Marriott Vacations Worldwide Corp
Form 10-Q
May 03, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 23, 2012

OR

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

For the transition period from to

Commission file number 001-35219

Marriott Vacations Worldwide Corporation

(Exact name of registrant as specified in its charter)

Delaware	**45-2598330**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6649 Westwood Blvd. Orlando, FL	**32821**
(Address of principal executive offices)	**(Zip Code)**

(407) 206-6000

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

The number of shares outstanding of the issuer s common stock, par value $0.01 per share, as of April 27, 2012 was 34,271,194.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARRIOTT VACATIONS WORLDWIDE CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

(Unaudited)

	Twelve Weeks Ended	
	March 23, 2012	March 25, 2011
REVENUES		
Sales of vacation ownership products	$ 134	$ 143
Resort management and other services	54	51
Financing	36	41
Rental	56	49
Other	6	6
Cost reimbursements	86	81
TOTAL REVENUES	372	371
EXPENSES		
Costs of vacation ownership products	48	55
Marketing and sales	74	73
Resort management and other services	44	44
Financing	6	6
Rental	48	47
Other	2	1
General and administrative	21	19
Interest	13	12
Royalty fee	13	
Cost reimbursements	86	81
TOTAL EXPENSES	355	338
INCOME BEFORE INCOME TAXES	17	33
Provision for income taxes	(8)	(14)
NET INCOME	$ 9	$ 19
Basic earnings per share	$ 0.25	$ 0.58
Shares used in computing basic income per share	34.0	33.7
Diluted earnings per share	$ 0.24	$ 0.58

Shares used in computing diluted income per share	35.7	33.7

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Twelve Weeks Ended	
	March 23, 2012	**March 25, 2011**
Net income	$ 9	$ 19
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	4	
Total other comprehensive income, net of tax	4	
COMPREHENSIVE INCOME	$ 13	$ 19

See notes to the Interim Consolidated Financial Statements.

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MARRIOTT VACATIONS WORLDWIDE CORPORATION

INTERIM CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	(Unaudited) March 23, 2012	December 30, 2011
ASSETS		
Cash and cash equivalents	$ 77	$ 110
Restricted cash (including $34 and $42 from VIEs, respectively)	59	81
Accounts and contracts receivable (including $5 and $0 from VIEs, respectively)	110	105
Notes receivable (including $842 and $910 from VIEs, respectively)	1,110	1,149
Inventory	932	959
Property and equipment	282	285
Other (including $0 and $6 from VIEs, respectively)	151	157
Total Assets	$ 2,721	$ 2,846
LIABILITIES AND EQUITY		
Accounts payable	$ 89	$ 145
Advance deposits	42	46
Accrued liabilities (including $1 and $0 from VIEs, respectively)	121	121
Deferred revenue	27	29
Payroll and benefits liability	52	55
Liability for Marriott Rewards loyalty program	215	225
Deferred compensation liability	47	47
Mandatorily redeemable preferred stock of consolidated subsidiary	40	40
Debt (including $771 and $847 from VIEs, respectively)	774	850
Other (including $0 and $2 from VIEs, respectively)	96	76
Deferred taxes	70	78
Total Liabilities	1,573	1,712
Contingencies and Commitments (Note 8)		
Preferred stock $.01 par value; 2,000,000 shares authorized; none issued or outstanding		
Common stock $.01 par value; 100,000,000 shares authorized; 34,221,695 and 33,845,700 shares issued and outstanding, respectively		
Additional paid-in capital	1,118	1,117
Accumulated other comprehensive income	23	19
Retained earnings (deficit)	7	(2)
Total Equity	1,148	1,134
Total Liabilities and Equity	$ 2,721	$ 2,846

The abbreviation VIEs above means Variable Interest Entities.

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Twelve Weeks Ended	
	March 23, 2012	**March 25, 2011**
OPERATING ACTIVITIES		
Net income	$ 9	$ 19
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7	8
Amortization of debt issuance costs	2	1
Provision for loan losses	9	7
Share-based compensation	3	2
Deferred income taxes	(8)	9
Net change in assets and liabilities:		
Accounts and contracts receivable	(4)	13
Notes receivable	31	35
Inventory	28	27
Other assets	5	(15)
Accounts payable, advance deposits and accrued liabilities	(60)	(25)
Liability for Marriott Rewards loyalty program	(10)	(5)
Deferred revenue	(2)	(14)
Payroll and benefit liabilities	(3)	(25)
Deferred compensation liability		(2)
Other liabilities	18	14
Net cash provided by operating activities	25	49
INVESTING ACTIVITIES		
Capital expenditures for property and equipment (excluding inventory)	(3)	(6)
Decrease in restricted cash	22	10
Net cash provided by investing activities	19	4
FINANCING ACTIVITIES		
Repayment of debt related to securitizations	(76)	(72)
Repayment of third party debt		(2)
Proceeds from stock option exercises	2	
Payment of withholding taxes on vesting of restricted stock units	(3)	
Net contribution from Marriott International		24
Net cash used in financing activities	(77)	(50)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33)	3
CASH AND CASH EQUIVALENTS, beginning of period	110	26
CASH AND CASH EQUIVALENTS, end of period	$ 77	$ 29

See Notes to Interim Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our Business

Marriott Vacations Worldwide Corporation (Marriott Vacations Worldwide, we or us, which includes our consolidated subsidiaries except where the context of the reference is to a single corporate entity) is the exclusive worldwide developer, marketer, seller and manager of vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. We are also the exclusive global developer, marketer and seller of vacation ownership and related products under the Ritz-Carlton Destination Club brand, and we have the non-exclusive right to develop, market and sell whole ownership residential products under the Ritz-Carlton Residences brand. The Ritz-Carlton Hotel Company, L.L.C. (Ritz-Carlton), a subsidiary of Marriott International, Inc. (Marriott International) generally provides on-site management for Ritz-Carlton branded properties.

