, 2007 and 2008 to executives who are eligible for retirement based on attaining 10 or more years of service at or after age 55. All of the Named Executive Officers except Mr. Sorenson meet the retirement eligibility requirements. The assumptions for making the valuation determinations are set forth in the footnotes captioned "Share-Based Compensation or Employee Stock Plans" to our financial statements in each of the Company's Forms 10-K for the fiscal years 2002 through 2008. For additional information on these awards, see the Grants of Plan Based Awards for Fiscal 2008 table, below.
- (3) All Other Compensation consists of the following:
- Company contributions to the Company's qualified 401(k) plan
  - Company match allocation under the Company's non-qualified Executive Deferred Compensation Plan
  - Perquisites and personal benefits including:
    - Personal financial services
    - Tax return preparation and advisory services
    - Personal use of the Company jet
    - Spousal accompaniment while on business travel
    - Rooms, food, beverages and use of other hotel related services such as golf and spa facilities at Company-owned, operated or franchised hotels while on personal travel
    - Other miscellaneous benefits

The values in this column do not include perquisites and personal benefits that were less than \$10,000 in aggregate for the fiscal year. The following table identifies the total amount the Company contributed to each Named Executive Officer's qualified 401(k) plan and non-qualified Executive Deferred Compensation Plan for fiscal year 2008. It also specifies values for perquisites and personal benefits for each Named Executive Officer that comprise more than the greater of 10% of his aggregate perquisites or personal benefits or \$25,000.

| Name         | Company Contributions to the 401(k) Plan (\$) | Company Contributions to the Executive Deferred Compensation Plan (\$) | Personal Use of the Company Jet (\$) | Spousal Accompaniment on Business Travel (\$) | Executive Life Insurance (\$) | Executive Tax and Financial Services (\$) | Other (\$) |
|--------------|---|--|--------------------------------------|---|-------------------------------|---|------------|
| Mr. Marriott | 10,350  | 152,767  | 80,098                               |   | 68,185                        | 94,370                                    |            |
| Mr. Shaw     | 10,350  | 102,409  |                                      | 32,703  |                               |   | 8,337      |
| Mr. Sorenson | 10,350  | 61,536   |                                      |   |                               |   |            |
| Mr. Sullivan | 10,350  | 62,400   |                                      |   |                               |   |            |
| Mr. McCarthy | 10,350  | 197,237  |                                      |   |                               |   |            |

The value of the personal use of the Company jet is the sum of:

- allocable flight-specific costs of the personal flights (including, where applicable, return flights with no passengers) such as landing fees, crew costs and other related items, and
- the product of (i) all other costs of maintaining and flying the jet for the billable year other than certain fixed expenses such as pilot compensation, management fee and hangar rental costs, multiplied by (ii) a fraction the numerator of which is the individual's personal flight hours on the jet for the billable year and the denominator of which is the total flight hours of the jet for the billable year.

Although amounts are reported for aircraft use during the Company's fiscal year, incremental cost is calculated on the basis of a December 1 through November 30 billable year, which reflects the contract service period used for billing by a third party aircraft management company.



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The value reported as executive life insurance for Mr. Marriott is the economic benefit (increase in cash surrender value) from certain life insurance policies held by a trust for the benefit of the Marriott family to which the Company contributed premiums from 1996 through 2002. The value reported as executive tax and financial services for Mr. Marriott is the pro rata cost for compensation of the Company employee who delivered the tax and financial services.

*Cash Compensation*

Amounts reported under the Non-Equity Incentive Plan Compensation column include all amounts earned under the Company's Incentive Plan and Individual Plan, which for the 2008 fiscal year were as follows:

| <b>Name</b>  | <b>Amounts earned under the Executive Officer Incentive Plan (\$)</b> | <b>Amounts earned under the Executive Officer Individual Performance Plan (\$)</b> | <b>Total Non-Equity Incentive Plan Compensation (\$)</b> |
|--------------|---|--|--|
| Mr. Marriott |   | 904,700  | 904,700  |
| Mr. Shaw     |   | 522,891  | 522,891  |
| Mr. Sorenson |   | 298,165  | 298,165  |
| Mr. Sullivan |   | 376,696  | 376,696  |
| Mr. McCarthy |   | 251,749  | 251,749  |

*Equity Compensation*

As explained in the Compensation Discussion and Analysis, the Company gave executives the choice to receive the value of their annual stock grant in one of two forms: (1) 100% stock-settled SARs, or (2) 50% SARs and 50% RSUs. For 2008, all of the Named Executive Officers elected 100% SARs.

*Deferred Compensation*

Elective deferrals for salary and non-equity incentive compensation under the Company's Executive Deferred Compensation Plan are included in the Summary Compensation Table above in the columns that are associated with the type of compensation (i.e., Salary or Non-Equity Incentive Plan Compensation) that is deferred. Company match allocations are included in the values reported in the All Other Compensation column. Elective deferrals and Company allocations also are separately disclosed in the Nonqualified Deferred Compensation table below.

**Table of Contents****Grants of Plan-Based Awards for Fiscal 2008**

The following table shows the plan-based awards granted to the Named Executive Officers in 2008.

| Name         | Award Type      | Approval Date(1) | Grant Date(1) | Estimated Potential Payouts Under Non-Equity Incentive Plan Awards(2) |             |              | All Other Stock Awards: (Number of Shares or Units) (#) | All Other Option/SAR Awards: (Number of Securities Underlying Options/SARs) (#) | Closing price on Grant Date (\$/sh)(3) | Exercise or Base Price (\$/sh) | Grant Date Fair Value of All Other Stock/Option/SAR Award \$(4) |
|--------------|-----------------|------------------|---------------|---|-------------|--------------|---|---|--|--------------------------------|---|
|              |                 |                  |               | Threshold (\$)  | Target (\$) | Maximum (\$) |   |   |  |                                |   |
| Mr. Marriott | Incentive Plan  |                  |               | 235,060   | 940,241     | 1,429,166    |   |   |  |                                |   |
|              | Individual Plan |                  |               | 156,707   | 626,827     | 952,777      |   |   |  |                                |   |
|              | SAR             | 2/7/08           | 2/19/08       |   |             |              |   | 447,304   | 35.29                                  | 35.54                          | 5,750,012   |
| Mr. Shaw     | Incentive Plan  |                  |               | 137,596   | 550,385     | 825,577      |   |   |  |                                |   |
|              | Individual Plan |                  |               | 91,731  | 366,923     | 550,385      |   |   |  |                                |   |
|              | SAR             | 2/7/08           | 2/19/08       |   |             |              |   | 194,480   | 35.29                                  | 35.54                          | 2,500,005   |
| Mr. Sorenson | Incentive Plan  |                  |               | 76,825  | 307,298     | 471,191      |   |   |  |                                |   |
|              | Individual Plan |                  |               | 51,216  | 204,865     | 314,127      |   |   |  |                                |   |
|              | SAR             | 2/7/08           | 2/19/08       |   |             |              |   | 143,916   | 35.29                                  | 35.54                          | 1,850,014   |
| Mr. Sullivan | Incentive Plan  |                  |               | 64,020  | 256,082     | 392,659      |   |   |  |                                |   |
|              | Individual Plan |                  |               | 64,020  | 256,082     | 392,659      |   |   |  |                                |   |
|              | SAR             | 2/7/08           | 2/19/08       |   |             |              |   | 136,136   | 35.29                                  | 35.54                          | 1,750,004   |
| Mr. McCarthy | Incentive Plan  |                  |               | 43,935  | 175,741     | 263,611      |   |   |  |                                |   |
|              | Individual Plan |                  |               | 43,935  | 175,741     | 263,611      |   |   |  |                                |   |
|              | SAR             | 2/7/08           | 2/19/08       |   |             |              |   | 62,236  | 35.29                                  | 35.54                          | 800,032   |

- (1) Grant Date applies to equity awards reported in the All Other Stock Awards column. The Board approved the SARs at the February 7, 2008 meeting. Pursuant to the Company's equity compensation grant procedures described in the Compensation Discussion and Analysis, the grant date of these awards was February 19, 2008, the second trading day following the release of the Company's 2007 earnings.
- (2) The amounts reported in these columns include potential payouts corresponding to the achievement of the threshold, target, and maximum performance objectives under the Company's annual cash incentive plans.
- (3) This column represents the final closing price of the Company's Class A common stock on the NYSE on the date of grant. However, pursuant to the Company's equity compensation grant procedures, the awards were granted with an exercise or base price equal to the average of the high and low stock price of the Company's Class A common stock on the NYSE on the date of grant. In 2008, the exercise price was higher than the closing price.
- (4) The grant date fair value is the value of awards granted in 2008 as determined in accordance with FAS No. 123(R) disregarding that the Company recognizes the value of the awards for financial reporting purposes over the service period of the awards.

The Grants of Plan-Based Awards table reports the dollar value of cash incentive plan awards (at their threshold, target and maximum achievement levels) and the number and grant date fair value of stock awards granted to each Named Executive Officer during the 2008 fiscal year. With regard to cash incentives, this table reports the estimated potential value that could have been obtained by the executive, whereas the



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Summary Compensation Table reports the actual value realized for 2008 (paid in February 2009).

Annual SAR and RSU grants under the Stock Plan typically vest 25% on each of the first four anniversaries of their grant date, contingent on continued employment with the Company. Even when vested, an executive may lose the right to exercise or receive a distribution of any outstanding stock awards if the executive terminates employment due to serious misconduct as defined in the Stock Plan, or if the Committee determines that the executive has engaged in competition with the Company or has engaged in criminal conduct or other behavior that is actually or potentially harmful to the Company. The Company believes that these provisions serve its

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objectives of retention and aligning the executives' long-term interests to those of the Company. These awards do not offer dividend or voting rights until they vest or are exercised and shares are issued to the grantee.

