Marriott Vacations Worldwide Corp
Form 10-K
March 21, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 30, 2011

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 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)	**(IRS Employer Identification No.)**
6649 Westwood Blvd., Orlando, FL	**32821**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, Including Area Code (407) 206-6000

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.01 par value	New York Stock Exchange

(34,175,821 shares outstanding as of March 2, 2012)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	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

As of June 17, 2011, the aggregate market value of the registrant s common stock held by non-affiliates was none because the registrant was at that time a wholly owned subsidiary.

DOCUMENTS INCORPORATED BY REFERENCE

None

TABLE OF CONTENTS

Table of Contents

Throughout this Annual Report on Form 10-K (this Annual Report), we refer to Marriott Vacations Worldwide Corporation, together with its subsidiaries, as Marriott Vacations Worldwide, MVW, we, us, or the Company. Unless otherwise specified, each reference to a particular ye means the fiscal year ended on the date shown in the table below, rather than the corresponding calendar year. All fiscal years included 52 weeks, except for 2008, which included 53 weeks.

Fiscal Year	Fiscal Year-End Date
2011	December 30, 2011
2010	December 31, 2010
2009	January 1, 2010
2008	January 2, 2009
2007	December 28, 2007

In addition, in order to make this Annual Report easier to read, we refer throughout to (i) our Consolidated Financial Statements as our Financial Statements, (ii) our Consolidated Statements of Operations as our Statements of Operations, (iii) our Consolidated Balance Sheets as our Balance Sheets, (iv) our Consolidated Statements of Cash Flows as our Cash Flows, and (v) Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU No. 2009-17), which we adopted on the first day of the 2010 fiscal year, as the new Consolidation Standard. Please see Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for further information on some of these items.

Throughout this Annual Report, we refer to brands that we own, as well as those brands that we license from Marriott International, Inc. (Marriott International) or its affiliates, as our brands.

By referring to our corporate website, www.marriottvacationsworldwide.com, or any other website, we do not incorporate any such website or its contents in this Annual Report.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We make forward-looking statements throughout this Annual Report, including in, among others, the sections entitled Business, Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations, based on our management s beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words believe, expect, plan, intend, anticipate, estimate, predict, potential, continue, may, might, should, could or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements in this Annual Report. We do not have any intention or obligation to update forward-looking statements after the date of this Annual Report, except as required by law.

The risk factors discussed in Risk Factors could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we cannot predict at this time or that we currently do not expect will have a material adverse effect on our financial position, results of operations or cash flows. Any such risks could cause our results to differ materially from those we express in forward-looking statements.

PART I

Item 1. Business

Overview

We are 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 generally provides on-site management for Ritz-Carlton branded properties. We are the world s largest company whose business is focused almost entirely on vacation ownership, based on number of owners, number of resorts and revenues.

We were organized as a corporation in June 2011 and became a public company in November 2011 when Marriott International completed the spin-off of its vacation ownership division through the distribution of our outstanding common stock to the Marriott International shareholders (the Spin-Off). 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. As of December 30, 2011, we had 64 vacation ownership resorts (under 71 separate resort management contracts) in the United States and eight other countries and territories and approximately 420,000 owners of our vacation ownership and residential products.

Our strategic goal is to further strengthen our leadership position in the vacation ownership industry. We believe that we have significant competitive advantages, including our scale and global reach, a dual product platform that includes both upscale and luxury tier products, the quality and strength of the Marriott and Ritz-Carlton brands, our loyal and highly satisfied customer base, and our long-standing track record and experienced management team. Our strategy focuses on leveraging our globally recognized brand names and existing customer base to grow sales; maximizing our cash flow by more closely matching inventory development with sales pace; maintaining and improving the satisfaction of our owners, guests and associates; disposing of excess assets and selectively pursuing asset light deals; and selectively pursuing new business opportunities.

The Vacation Ownership Industry

The vacation ownership industry (also known as the timeshare industry) enables customers to share ownership and use of fully-furnished vacation accommodations. Typically, a vacation ownership purchaser acquires either a fee simple interest in a property (or collection of properties), which gives the purchaser title to a fraction of a unit, or a right to use a property for a specific period of time. These rights may consist of a deeded interest in a specified accommodation unit, an undivided interest in a building or resort, or an interest in a trust that owns one or more resorts. Generally, a vacation ownership purchaser s fee simple interest in or right to use a property is referred to as a vacation ownership interest. By purchasing a vacation ownership interest, owners make a commitment to vacation. For many vacation ownership interest purchasers, vacation ownership is an attractive vacation alternative to traditional lodging accommodations at hotels. By purchasing a vacation ownership interest, owners can avoid the volatility in room rates to which lodging customers are subject. Owners can also enjoy vacation ownership accommodations that are, on average, more than twice the size of traditional hotel rooms and typically have more amenities, such as kitchens, than traditional hotel rooms. Other vacation ownership purchasers find vacation ownership preferable to owning a second home because vacation ownership is more convenient and offers greater flexibility.

Typically, developers sell vacation ownership interests for a fixed purchase price that is paid in full at closing. Many vacation ownership companies provide financing or facilitate access to third-party bank financing for customers. Vacation ownership resorts are often managed by a nonprofit property owners association in which owners of vacation ownership interests participate. Most property owners associations are governed by a board of trustees or directors that includes representatives of the owners, which may include the developer for so long as the developer owns interests in the resort. Some vacation ownership resorts are held through a trust structure in which a trustee holds title to the resort and manages the resort. The board of the property owners association, or trustee, as applicable, typically delegates much of the responsibility for managing the resort to a management company, which may be affiliated with the developer.

After the initial purchase, most vacation ownership programs require the owner of the vacation ownership interest to pay an annual maintenance fee. This fee represents the owner s allocable share of the costs and expenses of operating and maintaining the vacation ownership resorts, including management fees and expenses, taxes, insurance, and other related costs, and of providing program services (such as reservation services). This fee typically includes a property management fee payable to the vacation ownership company for providing management services as well as an assessment for funds to be deposited into a capital asset reserve fund and used to renovate, refurbish and replace furnishings, common areas and other assets (*e.g.*, parking lots or roofs) as needed over time. Owners typically reserve their usage of vacation accommodations in advance through a reservation system (often provided by the vacation ownership company), unless a vacation ownership interest specifies a fixed usage date every year. The vacation ownership industry has grown through expansion of established vacation ownership developers as well as the entrance into this market of well-known lodging and entertainment companies, including Marriott International, Disney, Four Seasons, Hilton, Hyatt, Starwood and Wyndham, which have developed larger resorts as the vacation ownership resort industry has matured. The industry s growth can also be attributed to increased market acceptance of vacation ownership resorts, stronger consumer protection laws and the evolution of vacation ownership

Table of Contents

interests from a fixed- or floating-week product, which provides the right to use the same property every year, to membership in multi-resort vacation networks, which offer a more flexible vacation experience. These vacation networks often issue their members an annual allotment of points that the member can redeem in exchange for stays at the vacation ownership resorts included in the network or for other vacation options available through the program.

To enhance the appeal of their products, vacation ownership developers with multiple resorts and/or hotel affiliations typically establish systems that enable owners to use resorts across their resort portfolio and/or their affiliated hotel networks. In addition to these resort systems, developers of all sizes typically also affiliate with vacation ownership exchange companies in order to give customers the ability to exchange their rights to use the developer s resorts into a broader network of resorts. The two leading exchange service providers are Interval International, with which we are associated, and Resort Condominium International. Interval International s and Resort Condominium International s networks include over 2,600 and 4,000 affiliated resorts, respectively, as identified on each company s website.

According to the American Resort Development Association (ARDA), a trade association representing the vacation ownership and resort development industries, as of December 31, 2010, the U.S. vacation ownership community was comprised of approximately 1,548 resorts, representing approximately 197,600 units and an estimated 8.1 million vacation ownership week equivalents. The vacation ownership industry grew steadily between 1975 and 2008, with sales increasing from $0.1 billion in 1975 to $9.7 billion in 2008, according to ARDA. During the global recession of 2008 and 2009, the pace of growth slowed, with sales declining from $9.7 billion in 2008 to $6.3 billion in 2009. According to ARDA, the industry began to recover in 2010, with sales stabilizing at $6.4 billion in 2010. We believe there is considerable potential for further growth in the vacation ownership industry.

We believe that competition in the vacation ownership industry is based primarily on the quality, number and location of vacation ownership resorts, trust in the brand, the pricing of product offerings and the availability of program benefits, such as exchange programs and access to affiliated hotel networks. Vacation ownership is a leisure vacation option that is positioned and sold as an attractive alternative to vacation rentals (*e.g.*, hotels, resorts and condominium rentals) and second home ownership. The various segments within the vacation ownership industry are differentiated by the quality level of the accommodations, range of services and ancillary offerings, and price. Our brands operate in the upscale and luxury tiers of the vacation ownership segment of the industry and the upscale and luxury tiers of the whole ownership segment (also referred to as the residential segment) of the industry.

Our History

In 1984, Marriott International s predecessor, Marriott Corporation, became the first major lodging company to enter the vacation ownership industry with its acquisition of American Resorts, a small vacation ownership company with four U.S. locations and 6,000 owners. Marriott International leveraged its well-known Marriott brand to sell one-week vacation ownership intervals, which were frequently located at resorts developed adjacent to Marriott International hotels. The company differentiated its offerings through its high-quality resorts that were purpose-built for vacation ownership, its dedication to excellent customer service and its commitment to ethical business practices. These qualities encouraged repeat business and word-of-mouth customer referrals.

Marriott International, working with ARDA, also encouraged the enactment of responsible consumer-protection legislation and state regulation that enhanced the reputation and respectability of the overall vacation ownership industry. As Marriott International s vacation ownership business expanded, it provided new and existing owners with a growing variety of vacation experiences and resort locations. We believe that, over time, Marriott International s vacation ownership products and services helped improve the public perception of the vacation ownership industry. A number of other major lodging companies later entered the vacation ownership business, further enhancing the industry s image and credibility.

On November 21, 2011, the Spin-Off of our company from Marriott International was completed. In the Spin-Off, Marriott International s vacation ownership operations and related residential business were separated from Marriott International through a special tax-free dividend to Marriott International s shareholders of all of the issued and outstanding common stock of our company. On the date of the Spin-Off, Marriott International shareholders of record as of the close of business on November 10, 2011 received one share of Marriott Vacations Worldwide common stock for every ten shares of Marriott International common stock. Following the Spin-Off, we are an independent company, and our common stock is listed on the New York Stock Exchange under the symbol VAC . Marriott Vacations Worldwide Corporation was incorporated in Delaware in June 2011. Our corporate headquarters is located in Orlando, Florida.

Prior to the Spin-Off, our business was owned by Marriott International. In connection with the Spin-Off, we and Marriott International entered into material agreements that govern the ongoing relationships between our two companies

3

after the Spin-Off, provide for an orderly transition to our status as an independent, publicly owned company, relate to the provision by each company to the other of certain services and rights following the Spin-Off, and provide for each company to indemnify the other against certain liabilities arising from our respective businesses. Following the Spin-Off, we and Marriott International have operated independently, and neither company has any ownership interest in the other.

Under the Separation and Distribution Agreement among our company, certain of our subsidiaries and Marriott International (the Separation and Distribution Agreement), the principal actions taken in connection with the Spin-Off are set forth. The Separation and Distribution Agreement also sets forth other agreements that govern certain aspects of our continued relationship with Marriott International following the Spin-Off.

We also entered into a License, Services, and Development Agreement with Marriott International and its subsidiary Marriott Worldwide Corporation (the Marriott License Agreement) and a License, Services, and Development Agreement with The Ritz-Carlton Hotel Company, L.L.C. (the Ritz-Carlton License Agreement and, together with the Marriott License Agreement, the License Agreements). Under the License Agreements, we are granted the exclusive right, for the terms of the License Agreements, to use certain Marriott and Ritz-Carlton marks and intellectual property in our vacation ownership business, the exclusive right to use the Grand Residences by Marriott marks and intellectual property in our residential real estate business and the non-exclusive right to use certain Ritz-Carlton marks and intellectual property in our residential real estate business. We also entered into a Non-Competition Agreement with Marriott International (the Non-Competition Agreement), which generally prohibits Marriott International and its subsidiaries from engaging in the vacation ownership business and prohibits us and our subsidiaries from engaging in the hotel business until the earlier of November 21, 2021 or the termination of the Marriott License Agreement.