Our business is grouped into four reportable segments: North America, Luxury, Europe and Asia Pacific. We operate 64 properties in the United States and eight other countries and territories.

We generate most of our revenues from four primary sources: selling vacation ownership products, managing our resorts, financing consumer purchases, and renting vacation ownership inventory.

Our Spin-Off from Marriott International, Inc.

On October 25, 2011, the board of directors of Marriott International approved the spin-off of its vacation ownership division into an independent public company, Marriott Vacations Worldwide, through the distribution of 100 percent of the outstanding shares of Marriott Vacations Worldwide common stock to the shareholders of Marriott International (the Spin-Off). On November 21, 2011, the Spin-Off of Marriott Vacations Worldwide was completed pursuant to a Separation and Distribution Agreement (the Separation and Distribution Agreement) between Marriott Vacations Worldwide and Marriott International.

Prior to the Spin-Off, Marriott International completed an internal reorganization to contribute its non-U.S. and U.S. subsidiaries that conducted its vacation ownership business to Marriott Vacations Worldwide, a newly formed wholly owned subsidiary of Marriott International; the contributed subsidiaries included Marriott Ownership Resorts, Inc., which does business under the name Marriott Vacation Club International. The distribution of Marriott Vacations Worldwide common stock was made on November 21, 2011, with Marriott International shareholders receiving one share of Marriott Vacations Worldwide common stock for every ten shares of Marriott International common stock held as of the close of business Eastern time on the record date of November 10, 2011. Fractional shares of Marriott Vacations Worldwide common stock were not distributed; any fractional share of Marriott Vacations Worldwide common stock otherwise issuable to a Marriott International shareholder was sold in the open market on such shareholder s behalf, with such shareholders receiving a cash payment in lieu of such fractional share.

In connection with the Spin-Off, we entered into the Separation and Distribution Agreement and several other agreements which govern the ongoing relationship between Marriott Vacations Worldwide and Marriott International. See Footnote No. 13 Related Party Transactions, for further information on the ongoing relationship with Marriott International.

Principles of Consolidation and Basis of Presentation

The interim consolidated financial statements presented herein, and discussed below, include 100 percent of the assets, liabilities, revenues, expenses and cash flows of Marriott Vacations Worldwide, all entities in which Marriott Vacations Worldwide has a controlling voting interest (subsidiaries), and those variable interest entities for which Marriott Vacations Worldwide is the primary beneficiary in accordance with the consolidation accounting guidance. Through the date of the Spin-Off, these interim financial statements present the historical consolidated results of operations, financial position and cash flows of the Marriott Vacations Worldwide business that now comprises our operations. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

Through the date of the Spin-Off, the interim consolidated financial statements presented herein, and discussed below, were prepared on a stand-alone basis and were derived from the interim consolidated financial statements and accounting records of Marriott International. These interim consolidated financial statements were prepared as if the reorganization described under Our Spin-Off from Marriott International, Inc. above had taken place as of the earliest period presented. The interim consolidated financial statements reflect our historical financial position, results of operations and cash flows as we have historically operated, in conformity with United States Generally Accepted Accounting Principles (GAAP). All significant intracompany transactions and accounts within these interim consolidated financial statements have been eliminated.

Prior to the Spin-Off, Marriott Vacations Worldwide was a subsidiary of Marriott International. The financial information included herein may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been an independent, publicly traded company during all of the periods presented.

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We refer throughout to (i) our Interim Consolidated Financial Statements as our Financial Statements, (ii) our Interim Consolidated Statements of Operations as our Statements of Operations, (iii) our Interim Consolidated Balance Sheets as our Balance Sheets and (iv) our Interim Consolidated Statements of Cash Flows as our Cash Flows.

Unless otherwise specified, each reference to a particular quarter in these Financial Statements means the quarter ended on the date shown in the following table, rather than the corresponding calendar quarter:

Fiscal Year	Quarter-End Date
2012 First Quarter	March 23, 2012
2011 First Quarter	March 25, 2011

In our opinion, our Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of March 23, 2012 and December 30, 2011, and the results of our operations and cash flows for the twelve weeks ended March 23, 2012 and March 25, 2011. Interim results may not be indicative of fiscal year performance because of, among other reasons, seasonal and short-term variations.

These Financial Statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP. Although we believe our disclosures are adequate to make the information presented not misleading, you should read these interim Financial Statements in conjunction with the audited annual Consolidated Financial Statements and notes to those Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2011.

All significant transactions between us and Marriott International have been included in these Financial Statements. The total net effect of the settlement of these intercompany transactions prior to the Spin-Off is reflected in the Cash Flows as a financing activity. In connection with the Spin-Off, we completed certain transactions with Marriott International related to our separation from Marriott International, which resulted in a net reduction to our equity of approximately $500 million. These transactions primarily consisted of the reversal of our deferred tax assets, which were retained by Marriott International following the Spin-Off, and establishment of deferred tax liabilities. Retained earnings represents the results of operations subsequent to November 20, 2011.