**Outstanding Equity Awards at 2008 Fiscal Year-End**

The following table shows information about outstanding Options, SARs, and RS, RSU, DSB, and DSA awards at January 2, 2009, our fiscal year-end. The Intrinsic Value and Market Value are based on the closing price of the Company's Class A common stock on the NYSE on January 2, 2009, which was \$20.06.

| Name         | Option/SAR Awards   |                                |                            |                                 | Stock Awards   |   |
|--------------|---|--------------------------------|----------------------------|---------------------------------|--|---|
|              | Number of Securities Underlying Unexercised Options/ SARs Exercisable/Unexercisable (#) | Option/SAR Exercise Price (\$) | Option/SAR Expiration Date | Option/SAR Intrinsic Value (\$) | Number of Shares or Units of Stock Held That Have Not Vested (#) | Market Value of Share/Units That Have Not Vested (\$) |
| Mr. Marriott | Options   | 198,146                        | 6.6681                     | 11/3/09                         | 2,653,551  |   |
|              | Options   | 198,146                        | 6.5607                     | 11/3/09                         | 2,674,832  |   |
|              | Options   | 220,162                        | 8.514                      | 11/2/10                         | 2,541,990  |   |
|              | Options   | 220,162                        | 8.3769                     | 11/2/10                         | 2,572,175  |   |
|              | Options   | 700,000                        | 22.8675                    | 2/1/11                          |  |   |
|              | Options   | 156,316                        | 12.5492                    | 11/7/11                         | 1,174,058  |   |
|              | Options   | 156,316                        | 12.3472                    | 11/7/11                         | 1,205,634  |   |
|              | Options   | 800,000                        | 18.84                      | 2/19/12                         | 976,000  |   |
|              | Options   | 137,602                        | 15.5184                    | 11/6/12                         | 624,933  |   |
|              | Options   | 137,600                        | 15.2685                    | 11/6/12                         | 659,310  |   |
|              | Options   | 1,130,000                      | 15.105                     | 2/6/13                          | 5,599,150  |   |
|              | Options   | 384,000                        | 14.1094                    | 11/5/13                         | 2,285,030  |   |
|              | Options   | 658,800                        | 22.81                      | 2/5/14                          |  |   |
|              | Options   | 600,000                        | 16.5782                    | 11/4/14                         | 2,089,080  |   |
|              | Options   | 184,500                        | 61,500(1)                  | 32.16                           | 2/10/15  |   |
|              | SARs  | 447,304(2)                     | 35.54                      | 2/19/18                         |  |   |
|              | RSUs  |                                |                            |                                 |  | 189,028(3)  |
| Mr. Shaw     | Options   | 123,292                        | 6.6681                     | 11/3/09                         | 1,651,114  |   |
|              | Options   | 123,292                        | 6.5607                     | 11/3/09                         | 1,664,356  |   |
|              | Options   | 114,486                        | 8.514                      | 11/2/10                         | 1,321,855  |   |
|              | Options   | 114,486                        | 8.3769                     | 11/2/10                         | 1,337,551  |   |
|              | Options   | 250,000                        | 22.8675                    | 2/1/11                          |  |   |
|              | Options   | 101,274                        | 12.5492                    | 11/7/11                         | 760,649  |   |
|              | Options   | 101,276                        | 12.3472                    | 11/7/11                         | 781,122  |   |
|              | Options   | 350,000                        | 18.84                      | 2/19/12                         | 427,000  |   |
|              | Options   | 99,074                         | 15.5184                    | 11/6/12                         | 449,954  |   |
|              | Options   | 99,074                         | 15.2685                    | 11/6/12                         | 474,713  |   |
|              | Options   | 500,000                        | 15.105                     | 2/6/13                          | 2,477,500  |   |
|              | Options   | 264,000                        | 14.1094                    | 11/5/13                         | 1,570,958  |   |
|              | Options   | 296,480                        | 22.81                      | 2/5/14                          |  |   |
|              | Options   | 250,000                        | 16.5782                    | 11/4/14                         | 870,450  |   |
|              | Options   | 82,950                         | 27,650(1)                  | 32.16                           | 2/10/15  |   |
|              | SARs  | 194,480(4)                     | 35.54                      | 2/19/18                         |  |   |
|              | DSB   |                                |                            |                                 |  | 2,048(5)  |
| RSU          |   |                                |                            |                                 | 105,220(6)   | 2,110,713   |
| Mr. Sorenson | Options   | 160,000                        | 22.8675                    | 2/1/11                          |  |   |
|              | Options   | 22,018                         | 11.3757                    | 3/19/11                         | 191,211  |   |
|              | Options   | 22,018                         | 11.5619                    | 3/19/11                         | 187,111  |   |
|              | Options   | 7,926                          | 12.5492                    | 11/7/11                         | 59,531   |   |

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Options | 7,926   | 12.3472 | 11/7/11 | 61,132  |
| Options | 220,000 | 18.84   | 2/19/12 | 268,400 |

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| Name         | Option/SAR Awards |  |                                |                            | Stock Awards  |  |   |
|--------------|-------------------|--|--------------------------------|----------------------------|---|--|---|
|              |                   | Number of Securities Underlying Unexercised Options/ SARs Exercisable/ Unexercisable (#) | Option/SAR Exercise Price (\$) | Option/SAR Expiration Date | Option/SAR Intrinsic Value (\$)<br>Exercisable/ Unexercisable | Number of Shares or Units of Stock Held That Have Not Vested (#) | Market Value of Share/Units That Have Not Vested (\$) |
|              | Options           | 14,312   | 15.5184                        | 11/6/12                    | 64,999  |  |   |
|              | Options           | 14,312   | 15.2685                        | 11/6/12                    | 68,576  |  |   |
|              | Options           | 320,000  | 15.105                         | 2/6/13                     | 1,585,600   |  |   |
|              | Options           | 90,000   | 14.1094                        | 11/5/13                    | 535,554   |  |   |
|              | Options           | 197,640  | 22.81                          | 2/5/14                     |   |  |   |
|              | Options           | 210,000  | 23.80                          | 4/29/14                    |   |  |   |
|              | Options           | 150,000  | 16.5782                        | 11/4/14                    | 522,270   |  |   |
|              | Options           | 110,700  | 32.16                          | 2/10/15                    |   |  |   |
|              | SARs              | 66,800   | 34.465                         | 2/13/16                    |   |  |   |
|              | SARs              | 22,100   | 49.03                          | 2/12/17                    |   |  |   |
|              | SARs              | 143,916(10)  | 35.54                          | 2/19/18                    |   |  |   |
|              | DSB               |  |                                |                            |   | 958(11)  | 19,217  |
|              | RS                |  |                                |                            |   | 22,500(12)   | 451,350   |
|              | RSUs              |  |                                |                            |   | 42,000(13)   | 842,520   |
| Mr. Sullivan | Options           | 220,000  | 18.84                          | 2/19/12                    | 268,400   |  |   |
|              | Options           | 44,034   | 15.5184                        | 11/6/12                    | 199,985   |  |   |
|              | Options           | 44,032   | 15.2685                        | 11/6/12                    | 210,979   |  |   |
|              | Options           | 320,000  | 15.105                         | 2/6/13                     | 1,585,600   |  |   |
|              | Options           | 132,000  | 14.1094                        | 11/5/13                    | 785,479   |  |   |
|              | Options           | 197,640  | 22.81                          | 2/5/14                     |   |  |   |
|              | Options           | 150,000  | 16.5782                        | 11/4/14                    | 522,270   |  |   |
|              | Options           | 55,350   | 32.16                          | 2/10/15                    |   |  |   |
|              | SARs              | 33,400   | 34.465                         | 2/13/16                    |   |  |   |
|              | SARs              | 11,050   | 49.03                          | 2/12/17                    |   |  |   |
|              | SARs              | 136,136(16)  | 35.54                          | 2/19/18                    |   |  |   |
|              | RSUs              |  |                                |                            |   | 63,864(17)   | 1,281,112   |
| Mr. McCarthy | Options           | 2  | 6.6681                         | 11/3/09                    | 27  |  |   |
|              | Options           | 27,500   | 22.8675                        | 2/1/11                     |   |  |   |
|              | Options           | 18,750   | 15.91                          | 11/1/11                    | 77,813  |  |   |
|              | Options           | 120,600  | 15.105                         | 2/6/13                     | 597,573   |  |   |
|              | Options           | 65,880   | 22.81                          | 2/5/14                     |   |  |   |
|              | Options           | 19,290   | 32.16                          | 2/10/15                    |   |  |   |
|              | SARs              | 28,596   | 34.465                         | 2/13/16                    |   |  |   |
|              | SARs              | 9,325  | 49.03                          | 2/12/17                    |   |  |   |
|              | SARs              | 62,236(20)   | 35.54                          | 2/19/18                    |   |  |   |
|              | DSB               |  |                                |                            |   | 989(21)  | 19,839  |
|              | DSA               |  |                                |                            |   | 8,000(22)  | 160,480   |
|              | RSUs              |  |                                |                            |   | 50,236(23)   | 1,007,734   |

- (1) Vests on February 10, 2009.
- (2) 111,826 SARs vest on each of February 19, 2009, February 19, 2010, February 19, 2011 and February 19, 2012.
- (3) 91,178 RSUs vest on February 15, 2009. 69,800 RSUs vest on February 15, 2010. 28,050 RSUs vest on February 15, 2011.
- (4) 48,620 SARs vest on each of February 19, 2009, February 19, 2010, February 19, 2011 and February 19, 2012.
- (5) 1,370 DSB units vest on January 2, 2010. 678 DSB units vest on January 2, 2011.
- (6) 61,120 RSUs vest on February 15, 2009. 31,500 RSUs vest on February 15, 2010. 12,600 RSUs vest on February 15, 2011.
- (7) Vests on April 29, 2009.
- (8) 33,400 SARs vest on each of February 13, 2009 and February 13, 2010.