Under the Marriott Rewards Affiliation Agreement that we and certain of our subsidiaries entered into with Marriott International and its subsidiary Marriott Rewards, LLC (the Marriott Rewards Agreement), we are allowed to continue to participate in the Marriott Rewards customer loyalty program following the Spin-Off; this participation includes the ability to purchase and use Marriott Rewards Points in connection with our Marriott-branded vacation ownership business. The Marriott Rewards Agreement is coterminous with the Marriott License Agreement.

We also entered into a Tax Sharing and Indemnification Agreement with Marriott International (the Tax Sharing and Indemnification Agreement). This agreement describes the methodology for allocating between Marriott International and ourselves responsibility for federal, state, local and foreign income and other taxes relating to taxable periods before and after the Spin-Off, and also provides that 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 in connection with the Spin-Off, taxes imposed on Marriott International or that it incurs as a result of such failure will be allocated between Marriott International and us, and each company will indemnify and hold harmless the other from and against the taxes so allocated.

The Employee Benefits and Other Employment Matters Allocation Agreement that we entered into with Marriott International (the Employee Benefits and Other Employment Matters Allocation Agreement) sets forth our agreement with Marriott International on the allocation of employees and obligations and responsibilities for compensation, benefits and labor matters, including, among other things, the treatment of outstanding awards under the Marriott International, Inc. Stock and Cash Incentive Plan (the Marriott International Stock Plan), deferred compensation obligations, retirement plans and medical and other welfare benefit plans.

We also entered into a number of transition services agreements, including an Omnibus Transition Services Agreement (the Omnibus Transition Services Agreement), a Payroll Services Agreement (the Payroll Services Agreement), a Human Resources and Internal Communications Transition Services Agreement (the Human Resources and Internal Communications Transition Services Agreement) and an Information Resources Transition Services Agreement (the Information Resources Transition Services Agreement) with Marriott International. Under these agreements, Marriott International or certain of its subsidiaries provide us with certain services for a limited time following the Spin-Off. These agreements generally have terms of up to 24 months. We may terminate any transition service upon prior notice to Marriott International, generally 120 days in advance of the service termination date. The charge for transition services is intended to allow Marriott International to recover its direct and indirect costs incurred in providing those services.

For a further discussion of these agreements, please refer to Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report.

Table of Contents

The following timeline notes significant steps in the evolution of our business and product offerings to date:

Our Brands

We design, build, manage and maintain our properties at upscale and luxury levels in accordance with the Marriott and Ritz-Carlton brand standards that we must comply with under the License Agreements. For a further discussion of these requirements please refer to Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report.

We offer our products under four brands:

The **Marriott Vacation Club** brand is our signature offering in the upscale tier of the vacation ownership industry. Marriott Vacation Club resorts typically combine many of the comforts of home, such as spacious accommodations with one, two and three bedroom options, living and dining areas, in-unit kitchens and laundry facilities, with resort amenities such as large feature swimming pools, restaurants and bars, convenience stores, fitness facilities and spas, as well as sports and recreation facilities appropriate for each resort s unique location. As of December 30, 2011, this system of resorts consisted of 53 resorts in 33 destinations in the United States and six other countries and territories.

The Marriott Vacation Club products are currently marketed for sale throughout the United States and in over 40 countries around the world, targeting customers who vacation regularly with a focus on family, relaxation and recreational activities. We offer this brand primarily in a points-based format and to a lesser extent as weekly intervals.

Grand Residences by Marriott is an upscale tier vacation ownership and whole ownership residence brand. Our vacation ownership products under this brand currently include multi-week ownership interests in two locations: Lake Tahoe, California; and London, England. The ownership structure, physical products and usage options for these locations are similar to those we offer to Marriott Vacation Club owners, although the time period for each Grand Residences by Marriott ownership interest ranges between three and thirteen weeks. We also currently offer whole ownership residential products under this brand in two locations: Panama City, Florida; and Kauai, Hawaii. Three of our Grand Residences by Marriott locations (Lake Tahoe, Panama City and Kauai) are co-located with Marriott Vacation Club resorts.

The **Ritz-Carlton Destination Club** brand is our vacation ownership offering in the luxury tier of the industry. The Ritz-Carlton Destination Club provides luxurious vacation experiences commensurate with the legacy of the Ritz-Carlton brand. Ritz-Carlton Destination Club resorts typically feature two, three and four bedroom units that generally include marble foyers, walk-in closets and custom kitchen cabinetry, and luxury resort amenities such as large feature pools and full service restaurants and bars. The on-site services, which usually include daily maid service, valet, in-residence dining, and access to fitness facilities as well as spa and sports facilities as appropriate for each destination, are delivered by Ritz-Carlton. As of December 30, 2011, the Ritz-Carlton Destination Club system consisted of ten premier destinations in the United States, the Bahamas and the Caribbean.

Ritz-Carlton Destination Club products are offered in both a points-based resort system format and in multi-week ownership interests with a specific resort preference. In the United States, this form of ownership provides our owners with real estate ownership rights in perpetuity.

The **Ritz-Carlton Residences** brand is a whole ownership residence brand in the luxury tier of the industry. The Ritz-Carlton Residences include whole ownership luxury residential condominiums and home sites for luxury home construction co-located with four of our Ritz-Carlton Destination Club resorts in the Bahamas; Kapalua, Hawaii; Jupiter, Florida; and San Francisco, California. Owners can typically purchase condominiums that vary in size from one-bedroom apartments to spacious penthouses. Ritz-Carlton Residences are situated in settings ranging from city center locations to golf and beach communities with private homes where residents can avail themselves of the services and facilities that are associated with the co-located Ritz-Carlton Destination Club resort on an a la carte basis. On-site services are delivered by Ritz-Carlton. While the worldwide residential market is very large, the luxurious nature of the Ritz-Carlton Residences properties, the quality and exclusivity associated with the Ritz-Carlton brand, and the hospitality services that we provide all make our Ritz-Carlton Residences properties distinctive.

Our Products

Our Points-Based Vacation Ownership Products

We offer the majority of our Marriott Vacation Club and Ritz-Carlton Destination Club products through three points-based ownership programs: Marriott Vacation Club Destinations™ (MVCD); The Ritz-Carlton Destination Club; and Marriott Vacation Club, Asia Pacific. While the individual characteristics of each of our points-based programs differ slightly, in each program, owners receive an annual allotment of points representing the owners usage rights, and owners can use these points to access vacation ownership units across multiple destinations within their program s portfolio of resort locations. Each program permits shorter or longer stays than a traditional weeks-based vacation ownership product and provides for flexible check-in days. The MVCD and the Marriott Vacation Club, Asia Pacific programs allow owners to bank and borrow their annual point allotments, as well as access other Marriott Vacation Club locations through internal exchange programs that we and Interval International operate, access Interval International s approximately 2,600 affiliated resorts, or trade their vacation ownership usage rights for Marriott Rewards Points. Owners can use Marriott Rewards Points to access the vast majority of Marriott International s system of over 3,700 participating hotels or redeem their Marriott Rewards Points for airline miles or other merchandise offered through the Marriott Rewards customer loyalty program. The Ritz-Carlton Destination Club points-based product allows owners to access the system of Ritz-Carlton Destination Club resorts based on an internal exchange program that we operate, as well as Ritz-Carlton hotels worldwide and a growing list of exchange and vacation travel options.

MVCD owners and Ritz-Carlton Destination Club owners hold an interest in real estate, owned in perpetuity. Our Marriott Vacation Club, Asia Pacific program, launched in 2006, offers usage for a term of approximately 50 years from the program s date of launch. In each program, owners receive an annual allotment of vacation club points for the vacation ownership interests purchased, which they redeem for stays at our vacation ownership resorts or for other usage options provided by or available through their respective programs. Members of our points-based programs pay annual fees in exchange for the ability to participate in the program.

Our Weeks-Based Vacation Ownership Products

We continue to sell Marriott Vacation Club branded weeks-based vacation ownership products in select markets, including in countries where legal and tax constraints currently limit our ability to include those locations in the MVCD trust. We offer multi-week vacation ownership interests in specific Ritz-Carlton Destination Club resorts in addition to our points-based offering described above to address demand from some owners for site specific ownership. Our Marriott Vacation Club, Grand Residences by Marriott and Ritz-Carlton Destination Club weeks-based vacation ownership products in the

Table of Contents

United States and select Caribbean locations are typically sold as fee simple deeded real estate interests at a specific resort representing an ownership interest in perpetuity, except where restricted by leasehold or other structural limitations. We sell vacation ownership interests as a right-to-use product subject to a finite term under the Marriott Vacation Club brand in Europe and Asia Pacific and under the Grand Residences by Marriott brand in Europe.

As part of the launch of the MVCD program in mid-2010, we offered our existing Marriott Vacation Club owners who held weeks-based products the opportunity to participate in the MVCD program on a voluntary basis. All existing owners, whether or not they elected to participate in the MVCD program, retained their existing rights and privileges of vacation ownership. Owners who elected to participate in the program received the ability to trade their weeks-based intervals usage for vacation club points usage each year, subject to payment of an initial enrollment fee and annual fees. As of the end of 2011, almost 92,000 weeks-based owners have enrolled over 167,000 weeks in the MVCD program since its launch and, of the 92,000 owners who have enrolled with one of our sales executives, approximately 36 percent have purchased MVCD points. As more weeks-based owners enroll in the MVCD program and elect to exchange their usage, available inventory increases for all MVCD program participants.

Our Sources of Revenue

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.

Sale of Vacation Ownership Products

Our principal source of revenue is the sale of vacation ownership interests. See Marketing and Sales Activities below for information regarding our marketing and sales activities.

Resort Management and Other Services Revenue

We generate revenue from fees we earn for managing each of our resorts. See Property Management Activities below for additional information on the terms of our management agreements. In addition, we receive annual fees from members of the MVCD program. We also earn revenue from food and beverage offerings, golf courses and spas at our various resorts.

Financing Revenue

We earn interest income on loans that we provide to purchasers of our vacation ownership interests, as well as loan servicing and other fees. See Consumer Financing below for further information regarding our consumer financing activities.

Rental Revenue

We generate rental revenue from transient rentals of inventory we hold for sale as interests in our vacation ownership programs or as residences, or inventory that we control because our owners have elected various usage options permitted under our vacation ownership programs.

Marketing and Sales Activities

We sell our upscale tier vacation ownership products under the Marriott Vacation Club brand primarily through our worldwide network of resort-based sales centers and certain off-site sales locations. In 2011, approximately 80 percent of our sales originated at one of our sales centers that are co-located with one of our resorts. We maintain a range of different off-site sales centers, including our central telesales organization based in Orlando, our network of third-party brokers in Latin America and our city-based sales centers, such as our sales centers in Dubai, Hong Kong and Singapore. We have over 65 global sales locations focused on the sale of Marriott Vacation Club products.

We utilize a number of marketing channels to attract qualified customers to our sales locations for our Marriott Vacation Club vacation ownership products. Historically, approximately one-third of our annual sales revenues were from purchases by existing owners. Since 2008, in response to decreased consumer demand, we curtailed some of our higher cost marketing channels and, more recently, beginning in the middle of 2010, we focused our initial MVCD sales activities on existing Marriott Vacation Club owners. In 2011, the percentage of sales from our owners increased to approximately 61 percent. We solicit our owners to add to their ownership primarily while they are staying in our resorts. We also offer our owners the

opportunity to make additional purchases through direct phone sales, owner events and referrals from our central customer service center located in Salt Lake City, Utah. We offer customers who are referred to us by our owners discounted stays at our resorts and conduct scheduled sales tours while they are on-site. Where allowed by regulation, we offer Marriott Rewards Points to our owners when their referral candidates tour with us or buy vacation ownership interests from us.

We also market to existing Marriott Rewards customer loyalty program members and travelers who are staying in locations where we have resorts. We market extensively to guests in Marriott International hotels that are located near one of our sales locations. In addition, we operate other local marketing venues in various high-traffic areas. A significant part of our direct marketing activities are focused on prospects in the Marriott Rewards customer loyalty program database and in-house database of qualified prospects. Guests who do not buy a vacation ownership interest during their initial tour are offered a special package for another stay at our resorts within a year. These return guests are typically twice as likely to purchase as a first time visitor.