Through the date of the Spin-Off our Financial Statements include costs for services provided by Marriott International including, but not limited to, information technology support, systems maintenance, telecommunications, accounts payable, payroll and benefits, human resources, self-insurance and other shared services. Historically, these costs were charged to us based on specific identification or on a basis determined by Marriott International to reflect a reasonable allocation to us of the actual costs incurred to perform these services. Marriott International allocated indirect general and administrative costs to us for certain functions provided by Marriott International. The services provided to us included, but were not limited to, executive office, legal, tax, finance, government and public relations, internal audit, treasury, investor relations, human resources and other administrative support, which were allocated to us primarily on the basis of our proportion of Marriott International s overall revenue. We consider the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that might have been incurred had we been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions we might have performed ourselves or outsourced and strategic decisions we might have made in areas such as information technology and infrastructure. Following the Spin-Off, we perform these functions using our own resources or purchased services from either Marriott International or third parties. For an interim period some of these functions will continue to be provided by Marriott International under Transition Services Agreements (TSAs). In addition to the TSAs, we entered into a number of commercial agreements with Marriott International in connection with the Spin-Off, many of which have terms longer than one year. These agreements may not have existed prior to the Spin-Off, or may be on different terms than the terms of agreements that existed prior to Spin-Off.

Marriott International uses a centralized approach to U.S. domestic cash management and financing of its operations. Prior to the Spin-Off, the majority of our domestic cash was transferred to Marriott International daily and Marriott International funded our operating and investing activities as needed. Accordingly, the cash and cash equivalents held by Marriott International at the corporate level were not allocated to us for any of the periods prior to the Spin-Off presented. Prior to the Spin-Off, cash and cash equivalents in our Balance Sheets primarily represented cash held locally by international entities included in our Financial Statements. We reflected transfers of cash to and from Marriott International s domestic cash management system as a component of Divisional Equity on the Balance Sheets. We included debt incurred from our limited direct financing and historical notes receivable securitizations on our Balance Sheets, as this debt is specific to our business. Marriott International did not allocate a portion of its external senior debt interest cost to us since none of the external senior debt recorded by Marriott

International was directly related to our business. We also did not include any interest expense for cash advances from Marriott International since historically Marriott International did not allocate any interest expense related to intercompany advances to any of the historical Marriott International divisions.

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Marriott International maintains self-insurance programs at a corporate level. Marriott International allocated a portion of expenses associated with these programs to us as part of the historical costs for services Marriott International provided. In connection with the Spin-Off, Marriott International did not allocate any portion of the related reserves as these reserves represent obligations of Marriott International which are not transferable.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates include, but are not limited to, revenue recognition, inventory valuation, property and equipment valuation, loan loss reserves, Marriott Rewards customer loyalty program liabilities, equity-based compensation, income taxes and loss contingencies. Actual amounts may differ from these estimated amounts.

We have reclassified certain prior year amounts to conform to our 2012 presentation.

Restatement of Prior Year Cash Flow Activity Classification

While preparing our Cash Flows for the year ended December 30, 2011, we discovered errors in the presentation of certain items within our prior periods. Consequently, we have restated the accompanying Cash Flows for the twelve weeks ended March 25, 2011, appearing herein, from amounts previously reported to correct the prior period misstatements for these classification errors. Based on our evaluation of relevant quantitative and qualitative factors, we determined the identified misstatements are immaterial to our individual prior period Financial Statements.

The tables below summarize the effect of the restatement of the previously reported Cash Flow activities for the twelve weeks ended March 25, 2011.

	For the Twelve Weeks Ended March 25, 2011		
($ in millions)	**As Previously Reported**	**Adjustment**	**As Restated**
OPERATING ACTIVITIES			
Share-based compensation	$	$ 2	$ 2
All other, including working capital changes	1	(12)	(11)
Net cash provided by operating activities	$ 59	$ (10)	$ 49
INVESTING ACTIVITIES			
Decrease in restricted cash	$	$ 10	$ 10
Net cash (used in) provided by investing activities	$ (6)	$ 10	$ 4

New Accounting Standards

Accounting Standards Update No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU No. 2010-06) Provisions Effective in the 2011 First Quarter

Certain provisions of ASU No. 2010-06 became effective during our first quarter of 2011. Those provisions, which amended Subtopic 820-10, *Fair Value Measurements and Disclosures Overall*, require us to present as separate line items all purchases, sales, issuances, and settlements of financial instruments valued using unobservable inputs (Level 3) in the reconciliation of fair value measurements, in contrast to the prior aggregate presentation as a single line item. The adoption did not have a material impact on our Financial Statements or disclosures.

Accounting Standards Update No. 2011-04 Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU No. 2011-04)

ASU No. 2011-04 generally provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (IFRS). Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity s use of a nonfinancial asset that is different from the asset s highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and

(4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 became effective during our first quarter of 2012. The adoption of this update did not have a material impact on our Financial Statements.

Accounting Standards Update No. 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU No. 2011-05) and Accounting Standards Update No. 2011-12 Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05 (ASU No. 2011-12)

ASU No. 2011-05 amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income, or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. ASU No. 2011-12 defers until further notice ASU No. 2011-05 s requirement that items that are reclassified from other comprehensive income to net income be presented on the face of the financial statements. ASU No. 2011-05 requires retrospective application, and both ASU No. 2011-05 and ASU No. 2011-12 became effective during our first quarter of 2012. The adoption of these updates changed the order in which certain financial statements are presented and has required us to provide additional detail on those financial statements, but did not have any substantive impact on our Financial Statements.