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- (9) 22,100 SARs vest on each of February 12, 2009, February 12, 2010 and February 12, 2011.
- (10) 35,979 SARs vest on each of February 19, 2009, February 19, 2010, February 19, 2011 and February 19, 2012.
- (11) 622 DSB units vest on January 2, 2010. 336 DSB units vest on January 2, 2011.
- (12) 7,500 RS awards vest on each of February 6, 2009, February 6, 2010 and February 6, 2011.
- (13) 4,000 RSUs vest on each of February 15, 2009, February 15, 2010 and February 15, 2011. 30,000 RSUs vest on May 15, 2009.
- (14) 16,700 SARs vest on each of February 13, 2009 and February 13, 2010.
- (15) 11,050 SARs vest on each of February 12, 2009, February 12, 2010 and February 12, 2011.
- (16) 34,034 SARs vest on each of February 19, 2009, February 19, 2010, February 19, 2011 and February 19, 2012.
- (17) RSUs vest as follows:

- 41,014 on February 15, 2009
- 14,600 on February 15, 2010
- 8,250 on February 15, 2011

- (18) 14,298 SARs vest on each of February 13, 2009 and February 13, 2010.
- (19) 9,325 SARs vest on each of February 12, 2009, February 12, 2010 and February 12, 2011.
- (20) 15,559 SARs vest on each of February 19, 2009, February 19, 2010, February 19, 2011 and February 19, 2012.
- (21) DSB units vest as follows:

- 414 on January 2, 2010
- 232 on January 2, 2011
- 38 on January 2, 2012
- 39 on January 2, 2013
- 37 on January 2, 2014
- 38 on each of January 2, 2015, January 2, 2016, January 2, 2017, January 2, 2018 and January 20, 2019
- 39 on January 2, 2020

(22) Vests on February 5, 2009.

(23) RSUs vest as follows:

- 7,236 on February 15, 2009
- 14,000 on each of December 15, 2009 and December 15, 2010
- 5,000 on each of February 15, 2010, February 15, 2011 and February 15, 2012

The Outstanding Equity Awards at Fiscal Year-End table reflects the potential value, based on the Company's year-end stock price, of all outstanding unvested or vested but unexercised equity awards held by the Named Executive Officers as of the last day of the fiscal year. These include RSUs and SARs granted in 2007, as well as RSU, RS, DSB and DSA awards, and Options granted prior to 2008. Options/SARs and RSUs are described above. The following describes the RS, DSB and DSA awards:

**RS** RS awards were last granted in 2003. RS awards were grants of stock that were subject to general restrictions such as continued employment and non-competition. Holders of RS awards receive dividends and may exercise voting rights on their restricted shares. Shares are released from restrictions over a 5-, 8- or 10-year period.

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**DSB** DSBs were last granted in 2001. There are two types of DSBs: (1) a current award, which is distributed in ten annual installments beginning one year after the award is granted, or (2) a deferred award, which is distributed in one or up to ten annual installments beginning the January following termination of employment. Both types of DSBs contingently vest in ten equal annual installments beginning one year after the award was made.

**DSA** DSAs were last granted in 2003. DSAs are similar to DSBs except that they typically vest in five or ten equal annual installments and generally are distributable in ten annual installments following termination of employment.

**Option Exercises and Stock Vested During Fiscal 2008**

The following table shows information about Option exercises and vesting of RSU, RS, DSB and DSA awards during fiscal year 2008.

| Name         | Award Type | Exercise Date | Option Awards                             |                                      | Award Type | Vesting Date | Stock Awards                             |                                     |
|--------------|------------|---------------|---|--------------------------------------|------------|--------------|--|-------------------------------------|
|              |            |               | Number of Shares Acquired on Exercise (#) | Value Realized Upon Exercise (\$)(1) |            |              | Number of Shares Acquired on Vesting (#) | Value Realized Upon Vesting (\$)(2) |
| Mr. Marriott | Options    | 2/27/08       | 209,154                                   | 6,358,909                            | RSU        | 2/15/08      | 91,178                                   | 3,217,672                           |
|              | Options    | 5/6/08        | 80,000                                    | 2,432,406                            |            |              |  |                                     |
|              | Options    | 5/7/08        | 30,000                                    | 920,391                              |            |              |  |                                     |
|              | Options    | 5/12/08       | 99,154                                    | 3,035,050                            |            |              |  |                                     |
| Mr. Shaw     |            |               |   |                                      | DSB        | 1/2/08       | 2,870                                    | 95,858                              |
|              |            |               |   |                                      | RS         | 2/6/08       | 26,000                                   | 923,260                             |
|              |            |               |   |                                      | RSU        | 2/15/08      | 61,120                                   | 2,156,925                           |
|              |            |               |   |                                      | DSB        | 1/2/09       | 2,154                                    | 42,951                              |
| Mr. Sorenson |            |               |   |                                      | DSB        | 1/2/08       | 1,124                                    | 37,542                              |
|              |            |               |   |                                      | RS         | 2/6/08       | 7,500                                    | 266,325                             |
|              |            |               |   |                                      | RSU        | 2/15/08      | 4,000                                    | 141,160                             |
|              |            |               |   |                                      | RSU        | 5/15/08      | 30,000                                   | 1,063,500                           |
|              |            |               |   |                                      | RS         | 11/5/08      | 4,000                                    | 82,440                              |
|              |            |               |   |                                      | DSB        | 1/2/09       | 894                                      | 17,826                              |
| Mr. Sullivan |            |               |   |                                      | RS         | 2/6/08       | 12,000                                   | 426,120                             |
|              |            |               |   |                                      | RSU        | 2/15/08      | 45,014                                   | 1,588,544                           |
| Mr. McCarthy |            |               |   |                                      | DSB        | 1/2/08       | 782                                      | 26,119                              |
|              |            |               |   |                                      | DSA        | 2/5/08       | 8,000                                    | 287,120                             |
|              |            |               |   |                                      | RSU        | 2/15/08      | 7,236                                    | 255,358                             |
|              |            |               |   |                                      | RSU        | 12/15/08     | 12,000                                   | 197,040                             |
|              |            |               |   |                                      | DSB        | 1/2/09       | 596                                      | 11,884                              |

(1) The value realized upon exercise is based on the current trading price at the time of exercise.

(2) The value realized upon vesting is based on the average of the high and low stock price on the vesting date.

**Pension Benefits for Fiscal Year 2008**

The Company does not maintain a defined benefit pension plan or supplemental pension plan.



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The following table discloses contributions, earnings, balances and distributions under the Company's nonqualified Executive Deferred Compensation Plan for the 2008 fiscal year.

| Name         | Executive Contributions in Last FY (\$)(1) | Company Contributions in Last FY (\$) | Aggregate Earnings in Last FY (\$)(2) | Aggregate Withdrawals / Distributions (\$) | Aggregate Balance at Last FYE(\$)(3) |
|--------------|--|---------------------------------------|---------------------------------------|--|--------------------------------------|
| Mr. Marriott | 831,692                                    | 152,767                               | 501,792                               |  | 14,583,427                           |
| Mr. Shaw     | 135,495                                    | 102,409                               | 1,061,378                             |  | 9,065,985                            |
| Mr. Sorenson | 82,890                                     | 61,536                                | 488,591                               |  | 1,801,356                            |
| Mr. Sullivan | 775,259                                    | 62,400                                | 697,119                               |  | 8,957,285                            |
| Mr. McCarthy | 496,787                                    | 197,237(4)                            | 736,939                               |  | 1,488,463                            |

- (1) The amounts in this column consist of elective deferrals by the Named Executive Officers of salary for the 2008 fiscal year and non-equity incentive plan compensation for 2007 (otherwise payable in 2008) under the Company's nonqualified Executive Deferred Compensation Plan. The following table indicates the portion of each executive's 2008 elective contributions that were attributable to 2008 salary which is reported in the Summary Compensation Table. The portion relating to non-equity incentive plan compensation relates to amounts earned and reported as compensation in 2007 (although payable in 2008).

| Name         | Amounts that relate to the contribution of Salary (\$) |
|--------------|--|
| Mr. Marriott | 615,000  |
| Mr. Shaw     | 61,154   |
| Mr. Sorenson | 40,973   |
| Mr. Sullivan | 201,000  |
| Mr. McCarthy | 116,055  |

- (2) The amounts in this column reflect aggregate notional earnings during 2008 of each Named Executive Officer's account in the Executive Deferred Compensation Plan. Aggregate notional earnings in this table are not reported in the Summary Compensation Table because they are based on market rates that are determined by reference to mutual funds.
- (3) This column includes amounts in each Named Executive Officer's total Executive Deferred Compensation account balance as of the last day of the fiscal year. The following table reports the portion of the Aggregate Balance that was reported as compensation in the Summary Compensation Table in each of the Company's prior year proxy statements since we became a public company on March 27, 1998.

| Name         | Amounts that were reported as compensation in prior year proxy statements (\$) |
|--------------|--|
| Mr. Marriott | 10,182,856   |
| Mr. Shaw     | 3,153,647  |
| Mr. Sorenson | 1,252,850  |
| Mr. Sullivan | 5,757,447  |
| Mr. McCarthy | 1,148,046  |

- (4) Of this reported amount, \$150,000 represents one of four equal installments beginning in 2006. The decision to make these contributions was made by the Company in 2005, before Mr. McCarthy was a Named Executive Officer.





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Under the Company's Executive Deferred Compensation Plan, participants are eligible to defer the receipt of up to 80% of their salary, bonus, non-equity incentive plan compensation and/or commissions. Such amounts are immediately vested. In addition, the Named Executive Officers may receive a discretionary match which vests 25% per year for each year that the executive remains employed by the Company following the date the Company match is allocated to the executive's plan account, or if sooner, which vests in full upon approved retirement, death or disability. For 2008, the Company matched 75% on deferrals of the first 6% of compensation for each of the Named Executive Officers.