Our Marriott Vacation Club sales tours are designed to provide our guests with an in-depth overview of our company and our products, as well as a customized presentation to explain how our products and services can meet their vacationing needs. Our sales force is highly trained in a consultative sales approach designed to ensure that we meet customers needs on an individual basis. We hire our Marriott Vacation Club sales executives based on stringent selection criteria. After they are hired, they spend a minimum of four weeks in product and sales training before interacting with any customers. We manage our sales executives consistency of presentation and professionalism using a variety of sales tools and technology and through a post-presentation survey of our guests that measures many aspects of each guest s interaction with us.

The marketing channels we use for our upscale tier vacation ownership products sold under the Grand Residences by Marriott brand and our luxury tier vacation ownership products sold under the Ritz-Carlton Destination Club brand are fairly consistent with those we use for our Marriott Vacation Club products, but the types of customers we target differ substantially due to the substantially greater financial commitment involved. For example, we partner with commercial airlines for Marriott Vacation Club products and with fractional private air operators such as Marquis Jets and Net Jets for The Ritz-Carlton Destination Club products. Similarly, our marketing arrangements with American Express are designed to target Gold Card members for our Marriott Vacation Club vacation ownership products and Platinum Card members for our Grand Residences by Marriott and Ritz-Carlton Destination Club vacation ownership products.

While we also rely on on-site resort sales locations to market our Grand Residences by Marriott and Ritz-Carlton Destination Club products, much of the sales activity takes place well after our customers initial visits. As the purchase price of the Ritz-Carlton Destination Club products and Grand Residences by Marriott products generally start at more than four times the average Marriott Vacation Club purchase price, buyers of these products tend to take more time to consider their purchase. Our residential sales are typically conducted through our own and third-party brokerage services.

We believe consumers place a great deal of trust in the Marriott and Ritz-Carlton brands and the strength of these brands is important to our ability to attract qualified prospects in the marketplace. We maintain a prominent presence on the www.marriott.com and www.ritzcarlton.com websites. Our proprietary sites, www.marriottvacationsworldwide.com, www.marriottvacationclub.com and www.ritzcarltonclub.com, have nearly 5,400,000 visits per year.

Inventory and Development Activities

We secure inventory by building multiple phases at our existing resorts, repurchasing inventory in the secondary market, beginning ground up development in strategic markets, acquiring built inventory at new locations, and/or establishing fee-based marketing and management agreements with real estate developers.

After selecting a site we believe is suitable for development and attractive to customers, we typically complete the development of a new resort s design and entitlement process within one year from the acquisition of the land. We typically complete the basic infrastructure of the resort within the following year, and generally deliver units and core amenities, such as pools and food and beverage facilities, during the initial phase of the development six to nine months after the infrastructure is completed. We pace our construction to demand trends.

Approximately one-third of our vacation ownership resorts are co-located with Marriott International and Ritz-Carlton hotel properties. Co-location of our resorts with Marriott International or Ritz-Carlton branded hotels can provide several advantages from development, operations, customer experience and marketing perspectives, including sharing amenities, infrastructure and staff; integration of services; and other cost efficiencies. The larger campus of an integrated vacation ownership and hotel resort often can afford our owners more varied and elaborate amenities than those that would have been available for the resort on a stand-alone basis. Shared infrastructure can also reduce our overall development costs for our

8

resorts on a per unit basis. Integration of services and sharing staff and other expenses can lower overhead and operating costs for our resorts. Our on-site access to hotel customers, including Marriott Rewards customer loyalty program members, who are visiting co-located hotels also provides us with a cost-effective marketing channel for our vacation ownership products.

Co-located resorts require cooperation and coordination among all parties and are subject to cost sharing and integration agreements among us, the applicable property owners association and managers and owners of the co-located hotel. Our License Agreements with Marriott International and Ritz-Carlton allow for the development of co-located properties in the future, and we intend to pursue co-located projects with them opportunistically.

Under our points-based business model, we are able to supply many sales offices with new inventory from a small number of resort locations, which provides us with greater efficiency in the use of our capital. As a result, our risk associated with construction delays is concentrated in fewer locations than it has been in the past. Additionally, selling vacation ownership interests in a system of resorts under a points-based business model increases the risk of temporary inventory depletion. We sell vacation ownership interests denominated in points from a single trust entity in each of our North America, Asia Pacific and Luxury business segments. Thus, the primary source of inventory for each segment is concentrated in its corresponding trust. To avoid the risk of temporary inventory depletion, we employ a strategy of seeking to maintain a six- to nine-month surplus supply of completed inventory. Even in the unlikely event that this surplus is not sufficient, we believe that the actual risk of temporary inventory depletion is relatively minor, as there are other mitigation strategies that could be employed to prevent such an occurrence, such as accelerating completion of resorts under construction, acquiring vacation ownership interests on the secondary market, or reducing sales pace by adjusting prices or sales incentives.

Owners generally can offer their vacation ownership interests for resale on the secondary market, which can create pricing pressure on the sale of developer inventory. However, owners who purchase vacation ownership interests on the secondary market typically do not receive all of the benefits that owners who purchase products directly from us receive. When an owner purchases a vacation ownership interest directly from us, the owner receives certain entitlements, such as the right to reserve a resort unit that underlies their vacation ownership interest in order to occupy that unit or exchange its use for use of a unit at another resort through an outside exchange company, that are tied to the underlying vacation ownership interest, as well as benefits that are incidental to the purchase of the vacation ownership interest. While a purchaser on the secondary market will receive all of the entitlements that are tied to the underlying vacation ownership interest, the purchaser is not entitled to receive certain incidental benefits. For example, owners who purchase our products on the secondary market are not entitled to trade their usage rights for Marriott Rewards Points. Owners of our points-based products who do not purchase from us are not entitled to have access to our internal exchange program and are not entitled to trade their usage rights for Marriott Rewards Points. Therefore, those owners are only entitled to use the inventory that underlies the vacation ownership interests they purchased. Additionally, most of our vacation ownership interests provide us with a right of first refusal on secondary market sales. We monitor sales that occur in the secondary market and exercise our right of first refusal when it is advantageous for us to do so, whether due to pricing, desire for the particular inventory, or other factors. All owners, whether they purchase directly from us or on the secondary market, are responsible for the annual maintenance fees, property taxes and any assessments that are levied by the relevant property owners association, as well as any exchange company membership dues or service fees.

We own certain parcels of undeveloped land that we originally acquired for vacation ownership development, as well as built Luxury inventory, including unfinished units. Given our strategies to match completed inventory with our sales pace and to pursue future asset light development opportunities, we have implemented a plan to dispose of certain undeveloped land and built Luxury inventory. As a result, we refer to this land and inventory as excess. Based on our current plans, we believe we have identified all excess land and inventory. However, if our future plans change, the planned use of such assets may change. Further, to the extent that real estate market conditions change, our estimates of the fair value of such assets may change.

As discussed in more detail in Footnote No. 19, Impairment Charges, of the Notes to our Financial Statements, in preparation for the Spin-Off, management assessed the intended use of excess undeveloped land and built inventory and the current market conditions for those assets. During the 2011 third quarter, management approved a plan to accelerate cash flow through the monetization of certain excess undeveloped land in the United States, Mexico, and the Bahamas over the next three years and to accelerate sales of excess built Luxury fractional and residential inventory over the next 18 to 24 months. As a result, in accordance with the guidance for accounting for the impairment or disposal of long-lived assets, because the nominal cash flows from the planned land sales and the estimated fair values of the land and excess built Luxury inventory were less than their respective carrying values, we recorded a pre-tax non-cash impairment charge of $324 million ($234 million after-tax) in our Statement of Operations under the Impairment caption.

Property Management Activities

We enter into a management agreement with the property owners association at each of our resorts or, in the case of resorts held by a trust, with the associated trust. In exchange for a management fee, we typically provide owner account management (reservations/usage selection), housekeeping, check-in, maintenance and billing and collections services. The management fee is typically based on either a percentage of total cost to operate such resorts or a fixed fee arrangement. We earn these fees regardless of usage or occupancy. We also receive revenues that represent reimbursement for certain costs we incur under our management agreements, principally related to payroll costs, at the locations where we employ the associates providing on-site services.

The terms of our management agreements generally range from three to ten years and are generally subject to periodic renewal for one to five year terms. Many of these agreements renew automatically unless either party provides advance notice of termination before the expiration of the term. In our 27-year history, our management agreements for most of our resorts have been regularly renewed, and very few resorts have left our system.

When our management agreement for a Marriott Vacation Club branded resort expires or is terminated, the resort loses the ability to use the Marriott name and trademarks. The owners at such resorts also lose their ability to trade their vacation ownership usage rights for Marriott Rewards Points and to access other Marriott Vacation Club resorts through our internal exchange system.

Ritz-Carlton manages the on-site operations for all Ritz-Carlton Destination Club and Ritz-Carlton Residences properties under separate management agreements with us or the relevant property owners association or trust for each property, except that we manage one such property that has only three units. We provide property owners association governance and vacation ownership program management services for the Ritz-Carlton Destination Club properties, including preparing association budgets, facilitating association meetings, billing and collecting maintenance fees, and supporting reservations, vacation experience planning and other off-site member services. We and Ritz-Carlton split the management fees equally for these resorts. If a management agreement for a resort expires or is terminated, the resort loses the ability to use the Ritz-Carlton name and trademarks. The owners at such resorts also lose their ability to access other Ritz-Carlton Destination Club usage benefits, such as access to accommodations at the other Ritz-Carlton Destination Club resorts, preferential access to Ritz-Carlton hotels worldwide and access to our internal exchange and vacation travel options.

Each management agreement requires the property owners association or trust to provide sufficient funds to pay for the vacation ownership program and resort operating costs. To satisfy this requirement, owners of vacation ownership interests pay an annual maintenance fee. This fee represents the owner s allocable share of the costs of operating and maintaining the vacation ownership resorts, including management fees and expenses, taxes (in some locations), insurance, and other related costs, and the costs of providing program services (such as reservation services). This fee includes a management fee payable to us for providing management services as well as an assessment for funds to be deposited into a capital asset reserve fund and used to renovate, refurbish and replace furnishings, common areas and other assets (*e.g.*, parking lots or roofs) as needed over time. As the owner of completed but unsold vacation ownership inventory, we also pay maintenance fees in accordance with the legal requirements of the jurisdictions applicable to such resorts and programs. In addition, in early phases of development at a resort, we sometimes enter into subsidy agreements with the property owners associations under which we agree to pay costs that otherwise would be covered by annual maintenance fees associated with vacation ownership interests or units that have not yet been built. These subsidy arrangements help keep maintenance fees at a customary level for owners that purchase in the early stages of development.

In the event of a default by an owner in payment of maintenance fees or other assessments, the property owners association typically has the right to foreclose on or revoke the defaulting owner s vacation ownership interest. We sometimes enter into arrangements with property owners associations to assist in reselling foreclosed or revoked vacation ownership interests or to reacquire such foreclosed or revoked vacation ownership interests from the property owners associations.

Consumer Financing

We offer purchase money financing for qualified purchasers of our vacation ownership products. By offering or eliminating financing incentives and modifying underwriting standards, we have been able to increase or decrease our financing activities depending on market conditions.

In our North America segment in 2011, approximately 44 percent of Marriott Vacation Club customers financed their purchase with us. The average loan for our Marriott Vacation Club products totaled approximately $22,000, which represented 87 percent of the average purchase price. Our policy is to require a minimum downpayment of 10 percent of the purchase price for qualified

Table of Contents

applicants, although downpayments and/or interest rates are higher for applicants with credit scores below certain levels and for purchasers who do not have credit scores, such as non-U.S. purchasers. The average interest rate for loans for our Marriott Vacation Club products made in 2011 was 12.02 percent and the average term was 9.5 years. Interest rates are fixed, and a loan fully amortizes over the life of the loan. The average monthly mortgage payment for a Marriott Vacation Club owner who received a loan in 2011 was $457. Historically, approximately 18 percent of borrowers prepay their loan within the first six months.

Generally, loans for our Ritz-Carlton Destination Club products have a significantly higher balance, a longer term and a lower interest rate than loans for our Marriott Vacation Club products. In 2011, approximately 13 percent of Ritz-Carlton Destination Club owners financed their purchase with us. We generally do not provide financing to residential buyers.