2. INCOME TAXES

Prior to the Spin-Off, our operating results were included in Marriott International s combined U.S. federal and state income tax returns, as well as included in many of Marriott International s tax filings for non-U.S. jurisdictions. Subsequent to the Spin-Off, Marriott Vacations Worldwide will file its own U.S. consolidated federal and state tax returns, as well as separate tax filings for non-U.S. jurisdictions. We have determined our provision for income taxes and our contribution to Marriott International s tax losses and tax credits on a separate return basis and included each in these Financial Statements. Our separate return basis tax loss and tax credit carry backs may not reflect the tax positions taken or to be taken by Marriott International for tax losses occurring prior to the Spin-Off. In many cases tax losses and tax credits generated by us have been available for use by Marriott International and will largely continue to be available to Marriott International after the Spin-Off.

On November 21, 2011, we entered into a Tax Sharing and Indemnification Agreement with Marriott International (the Tax Sharing and Indemnification Agreement), which governs the methodology for allocating responsibility for federal, state, local and foreign income and other taxes related to taxable periods prior to and subsequent to the Spin-Off between Marriott International and Marriott Vacations Worldwide. Under this agreement, if any part of the Spin-Off fails to qualify for the tax treatment stated in the ruling Marriott International received from the U.S. Internal Revenue Service (the IRS), taxes imposed will be allocated between Marriott International and Marriott Vacations Worldwide and each will indemnify and hold harmless the other from and against the taxes so allocated.

In addition, under the Tax Sharing and Indemnification Agreement, Marriott International is allocated the responsibility and payment of taxes for taxable income prior to Spin-Off and we are allocated the responsibility and payment of taxes for taxable income subsequent to Spin-Off.

We had unrecognized tax benefits of $2 million at each of March 23, 2012 and December 30, 2011, that, if recognized, would have impacted our effective tax rate.

As a large taxpayer, Marriott International is continuously under audit by the IRS and other taxing authorities. Marriott Vacations Worldwide has joined in the Marriott International U.S. Federal tax consolidated filing for tax years 2009, 2010 and a portion of 2011 up to the date of the Spin-Off. The IRS has examined Marriott International s federal income tax returns, and it has settled all issues for the tax years through 2009. Marriott International participated in the IRS Compliance Assurance Program for the 2011 and 2010 tax years. Although we do not anticipate that a significant impact to our unrecognized tax benefit balance will occur during the next fiscal year as a result of these audits, it remains possible that the amount of our liability for unrecognized tax benefits could change over that time period. Pursuant to the Tax Sharing and Indemnification Agreement, Marriott International is liable and shall pay the relevant tax authority for all taxes related to the taxable income prior to the Spin-Off. Our tax years subsequent to the Spin-Off are subject to examination by relevant tax authorities.

3. NOTES RECEIVABLE

The following table shows the composition of our vacation ownership notes receivable balances, net of reserves:

($ in millions)	**March 23, 2012**	**December 30, 2011**
Vacation ownership notes receivable securitized	$ 842	$ 910

Vacation ownership notes receivable non-securitized	268	239
Total vacation ownership notes receivable	$ 1,110	$ 1,149

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The following tables show future principal payments, net of reserves, as well as interest rates for our securitized and non-securitized vacation ownership notes receivable:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
2012	$ 56	$ 92	$ 148
2013	35	115	150
2014	28	120	148
2015	23	117	140
2016	23	109	132
Thereafter	103	289	392
Balance at March 23, 2012	$ 268	$ 842	$ 1,110
Weighted average stated interest rate at March 23, 2012	11.5%	13.1%	12.6%
Range of stated interest rates at March 23, 2012	0.0% to 19.5%	6.1% to 19.5%	0.0% to 19.5%

We reflect interest income associated with vacation ownership notes receivable of $35 million and $39 million for the twelve weeks ended March 23, 2012 and March 25, 2011, respectively, in our Statements of Operations in the Financing revenues caption. Of the $35 million of interest income we recognized from these loans in the first quarter of 2012, $28 million was associated with securitized notes receivable and $7 million was associated with non-securitized notes receivable. Of the $39 million of interest income we recognized from these vacation ownership notes receivable in the first quarter of 2011, $32 million was associated with securitized notes receivable and $7 million was associated with non-securitized notes receivable.

We record an estimate of expected uncollectibility on all notes receivable from vacation ownership purchasers as a reduction of revenues from the sales of vacation ownership products at the time we recognize profit on a vacation ownership product sale. We fully reserve for all defaulted notes receivable in addition to recording a reserve on the estimated uncollectible portion of the remaining notes receivable. For those notes receivable not in default, we assess collectability based on pools of notes receivable because we hold large numbers of homogeneous vacation ownership notes receivable. We use the same criteria to estimate uncollectibility for non-securitized notes receivable and securitized notes receivable because they perform similarly. We estimate uncollectibility for each pool based on historical activity for similar vacation ownership notes receivable.

The following table summarizes the activity related to our vacation ownership notes receivable reserve for the first quarter of 2012:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
Balance at year-end 2011	$ 104	$ 67	$ 171
Provision for loan losses [(1)]	2	7	9
Clean-up call [(2)]	1	(1)	
Write-offs	(11)		(11)
Defaulted notes receivable repurchase activity [(3)]	10	(10)	
Balance at March 23, 2012	$ 106	$ 63	$ 169

(1) Includes $3 million provision for defaulted securitized vacation ownership notes receivable repurchased subsequent to March 23, 2012.