Accounts in the Executive Deferred Compensation Plan are credited with notional earnings based on the market rate of return of the available benchmark investment alternatives offered under the plan. The benchmark investment alternatives are indexed to traded mutual funds, and each Named Executive Officer may elect among the investment alternatives in increments of 1% of his or her account. The executive may make daily changes in his or her investment election for future deferrals, and may make monthly transfers of balances between the available investment alternatives. If no investment election is made, a default investment alternative is selected by the plan administrator. In 2008, the benchmark investments and their respective notional annual rates of return in the Executive Deferred Compensation Plan were as follows:

| <b>Benchmark Investment</b>      | <b>2008 Rate of Return (1)</b> |
|----------------------------------|--------------------------------|
| Vanguard Money Market            | 2.8%                           |
| PIMCO Total Return               | 4.8%                           |
| Vanguard Balanced                | -22.6%                         |
| Fidelity VIP Index 500           | -37.0%                         |
| Fidelity VIP Contrafund          | -42.5%                         |
| GE Premier Growth Equity         | -12.3%(2)                      |
| Vanguard Capital Growth          | -21.6%(3)                      |
| Vanguard Mid-Cap Index           | -41.8%                         |
| Vanguard Diversified Value       | -36.1%                         |
| Royce Small Cap                  | -27.2%                         |
| Franklin Templeton International | -25.6%(2)                      |
| Vanguard International           | -23.3%(3)                      |

- (1) Rate of return is for the period January 1, 2008 through December 31, 2008.
- (2) The GE Premier Growth Equity and Franklin Templeton International benchmark investments were no longer offered after September 30, 2008. The rate of return shown is for the period January 1, 2008 through September 30, 2008.
- (3) The Vanguard Capital Growth and Vanguard International benchmark investments were first offered on October 1, 2008. The rate of return shown is for the period October 1, 2008 through December 31, 2008.

Executives may receive a distribution of the vested portion of their Executive Deferred Compensation Plan accounts upon termination of employment (including retirement or disability) or, in the case of deferrals by the executive (and related notional earnings), upon a specified future date while still employed (an *in-service distribution*), as elected by the executive. Each year's deferrals may have a separate distribution election. Distributions payable upon termination of employment may be elected as (i) a lump sum cash payment; (ii) a series of annual cash installments payable over a designated term not to exceed twenty years; or (iii) five annual cash payments beginning on the sixth January following termination of employment. In-service distributions may be elected by the executive as a single lump sum cash payment or in annual cash payments over a term of one to five years, in either case beginning not earlier than the third calendar year following the calendar year of the deferral. However, in the case of amounts of \$10,000

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or less, or when no election regarding the form of distribution is made, the distribution will be made in a lump sum. When the executive is a key employee for purposes of Section 409A of the Internal Revenue Code, any distribution payable on account of termination of employment will not occur during the six months following termination of employment. Typically, the Named Executive Officers are key employees.

### **Potential Payments Upon Termination or Change in Control**

The Company does not have employment agreements or severance agreements with any of the Named Executive Officers.

Upon retirement or permanent disability (as defined in the pertinent plan), a Named Executive Officer may continue to vest in outstanding stock awards (with the exception of certain supplemental RSU awards granted after 2005); may exercise Options and SARs for up to 5 years in accordance with the awards' original terms; and immediately vests in the unvested portion of his Executive Deferred Compensation account. However, some stock awards granted after 2005, provide that if the executive retires within one year after the grant date, the executive forfeits a portion of the stock award proportional to the number of days remaining within that one year period. For these purposes, retirement is a termination of employment with retirement approval of the Committee by an executive who has attained age 55 with 10 years of service with the Company, or, for the Executive Deferred Compensation Plan and for Stock Plan equity awards granted before 2006, has attained 20 years of service with the Company. In all cases, however, the Committee or its designee has the authority to revoke approved retiree status if an executive terminates employment for serious misconduct or is subsequently found to have engaged in competition with the Company or engaged in criminal conduct or other behavior that is actually or potentially harmful to the Company. A Named Executive Officer who dies as an employee or approved retiree immediately vests in his Executive Deferred Compensation account, Options/SARs and other stock awards. These provisions were developed based on an analysis of external market data. As of January 2, 2009, J.W. Marriott, Jr., William J. Shaw, James M. Sullivan, and Robert J. McCarthy met the age and service conditions for retirement eligibility. Arne M. Sorenson would meet such conditions if he remains employed until October 13, 2013.

Under the Stock Plan, in the event of a change in control of the Company, the Company or its successor will in its discretion provide substitute equity awards under the Stock Plan or, if in the event no similar equity awards are available, an equivalent value as determined at that time will be credited to each Named Executive Officer's account in the Executive Deferred Compensation Plan. If the Company or its successor does not substitute equity awards or credit the Executive Deferred Compensation Plan accounts, the Company or its successor will provide for the awards to be exercised, distributed, canceled or exchanged for value. The vested and unvested values of the equity awards as of the last day of the fiscal year are indicated for each Named Executive Officer in the Outstanding Equity Awards at 2008 Fiscal Year-End table.

In addition, effective November 7, 2008, in the event that any Named Executive Officer's employment is terminated by the Company other than for the executive's misconduct (or by the executive for Good Reason, as defined under the Stock Plan) beginning three months before and ending twelve months following a change in control of the Company, the Named Executive Officer will become fully vested in all unvested equity awards under the Stock Plan and unvested balances in the Executive Deferred Compensation Plan. In those circumstances, all Options and SARs will be exercisable no later than the

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later of the original expiration date of the awards or twelve months following the termination of employment, and all other stock awards shall be immediately distributed following the later of the termination of employment or the change in control event. In addition, any cash incentive payments under the Incentive Plan will be made immediately based on the target performance level, pro-rated based on the days worked during the year until the Named Executive Officer's termination of employment. The Company did not provide for any tax gross-ups on these benefits, and instead specifically limited the benefits to avoid adverse tax consequences to the Company. Specifically, each of these benefits are subject to a cut-back, so that no such benefits will be provided to the extent it would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provisions of the Internal Revenue Code.

The table below reflects the intrinsic value of unvested stock awards and unvested Executive Deferred Compensation accounts that each Named Executive Officer would receive upon retirement, disability, death, or involuntary termination of employment in connection with a change in control as of January 2, 2009 (based on the Company's fiscal year-end closing stock price of \$20.06).

| Name         | Plan       | Retirement (\$) | Disability (\$) | Death (\$) | Change in Control and Involuntary Termination(\$) |
|--------------|------------|-----------------|-----------------|------------|---|
| Mr. Marriott | EDC        | 295,264         | 295,264         | 295,264    | 295,264   |
|              | Stock Plan | 3,791,902       | 3,791,902       | 3,791,902  | 3,791,902   |
| Mr. Shaw     | EDC        | 198,774         | 198,774         | 198,774    | 198,774   |
|              | Stock Plan | 1,750,596       | 2,151,796       | 2,151,796  | 2,151,796   |
| Mr. Sorenson | EDC        |                 | 106,636         | 106,636    | 106,636   |
|              | Stock Plan |                 | 1,313,087       | 1,313,087  | 1,313,087   |
| Mr. Sullivan | EDC        | 124,853         | 124,853         | 124,853    | 124,853   |
|              | Stock Plan | 1,040,392       | 1,281,112       | 1,281,112  | 1,281,112   |
| Mr. McCarthy | EDC        | 63,519          | 63,519          | 63,519     | 63,519  |
|              | Stock Plan | 786,854         | 1,188,054       | 1,188,054  | 1,188,054   |

The benefits reported in the table above are in addition to benefits available prior to the occurrence of any termination of employment, including benefits available under then-exercisable SARs and Options, and vested Executive Deferred Compensation Plan balances, and benefits available generally to salaried employees such as benefits under the company's 401(k) plan, group medical and dental plans, life and accidental death insurance plans, disability programs, health and dependent care spending accounts, and accrued paid time off. The actual amounts that would be paid upon a named executive officer's termination of employment can be determined only at the time of any such event. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed above, any actual amounts paid or distributed may be higher or lower than reported above. Factors that could affect these amounts include the timing during the year of any such event, the Company's stock price and the executive's age. In addition, in connection with any actual termination of employment or change in control transaction, the Company may determine to enter into an agreement or to establish an arrangement providing additional benefits or amounts, or altering the terms of benefits described above, as the Committee determines appropriate.

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### **Director Compensation**

For 2008, non-employee directors received compensation in the form of meeting attendance fees and annual cash retainer fees, as well as annual Non-Employee Director Share Awards under the Stock Plan. The Vice Chairman of the Board receives fees and stock awards at 125% of the amount of the other directors. The chairs of each Committee of the Board receive an additional retainer fee to compensate for the responsibilities of those positions.

Attendance and retainer fees are paid on a quarterly basis. However, in accordance with established Company procedures, a director may elect to defer payment of all or a portion of his or her director fees pursuant to the Company's Executive Deferred Compensation Plan and/or the Stock Plan. As elected by the director, fees that are deferred pursuant to the Stock Plan are credited to the director's stock unit account in that plan, or are replaced with Director SARs having equivalent grant-date value, except that only the annual retainer may be replaced with Director SARs. Director SARs are granted at fair market value, have a 10-year term, and are immediately vested but cannot be exercised until one year following grant. As elected by the director, retainer and meeting fees that are credited to the director's stock unit account may be distributed in a lump sum or in one to 10 annual installments following termination of service as a Board member. Retainer and meeting fees that are deferred to the director's stock unit account accrue dividend equivalents but do not provide voting rights until the stock is distributed.

The Company grants the Non-Employee Director Share Awards following the Company's annual meeting of shareholders. The Non-Employee Director Share Award is valued at \$80,000 except for the Vice Chairman of the Board whose award is valued at \$100,000. In the year prior to the grant of the award, the recipient may choose to have his or her award distributed in a lump sum or in one to 10 annual installments following termination of service as a Board member. The annual Non-Employee Director Share Awards neither accrue dividend equivalents nor provide voting rights until the stock is distributed to them. The pricing practices for executive stock awards discussed in the Compensation Discussion and Analysis above are followed for director stock awards.

The Company reimburses directors for travel expenses, other out-of-pocket costs they incur when attending meetings and, for one meeting per year, attendance by spouses. To encourage our directors to visit and personally evaluate our properties, the directors also receive complimentary rooms, food and beverages at Company-owned, operated or franchised hotels, as well as the use of hotel-related services such as Marriott-managed golf and spa facilities, when on personal travel. The value of these benefits is reported to the directors as taxable compensation.