In 2011, approximately 81 percent of our loans were used to finance U.S.-based products. In our North American business, we perform a credit investigation or other review or inquiry to determine the purchaser s credit history before extending a loan. The interest rates on the loans we provide are based primarily upon the purchaser s credit score, the size of the purchase, and the term of the loan. We base our financing terms largely on a purchaser s FICO score, which is a branded version of a consumer credit score widely used in the United States by banks and lending institutions. FICO scores range from 300 to 850 and are calculated based on information obtained from one or more of the three major U.S. credit reporting agencies that compile and report on a consumer s credit history. In 2011, the average FICO score of our customers who were U.S. citizens or residents who financed a vacation ownership purchase was 736; 72 percent had a credit score of over 700, 89 percent had a credit score of over 650 and over 97 percent had a credit score of over 600.

In the event of a default, we generally have the right to foreclose on or revoke the defaulting owner s vacation ownership interest. We typically resell interests that we reacquire through foreclosure.

We securitize the majority of the consumer loans we originate in support of our North American business. Historically, we have sold these loans to institutional investors in the asset-backed securities (ABS) market on a non-recourse basis, completing transactions once or twice each year. In 2011, as we focused on the Spin-Off, we did not undertake a term securitization transaction in the ABS market, but instead entered into a $300 million, non-recourse warehouse credit facility in the third quarter of 2011 (the Warehouse Credit Facility), placing $154 million in loans into the facility and receiving $122 million of net proceeds. On an ongoing basis, we expect to use the Warehouse Credit Facility to securitize eligible consumer loans. Those loans may later be transferred to term securitizations transactions in the ABS market, which we intend to complete at least once a year. Excluding the amount in the Warehouse Credit Facility, since the early 1990s, we have securitized over $4.6 billion of loans. We retain the servicing and collection responsibilities for the loans we securitize, for which we receive a servicing fee.

Our Competitive Advantages

We believe that we have significant competitive advantages that support our leadership position in the vacation ownership industry.

Leading global pure-play vacation ownership company

We are the world s largest pure-play vacation ownership company (that is, a company whose business is focused almost entirely on vacation ownership), based on number of owners, number of resorts and revenues. As a pure-play vacation ownership company, we are able to enhance our focus on the vacation ownership industry and tailor our business strategy to address our company s industry-specific goals and needs.

We believe our scale and global reach, coupled with our renowned brands and development, marketing, sales and management expertise, help us achieve operational efficiencies and support future growth opportunities. Our size allows us to provide owners with a wide variety of experiences within our resort portfolio. We also believe our size helps us obtain better financing terms from lenders, achieve cost savings in procurement and attract talented management and associates.

The breadth and depth of our operations enables us to offer a variety of products. We are one of the only vacation ownership companies with a dual product platform; we cater to a diverse range of customers through our upscale tier Marriott-branded vacation ownership products and our luxury tier Ritz-Carlton branded vacation ownership products.

Table of Contents

Premier global brands

We believe that our exclusive licenses of the Marriott and Ritz-Carlton brands for use in the vacation ownership business provide us with a meaningful competitive advantage. Marriott International is a leading lodging company with more than 3,700 properties in 73 countries and territories, including Marriott and Ritz-Carlton branded properties. Consumer confidence in these renowned brands helps us attract and retain guests and owners. In addition, we provide our customers with access to the award-winning Marriott Rewards customer loyalty program. We also utilize the Marriott and Ritz-Carlton websites, www.marriott.com and www.ritzcarlton.com, as relatively low-cost marketing tools to introduce Marriott and Ritz-Carlton guests to our products and rent available inventory.

Loyal, highly satisfied customers

We have a large, highly satisfied customer base. In 2011, based on nearly 283,000 survey responses, 90 percent of respondents indicated that they were highly satisfied with our products, sales, owner services and their on-site experiences (by selecting 8, 9 or 10 on a 10-point scale). Owner satisfaction is also demonstrated by the fact that our average resort occupancy was 90 percent in 2011, significantly higher than the overall vacation ownership industry average of nearly 80 percent in 2010, the most recent year for which data has been reported by ARDA. We believe that strong customer satisfaction and brand loyalty result in more frequent use of our products and encourage owners to purchase additional products and to recommend our products to friends and family, which in turn generates higher revenues. Historically, approximately 50 percent of our business has come from sales of additional products to our owners or sales to friends and family referred to us by our owners.

Long-standing track record, experienced management and engaged associates

We have been a pioneer in the vacation ownership industry since 1984, when Marriott International became the first company to introduce a lodging-branded vacation ownership product. Our seasoned management team is led by Stephen P. Weisz, our President and Chief Executive Officer. Mr. Weisz has served as President of our company since 1996 and has nearly 40 years of combined experience at Marriott International and Marriott Vacations Worldwide. William J. Shaw, the Chairman of our Board, is the former Vice Chairman, President and Chief Operating Officer of Marriott International and had nearly 37 years of experience at Marriott International. Our ten executive officers have an average of nearly 23 years of total combined experience at Marriott International and Marriott Vacations Worldwide, with approximately half of those years spent leading our business. We believe our management team s extensive public company and vacation ownership industry experience will enable us to continue to respond quickly and effectively to changing market conditions and consumer trends. Management s experience in the highly regulated vacation ownership industry should also provide us with a competitive advantage in expanding product forms and developing new ones.

We believe that our associates provide superior customer service, which enhances our competitive position. We leverage outstanding associate engagement and strong corporate culture to deliver positive customer experiences in sales, marketing and resort operations. We survey our associates regularly through an external survey provider to understand their satisfaction and engagement, defined as how passionate employees are about the company s mission and their willingness to go the extra mile to see it succeed. We routinely rank highly compared to other companies participating in such surveys. In 2011, 84 percent of our associates indicated that they were engaged, which is six points above Aon Hewitt s Global Best Employer benchmark of 78 percent. This external benchmark is based on research conducted by Aon Hewitt of more than 500 organizations that are considered to be Best Employers.

Our Business Strategy

Our strategic goal is to further strengthen our leadership position in the vacation ownership industry. To achieve this goal, we are pursuing the following initiatives:

Drive profitable sales growth

We intend to continue to generate growth in vacation ownership sales by leveraging our globally recognized brand names and focusing on our approximately 420,000 owners around the world. As we launched the MVCD program in 2010, during 2010 and 2011, we focused on educating our existing owners about, and enrolling them in, the MVCD program. We are now returning our focus to generating a greater number of new owners and realigning our sales strategy to generate sales from a mix of new and existing owners similar to our historical sales prior to 2010. To do so, we plan to expand marketing activities that generate tours from new customer sources.

We are well-positioned to grow our stable and recurring revenue streams by capitalizing on the growth of vacation ownership sales to generate associated management and other fees and financing revenues. We expect to continue to offer

our customers attractive financing alternatives, and we believe that by opportunistically securitizing notes receivables, we can enhance our profitability and liquidity. As we expand our points-based system, we also expect to generate additional fee revenues because our owners pay us annual fees to participate in the program.

Maximize cash flow and optimize our capital structure

Through the use of our points-based products, we are able to more closely match inventory development with sales pace and reduce inventory levels, thereby improving our cash flows over time. Additionally, by limiting the amount of completed inventory on hand, we are able to reduce the maintenance fees that we pay on unsold units. Over the last few years, we have significantly reduced our costs, and we intend to continue to control costs as sales volumes grow.

We expect our modest level of debt and limited near-term capital needs will enable us to maintain a level of liquidity that ensures financial flexibility, giving us the ability to pursue strategic growth opportunities, withstand potential future economic downturns and optimize our cost of capital. We intend to meet our liquidity needs through operating cash flow, the disposition of excess undeveloped land and excess built luxury inventory, our four-year $200 million revolving credit facility (the Revolving Corporate Credit Facility), our $300 million Warehouse Credit Facility and continued access to the ABS term financing market.

Focus on our owners, guests and associates

We are in the business of providing high-quality vacation experiences to our owners and guests around the world. We intend to maintain and improve their satisfaction with our products and services, particularly since our owners and guests are our most cost-effective sales channels. We intend to continue to sell our products through these very effective channels and believe that maintaining a high level of engagement across all of our customer groups is key to our success.

Engaging our associates in the success of our business continues to be one of our long-term core strategies. We understand the connection between the engagement of our associates and the satisfaction and engagement of our owners and guests. At the heart of our culture is the belief that if a company takes care of its associates, they will take care of the company s guests and the guests will return again and again.

Opportunistically dispose of excess assets and selectively pursue asset light deal structures

We intend to dispose of certain excess assets over the next few years and deploy the capital from these sales more effectively. The majority of these dispositions consist of undeveloped land holdings. We expect these assets will be marketed and sold as the real estate markets in the various locations improve.

While we do not need to develop new resorts at this time, we intend to selectively pursue external growth opportunities by targeting high-quality inventory sources that allow us to add desirable new locations to our system, such as in Asia to support growth in that region, as well as new sales locations through transactions that do not involve or limit our capital investment. These asset light deals could be structured as turn-key developments with third-party partners, purchases of constructed inventory just prior to sale, or fee-for-service arrangements.

Selectively pursue compelling new business opportunities

As an independent company, we are positioned to explore new business opportunities, such as development of our exchange activities, new management affiliations and select on-site ancillary businesses, that we may not have previously pursued as part of Marriott International. We intend to selectively pursue these types of opportunities with a focus on driving recurring streams of revenue and profit. Prior to entering into any new business, we will evaluate its strategic fit and assess whether it is complementary to our current business, has strong expected financial returns and leverages our existing competencies.

Segments

Our operations are grouped into four business segments: North America, Luxury, Europe and Asia Pacific. The Corporate and Other information described below includes activities that do not collectively comprise a separate reportable segment.

Table of Contents

The table below shows our revenue for 2011 for each of our segments and each of our revenue sources (dollars in millions).

Revenue Source	**North America**	**Luxury**	**Europe**	**Asia Pacific**	**Total**
Vacation ownership sales	$ 484	$ 32	$ 51	$ 67	$ 634
Resort management and other services	180	24	31	3	238
Financing	153	7	5	4	169
Rental	180	4	21	7	212
Other	28	1			29
Cost reimbursements	247	46	27	11	331
	$ 1,272	$ 114	$ 135	$ 92	$ 1,613

Financial information by segment and geographic area for 2011, 2010 and 2009 appears in Footnote No. 22, Business Segments, of the Notes to our Financial Statements.

The following sections contain tables showing our vacation ownership and residential properties in each of our segments. We generally own the unsold vacation ownership inventory as either a deeded beneficial interest in a real estate land trust, a deeded interest at a specific resort, or a right to use interest in real estate owned or leased by a trust or other property owning or leasing vehicle (these forms of ownership are described in more detail in Business Our Products), except as otherwise indicated in the tables that follow. With respect to inventory that has not yet been converted into one of these forms of vacation ownership, we generally hold a fee interest in the underlying real estate rights to the land parcel, building or units corresponding to such inventory. Further, we also own or lease other property at these resorts, including golf courses, fitness, spa and sports facilities, food and beverage outlets, resort lobbies and other common area assets. See Footnote No. 11, Contingencies and Commitments, of the Notes to our Financial Statements for more information on our golf course land leases and other operating leases. As discussed in Our Credit Facilities and Our Future Cash Flows, certain of our ownership and leasehold interests in these properties are pledged as collateral for our Revolving Corporate Credit Facility.

Table of Contents

North America Segment

In our North America segment, we develop, market, sell and manage vacation ownership products under the Marriott Vacation Club and Grand Residences by Marriott brands in the United States and the Caribbean. We also develop, market, sell and manage resort residential real estate located within our vacation ownership developments under the Grand Residences by Marriott brand.