(2) Refers to our voluntary repurchase of previously securitized non-defaulted notes receivable to retire previous notes receivable securitizations.

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

Although we consider loans to owners to be past due if we do not receive payment within 30 days of the due date, we suspend accrual of interest only on those loans that are over 90 days past due. We consider loans over 150 days past due to be in default. We apply payments we receive for notes receivable on non-accrual status first to interest, then to principal and any remainder to fees. We resume accruing interest when notes receivable are less than 90 days past due. We do not accept payments for notes receivable during the foreclosure process unless the amount is sufficient to pay all principal, interest, fees and penalties owed and fully reinstate the note. We write off uncollectible notes receivable against the reserve once we receive title of the vacation ownership products through the foreclosure or deed-in-lieu process or in Europe or Asia Pacific, when revocation is complete. For both non-securitized and

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securitized vacation ownership notes receivable, we estimated average remaining default rates of 7.75 percent and 7.71 percent as of March 23, 2012 and December 30, 2011, respectively. An increase of 0.5 percent in the estimated default rate would have resulted in an increase in our allowance for credit losses of $6 million as of both March 23, 2012 and December 30, 2011.

The following table shows our recorded investment in non-accrual notes receivable, which are notes receivable that are 90 days or more past due.

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
Investment in notes receivable on non-accrual status at March 23, 2012	$ 89	$ 15	$ 104
Investment in notes receivable on non-accrual status at year-end 2011	$ 90	$ 11	$ 101
Average investment in notes receivable on non-accrual status during the first quarter of 2012	$ 90	$ 13	$ 103
Average investment in notes receivable on non-accrual status during the first quarter of 2011	$ 108	$ 17	$ 125

The following table shows the aging of the recorded investment in principal, before reserves, in vacation ownership notes receivable as of March 23, 2012:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
31 90 days past due	$ 13	$ 23	$ 36
91 150 days past due	6	12	18
Greater than 150 days past due	83	3	86
Total past due	102	38	140
Current	272	867	1,139
Total vacation ownership notes receivable	$ 374	$ 905	$ 1,279

The following table shows the aging of the recorded investment in principal, before reserves, in vacation ownership notes receivable as of December 30, 2011:

($ in millions)	Non-Securitized Vacation Ownership Notes Receivable	Securitized Vacation Ownership Notes Receivable	Total
31 90 days past due	$ 11	$ 24	$ 35
91 150 days past due	8	11	19
Greater than 150 days past due	82		82

Total past due	101	35	136
Current	242	942	1,184
Total vacation ownership notes receivable	$ 343	$ 977	$ 1,320

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4. FINANCIAL INSTRUMENTS

The following table shows the carrying values and the estimated fair values of financial assets and liabilities that qualify as financial instruments, determined in accordance with current guidance for disclosures on the fair value of financial instruments. Considerable judgment is required in interpreting market data to develop estimates of fair value. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The table excludes Cash and cash equivalents, Restricted cash, Accounts and contracts receivable and Accounts payable, which had fair values approximating their carrying amounts due to the short maturities and liquidity of these instruments.

($ in millions)	At March 23, 2012		At December 30, 2011	
	Carrying Amount	Fair Value(1)	Carrying Amount	Fair Value(1)
Vacation ownership notes receivable securitized	$ 842	$ 997	$ 910	$ 1,061
Vacation ownership notes receivable non-securitized	268	282	239	245
Total financial assets	$ 1,110	$ 1,279	$ 1,149	$ 1,306
Non-recourse debt associated with securitized notes receivable	$ (662)	$ (689)	$ (729)	$ (750)
Warehouse credit facility	(109)	(108)	(118)	(116)
Other debt	(3)	(3)	(3)	(3)
Mandatorily redeemable preferred stock of consolidated subsidiary	(40)	(40)	(40)	(40)
Liability for Marriott Rewards loyalty program	(215)	(197)	(225)	(206)
Other liabilities	(29)	(31)	(29)	(32)
Total financial liabilities	$ (1,058)	$ (1,068)	$ (1,144)	$ (1,147)

(1) Fair value of financial instruments has been determined using Level 3 inputs.

Vacation Ownership Notes Receivable

We estimate the fair value of our securitized notes receivable using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model uses default rates, prepayment rates, coupon rates and loan terms for our securitized notes receivable portfolio as key drivers of risk and relative value, that when applied in combination with pricing parameters, determines the fair value of the underlying notes receivable.

We bifurcate our non-securitized notes receivable into two pools as follows:

($ in millions)	At March 23, 2012		At December 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Vacation ownership notes receivable eligible for securitization	$ 79	$ 93	$ 41	$ 47
Vacation ownership notes receivable not eligible for securitization	189	189	198	198
Total vacation ownership notes receivable non-securitized	$ 268	$ 282	$ 239	$ 245

We estimate the fair value of a portion of our non-securitized notes receivable that we believe will ultimately be securitized in the same manner as securitized notes receivable. We value the remaining non-securitized notes receivable at their carrying value, rather than using our pricing model. We believe that the carrying value of these particular notes receivable approximates fair value because the stated interest rates of these loans are consistent with current market rates and the reserve for these notes receivable appropriately accounts for risks in default rates, prepayment rates and loan terms.