**Table of Contents****Director Compensation for Fiscal Year 2008**

The following Director Compensation Table shows the compensation we paid in 2008 to our non-employee directors. As officers, J.W. Marriott, Jr. and William J. Shaw are not paid for their service as directors.

| Name                    | Fees Earned or Paid in Cash<br>\$(1)(2) | Stock Awards<br>\$(3)(4) | All Other Compensation<br>\$(5)(6) | Total<br>(\$) |
|-------------------------|---|--------------------------|------------------------------------|---------------|
| Richard S. Braddock     | 5,833                                   |                          |                                    | 5,833         |
| Mary Bush               | 52,500                                  | 80,010                   |                                    | 132,510       |
| Lawrence W. Kellner     | 88,750                                  | 80,010                   |                                    | 168,760       |
| Debra L. Lee            | 85,000                                  | 80,010                   | 3,825                              | 168,835       |
| John W. Marriott III    | 82,813                                  | 100,003                  |                                    | 182,816       |
| Floretta Dukes McKenzie | 27,500                                  |                          | 1,238                              | 28,738        |
| George Muñoz            | 98,750                                  | 80,010                   | 4,444                              | 183,204       |
| Harry J. Pearce         | 78,750                                  | 80,010                   | 3,544                              | 162,304       |
| Steven S Reinemund      | 85,417                                  | 80,010                   | 20,792                             | 186,219       |
| Lawrence M. Small       | 75,008                                  | 80,010                   | 16,195                             | 171,213       |

- (1) For 2008, each non-employee director received a retainer fee of \$60,000 and an attendance fee of \$1,250 for each Board, committee or shareholder meeting attended. Steven S Reinemund received an additional annual retainer of \$9,167 for his services as chair of the Compensation Policy Committee beginning in February 2008. George Muñoz received an additional annual retainer of \$20,000 for his services as chair of the Audit Committee. Lawrence W. Kellner and Debra L. Lee each received an additional annual retainer of \$10,000 each for their service as chairs of the Nominating and Corporate Governance Committee and Committee for Excellence, respectively. Mary Bush was elected to the Board as a new member at the 2008 annual meeting of shareholders on May 2, 2008. Richard S. Braddock resigned from the Board on February 5, 2008. Floretta Dukes McKenzie retired from the Board at the 2008 annual meeting of shareholders on May 2, 2008. John W. Marriott III serves as the non-employee Vice Chairman of the Company's Board of Directors. Relating to his services as a non-employee Vice Chairman, he receives 125 percent of the ordinary annual cash retainer (disregarding committee chair retainers), attendance fees and annual stock award of the non-employee directors.
- (2) This column includes any cash retainer and meeting fee amounts that the directors elected to be deferred to their stock unit accounts in the Stock Plan, annual cash retainers that the directors elected to receive as SARs, as well as fees that were deferred pursuant to the Executive Deferred Compensation Plan as follows:

| Name          | Fees Credited to Stock Unit Account in the Stock Plan (\$) | Fees Elected as a Director SAR Award (\$) | Fees Deferred to the Executive Deferred Compensation Plan (\$) |
|---------------|--|---|--|
| Ms. Lee       |  |   | 5,100  |
| Dr. McKenzie  | 6,875  |   | 6,875  |
| Mr. Muñoz     | 75,200   |   | 5,925  |
| Mr. Pearce    | 74,025   |   | 4,725  |
| Mr. Reinemund |  |   | 3,550  |
| Mr. Small     | 14,100   | 56,408                                    | 4,500  |

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Because cash retainers and meeting fees otherwise are paid quarterly, fees were credited to the directors' stock unit accounts in the Stock Plan on April 10, 2008, July 10, 2008, October 10, 2008, and January 9, 2009. The number of shares credited to each director's stock unit account was determined by dividing the dollar amount that the director elected to defer by the average of the high and low trading prices of the Company's Class A common stock on the respective credit dates, which were \$34.22, \$24.79, \$17.50, and \$20.12, respectively. The Director SARs were granted on the first business day after the annual shareholders meeting. The number of Director SARs received was determined by dividing the dollar amount of the cash retainer elected by the estimated value of a Director SAR at the time of grant. The per-share value of each Director SAR as reported in this column was \$15.03, determined in accordance with FAS No. 123(R). In 2008, each award was granted on May 5, 2008, at a trading price of \$36.22.

- (3) In 2008, each director was granted a Non-Employee Director Share Award on May 5, 2008 for 2,209 shares, except that the Vice Chairman received 2,761 shares. In accordance with the Company's equity compensation grant procedures, the awards were determined by dividing each director's annual retainer fee for the year by the average of the high and low prices of a share of the Company's Class A common stock on the date the awards were granted, which was \$36.22 per share.
- (4) The following table indicates the number of outstanding Director Options ( Options ), Director SARs ( SARs ), shares credited to director stock unit accounts in the Stock Plan and Non-Employee Director Share Awards (together, DS ), as well as RSU and DSB awards held by each director at the end of 2008.

| Name                | Award Type | Number of Securities Underlying                      |  | Number of Shares or<br>Units of Stock Held That<br>Have Not Vested (#) | Number of Shares or<br>Units of Stock Held That<br>Have Vested #(2) |
|---------------------|------------|--|--|--|---|
|                     |            | Unexercised Director Options/SARs<br>Exercisable (#) | Unexercised Director Options/SARs<br>Unexercisable (#) |  |   |
| Mr. Braddock        | SARs       | 4,228  |  |  |   |
| Ms. Bush            | DS         |  |  |  | 2,209   |
| Mr. Kellner         | DS         |  |  |  | 12,421  |
| Ms. Lee             | DS         |  |  |  | 7,503   |
| Mr. Marriott III(1) | Options    | 84,040   | 6,430  |  |   |
|                     | DSB        |  |  | 552  |   |
|                     | RSU        |  |  | 14,236   |   |
|                     | DS         |  |  |  | 6,963   |
| Dr. McKenzie        | Options    | 876  |  |  |   |
|                     | DS         |  |  |  | 41,420  |
| Mr. Muñoz           | Options    | 8,008  |  |  |   |
|                     | DS         |  |  |  | 20,745  |
| Mr. Pearce          | DS         |  |  |  | 59,450  |
| Mr. Reinemund       | DS         |  |  |  | 3,939   |
| Mr. Small           | Options    | 38,452   |  |  |   |
|                     | SARs       | 8,160  | 3,753  |  |   |
|                     | DS         |  |  |  | 46,336  |

- (1) John W. Marriott III's outstanding Options and invested stock units/shares were granted when he was an employee of the Company.
- (2) This column represents fiscal year-end balances held in the director deferred stock plan.

- (5) This column includes Company allocations made by the Company under the Executive Deferred Compensation Plan for fiscal year 2008.

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- (6) The directors receive complimentary rooms, food and beverages at Company-owned, operated or franchised hotels, as well as the use of hotel-related services such as Marriott-managed golf and spa facilities, when on personal travel. The values in this column do not include perquisites and personal benefits that were less than \$10,000 in aggregate for the fiscal year.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table sets forth information about the securities authorized for issuance under the Company's equity compensation plans as of January 2, 2009.

| Plan Category   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) |
|---|---|---|---|
| Equity compensation plans approved by shareholders        | 50,127,129(1)   | \$ 17.45  | 18,513,401(2)   |
| Equity compensation plans not approved by shareholders(3) |   |   |   |
| <b>Total</b>  | <b>50,127,129</b>   |   | <b>18,513,401</b>   |

- (1) Includes 11,482,393 shares of outstanding DSB, DSA, RS and RSU awards, as well as DS awards to directors in the Stock Plan, that are not included in the calculation of the Weighted-Average Exercise Price column.
- (2) Consists of 8,303,667 securities available for issuance under the Stock Plan and 10,209,734 securities available for issuance under the Employee Stock Purchase Plan.
- (3) All of the Company's equity compensation plans have been approved by shareholders.



**Table of Contents****STOCK OWNERSHIP****Stock Ownership of our Directors, Executive Officers and Certain Beneficial Owners**

The table below sets forth the beneficial ownership of Class A common stock by our directors, director nominees and executive officers as of January 31, 2009 (unless otherwise noted), as well as additional information about beneficial owners of 5 percent or more of the Company's Class A common stock. Ownership consists of sole voting and sole investment power, except as indicated in the notes below, and except for shares registered in the name of children sharing the same household or subject to any community property laws. Unless otherwise noted, the address for all greater than five percent beneficial owners is Marriott International, Inc., 10400 Fernwood Road, Bethesda, Maryland 20817.

**Note on Various Marriott Family Holdings:** SEC rules require reporting of beneficial ownership of certain shares by multiple parties, resulting in multiple counting of some shares. After eliminating double-counting of shares beneficially owned, J.W. Marriott, Jr. and John W. Marriott III together have an aggregate beneficial ownership of 17% of Marriott's outstanding shares. The aggregate total beneficial ownership of J.W. Marriott, Jr., John W. Marriott III, and each of the Other 5% Beneficial Owners shown below, except for Southeastern Asset Management, Inc. and T. Rowe Price Associates, Inc., is 25.2% of outstanding shares after removing the shares counted multiple times. These individuals and entities each disclaim beneficial ownership over shares owned by other members of the Marriott family and the entities named below except as specifically disclosed in the footnotes following the table below.