As of December 30, 2011, we had 46 resorts, 10,862 vacation ownership villas (units) and nearly 374,000 owners in our North America business. The following table shows the vacation ownership and residential properties in our North America segment as of December 30, 2011:

North America Segment Properties

Property Name [1]	Experience	Location	Vacation Ownership (VO) or Residential	Units Built [2]	Additional Planned Units [3]
Aruba Ocean Club	Island /Beach	Aruba	VO	218	
Aruba Surf Club	Island /Beach	Aruba	VO	450	
Barony Beach Club	Beach	Hilton Head, SC	VO	255	
BeachPlace Towers	Beach	Fort Lauderdale, FL	VO	206	
Canyon Villas at Desert Ridge	Golf / Desert	Phoenix, AZ	VO	213	39
Crystal Shores on Marco Island	Island /Beach	Marco Island, FL	VO	67	
Custom House	Urban	Boston, MA	VO	84	
Cypress Harbour	Entertainment	Orlando, FL	VO	510	
Desert Springs Villas	Golf / Desert	Palm Desert, CA	VO	638	
Fairway Villas at Seaview	Golf	Absecon, NJ	VO	180	90
Frenchman s Cove	Island /Beach	St. Thomas, USVI	VO	155	66
Grand Chateau	Entertainment	Las Vegas, NV	VO	448	447
Grand Residences by Marriott at Bay Point	Golf	Panama City, FL	Residential	65	
Grande Ocean	Beach	Hilton Head, SC	VO	290	
Grande Vista	Entertainment	Orlando, FL	VO	900	
Harbour Club	Beach	Hilton Head, SC	VO	40	
Harbour Lake	Entertainment	Orlando, FL	VO	312	588
Harbour Point/Sunset Pointe	Beach	Hilton Head, SC	VO	111	
Heritage Club	Golf	Hilton Head, SC	VO	30	
Imperial Palm Villas	Entertainment	Orlando, FL	VO	46	
Kauai Beach Club	Island /Beach	Kauai, HI	VO	232	
Kauai Lagoons:					
Grand Residences by Marriott	Island /Beach	Kauai, HI	Residential	3	
Kalanipu u	Island /Beach	Kauai, HI	VO	72	
Ko Olina Beach Club	Island /Beach	Oahu, HI	VO	428	322
Lakeshore Reserve at Grande Lakes	Entertainment	Orlando, FL	VO	95	245
Legends Edge at Bay Point	Golf	Panama City, FL	VO	83	
Manor Club at Ford s Colony	Entertainment	Williamsburg, VA	VO	200	
Marriott Grand Residence Club, Lake Tahoe	Mountain /Ski	Lake Tahoe, CA	VO	199	
Maui Ocean Club	Island / Beach	Maui, HI	VO	459	
Monarch at Sea Pines	Beach	Hilton Head, SC	VO	122	
Mountain Valley Lodge	Mountain /Ski	Breckenridge, CO	VO	78	
MountainSide	Mountain /Ski	Park City, UT	VO	182	
Newport Coast Villas	Beach	Newport Beach, CA	VO	700	
Ocean Pointe	Beach	Palm Beach Shores, FL	VO	341	
Ocean Watch Villas at Grand Dunes	Beach	Myrtle Beach, SC	VO	374	
Oceana Palms	Beach	Singer Island, FL	VO	91	78
Royal Palms	Entertainment	Orlando, FL	VO	123	
Sabal Palms	Entertainment	Orlando, FL	VO	80	
Shadow Ridge	Golf / Desert	Palm Desert, CA	VO	500	484
St. Kitts Beach Club	Island /Beach	West Indies	VO	88	

Streamside	Mountain /Ski	Vail, CO	VO	96	
Summit Watch	Mountain /Ski	Park City, UT	VO	135	
Surf Watch	Beach	Hilton Head, SC	VO	195	
Timber Lodge	Mountain /Ski	Lake Tahoe, CA	VO	264	
Villas at Doral	Golf	Miami, FL	VO	141	
Waiohai Beach Club	Island / Beach	Kauai, HI	VO	231	
Willow Ridge Lodge	Entertainment	Branson, MO	VO	132	282
Total North America Segment				**10,862**	**2,641**
Units Available for Sale[(4)]				**675**	

(1) A property is counted as a separate property to the extent it does not share common areas (*e.g.*, check-in facilities, pools, etc.) with another property.
(2) Units Built represents units with a certificate of occupancy.
(3) Additional Planned Units represents the total additional units under construction or that we expect to build.
(4) To be sold as vacation ownership interests; includes units that we reacquired mainly through the foreclosure process.

Table of Contents

Luxury Segment

In our Luxury segment, we develop, market, sell and manage luxury vacation ownership products under the Ritz-Carlton Destination Club brand. We also sell whole ownership luxury residential real estate under the Ritz-Carlton Residences brand. As of December 30, 2011, we had 10 locations, 694 residence villas and homes and over 3,200 owners in our Luxury business. The following table shows the vacation ownership and residential properties in our Luxury segment as of December 30, 2011:

Luxury Segment Properties

Property Name (1)	Experience	Location	Vacation Ownership (VO) or Residential	Units Built (2)	Additional Planned Units (3)
The Abaco Club on Winding Bay, A Ritz-Carlton Managed Club					
Vacation Ownership	Island /Beach	Bahamas	VO	12	
Residential	Island /Beach	Bahamas	Residential	32	
The Ritz-Carlton Golf Club and Residences, Jupiter					
Vacation Ownership	Golf	Jupiter, FL	VO	50	
Residential	Golf	Jupiter, FL	Residential	81	
The Ritz-Carlton Club and Residences, Kapalua Bay(4)					
Vacation Ownership	Island /Beach	Maui, HI	VO	62	
Residential	Island /Beach	Maui, HI	Residential	84	
The Ritz-Carlton Club and Residences, San Francisco					
Vacation Ownership	Urban	San Francisco, CA	VO	25	19
Residential	Urban	San Francisco, CA	Residential	57	
The Ritz-Carlton Club, Aspen Highlands	Mountain /Ski	Aspen, CO	VO	73	
The Ritz-Carlton Club, Bachelor Gulch	Mountain /Ski	Bachelor Gulch, CO	VO	54	
The Ritz-Carlton Club, Kauai Lagoons	Island /Beach	Kauai, HI	VO	3	
The Ritz-Carlton Club, Lake Tahoe	Mountain /Ski	Lake Tahoe, CA	VO	11	
The Ritz-Carlton Club, St. Thomas	Beach	St. Thomas, USVI	VO	105	
The Ritz-Carlton Club, Vail	Mountain /Ski	Vail, CO	VO	45	
Total Luxury Segment				**694**	**19**
Units Available for Sale(5)				**100**	

(1) A property is counted as a separate property to the extent it does not share common areas (*e.g.*, check-in facilities, pools, etc.) with another property.
(2) Units Built represents units with a certificate of occupancy.
(3) Additional Planned Units represents the total additional units under construction or that we expect to build.
(4) Joint venture project. Although we expect to receive commissions from the sale of the Kapalua Bay vacation ownership and residential products under a sales and marketing arrangement with the joint venture, we do not directly own such vacation ownership and residential products and will not receive proceeds directly from such sales. Accordingly, we have omitted these products from the total number of Units Available for Sale.
(5) To be sold as vacation ownership interests; includes units that we reacquired mainly through the foreclosure process.

Given the continued weakness in the economy, particularly in the luxury real estate market, we have significantly scaled back our development of Luxury segment vacation ownership products. We do not have any Luxury segment projects under construction nor do we have any current plans for new luxury development. While we will continue to sell existing Luxury segment vacation ownership products, we also expect to evaluate opportunities for bulk sales of finished inventory and disposition of undeveloped land.

Table of Contents

Europe Segment

In our Europe segment, we develop, market, sell and manage vacation ownership products in several locations in Europe. As of December 30, 2011, we had 919 villas and nearly 29,400 owners in our European business. The following table shows the vacation ownership properties in our Europe segment as of December 30, 2011:

Europe Segment Properties

Property Name (1)	Experience	Location	Vacation Ownership (VO) or Residential	Units Built (2)	Additional Planned Units (3)
47 Park Street-Grand Residences by Marriott	Urban	London, UK	VO	49	
Club Son Antem	Island / Golf	Mallorca, Spain	VO	224	
Marbella Beach Resort	Beach	Marbella, Spain	VO	288	
Playa Andaluza	Beach	Estepona, Spain	VO	173	
Village d Ile-de-France	Entertainment	Paris, France	VO	185	
Total Europe Segment				**919**	
Units Available for Sale(4)				**102**	

(1) A property is counted as a separate property to the extent it does not share common areas (*e.g.*, check-in facilities, pools, etc.) with another property.
(2) Units Built represents units with a certificate of occupancy.
(3) Additional Planned Units represents the total additional units under construction or that we expect to build.
(4) To be sold as vacation ownership interests; includes units that we reacquired mainly through the revocation process.

We are currently focusing on selling our existing products and managing our existing resorts in the Europe segment. We do not have any current plans for new development in this segment.

Asia Pacific Segment

Our Asia Pacific segment includes the results of operations of Marriott Vacation Club, Asia Pacific, a right-to-use points program we introduced in 2006 that we specifically designed to appeal to vacation preferences of the Asian market. The segment also includes a weeks-based right-to-use product originally introduced in 2001. We have sales locations in Japan, Hong Kong, Singapore and Thailand. Owners of our Asia Pacific Club points have access to resorts in Phuket and Bangkok, Thailand; Hawaii; and Las Vegas; as well as exchange opportunities with the rest of the Marriott Vacations Worldwide system and through Interval International. Through December 30, 2011, approximately 29 percent of our sales to date in Asia Pacific have come from owner referrals or the purchase of additional points by existing owners. As of December 30, 2011, we had 325 villas and nearly 13,800 owners in our Asia Pacific Club. We believe opportunity exists to expand our Asia Pacific segment and are seeking to add inventory to support the growth of this business. The following table shows the vacation ownership properties in our Asia Pacific segment as of December 30, 2011:

Asia Pacific Segment Properties

Property Name (1)	Experience	Location	Vacation Ownership (VO) or Residential	Units Built (2)	Additional Planned Units (3)
Mai Khao Beach Resort	Beach	Phuket, Thailand	VO	126	
Phuket Beach Club	Beach	Phuket, Thailand	VO	144	

The Empire Place	Urban	Bangkok, Thailand	VO	55
Total Asia Pacific Segment				**325**
Units Available for Sale[(4)]				**36**

(1) A property is counted as a separate property to the extent it does not share common areas (*e.g.*, check-in facilities, pools, etc.) with another property.
(2) Units Built represents units with a certificate of occupancy.
(3) Additional Planned Units represents the total additional units under construction or that we expect to build.
(4) To be sold as vacation ownership interests; includes units that we reacquired mainly through the revocation process.

Corporate and Other

Corporate and Other includes financial items not specifically allocable to an individual segment, such as gains on notes receivable securitized and accretion of retained interests (prior to the adoption of the new Consolidation Standard on January 2, 2010, the first day of our 2010 fiscal year); financing expenses relating to our lending operations; non-capitalizable development costs supporting overall company growth; company-wide general, administrative and other expenses; interest expense; and impairment charges.

Table of Contents

Intellectual Property

We manage and sell properties under the Marriott Vacation Club, Grand Residences by Marriott, Ritz-Carlton Destination Club and Ritz-Carlton Residences brands under license agreements with Marriott International and Ritz-Carlton. See Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report for further information. The foregoing segment descriptions specify the brands that are used by each of our segments. We operate in a highly competitive industry and our brand names, trademarks, service marks, trade names and logos are very important to the marketing and sales of our products and services. We believe that our licensed brand names and other intellectual property have come to represent the highest standards of quality, caring, service and value to our customers and the traveling public. We register and protect our intellectual property where we deem appropriate and otherwise seek to protect against its unauthorized use.

Seasonality

In general, the vacation ownership business is modestly seasonal, with stronger revenue generation during traditional vacation periods, including summer months and major holidays. Our residential business is generally not subject to seasonal fluctuations; rather, the sales pace of our residential products typically depends on the underlying residential real estate environment in the applicable geographic market.

Competition

The vacation ownership industry is highly fragmented, with competitors ranging from small vacation ownership companies to large branded hotel companies that operate vacation ownership businesses. In North America and the Caribbean, we typically compete with companies that sell upscale tier vacation ownership products under a lodging or entertainment brand umbrella, such as Starwood Vacation Ownership, Hilton Grand Vacations Club, Hyatt Vacation Club, and Disney Vacation Club, as well as numerous regional vacation ownership operators. Our luxury vacation ownership products compete with vacation ownership products offered by Four Seasons, Exclusive Resorts and several other small independent companies. In addition, the vacation ownership industry competes generally with other vacation rental options (*e.g.*, hotels, resorts, cruises and condominium rentals) offered by the lodging industry.