Non-Recourse Debt Associated with Securitized Notes Receivable

We internally generate cash flow estimates by modeling all bond tranches for our active notes receivable securitization transactions, with consideration for the collateral specific to each tranche. The key drivers in our analysis include default rates, prepayment rates, bond interest rates and other structural factors, which we use to estimate the projected cash flows. In order to estimate market credit spreads by rating, we obtain indicative credit spreads from investment banks that actively issue and facilitate the market for timeshare securities and determine an average credit spread by rating level of the different tranches. We then apply those estimated market spreads to swap rates in order to estimate an underlying discount rate for calculating the fair value of the active bonds payable.

Warehouse Credit Facility

We internally generate cash flow estimates by modeling all funding activity for our $300 million, non-recourse warehouse credit facility (the Warehouse Credit Facility) with consideration given to the collateral pledged to date. The key drivers in our analysis

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include default rates, prepayment rates, bond interest rates and structural factors, which we use to estimate the projected cash flows. The discount rate used to calculate the fair value of these cash flows is composed of the market swap rate for the specific average life of the cash flows plus a credit spread. Because the Warehouse Credit Facility debt is not traded in the market, we use a credit spread which is the average of indicative credit spreads obtained from investment banks on our securitized debt for the particular rating that the Warehouse Credit Facility is structured to achieve.

Mandatorily Redeemable Preferred Stock of Consolidated Subsidiary

We estimate the fair value of the mandatorily redeemable preferred stock of our consolidated subsidiary using a discounted cash flow model. We believe this is comparable to the model that an independent third party would use in the current market. Our model includes an assessment of our subsidiary s credit risk and the instrument s contractual dividend rate.

Liability for Marriott Rewards Loyalty Program

We determine the carrying value of the future redemption obligation of our liability for the Marriott Rewards loyalty program based on statistical formulas that project the timing of future point redemption based on historical levels, including estimates of the points that will eventually be redeemed and the breakage for points that will never be redeemed. We estimate the fair value of the future redemption obligation by adjusting the contractual discount rate to an estimate of that of a market participant with similar nonperformance risk.

Other Liabilities

We estimate the fair value of our other liabilities that are financial instruments using expected future payments discounted at risk-adjusted rates. These liabilities represent guarantee costs and reserves and deposit liabilities. The carrying values of our guarantee costs and reserves approximate their fair values. We estimate the fair value of our deposit liabilities primarily by discounting future payments at a risk-adjusted rate.

5. EARNINGS PER SHARE

Basic income per common share is calculated by dividing net income attributable to Marriott Vacations Worldwide common shareholders by the weighted average number of shares of common stock issued and outstanding during the reporting period. Diluted income per common share is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted income per common share by application of the treasury stock method.

On November 21, 2011, we ceased to be a subsidiary of Marriott International and became an independent publicly traded company. On the distribution date of November 21, 2011, Marriott International distributed 33.7 million shares of $.01 par value Marriott Vacations Worldwide common stock to Marriott International s shareholders of record as of the close of business Eastern time on the record date of November 10, 2011. This share amount is utilized for the calculation of basic income per common share for the first quarter of 2011 because all 100 shares of our common stock outstanding prior to November 21, 2011 were held by Marriott International. For the first quarter of 2011, the same number of shares is being used for diluted income per common share as for basic income per common share as no dilutive securities were outstanding for any prior period.

For 2011, in determining the weighted average number of common shares outstanding for basic income per common share, we assumed 33.7 million shares were outstanding for the period from January 1, 2011 through March 25, 2011.

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The table below illustrates the reconciliation of the earnings and number of shares used in our calculation of basic and diluted earnings per share.

	Twelve Weeks Ended	
(in millions, except per share amounts)	March 23, 2012 (1)	March 25, 2011
Computation of Basic Earnings Per Share		
Net income	$ 9	$ 19
Weighted average shares outstanding	34.0	33.7
Basic Earnings per share	$ 0.25	$ 0.58
Computation of Diluted Earnings Per Share		
Net income	$ 9	$ 19
Weighted average shares outstanding	34.0	33.7
Effect of dilutive securities		
Employee stock option and SARs	0.9	
Restricted stock units	0.8	
Shares for diluted earnings per share	35.7	33.7
Diluted earnings per share	$ 0.24	$ 0.58

(1) Approximately 84,433 shares of common stock issuable upon the vesting of certain performance-based awards were not included in the computations of diluted earnings per share for the first quarter of 2012 because the performance conditions required for such shares to vest were not achieved by the end of the reporting period.

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period. We determine dilution based on earnings.

In accordance with the applicable accounting guidance for calculating earnings per share, we did not include 103,568 options and SARs with exercise prices ranging from $23.46 to $28.16 in our calculation of diluted earnings per share for the twelve week period ended March 23, 2012, because those exercise prices were greater than the average market prices for the applicable period.

6. INVENTORY

The following table shows the composition of our inventory balances:

($ in millions)	At March 23, 2012	At December 30, 2011
Finished goods	$ 519	$ 448
Work-in-progress	115	215
Land and infrastructure	292	290
Real estate inventory	926	953
Operating supplies and retail inventory	6	6
	$ 932	$ 959

We value vacation ownership and residential products at the lower of cost or fair market value less costs to sell, in accordance with applicable accounting guidance, and we record operating supplies at the lower of cost (using the first-in, first-out method) or market value.