| Name   | Shares<br>Beneficially Owned |                 | Percent of<br>Class(1) |
|--|------------------------------|-----------------|------------------------|
| <b>Directors and Director Nominees:</b>                    |                              |                 |                        |
| J.W. Marriott, Jr.   | 59,406,687                   | (2)(3)(4)(5)    | 16.7%                  |
| John W. Marriott III                                       | 25,091,946                   | (3)(4)(6)(7)(8) | 7.2%                   |
| Mary K. Bush   | 0                            | (8)             | *                      |
| Lawrence W. Kellner  | 2,000                        | (8)             | *                      |
| Debra L. Lee   | 2,640                        | (8)             | *                      |
| George Muñoz   | 10,008                       | (8)(9)          | *                      |
| Harry J. Pearce  | 8,426                        | (8)             | *                      |
| Steven S Reinemund   | 2,000                        | (8)             | *                      |
| W. Mitt Romney   | 0                            |                 | *                      |
| William J. Shaw  | 3,348,616                    | (9)             | *                      |
| Lawrence M. Small  | 127,813                      | (8)(9)(11)      | *                      |
| <b>Other Named Executive Officers:</b>                     |                              |                 |                        |
| Robert J. McCarthy   | 408,969                      | (9)             | *                      |
| Arne M. Sorenson   | 2,026,546                    | (6)(9)(10)      | *                      |
| James M. Sullivan  | 1,633,044                    | (9)             | *                      |
| <b>All Directors, Nominees and Executive Officers as a</b> |                              |                 |                        |
| <b>Group</b> (20 persons, including the foregoing)         | 69,582,971                   | (12)            | 19.1%                  |
| <b>Other 5% Beneficial Owners:</b>                         |                              |                 |                        |
| Richard E. Marriott  | 47,784,170                   | (2)(13)         | 13.7%                  |
| Stephen G. Marriott  | 36,096,278                   | (4)(14)         | 10.3%                  |
| Deborah M. Harrison  | 24,999,156                   | (4)(15)         | 7.1%                   |
| David S. Marriott  | 24,966,774                   | (4)(6)(16)      | 7.1%                   |
| JWM Family Enterprises, Inc.                               | 22,527,960                   | (4)(6)          | 6.4%                   |
| JWM Family Enterprises, L.P.                               | 22,527,960                   | (4)(6)          | 6.4%                   |
| Southeastern Asset Management, Inc.                        | 25,485,685                   | (17)            | 7.3%                   |

6410 Poplar Avenue, Suite

900 Memphis, TN 38119

T. Rowe Price Associates, Inc.

100 E. Pratt Street

39,388,347

(18)

11.3%

Baltimore, MD 21202

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- \* Less than 1 percent.
- (1) Based on the number of shares outstanding (349,860,166) on January 31, 2009, plus the number of shares acquirable by the specified person(s) within 60 days of January 31, 2009, as described below.
  
  - (2) Includes the following 22,091,308 shares that both J.W. Marriott, Jr. and his brother Richard E. Marriott report as beneficially owned: (a) 5,736,864 shares held by 16 trusts for the benefit of their children, for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees; (b) 10,716,640 shares owned by The J. Willard & Alice S. Marriott Foundation, a charitable foundation, for which J.W. Marriott, Jr., Richard E. Marriott, and Stephen Garff Marriott serve as co-trustees; (c) 5,562,048 shares held by a charitable annuity trust created by the will of J. Willard Marriott, Sr., in which J.W. Marriott, Jr. and Richard E. Marriott have a remainder interest and for which they serve as co-trustees; and (d) 75,756 shares held by a trust established for the benefit of J.W. Marriott Jr., for which Richard E. Marriott serves as trustee.
  
  - (3) Includes the following 808,764 shares that both J.W. Marriott, Jr. and his son John W. Marriott III report as beneficially owned: (a) 320,000 shares owned by JWM Associates Limited Partnership, in which J.W. Marriott, Jr. is a general partner and in which John W. Marriott III is a limited partner; (b) 439,720 shares held by a trust for the benefit of John W. Marriott III, for which J.W. Marriott, Jr. s spouse serves as a co-trustee; and (c) 49,044 shares owned by three trusts for the benefit of John W. Marriott III s children, for which the spouses of John W. Marriott III and J.W. Marriott, Jr. serve as co-trustees.
  
  - (4) Includes the following 22,527,960 shares that J.W. Marriott, Jr., his children John W. Marriott III, Deborah M. Harrison, Stephen G. Marriott and David S. Marriott, and JWM Family Enterprises, Inc. and JWM Family Enterprises, L.P. each report as beneficially owned: (a) 11,700,000 shares owned by Thomas Point Ventures, L.P., and (b) 10,827,960 shares owned by JWM Family Enterprises, L.P. JWM Family Enterprises, Inc., a corporation in which J.W. Marriott, Jr. and each of his children is a director, is the sole general partner of JWM Family Enterprises, L.P., a limited partnership, which in turn is the sole general partner of Thomas Point Ventures, L.P., also a limited partnership. The address for the corporation and both limited partnerships is 6106 MacArthur Boulevard, Suite 110, Bethesda, Maryland 20816.
  
  - (5) Includes the following 13,978,655 shares that J.W. Marriott, Jr. reports as beneficially owned, in addition to the shares referred to in footnotes (2), (3) and (4): (a) 5,544,017 shares directly held; (b) 6,146,254 shares subject to Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2009; (c) 279,470 shares owned by J.W. Marriott, Jr. s spouse (Mr. Marriott disclaims beneficial ownership of such shares); (d) 1,903,848 shares owned by separate trusts for the benefit of three of J.W. Marriott, Jr. s children, in which his spouse serves as a co-trustee; (e) 48,412 shares owned by three trusts for the benefit of J.W. Marriott, Jr. s grandchildren, for which the spouses of J.W. Marriott, Jr. and Stephen Garff Marriott serve as co-trustees; and (f) 56,654 shares owned by the J. Willard Marriott, Jr. Foundation, in which J.W. Marriott, Jr. and his spouse serve as trustees.
  
  - (6) Includes the following shares that are pledged as security: (a) 7,763,960 shares owned by JWM Family Enterprises, L.P. that serve as collateral for obligations of JWM Family Enterprises, L.P. and its affiliates; (b) 648,000 shares owned by John W. Marriott III that serve as collateral security for a loan; (c) 842,068 shares owned by David S. Marriott that serve as collateral security for a loan; and (d) 206,771 shares owned by Mr. Sorenson that are held in two margin accounts.
  
  - (7) Includes the following 1,755,222 shares that John W. Marriott III reports as beneficially owned, in addition to the shares referred to in footnote (3) and (4): (a) 763,641 shares directly held; (b) 98,706

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- shares subject to Options and RSUs currently exercisable or exercisable within 60 days after January 31, 2009; (c) 701,960 shares held in a trust for the benefit of John W. Marriott III (included in footnote (2)(a) above); (d) 31,210 shares owned by John W. Marriott III's spouse (Mr. Marriott disclaims beneficial ownership of such shares); and (e) 159,705 shares held by three trusts for the benefit of John W. Marriott III's children, for which John W. Marriott III serves as a co-trustee.
- (8) Does not include non-employee director annual deferred share awards or stock units representing fees that non-employee directors have elected to defer under our Stock Plan. The combined numbers of shares (a) subject to deferred share awards, and (b) in stock unit accounts of non-employee directors as of January 31, 2009, were as follows: Ms. Bush: 2,209 shares; Mr. Kellner: 12,421 shares; Ms. Lee: 7,503 shares; John W. Marriott III: 6,963 shares; Mr. Muñoz: 21,716 shares; Mr. Pearce: 60,511 shares; Mr. Reinemund: 3,939 shares, and Mr. Small: 46,580 shares. Share awards and stock units do not carry voting rights and are not transferable. Share awards and stock units are distributed following retirement as a director.
- (9) Includes shares subject to Options, SARs, RSUs and DSAs currently exercisable or exercisable within 60 days after January 31, 2009, as follows: Mr. Muñoz: 8,008 shares; Mr. Shaw: 3,007,074 shares; Mr. Small: 43,846 shares; Mr. McCarthy: 350,791; Mr. Sorenson: 1,768,131 shares; and Mr. Sullivan: 1,328,763 shares.
- (10) Includes 15,000 shares of unvested RS awarded to Mr. Sorenson under the Stock Plan. Holders of RS are entitled to vote their shares. See Executive and Director Compensation: Summary Compensation Table on page 29.
- (11) Includes 10,800 shares held by two trusts for the benefit of Mr. Small's two children, for which Mr. Small serves as trustee.
- (12) The 808,764 shares described in footnote (3) and the 22,527,960 shares described in footnote (4) are reported as beneficially owned by each of J.W. Marriott, Jr. and John W. Marriott III, but are included only once in reporting the number of shares owned by all directors, nominees and executive officers as a group. All directors, nominees and executive officers as a group held 14,019,422 Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2009. All directors, nominees and executive officers as a group, other than J.W. Marriott, Jr. and John W. Marriott III, beneficially owned an aggregate of 9,123,022 shares (including 7,774,462 Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2009), or less than one percent of our Class A common stock outstanding as of January 31, 2009.
- (13) Includes the following 25,692,862 shares that Richard E. Marriott reports as beneficially owned, in addition to the 22,091,308 shares referred to in footnote (2): (a) 20,430,257 shares directly held; (b) 278,569 shares owned by Richard E. Marriott's spouse (Mr. Marriott disclaims beneficial ownership of these shares); (c) 1,540,190 shares owned by four trusts for the benefit of Richard E. Marriott's children, in which his spouse serves as a co-trustee; (d) 3,382,692 shares owned by First Media, L.P., a limited partnership whose general partner is a corporation in which Richard E. Marriott is the controlling voting shareholder; and (e) 61,154 shares owned by the Richard E. and Nancy P. Marriott Foundation, in which Richard E. Marriott and his spouse serve as directors and officers. Richard E. Marriott is the brother of J.W. Marriott, Jr. and is a former director and officer of the Company. His address is Host Hotels & Resorts, Inc., 10400 Fernwood Road, Bethesda, Maryland 20817.
- (14) Includes the following 13,568,318 shares that Stephen G. Marriott reports as beneficially owned in addition to the shares referred to in footnote (4): (a) 1,099,196 shares directly held; (b) 552,220 shares held by a trust for the benefit of Stephen G. Marriott, for which J.W. Marriott, Jr.'s spouse and an