Outside North America and the Caribbean, we operate in two primary regions, Europe and Asia Pacific. In both regions, we are one of the largest lodging-branded vacation ownership companies operating in the upscale tier, with regional operators dominating the competitive landscape. Where possible, our vacation ownership properties in these regions are co-located with Marriott International branded hotels. In Europe, our owner base is derived primarily from North American, European and Middle Eastern customers. In Asia Pacific, our owner base is derived primarily from the Asia Pacific region and secondarily from the Europe and North America regions.

Competition in the vacation ownership business is based primarily on the quality, number and location of resorts, the quality and capability of the related property management program, the reputation of the operator s brand, the pricing of product offerings and the availability of program benefits, such as exchange programs. We believe that our focus on offering distinctive vacation experiences, combined with our financial strength, well-established and diverse market presence, strong brands, expertise and well-managed and maintained properties, will enable us to remain competitive.

Regulation

Our business is heavily regulated. We are subject to a wide variety of complex international, national, federal, state and local laws, regulations and policies in jurisdictions around the world. These laws, regulations and policies primarily affect four areas of our business: real estate development activities, marketing and sales activities, lending activities, and resort management activities.

Real Estate Development Regulation

Our real estate development activities are regulated under a number of different timeshare, condominium and land sales disclosure statutes in many jurisdictions. We are generally subject to laws and regulations typically applicable to real estate development, subdivision, and construction activities, such as laws relating to zoning, land use restrictions, environmental regulation, accessibility, title transfers, title insurance and taxation. In the United States, these include the Fair Housing Act and the Americans with Disabilities Act. In addition, we are subject to laws in some jurisdictions that impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer.

Marketing and Sales Regulation

Our marketing and sales activities are closely regulated. In addition to regulations contained in laws enacted specifically for the vacation ownership and land sales industries, a wide variety of laws govern our marketing and sales activities, including fair housing statutes, the Federal Interstate Land Sales Full Disclosure Act, U.S. Federal Trade Commission and state Little FTC Act regulations regulating unfair and deceptive trade practices and unfair competition, state attorney general regulations, anti-fraud laws, prize, gift and sweepstakes laws, real estate and other licensing laws and regulations, telemarketing laws, home solicitation sales laws, tour operator laws, lodging certificate and seller of travel laws, securities laws, consumer privacy laws and other consumer protection laws.

Many jurisdictions require that we file detailed registration or offering statements with regulatory authorities disclosing certain information regarding the vacation ownership interests and other real estate interests we market and sell, such as information concerning the interests being offered, the project, resort or program to which the interests relate, applicable condominium or vacation ownership plans, evidence of title, details regarding our business, the purchaser s rights and obligations with respect to such interests, and a description of the manner in which we intend to offer and advertise such interests. We must obtain the approval of numerous governmental authorities for our marketing and sales activities. Changes in circumstances or applicable law may necessitate the application for or modification of existing approvals. Currently, we are qualified to market and sell vacation ownership products in all 50 states and the District of Columbia in the United States and numerous countries in North and South America, the Caribbean, Europe, Asia and the Middle East.

Laws in many jurisdictions in which we sell vacation ownership interests grant the purchaser of a vacation ownership interest the right to cancel a purchase contract during a specified rescission period following the later of the date the contract was signed or the date the purchaser received the last of the documents required to be provided by us.

In recent years, regulators in many jurisdictions have increased regulations and enforcement actions related to telemarketing operations, including requiring adherence to do not call legislation. These measures have significantly increased the costs associated with telemarketing. While we continue to be subject to telemarketing risks and potential liability, we believe that our exposure to adverse effects from telemarketing legislation and enforcement is mitigated in some instances by the use of permission marketing, under which we obtain the permission of prospective purchasers to contact them in the future. We have implemented procedures that we believe will help reduce the possibility that we contact individuals who have requested to be placed on federal or state do not call lists.

Lending Regulation

Our lending activities are subject to a number of laws and regulations. In the United States, these include the Real Estate Settlement Procedures Act and Regulation X, the Truth In Lending Act and Regulation Z, the Federal Trade Commission Act, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Foreign Investment In Real Property Tax Act, the Fair Housing Act, the Fair Debt Collection Practices Act, the Electronic Funds Transfer Act and Regulation E, the Home Mortgage Disclosure Act and Regulation C, the Unfair or Deceptive Acts or Practices regulations and Regulation AA, the USA PATRIOT Act, the Right to Financial Privacy Act, the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act. Our lending activities are also subject to the laws and regulations of other jurisdictions, including, among others, laws and regulations related to consumer loans, retail installment contracts, mortgage lending, fair debt collection practices, consumer collection practices, mortgage disclosure, lender licenses and money laundering.

Resort Management Regulation

Our resort management activities are subject to laws and regulations regarding community association management, public lodging, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming, and the environment (including climate change), as well as regulations applicable under the U.S. Treasury s Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act (and the foreign equivalents of such regulation in other jurisdictions).

Table of Contents

Environmental Compliance and Awareness

The properties we manage or develop are subject to national, state and local laws and regulations that govern the discharge of materials into the environment or otherwise relate to protecting the environment. These laws and regulations include requirements that address health and safety; the use, management and disposal of hazardous substances and wastes; and emission or discharge of wastes or other materials. We believe that our management and development of properties comply, in all material respects, with environmental laws and regulations. Our compliance with such provisions also has not had a material impact on our capital expenditures, earnings or competitive position, nor do we anticipate that such compliance will have a material impact in the future.

We take our commitment to protecting the environment seriously. We have collaborated with Audubon International to further the greening of our resorts in our North America segment through the Audubon Green Leaf Eco-Rating Program for Hotels. The Audubon partnership is just one of several programs incorporated into our green initiatives. We have more than 20 years of energy conservation experience that we have put to use in implementing our environmental strategy across all of our segments. This strategy includes further reducing energy and water consumption; expanding our portfolio of green resorts, including LEED® (Leadership in Energy & Environmental Design) certification; educating and inspiring associates and guests to support the environment; and embracing innovation.

Employees

As of December 30, 2011, we had approximately 9,700 associates with an average length of service of approximately 6 years. We believe our relations with our associates are very good.

Item 1A. Risk Factors

This section describes circumstances or events that could have a negative effect on our financial results or operations or that could change, for the worse, existing trends in our businesses. The occurrence of one or more of the circumstances or events described below could have a material adverse effect on our financial condition, results of operations and cash flows or on the trading prices of our common stock. The risks and uncertainties described in this Annual Report are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are immaterial also may adversely affect our businesses and operations.

General economic uncertainty and weak demand in the vacation ownership industry could continue to impact our financial results and growth.

Weak economic conditions in the United States, Europe, Asia and much of the rest of the world and the uncertainty over the duration of these conditions could continue to have a negative impact on the vacation ownership industry. As a result of weak consumer confidence and limited availability of consumer credit, we continue to experience weakened demand for our vacation ownership products. Recent improvements in demand trends globally may not continue, and our future financial results and growth could be further harmed or constrained if the recovery stalls or conditions worsen. Furthermore, as a result of current economic conditions, an increasing number of existing owners are offering their vacation ownership interests for sale on the secondary market, thereby creating additional pricing pressure on our sale of vacation ownership products, which could cause our sales revenues and profits to decline.

Our business will be materially harmed if our License Agreements with Marriott International and Ritz-Carlton are terminated or if we are unable to maintain our ongoing relationship with Marriott International.

In connection with the Spin-Off, we entered into a number of agreements with Marriott International and its subsidiaries that govern the ongoing relationships between our company and Marriott International. Our success will depend, in part, on the maintenance of these ongoing relationships with Marriott International. In particular, our License Agreements with Marriott International and Ritz-Carlton, among other things, provide us with the exclusive right to use the Marriott and Ritz-Carlton names, respectively, in our vacation ownership business. Each License Agreement has an initial term that expires in 2090; however, if we breach our obligations under either License Agreement, Marriott International and Ritz-Carlton may be entitled to terminate the License Agreements.

The termination of the License Agreements would materially harm our business and results of operations and impair our ability to market and sell our products and maintain our competitive position, and could have a material adverse effect on our financial position, results of operations or cash flows. For example, we would not be able to rely on the strength of the Marriott and Ritz-Carlton brands to attract qualified prospects in the marketplace, which would cause our revenue and profits to decline and our marketing and sales expenses to increase. We would not be able to use www.marriott.com and www.ritzcarlton.com as channels through which to rent available inventory, which would cause our rental revenue to decline.

In addition, the Marriott Rewards Agreement would also terminate upon termination of the License Agreements, and we would not be able to offer Marriott Rewards Points to owners and potential owners, which would impair our ability to sell our products and would reduce the flexibility and options available in connection with our products.

If Marriott International or Ritz-Carlton terminates our rights to use the Marriott or Ritz-Carlton marks at any properties that do not meet applicable brand standards, our reputation could be harmed and our ability to market and sell our products at those properties could be impaired.

Marriott International and Ritz-Carlton can terminate our rights under our License Agreements to use the Marriott or Ritz-Carlton marks at any properties that do not meet applicable brand standards. The termination of such rights could harm our reputation and impair our ability to market and sell our products at the subject properties, either of which could harm our business, and we could owe damages to Marriott International and Ritz-Carlton, property owners, third parties with whom we have contracted and others.

Our ability to expand our business and remain competitive could be harmed if Marriott International or Ritz-Carlton do not consent to our use of their trademarks at new resorts we acquire or develop in the future.

Under the terms of our License Agreements with Marriott International and Ritz-Carlton, we must obtain Marriott International s or Ritz-Carlton s consent, as applicable, to use the Marriott or Ritz-Carlton trademarks in connection with resorts, residences or other accommodations that we acquire or develop in the future. Marriott International or Ritz-Carlton may reject a proposed project if, among other things, the project does not meet Marriott International s or Ritz-Carlton s respective construction and design standards or Marriott International or Ritz-Carlton reasonably believes the project will breach contractual or legal restrictions applicable to them and their affiliates. In addition, Ritz-Carlton may reject a proposed project if Ritz-Carlton will not be able to provide services that comply with Ritz-Carlton brand standards at the proposed project. If Marriott International or Ritz-Carlton do not permit us to use their trademarks in connection with our development or acquisition plans, our ability to expand our business and remain competitive may be materially adversely affected. The requirement to obtain Marriott International s or Ritz-Carlton s consent to our expansion plans, or the need to identify and secure alternative expansion opportunities because Marriott International or Ritz-Carlton do not allow us to use their trademarks with proposed new projects, may delay implementation of our expansion plans and cause us to incur additional expense.

Our business depends on the quality and reputation of the Marriott and Ritz-Carlton brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our market share, reputation, business, financial condition or results of operations.

Currently, all of our products and services are offered under Marriott or Ritz-Carlton brand names, and we intend to continue to develop and offer products and services under these brands in the future. If the quality of these brands deteriorates, or the reputation of these brands declines, our market share, reputation, business, financial condition or results of operations could be materially adversely affected.

If we are not able to favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is not able to provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, our business, financial condition or results of operations could be materially adversely affected.

As a public entity, we are subject to the reporting requirements of the Exchange Act and requirements of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) including, beginning in 2012, the obligation of our management to report on its assessment of the effectiveness of our internal control over financial reporting. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports about our business and financial condition. Under the Sarbanes-Oxley Act, we must maintain effective disclosure controls and procedures and internal control over financial reporting, which requires significant resources and management oversight. Since the Spin-Off, we have devoted and continue to devote resources, including management s time and other internal and external resources, to a continuing effort to implement additional procedures and processes to comply with regulatory requirements applicable to public companies. These activities may divert management s attention from other business concerns, which could have a material adverse effect on our financial position, results of operations or cash flows. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or our independent registered public accounting firm cannot provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could decline.

Table of Contents

We may be unable to achieve some or all of the benefits that we expected from the Spin-Off.

As an independent, publicly owned company, we believe that our business will benefit from, among other things, (1) enhanced strategic and management focus; (2) direct access to capital and expanded growth opportunities; (3) the ability to implement a tailored approach to recruiting and retaining employees; (4) improved investor understanding of our business strategy and operating results; and (5) investor choice. However, having separated from Marriott International, we may be more susceptible to securities market fluctuations and other adverse events than we would have been were we still a part of Marriott International. In addition, we may not be able to achieve some or all of the benefits that we expected to achieve as an independent company in the time in which we expect to do so, if at all.