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7. PROPERTY AND EQUIPMENT

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

($ in millions)	At March 23, 2012	At December 30, 2011
Land	$ 152	$ 152
Buildings and leasehold improvements	223	227
Furniture and equipment	279	271
Construction in progress	5	9
	659	659
Accumulated depreciation	(377)	(374)
	$ 282	$ 285

8. CONTINGENCIES AND COMMITMENTS

Guarantees

We issue guarantees to certain lenders in connection with the provision of third-party financing for our sales of vacation ownership products for the Luxury and Asia Pacific segments. The terms of guarantees to lenders generally require us to fund if the purchaser fails to pay under the term of its note payable. Prior to the Spin-Off, Marriott International guaranteed our performance under these arrangements. Subsequent to the Spin-Off, Marriott International continues to hold a standby letter of credit related to the Asia Pacific segment guarantee. If Marriott International is required to fund any draws by lenders under this letter of credit it would seek recourse from Marriott Vacations Worldwide. Marriott International no longer guarantees our performance with respect to third-party financing for sales of products in the Luxury segment. We are entitled to recover any funding to third-party lenders related to these guarantees through reacquisition and resale of the vacation ownership product. Our commitments under these guarantees expire as notes mature or are repaid. The terms of the underlying notes extend to 2022.

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

($ in millions) Segment	Maximum Potential Amount of Future Fundings at March 23, 2012	Liability for Expected Future Fundings at March 23, 2012
Asia Pacific	$ 22	$
Luxury	3	1
Total guarantees where we are the primary obligor	$ 25	$ 1

We included our liability for expected future fundings of the financing guarantees in our Balance Sheets in the Other caption within Liabilities.

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

Commitments and Letters of Credit

In addition to the guarantees we note in the preceding paragraphs, as of March 23, 2012, we had the following commitments outstanding:

A commitment for $18 million (HK$141 million) to purchase vacation ownership units upon completion of construction for sale in our Asia Pacific segment. We previously made deposits of $11 million in conjunction with this commitment, and we paid the remaining $7 million into escrow in the second quarter of 2012.

$2 million (million) of other purchase commitments that we expect to fund over the next two years, as follows: $1 million in each of 2013 and 2014.

We have various contracts for the use of information technology hardware and software that we use in the normal course of business. Our commitments under these contracts were $3 million, which we expect will be paid in 2012.

Commitments to subsidize vacation ownership associations were $6 million which we expect will be paid in 2012.

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Surety bonds issued as of March 23, 2012 totaled $100 million, the majority of which were requested by federal, state or local governments related to our operations.

Additionally, at March 23, 2012, we had $5 million of letters of credit outstanding under our four-year $200 million revolving credit facility (the Revolving Corporate Credit Facility).

Other

We estimate the cash outflow associated with completing the phases of our existing portfolio of vacation ownership projects currently under development will be approximately $133 million, of which $9 million is included within liabilities on our Balance Sheet. This estimate is based on our current development plans, which remain subject to change, and we expect the phases currently under development will be completed by 2016.

9. DEBT

The following table provides detail on our debt balances:

($ in millions)	**At March 23, 2012**	**At December 30, 2011**
Non-recourse debt associated with securitized notes receivable, interest rates ranging from 3.64% to 7.20% (weighted average interest rate of 5.11%) [1]	$ 662	$ 729
Warehouse credit facility (effective interest rate of 2.07%) [1]	109	118
Revolving corporate credit facility		
Other	3	3
	$ 774	$ 850

[1] Interest rates are as of March 23, 2012.

See Footnote No. 12, Variable Interest Entities, for a discussion of the collateral for the non-recourse debt associated with the securitized notes receivable and the Warehouse Credit Facility. All of our other debt was, and to the extent currently outstanding is, recourse to us but unsecured. Although no amounts were borrowed at March 23, 2012 under our Revolving Corporate Credit Facility, any amounts that are borrowed under that facility, as well as obligations with respect to letters of credit issued pursuant to that facility, are secured by a perfected first priority security interest in substantially all of our assets and the assets of the guarantors of that facility, in each case including inventory, subject to certain exceptions.

The following table shows scheduled future principal payments for our debt:

($ in millions) **Debt Principal Payments Year**	**Non-Recourse Debt**	**Warehouse Credit Facility**	**Other Debt**	**Total**
2012	$ 85	$ 12	$	$ 97
2013	109	97		206
2014	115			115
2015	109			109
2016	95			95
Thereafter	149		3	152

Balance at March 23, 2012	$	662	$	109	$	3	$ 774

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

We paid cash for interest, net of amounts capitalized, of $10 million in the first quarter of 2012 and $13 million in the first quarter of 2011.

Non-Recourse Debt Associated with Securitized Notes Receivable

Each of our securitized notes receivable pools is subject to various triggers relating to the performance of the underlying notes receivable. If a pool of securitized notes receivable fails to perform within the pool s established parameters (default or delinquency thresholds vary by transaction), transaction provisions effectively redirect the monthly excess spread we would otherwise receive from that pool (related to the interests we retained) to accelerate the principal payments to investors based on the subordination of the different tranches until the performance trigger is cured. During the first quarter of 2012, one pool that had reached a performance trigger at year-end 2011 returned to meeting performance thresholds, while two other pools reached performance triggers. At the end of the first quarter of 2012, there was only one pool remaining that did not meet performance thresholds. As a result of performance triggers, a total of $1 million in cash of excess spread was redirected to accelerate principal payments to investors during the first quarter of 2012. As of March 23, 2012, we had 10 securitized notes receivable pools outstanding.