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- unrelated person serve as co-trustees (included in footnote 5(d) above); (c) 787,220 shares held by two trusts for the benefit of Stephen G. Marriott, for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees (included in footnote 2(a) above); (d) 43,230 shares held by Stephen G. Marriott's spouse (Mr. Marriott disclaims beneficial ownership of such shares); (e) 48,412 shares owned by three trusts for the benefit of Stephen G. Marriott's children, for which the spouses of Stephen G. Marriott and J.W. Marriott, Jr. serve as co-trustees (Mr. Marriott disclaims beneficial ownership of such shares); (f) 213,265 shares owned by three trusts for the benefit of Stephen G. Marriott's children, for which Stephen G. Marriott and the spouses of Stephen G. Marriott and J.W. Marriott, Jr. serve as co-trustees; (g) 108,135 shares subject to Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2009; and (h) 10,716,640 shares owned by The J. Willard & Alice S. Marriott Foundation, a charitable foundation, for which Stephen G. Marriott serves as co-trustee with J.W. Marriott, Jr. and Richard E. Marriott (included in footnote 2(b) above).
- (15) Includes the following 2,471,196 shares that Deborah M. Harrison reports as beneficially owned in addition to the shares referred to in footnote (4): (a) 421,528 shares directly held; (b) 688,340 shares held by a trust for the benefit of Deborah M. Harrison, for which J.W. Marriott, Jr.'s spouse and an unrelated person serve as co-trustees (included in footnote 5(d) above); (c) 798,940 shares held by two trusts for the benefit of Deborah M. Harrison, for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees (included in footnote 2(a) above); (d) 111,352 shares held directly by Deborah M. Harrison's spouse (Mrs. Harrison disclaims beneficial ownership of such shares); (e) 37,995 shares held in four trusts for the benefit of Deborah M. Harrison's children, for which Deborah M. Harrison, her spouse and another individual serve as co-trustees; (f) 333,684 shares held in five trusts for the benefit of Deborah M. Harrison's children, for which Deborah M. Harrison, her spouse and another individual serve as co-trustees; (g) 1,200 shares owned by a trust for the benefit of Deborah M. Harrison's grandchild, for which Deborah M. Harrison, her spouse and another individual serve as co-trustees; (h) 697 shares subject to RSUs held by Deborah M. Harrison currently exercisable or exercisable within 60 days after January 31, 2009; and (i) 77,460 shares subject to Options, SARs and RSUs held by Deborah M. Harrison's spouse currently exercisable or exercisable within 60 days after January 31, 2009 (Mrs. Harrison disclaims beneficial ownership of such shares).
- (16) Includes the following 2,468,814 shares that David S. Marriott reports as beneficially owned in addition to the shares referred to in footnote (4): (a) 946,485 shares directly held; (b) 663,288 shares held by a trust for the benefit of David S. Marriott, for which J.W. Marriott, Jr.'s spouse and an unrelated person serve as co-trustees (included in footnote 5(d) above); (c) 786,960 shares held by a trust for the benefit of David S. Marriott, for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees (included in footnote 2(a) above); (d) 5,278 shares held by David S. Marriott's spouse (Mr. Marriott disclaims beneficial ownership of such shares); (e) 50,150 shares held by three trusts for the benefit of David S. Marriott's children, for which David S. Marriott, his spouse and John W. Marriott III serve as co-trustees; and (f) 16,653 shares subject to Options and RSUs currently exercisable or exercisable within 60 days after January 31, 2009.
- (17) Based on a review of a Schedule 13G report filed on February 6, 2009, Southeastern Asset Management, Inc. beneficially owned 25,485,685 shares as of December 31, 2008 with sole voting power as to 12,123,053 shares, shared voting power as to 10,459,632 shares, sole dispositive power as to 15,016,053 shares, and shared dispositive power as to 10,459,685 shares.
- (18) Based on a review of a Schedule 13G report filed on February 12, 2009, T. Rowe Price Associates, Inc. beneficially owned 39,388,347 shares as of December 31, 2008 with sole voting power as to 12,014,002 shares and sole dispositive power as to 39,267,947 shares.

**Table of Contents****Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the *Exchange Act*), requires the Company's directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities (the *Reporting Persons*) to file with the SEC and the NYSE reports on Forms 3, 4 and 5 concerning their ownership of and transactions in the common stock and other equity securities of the Company, generally within two business days of a reportable transaction. As a practical matter, the Company seeks to assist its directors and executives by monitoring transactions and completing and filing reports on their behalf.

Based solely upon a review of SEC filings furnished to the Company and written representations that no other reports were required, we believe that all Reporting Persons complied with these reporting requirements during fiscal 2008 except for amended Form 5 reports filed by J.W. Marriott, Jr. and Richard E. Marriott of: (i) a single charitable gift by a trust of which J.W. Marriott, Jr. and Richard E. Marriott are co-trustees; (ii) a sale by a trust for the benefit of John W. Marriott III, of which J.W. Marriott, Jr. and Richard E. Marriott are co-trustees; and (iii) a sale by a trust for the benefit of John W. Marriott III, of which the spouse of J.W. Marriott, Jr. is a co-trustee. Each untimely report was due to an administrative error.

**TRANSACTIONS WITH RELATED PERSONS**

JWM Family Enterprises, L.P. (*Family Enterprises*) is a Delaware limited partnership which is beneficially owned and controlled by members of the family of J.W. Marriott, Jr., the Company's Chairman and Chief Executive Officer, including John W. Marriott III, the Company's Vice Chairman, who is Chief Executive Officer of Family Enterprises, and J.W. Marriott, Jr. himself. Family Enterprises indirectly holds varying percentages of ownership in the following 16 hotels:

| <b>Location</b>                  | <b>Brand</b>      | <b>Initial Year<br/>of<br/>Company<br/>Management</b> |
|----------------------------------|-------------------|---|
| Long Beach, California           | Courtyard         | 1994  |
| San Antonio, Texas               | Residence Inn     | 1994  |
| Anaheim, California              | Fairfield Inn     | 1996  |
| Herndon, Virginia                | SpringHill Suites | 1999  |
| Milpitas, California             | Courtyard         | 1999  |
| Milpitas, California             | TownePlace Suites | 1999  |
| Novato, California               | Courtyard         | 1999  |
| Washington, D.C. (Thomas Circle) | Residence Inn     | 2001  |
| West Palm Beach, Florida         | Marriott          | 2003  |
| Columbus, Ohio                   | Renaissance       | 2004  |
| Charlotte, North Carolina        | Marriott          | 2006  |
| Dallas, Texas                    | Renaissance       | 2006  |
| Trumbull, Connecticut            | Marriott          | 2007  |
| Charlotte, North Carolina        | Renaissance       | 2007  |
| Cleveland, Ohio                  | Marriott          | 2007  |
| Newark, New Jersey               | Renaissance       | 2007  |

Our subsidiaries operate each of these properties pursuant to management agreements with entities controlled by Family Enterprises, and provide procurement and/or renovation services for some of these



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properties pursuant to contracts entered into with the ownership entities. We expect such arrangements to continue in 2009. In fiscal 2008, we received management fees of approximately \$7.8 million, plus reimbursement of certain expenses, and procurement and renovation services fees of approximately \$584,666 from our operation of and provision of services for these hotels. The Company has no financial involvement in either the hotels listed above beyond the foregoing roles or in Family Enterprises.

Our Company was founded by J.W. Marriott, Jr.'s father, and the Board believes that the involvement of a number of Marriott family members in responsible positions of the Company makes a significant long-term contribution to the value of our corporate name and identity and to the maintenance of Marriott's reputation for providing quality products and services. In addition to J.W. Marriott, Jr.'s service as Chairman and Chief Executive Officer and John W. Marriott III's service as Vice Chairman, the Company employs a number of members of the Marriott family in management positions, including J.W. Marriott, Jr.'s children Stephen G. Marriott, David S. Marriott, and Deborah M. Harrison, and his son-in-law (and Mrs. Harrison's husband) Ronald T. Harrison. The Company also employs family members of other executive officers (under SEC rules, family members include children, stepchildren, parents, stepparents, spouses, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and other persons sharing the household with a director or executive officer, other than as a tenant or employee). Family members of our directors and executive officers are compensated at levels comparable to the compensation paid to non-family members in similar positions. Employed family members with total compensation for 2008 in excess of \$120,000, which includes base salary, bonus, the value of stock-based awards, and other compensation, are shown in the table below.

| Director / Executive Officer | Family Member        | Family Member Position                     | Total Compensation for 2008 (\$) |
|------------------------------|----------------------|--|----------------------------------|
| J.W. Marriott Jr. and        |                      |  |                                  |
| John W. Marriott III         | Stephen G. Marriott  | Executive Vice President, Company Culture  | 524,958                          |
|                              | David S. Marriott    | Regional Vice President, Market Management | 715,703                          |
|                              | Deborah M. Harrison  | Senior Vice President, Government Affairs  | 270,242                          |
|                              | Ronald T. Harrison   | President, Marriott Lodging of Canada      | 770,473                          |
| Edwin D. Fuller              | Marsha M. Scarbrough | Vice President, Springhill Suites          | 273,851                          |
| James M. Sullivan            | Kathleen S. Tyson    | Vice President, Residence Inn              | 261,790                          |

J.W. Marriott, Jr. reimbursed the Company for the cost of non-business related services provided by Company employees in the amount of \$235,589 for 2008.

**Policy on Transactions and Arrangements with Related Persons**

The Company has adopted a written policy for approval of transactions and arrangements between the Company and the Company's current and recent former directors, director nominees, current and recent former executive officers, greater than five percent shareholders, and their immediate family members where the amount involved exceeds \$120,000. Each of the related person transactions described above is subject to, and has been approved or ratified under, this policy.

The policy provides that the Nominating and Corporate Governance Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the committee takes into account, among other things, whether the transaction is on terms that are





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no less favorable to the Company than terms generally available to an unaffiliated third-party under similar circumstances and the materiality of the related person's interest in the transaction. The policy also provides that the Company's Corporate Growth Committee, an internal management committee whose members include the Company's President and Chief Operating Officer, Chief Financial Officer, Executive Vice President and General Counsel, and other executive officers responsible for lodging development, lodging operations and timeshare, reviews all such transactions that involve the management, operation, ownership, purchase, sale, or lease of a hotel, timeshare property, land and/or improvements.