We may incur greater costs as an independent company than we did when we were a part of Marriott International, which could decrease our profitability.

As a segment of Marriott International, we were able to take advantage of Marriott International s size and purchasing power in procuring certain goods and services such as insurance and healthcare benefits, and technology such as computer software licenses. As a separate, independent entity, we may be unable to obtain these goods, services and technologies at prices or on terms as favorable to us as those we obtained prior to the Spin-Off. We also relied on Marriott International to provide various financial, administrative and other corporate services. Marriott International will continue to provide certain of these services on a short-term transitional basis after the Spin-Off. However, we are required to establish the necessary infrastructure and systems to supply these services on an ongoing basis. We may not be able to replace the services provided by Marriott International in a timely manner or on terms and conditions the same as those we receive from Marriott International. If functions previously performed by Marriott International cost us more than the amounts reflected in our historical financial statements, our profitability could decrease.

We do not have an operating history as an independent company and our historical financial information may not be a reliable indicator of our future results.

Our historical financial information for periods prior to the Spin-Off has been derived from Marriott International s consolidated financial statements and does not necessarily reflect what our financial position, results of operations and cash flows would have been had we been a separate, stand-alone entity during those periods. Marriott International did not account for us, and we were not operated, as a single stand-alone entity for the periods presented. In addition, the historical information may not be indicative of what our results of operations, financial position and cash flows will be in the future. For example, following the Spin-Off, our cost structure, funding and operations changed, including our obligation to pay royalty fees under the License Agreements, changes in our tax structure and increased costs associated with becoming a public, stand-alone company.

We depend on capital to develop, acquire and repurchase vacation ownership inventory, and we may be unable to access capital when necessary.

The availability of funds for new investments, primarily developing, acquiring or repurchasing vacation ownership inventory, depends in part on liquidity factors and capital markets over which we can exert little, if any, control. Instability in the financial markets following the 2008 worldwide financial crisis and the contraction of available liquidity and leverage continue to constrain the capital markets for real estate investments. In addition, we have historically securitized the majority of the consumer loans we originate in support of our North American business in the ABS market, completing transactions once or twice each year. The instability in the financial markets also impacted the timing and volume of the securitizations we completed, as well as the financial terms of such securitizations. Although improved market conditions allowed us to successfully complete a securitization in the fourth quarter of 2010 on substantially more favorable terms than in 2009, any future deterioration in the financial markets could preclude, delay or increase the cost to us of future note securitizations. Such a deterioration could also impact our ability to renew the Warehouse Credit Facility, which we must do in order to access funds under that facility after September 2012, on terms favorable to us, or at all.

Further, the obligations of MVW US Holdings, our consolidated subsidiary, to its preferred shareholders and any indebtedness we incur, including indebtedness under our Revolving Corporate Credit Facility or our Warehouse Credit Facility, may adversely affect our ability to obtain any additional financing necessary to acquire additional vacation ownership inventory, or exercise our rights of first refusal to purchase vacation ownership interests that our owners propose to sell to third parties.

In addition, our ability to issue equity securities to raise capital is limited under the Tax Sharing and Indemnification Agreement. See *Our ability to engage in acquisitions and other strategic transactions is subject to limitations because we agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free Spin-Off.* If we cannot raise additional capital when needed, it could cause us to reduce spending and otherwise adversely affect our financial health.

The terms of any future equity or debt financing may give holders of any preferred securities rights that are senior to rights of our common shareholders or impose more stringent operating restrictions on our company.

Debt or equity financing may not be available to us on acceptable terms. If we incur additional debt or raise equity through the issuance of additional preferred stock, the terms of the debt or the preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations. If we raise funds through the issuance of additional equity, the ownership of our existing shareholders would be diluted.

If the default rates or other credit metrics underlying our vacation ownership receivables deteriorate, our vacation ownership notes receivable securitization program could be adversely affected.

Our vacation ownership notes receivable securitization program could be adversely affected if a particular vacation ownership receivables pool fails to meet certain ratios, which could occur if the default rates or other credit metrics of the underlying vacation ownership notes receivable deteriorate. Our ability to sell securities backed by our vacation ownership notes receivable depends on the continued ability and willingness of capital market participants to invest in such securities. Asset-backed securities issued in our securitization programs could be downgraded by credit agencies in the future. If a downgrade occurs, our ability to complete other securitization transactions on acceptable terms or at all could be jeopardized, and we could be forced to rely on other potentially more expensive and less attractive funding sources, to the extent available. This would decrease our profitability and might require us to adjust our business operations, including by reducing or suspending our provision of financing to purchasers of vacation ownership interests. Sales of vacation ownership interests may decline if we reduce or suspend the provision of financing to purchasers, which may adversely affect our cash flows, revenues and profits.

Purchaser defaults on the notes receivable our business generates could reduce our revenues, cash flows and profits.

We are subject to the risk that purchasers of our vacation ownership interests may default on the financing that we provide. Purchaser defaults could cause us to foreclose on notes receivable and reclaim ownership of the financed interests, both for loans that we have not securitized and in our role as servicer for the notes receivable we have securitized whether through the ABS market or the Warehouse Credit Facility.

If we cannot resell foreclosed properties or interests in a timely manner or at a price sufficient to repay the notes receivable and our costs we could incur a loss. In addition, notes receivable that we have securitized contain certain portfolio performance requirements related to default and delinquency rates, which, if not met, would result in disruption or loss of cash flow until portfolio performance sufficiently improves to satisfy the requirements.

The degree to which we are leveraged may have a material adverse effect on our financial position, results of operations and cash flows.

We can borrow up to $200 million under the Revolving Corporate Credit Facility to provide support for our business, including ongoing liquidity and letters of credit. In addition, our consolidated subsidiary, MVW US Holdings, issued approximately $40 million in mandatorily redeemable preferred stock to Marriott International that Marriott International sold to third-party investors prior to completion of the Spin-Off.

Our ability to make dividend payments to preferred shareholders of our consolidated subsidiary and to make payments on and refinance our indebtedness, including any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that we cannot control. If we cannot repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (1) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (2) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in the vacation ownership industry could be impaired. The lenders who hold such debt could also accelerate amounts due, which could potentially trigger a default or acceleration of our other debt.

Our ability to meet our capital needs may be harmed by the loss of financial support from Marriott International.

The loss of financial support from Marriott International could harm our ability to meet our capital needs. Prior to the Spin-Off, we were able to rely on Marriott International to provide certain capital that might have been needed in excess of the amounts generated by our operating activities. As a separate company, we will obtain any funds needed in excess of the amounts generated by our operating activities through the capital markets or bank financing, and not from Marriott International. However, given the smaller relative size of our company as compared to Marriott International and because we have a lower credit rating than Marriott International, we expect to incur higher debt servicing and other costs than we would have otherwise incurred as a part of Marriott International. Further, we cannot guarantee that we will be able to obtain capital market financing or credit on favorable terms, or at all, in the future, or that our ability to meet our capital needs will not be harmed by the loss of financial support from Marriott International.

The obligations of MVW US Holdings to its preferred shareholders will limit the ability of MVW US Holdings to distribute cash to us.

Our subsidiary, MVW US Holdings, issued approximately $40 million in mandatorily redeemable preferred stock to Marriott International, which sold the preferred stock to third-party investors prior to completion of the Spin-Off. For the first five years 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 payment of this dividend will reduce the amount of cash otherwise available for distribution by MVW US Holdings to us for further distribution to our common shareholders or for other corporate purposes. MVW US Holdings will not be able to pay any dividends to us if it is in arrears on the payment of dividends to the preferred shareholders. In addition, in the event of a liquidation of MVW US Holdings, the preferred shareholders will be entitled to an aggregate liquidation preference of $40 million plus any accrued and unpaid dividends and a premium if the liquidation occurs during the first five years after issuance of the preferred stock, which will reduce the amount of cash available for distribution by MVW US Holdings to us. Further, if MVW US Holdings either (1) is in arrears on the payment of six or more quarterly dividend payments on the preferred stock, whether or not the payment dates are consecutive, or (2) defaults on its obligations to redeem the preferred stock on the tenth anniversary of issuance or following a change of control, the preferred shareholders may designate a representative to attend meetings of our Board as a non-voting observer until all unpaid dividends on the outstanding shares of preferred stock have been paid or all such unpaid dividends have been paid or declared with an amount sufficient for the payment set aside for payment, or the shares required to be redeemed have been redeemed, as applicable.

A failure to keep pace with developments in technology could impair our operations or competitive position.

Our business model and competitive conditions in the vacation ownership industry continue to demand the use of sophisticated technology and systems, including those used for our sales, reservation, inventory management and property management systems, and technologies we make available to our owners. We must refine, update and/or replace these technologies and systems with more advanced systems on a regular basis. If we cannot do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could harm our operating results.

Failure to maintain the integrity of internal or customer data could result in faulty business decisions or operational inefficiencies, damage our reputation and/or subject us to costs, fines or lawsuits.

We collect and retain large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers in various information systems and those of our service providers. We also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee and company data is critical to us. We could make faulty decisions if that data is inaccurate or incomplete. Our customers and employees also have a high expectation that we and our service providers will adequately protect their personal information. The regulatory environment as well as the requirements imposed on us by the payment card industry surrounding information, security and privacy is also increasingly demanding, in both the United States and other jurisdictions in which we operate. Our systems may be unable to satisfy changing regulatory and payment card industry requirements and employee and customer expectations, or may require significant additional investments or time in order to do so. Our information systems and records, including those we maintain with our service providers, may be subject to security breaches, system failures, viruses, operator error or inadvertent releases of data. A significant theft, loss, or fraudulent use of customer, employee or company data maintained by us or by a service provider could adversely impact our reputation and could result in remedial and other expenses, fines or litigation. A breach in the security of our information systems or those of our service providers could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits.

Our business is subject to extensive regulation, and any failure to comply with applicable laws and regulations could have a material adverse effect on our business.

Our business is regulated under a wide variety of laws, regulations and policies in jurisdictions around the world. Our real estate development activities, for example, are subject to laws and regulations typically applicable to real estate development, subdivision and construction activities, such as laws relating to zoning, land use restrictions, environmental regulation, accessibility, title transfers, title insurance and taxation. Laws in some jurisdictions also impose liability on property developers for construction defects discovered or repairs made by future owners of property developed by the developer. Various laws also govern our lending activities and our resort management activities, including the laws described in Business Regulation.

A number of laws govern our marketing and sales activities, such as vacation ownership and land sales acts, fair housing statutes, anti-fraud laws, sweepstakes laws, real estate licensing laws, telemarketing laws, home solicitation sales laws, tour operator laws, seller of travel laws, securities laws, consumer privacy laws and consumer protection laws. In addition, laws in many jurisdictions in which we sell vacation ownership interests grant the purchaser of a vacation ownership interest the right to cancel a purchase contract during a specified rescission period.

In recent years, do not call legislation has significantly increased the costs associated with telemarketing. We have implemented procedures that we believe will help reduce the possibility that we contact individuals on regulatory do not call lists, but we cannot assure you that such procedures will be effective in ensuring regulatory compliance. Additionally, as a result of the Spin-Off we are no longer considered an affiliate of Marriott International for purposes of do not call legislation in some jurisdictions, which may make it more difficult for us to utilize customer information we obtain from Marriott International.

Many jurisdictions in which we manage our resorts have statutory provisions that limit the duration of the initial and renewal terms of our management agreements for property owners associations and/or permit the property owners association for a resort to terminate our management agreement regardless of our default under certain circumstances (for example, upon a super-majority vote of the owners). Such statutory provisions expose us to a risk that one or more of our management agreements may not be renewed or may be terminated prior to the end of the term specified in such agreements. Upon non-renewal or termination of our management agreement for a particular resort, such resort loses the ability to use the Marriott or Ritz-Carlton name and trademarks and ceases to be a part of our system. In addition, we lose the management fee revenue associated with such resort.

Although we believe that we are in material compliance with all laws, regulations and policies to which we are currently subject, we cannot assure you that the cost of such compliance will not be significant or that we will maintain such compliance at all times. Failure to comply with current or future applicable laws, regulations and policies could have a material adverse effect on our business. For example, if we do not comply with applicable laws, governmental authorities in the jurisdictions where the violations occurred may revoke or refuse to renew licenses or registrations we must have in order to operate our business. Failure to comply with applicable laws could also render sales contracts for our products void or voidable, subject us to fines or other sanctions and increase our exposure to litigation.