10. MANDATORILY REDEEMABLE PREFERRED STOCK OF CONSOLIDATED SUBSIDIARY

In October 2011, our subsidiary, MVW US Holdings, Inc. (MVW US Holdings) issued $40 million of its mandatorily redeemable Series A (non-voting) preferred stock to Marriott International as part of Marriott International s internal reorganization prior to the Spin-Off. Subsequently Marriott International sold all of this preferred stock to third-party investors. For the first five years after issuance, the Series A preferred stock will pay an annual cash dividend equal to the five-year U.S. Treasury Rate as of October 19, 2011, plus a spread of 10.958 percent, for a total annual cash dividend rate of 12 percent. On the fifth anniversary of issuance, the annual cash dividend rate will be reset to the five-year U.S. Treasury Rate in effect on such date plus the same 10.958 percent spread. The Series A preferred stock is mandatorily redeemable by MVW US Holdings upon the tenth anniversary of the date of issuance but can be redeemed at our option after five years. The Series A preferred stock has an aggregate liquidation preference of $40 million plus any accrued and unpaid dividends and an additional premium if liquidation occurs during the first five years after the issuance of the preferred stock. At March 23, 2012, 1,000 shares of Series A preferred stock were authorized, of which 40 shares were issued and outstanding. The dividends are recorded as a component of Interest expense as the Series A preferred stock is treated as a liability for accounting purposes.

11. SHARE-BASED COMPENSATION

A total of 6 million shares are authorized for issuance under the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (the Marriott Vacations Worldwide Stock Plan). As of March 23, 2012, approximately 2 million shares were available for grants under the Marriott Vacations Worldwide Stock Plan.

For share-based awards with service-only vesting conditions, we measure compensation expense related to share-based payment transactions with our employees and non-employee directors at fair value on the grant date and recognize this expense in the Statement of Operations over the vesting period during which the employees provide service in exchange for the award. For share-based arrangements with performance conditions as a prerequisite to vesting, compensation expense is not recognized until it is probable that the corresponding performance condition will be achieved.

We recorded share-based compensation expense related to award grants to our officers, directors and employees of $3 million and $2 million for the twelve weeks ended March 23, 2012 and March 25, 2011 respectively. Deferred compensation costs related to unvested awards held by our employees totaled $23 million and $18 million at March 23, 2012 and March 25, 2011 respectively.

RSUs

Marriott Vacations Worldwide granted 215,109 RSUs during the first quarter of 2012 to our employees, and those units generally vest over four years in annual installments commencing one year after the date of grant. RSUs granted in the first quarter of 2012 had a weighted average grant-date fair value of $23.

During the first quarter of 2012, we granted RSUs with performance-based vesting criteria to key members of management. The number of RSUs earned, if any, will be determined following the end of a three year performance period based upon our cumulative achievement over that period with respect to specific quantitative operating financial measures. The maximum amount of RSUs that are subject to vesting is approximately 170,000.

SARs

Marriott Vacations Worldwide granted 1,404 SARs during the first quarter of 2012 to a non-employee director. SARs generally expire ten years after the date of grant and both vest and may be exercised in cumulative installments of one quarter at the end of each of the first four years following the date of grant. These SARs vested immediately and had a weighted average grant-date fair value of $14 and a weighted average exercise price of $27.

We use the Black-Scholes model to estimate the fair value of the stock options or SARs granted. For SARs granted under the Marriott Vacations Worldwide Stock Plan in the first quarter of 2012, the expected stock price volatility was calculated based on the historical volatility from the stock prices of a group of identified peer companies. The average expected life was calculated based on the simplified method. The risk-free interest rate was calculated based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The expected annual dividend per share was $0 based on our expected dividend rate.

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The following table outlines the assumptions used to estimate the fair value of grants during the first quarter of 2012:

Expected volatility	54.30%
Dividend yield	0.00%
Risk-free rate	1.38%
Expected term (in years)	6.25

12. VARIABLE INTEREST ENTITIES

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

Variable Interest Entities Related to Our Notes Receivable Securitizations

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

We created these entities to serve as a mechanism for holding assets and related liabilities, and the entities have no equity investment at risk, making them variable interest entities. We continue to service the notes receivable, transfer all proceeds collected to these special purpose entities, and retain rights to receive benefits that are potentially significant to the entities. Accordingly, we concluded that we are the entities primary beneficiary and, therefore, may consolidate them.

The following table shows consolidated assets, that are collateral for the obligations of these variable interest entities, and consolidated liabilities included in our Balance Sheet at March 23, 2012.

($ in millions)	**Notes Receivable Securitizations**	**Warehouse Credit Facility**	**Total**
Consolidated Assets:			
Notes receivable, net of reserves	$ 715	$ 127	$ 842
Interest receivable	4	1	5
Restricted cash	30	4	34
Total	$ 749	$ 132	$ 881
Consolidated Liabilities:			
Interest payable	$ 1	$	$ 1
Debt	662	109	771
Total	$ 663	$ 109	$ 772

The noncontrolling interest balance was zero. The creditors of these entities do not have general recourse to us.

The following table shows the interest income and expense recognized as a result of our involvement with these variable interest entities during the first quarter of 2012:

($ in millions)	Notes Receivable Securitizations	Warehouse Credit Facility	Total
Interest income	$ 24	$ 4	$ 28
Interest expense to investors	$ 8	$ 1	$ 9
Debt issuance cost amortization	$ 1	$	$ 1

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The following table shows cash flows between us and the notes receivable securitization variable interest entities:

	Twelve Weeks Ended	
($ in millions)	March 23, 2012	March 25, 2011
Cash inflows:		
Net proceeds from notes receivable securitization	$	$
Principal receipts	44	59
Interest receipts	25	33
Total	69	92
Cash outflows:		