The Nominating and Corporate Governance Committee and the Corporate Growth Committee have considered and adopted standing pre-approvals under the policy for certain limited transactions with related persons that meet specific criteria. Information on transactions subject to pre-approval is provided to the appropriate committee at its next regularly scheduled meeting. Pre-approved transactions are limited to:

- certain lodging transactions with specified maximum dollar thresholds where the Corporate Growth Committee has both approved the transaction and determined that its terms are no less favorable to the Company than those of similar contemporaneous transactions with unrelated third parties and, in some cases, where the transaction is the result of an open auction process involving at least three unrelated third party bidders;
- certain other lodging transactions with specified maximum dollar thresholds that are consistent with general terms and conditions that the Nominating and Corporate Governance Committee has previously approved;
- ordinary course sales of timeshare, fractional or similar ownership interests at prices that are no lower than those available under Company-wide employee discount programs;
- employment and compensation relationships that are subject to Compensation Policy Committee or other specified internal management approvals and which, in the case of executive officers, are subject to required proxy statement disclosure;
- certain transactions with other companies and certain charitable contributions that satisfy the independence criteria under both the Company's Corporate Governance Policies and the NYSE corporate governance listing standards; and
- non-lodging transactions involving less than \$500,000 that are approved by at least two disinterested members of the Corporate Growth Committee.

## **HOUSEHOLDING**

The SEC allows us to deliver a single proxy statement and annual report to an address shared by two or more of our shareholders. This delivery method, referred to as householding, can result in significant cost savings for us. In order to take advantage of this opportunity, the Company and banks and brokerage firms that hold your shares have delivered only one proxy statement and annual report to multiple shareholders who share an address unless one or more of the shareholders has provided contrary instructions. The Company will deliver promptly, upon written or oral request, a separate copy of the proxy statement and annual report to a shareholder at a shared address to which a single copy of the documents was delivered. A shareholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, may obtain one, without charge, by addressing a request to the Corporate Secretary, Marriott International, Inc., Dept. 52/862, Marriott Drive, Washington, D.C. 20058 or by calling (301) 380-6601. You may also obtain a copy of the proxy statement and annual report from the Company's website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on SEC Filings. Shareholders of record sharing an



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address who are receiving multiple copies of proxy materials and annual reports and wish to receive a single copy of such materials in the future should submit their request by contacting us in the same manner. If you are the beneficial owner, but not the record holder, of the Company's shares and wish to receive only one copy of the proxy statement and annual report in the future, you will need to contact your broker, bank or other nominee to request that only a single copy of each document be mailed to all shareholders at the shared address in the future.

**OTHER MATTERS**

The Company's management knows of no other matters that may be presented for consideration at the 2009 annual meeting. However, if any other matters properly come before the annual meeting, the persons named in the proxy intend to vote such proxy in accordance with their judgment on such matters.

**Any shareholder who would like a copy of our 2008 Annual Report on Form 10-K may obtain one, without charge, by addressing a request to the Corporate Secretary, Marriott International, Inc., Dept. 52/862, Marriott Drive, Washington, D.C. 20058. The Company's copying costs will be charged if copies of exhibits to the Form 10-K are requested. You may also obtain a copy of the Form 10-K, including exhibits, from the investor relations portion of our website ([www.marriott.com/investor](http://www.marriott.com/investor)) by clicking on SEC Filings.**

BY ORDER OF THE BOARD OF  
DIRECTORS,

Bancroft S. Gordon  
*Secretary*

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**2009 ANNUAL MEETING INFORMATION**

**Time and Location.** The 2009 annual meeting of shareholders will begin at 10:30 a.m. on Friday, May 1, 2009 at the JW Marriott Hotel at 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

**Parking.** Due to anticipated needs of other hotel guests on May 1, 2009, we expect that minimal parking will be available to shareholders in the parking garage adjacent to the hotel. Several public lots are located within three blocks of the hotel.

**Public Transportation.** As parking is limited in the general area, we recommend that shareholders attending the annual meeting consider using public transportation. Two Metro subway stations, Federal Triangle and Metro Center, are located less than three blocks from the hotel, and the area is served by Metro buses.

**Lodging.** Two local Marriott hotels will offer a Shareholder Annual Meeting rate for Thursday, April 30, 2009, the night before the meeting. To receive these rates, call the number shown below and ask for the shareholder annual meeting rate for April 30, 2009. *Please note that a limited number of rooms are offered at this rate and you must call by Monday, April 13.* Applicable taxes and gratuities are extra and advance reservations are required. This discount may not be used in conjunction with other discounts, coupons, or group rates.

JW Marriott Hotel \$309 single/double

1331 Pennsylvania Avenue, N.W.

Washington, D.C. 20004

202-393-2000

Near Metro Center Metro Station

Courtyard Washington Embassy Row \$149 single/double

1600 Rhode Island Avenue, N.W.

Washington, D.C. 20036

1-800-321-2211

Near Farragut North Metro Station

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Please mark  X  
 your votes as  
 indicated in  
 this example

**ITEM 1 ELECTION OF 11 DIRECTORS**

**(The Board of Directors recommends a vote FOR each of these nominees)**

|                          | FOR | AGAINST | ABSTAIN |  | FOR | AGAINST | ABSTAIN |
|--------------------------|-----|---------|---------|--|-----|---------|---------|
| 1.1 J.W. Marriott, Jr.   | ..  | ..      | ..      | 1.10 William J. Shaw   | ..  | ..      | ..      |
| 1.2 John W. Marriott III | ..  | ..      | ..      | 1.11 Lawrence M. Small   | ..  | ..      | ..      |
| 1.3 Mary K. Bush         | ..  | ..      | ..      | <b>ITEM 2 RATIFICATION OF THE APPOINTMENT OF ERNST &amp; YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</b>              |     |         |         |
| 1.4 Lawrence W. Kellner  | ..  | ..      | ..      | <b>(The Board of Directors recommends a vote FOR Item 2)</b>   |     |         |         |
| 1.5 Debra L. Lee         | ..  | ..      | ..      | <b>ITEM 3 APPROVAL OF AN AMENDMENT TO THE STOCK AND CASH INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AUTHORIZED FOR ISSUANCE BY 15 MILLION</b> |     |         |         |
| 1.6 George Muñoz         | ..  | ..      | ..      | <b>(The Board of Directors recommends a vote FOR Item 3)</b>   |     |         |         |
| 1.7 Harry J. Pearce      | ..  | ..      | ..      | <b>ITEM 3 APPROVAL OF AN AMENDMENT TO THE STOCK AND CASH INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AUTHORIZED FOR ISSUANCE BY 15 MILLION</b> |     |         |         |
| 1.8 Steven S Reinemund   | ..  | ..      | ..      | <b>(The Board of Directors recommends a vote FOR Item 3)</b>   |     |         |         |
| 1.9 W. Mitt Romney       | ..  | ..      | ..      | <b>(The Board of Directors recommends a vote FOR Item 3)</b>   |     |         |         |

Mark Here for Address

Change or Comments

**SEE REVERSE**

If you plan to attend the Annual Meeting,

please mark the WILL ATTEND box

**Signature**

**Signature**

**Date**

**NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

Ù FOLD AND DETACH HERE Ù  
WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,

BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Internet and telephone voting is available through 11:59 PM Eastern Time

on Thursday, April 30, 2009, the day before the meeting.

**INTERNET**

**MARRIOTT INTERNATIONAL, INC.**

<http://www.proxyvoting.com/mar>

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

**OR**

**TELEPHONE**

**1-866-540-5760**

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

**Important notice regarding the Internet availability of proxy materials for the Annual Meeting of shareholders** The Proxy Statement and the 2008 Annual Report to Stockholders are available at:

<http://bnymellon.mobular.net/bnymellon/mar>

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

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**PROXY**

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF**

**MARRIOTT INTERNATIONAL, INC.**

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED SHAREHOLDER(S), OR IF NO DIRECTION IS INDICATED, FOR EACH DIRECTOR NOMINEE IN PROPOSAL 1, FOR PROPOSAL 2 AND FOR PROPOSAL 3, AND WILL BE VOTED IN ACCORDANCE WITH THE DISCRETION OF THE PROXIES AS TO ANY OTHER MATTER THAT IS PROPERLY PRESENTED.**

The undersigned acknowledge(s) receipt of a Notice of Annual Meeting of Shareholders, the accompanying Proxy Statement and the Annual Report for the fiscal year ended January 2, 2009. The undersigned further hereby appoint(s) J.W. Marriott, Jr. and William J. Shaw, and each of them, with power to act without the other and with full power of substitution in each, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of Marriott International, Inc. (the Company) Class A Common Stock which the undersigned is entitled to vote, and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Stockholders of the Company to be held May 1, 2009 or any adjournment or postponement thereof, with all powers which the undersigned would possess if present at the Meeting.

If the undersigned has voting rights with respect to shares of Company common stock under the Company's 401(k) savings plan or the Sodexo 401(k) savings plan, the undersigned hereby direct(s) the trustee of the applicable 401(k) savings plan to vote shares equal to the number of share equivalents allocated to the undersigned's accounts under the applicable plans in accordance with the instructions given herein. Shares for which the trustee does not receive instructions by 11:59 p.m. Eastern Time, Tuesday, April 28, 2009, will be voted by the trustee in the same proportion as the shares for which valid instructions are received from other participants in the applicable plan.

**(Continued and to be marked, dated and signed, on the other side)**

**Address Change/Comments**

BNY MELLON SHAREOWNER SERVICES

**(Mark the corresponding box on the reverse side)**

P.O. BOX 3550

SOUTH HACKENSACK, NJ 07606-9250

**Û FOLD AND DETACH HERE Û**

***You can now access your BNY MELLON SHAREOWNER SERVICES account online.***

Access your BNY Mellon Shareowner Services shareholder/stockholder account online via Investor ServiceDirect® (ISD).

The transfer agent for MARRIOTT INTERNATIONAL, INC., now makes it easy and convenient to get current information on your shareholder account.

View account status

View payment history for dividends

View certificate history

Make address changes

View book-entry information

Obtain a duplicate 1099 tax form

Establish/change your PIN

Visit us on the web at <http://www.bnymellon.com/shareowner/isd>

*For Technical Assistance Call 1-877-978-7778 between 9am-7pm*

*Monday-Friday Eastern Time*

[www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)

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Please fax all revisions to: 732-802-0260 or email to [proxycards@bnymellonproduction.com](mailto:proxycards@bnymellonproduction.com)

PRINT AUTHORIZATION

**To commence printing on this proxy card please sign, date and fax this card to: 732-802-0260**

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**(THIS BOXED AREA DOES NOT PRINT)**

**Registered Quantity 1000.00**