Changes in privacy law could adversely affect our ability to market our products effectively.

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

Changes in tax regulations could reduce our profits or increase our costs.

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

Our industry is competitive, which may impact our ability to compete successfully with other vacation ownership brands and with other vacation rental options for customers.

A number of highly competitive companies participate in the vacation ownership industry, including several branded hotel companies. Our brands compete with the vacation ownership brands of major hotel chains in national and international venues, as well as with the vacation rental options (*e.g.*, hotels, resorts and condominium rentals) offered by the lodging industry. In addition, under our License Agreements with Marriott International and Ritz-Carlton, if other international hotel operators offer new products and services as part of their respective hotel businesses that may directly compete with our vacation ownership products and services in the future, then Marriott International and Ritz-Carlton may also offer such products and services, and use their respective trademarks in connection with such offers. If Marriott International or Ritz-Carlton offer vacation ownership products and services under their trademarks, our vacation ownership products and services may compete directly with those of Marriott International or Ritz-Carlton, and we may not be able to distinguish our vacation ownership products and services from those offered by Marriott International and Ritz-Carlton. Our ability to remain competitive and to attract and retain owners depends on our success in distinguishing the quality and value of our products and services from those offered by others. If we cannot compete successfully in these areas, this could limit our operating margins, diminish our market share and reduce our earnings.

Our points-based product form exposes us to an increased risk of temporary inventory depletion.

Selling vacation ownership interests in a system of resorts under a points-based business model increases the risk of temporary inventory depletion. We sell vacation ownership interests denominated in points from a single trust entity in each of our North American, Asia Pacific and Luxury business segments. Thus, the primary source of inventory for each segment is concentrated in its corresponding trust. In contrast, under our prior business model, we sold weeks-based vacation ownership interests tied to specific resorts; we thus had more sources of inventory (*i.e.*, resorts), and the risk of inventory depletion was diffused among those sources of inventory.

Temporary depletion of inventory available for sale can be caused by three primary factors: (1) delayed delivery of inventory under construction; (2) delayed receipt of required governmental registrations of inventory for sale; and (3) significant unanticipated increases in sales pace. If the inventory available for sale for a particular trust were to be depleted before new inventory is added and available for sale, we would be required to temporarily suspend sales until inventory is replenished. This could reduce our cash flow and have a negative impact on our results of operations.

Our business may be adversely affected by factors that disrupt or deter travel and vacation plans.

The profitability of the vacation ownership resorts that we develop and manage may be adversely affected by a number of factors that can disrupt or deter travel and vacation plans. For example, fear of exposure to contagious diseases, such as H1N1 Flu, Avian Flu and Severe Acute Respiratory Syndrome, or natural or man-made disasters, such as earthquakes, tsunamis, hurricanes, floods, fires, volcanic eruptions, radiation releases and oil spills, may deter travelers from scheduling vacations or cause them to cancel vacation plans. Actual or threatened war, civil unrest and terrorist activity, as well as heightened travel security measures instituted in response to the same, could also interrupt or deter vacation plans. In addition, demand for leisure vacation options such as our vacation ownership products may decrease if the cost of travel, including the cost of transportation and fuel, increases or if general economic conditions decline. Changes in the desirability of the locations where we develop and manage resorts as vacation destinations and changes in vacation and travel patterns may adversely affect our cash flows, revenue and profits.

Disagreements with the owners of vacation ownership interests and property owners associations may result in litigation and the loss of management contracts.

The nature of our responsibilities in managing our vacation ownership properties will from time to time give rise to disagreements with the owners of vacation ownership interests and property owners associations. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential owners and property owners associations but cannot always do so. Failure to resolve such disagreements has resulted in litigation, and could do so again in the future. If any such litigation results in a significant adverse judgment, settlement or court order, we could suffer significant losses, our profits could be reduced, our reputation could be harmed and our future ability to operate our business could be constrained. Disagreements with property owners associations could also result in the loss of management contracts.

The maintenance and improvement of vacation ownership properties depends on maintenance fees paid by the owners of vacation ownership interests.

Owners of our vacation ownership interests must pay maintenance fees levied by property owners association boards. These maintenance fees are used to maintain and refurbish the vacation ownership properties and to keep the properties in compliance with Marriott and Ritz-Carlton brand standards. If property owners association boards do not levy sufficient maintenance fees, or if owners of vacation ownership interests do not pay their maintenance fees, the vacation ownership properties could fall into disrepair and fail to comply with applicable brand standards. If a resort fails to comply with applicable brand standards, Marriott International or Ritz-Carlton could terminate our rights under the applicable License Agreement to use its trademarks at the non-compliant resort, which would result in the loss of management fees, decrease customer satisfaction and impair our ability to market and sell our products at the non-compliant locations.

Damage to, or other potential losses involving, properties that we own or manage may not be covered by insurance.

While we have comprehensive property and liability insurance policies with coverage features and insured limits that we believe are customary, market forces beyond our control may limit the scope of the insurance coverage we can obtain or our ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, or terrorist acts, may be uninsurable or too expensive to justify obtaining insurance. As a result, the cost of our insurance may increase and our coverage levels may decrease. In addition, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or that of owners of vacation ownership interests or in some cases may not provide a recovery for any part of a loss. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated under guarantees or other financial obligations related to the property.

Our development activities expose us to project cost and completion risks.

Both directly and through arrangements with third parties, we develop new vacation ownership properties and new phases of existing vacation ownership properties. As demonstrated by impairment charges we have incurred associated with our business, our ongoing involvement in the development of inventory presents a number of risks, including that: (1) continued weakness in the capital markets may limit our ability, or that of third parties with whom we do business, to raise capital for completion of projects or for development of future properties; (2) to the extent construction costs escalate faster than the pace at which we can increase the price of vacation ownership interests, our profits may be adversely affected; (3) construction delays, zoning and other local approvals, cost overruns, lender financial defaults, or natural or man-made disasters, such as earthquakes, tsunamis, hurricanes, floods, fires, volcanic eruptions, radiation releases and oil spills, may increase overall project costs or result in project cancellations; and (4) any liability or alleged liability associated with latent defects in projects we have constructed or that we construct in the future may adversely affect our business, financial condition and reputation.

The growth of our business and the execution of our business strategies depend on the services of our senior management and our associates.

We believe that our future growth depends, in part, on the continued services of our senior management team, including our President and Chief Executive Officer, Stephen P. Weisz. The loss of any members of our senior management team could adversely affect our strategic and customer relationships and impede our ability to execute our business strategies.

In addition, insufficient numbers of talented associates could constrain our ability to maintain and expand our business. We compete with other companies both within and outside of our industry for talented personnel. If we cannot recruit, train, develop or retain sufficient numbers of talented associates, we could experience increased associate turnover, decreased guest satisfaction, low morale, inefficiency or internal control failures.

If we cannot dispose of excess land and Luxury segment real estate inventory at favorable prices or at all, our future cash flows and net income could be reduced.

Due to continued weakness in the economy, we have excess land that was purchased for future development, as well as excess built Luxury segment real estate inventory at a few of our projects, that we intend to sell over the next three years. Current economic conditions, as well as restrictions such as zoning, entitlement, contractual and similar restrictions related to the excess land and inventory could adversely affect our ability to find buyers at favorable prices during this time period or at all. We are responsible for maintenance fees and operating costs relating to this unsold excess land and inventory. If we are not able to sell this excess land and inventory we will continue to bear these costs, which may increase over time, and our net income will be reduced.

If we identify additional excess land and inventory in the future, or if our estimates of the fair value of our excess land and inventory change, our financial position and results of operations could be adversely affected.

Based on our current plans, we believe we have identified all excess land and inventory. However, if our plans change, we may conclude in the future that additional land and inventory are excess, in which case we would likely terminate plans to develop such land and instead seek to dispose of such excess land and inventory through bulk sales or other methods. If we identify additional excess land and inventory in the future, we may have to record additional non-cash impairment charges to write-down the value of such assets. Any such impairment charges may have an adverse impact on our financial position and results of operations. The sale of any such additional excess land and inventory will be subject to the risks described in the risk factor entitled *If we cannot dispose of excess land and Luxury segment real estate inventory at favorable prices or at all, our future cash flows and net income could be reduced.* In addition, if real estate market conditions change, our estimates of the fair value of our excess land and Luxury inventory may change. If our estimates of the fair value of these assets decline, we may have to record additional non-cash impairment charges to write-down the value of such assets to the estimated fair value. Any such impairment charges may have an adverse impact on our financial position and results of operations.

Our operations outside of the United States make us susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits or disrupt our business.

We conduct business in approximately 40 countries and territories, and our operations outside the United States represented approximately 22 percent of our revenues in 2011. International properties and operations expose us to a number of additional challenges and risks, including the following, any of which could reduce our revenues or profits, increase our costs, or disrupt our business: (1) complex and changing laws, regulations and policies of governments that may impact our operations, including foreign ownership restrictions, import and export controls, and trade restrictions; (2) U.S. laws that affect the activities of U.S. companies abroad; (3) limitations on our ability to repatriate non-U.S. earnings in a tax-effective manner; (4) the difficulties involved in managing an organization doing business in many different countries; (5) uncertainties as to the enforceability of contract and intellectual property rights under local laws; (6) rapid changes in government policy, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation; and (7) currency exchange rate fluctuations.

Our ability to engage in acquisitions and other strategic transactions is subject to limitations because we agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free Spin-Off.

To preserve the favorable tax treatment of the Spin-Off distribution and related transactions, we must comply with restrictions under current U.S. federal income tax laws for spin-offs such as restrictions requiring us to: refrain from engaging in certain transactions that would result in a 50 percent or greater change by vote or by value in our stock ownership during the four-year period beginning on the date that begins two years before the distribution date, and continue to own and manage our vacation ownership business and limit sales or redemptions of our common stock for cash or other property following the distribution, except in connection with certain stock-for-stock acquisitions and other permitted transactions. If these restrictions are not followed, the distribution could be taxable to Marriott International and Marriott International shareholders.

The Tax Sharing and Indemnification Agreement we entered into with Marriott International in connection with the Spin-Off allocates between Marriott International and ourselves responsibility for U.S. federal, state and local and non-U.S. income and other taxes relating to taxable periods before and after the distribution and provide for computing and apportioning tax liabilities and tax benefits between the parties. In the Tax Sharing and Indemnification Agreement, we also

Table of Contents

represented that certain materials relating to us submitted to the IRS in connection with the ruling request are complete and accurate in all material respects, and we agreed that, among other things, we may not (1) take or fail to take any action that would cause such materials (or representations included therein) to be untrue or cause the distribution to lose its tax-free status under Sections 368(a)(1)(D) and/or 355 of the Code and (2) during the two-year period following the Spin-Off, except in certain specified transactions, sell, issue or redeem our equity securities (or those of certain of our subsidiaries) or liquidate, merge or consolidate with another person or sell or dispose of a substantial portion of our assets (or those of certain of our subsidiaries). During this two-year period, we may take certain actions prohibited by these covenants if we obtain the approval of Marriott International or we provide Marriott International with an IRS ruling or an unqualified opinion of tax counsel, acceptable to Marriott International, to the effect that these actions will not affect the tax-free nature of the distribution. These restrictions could limit our strategic and operational flexibility, including our ability to finance our operations by issuing equity securities, make acquisitions using equity securities, repurchase our equity securities, raise money by selling assets or enter into business combination transactions.

We agreed to indemnify Marriott International for taxes and related losses resulting from actions we take that cause the distribution to fail to qualify as a tax-free transaction.

Pursuant to the Tax Sharing and Indemnification Agreement we entered into with Marriott International, we have agreed to indemnify Marriott International for certain taxes and related losses resulting from (1) any breach of the covenants regarding the preservation of the tax-free status of the distribution and the intended tax treatment of certain related transactions undertaken in connection with the distribution, (2) certain acquisitions of our equity securities or assets or those of certain of our subsidiaries, and (3) any breach by us or any member of our group of certain of our representations in the documents submitted to the IRS and the separation documents between Marriott International and us. The amount of Marriott International s taxes for which we have agreed to indemnify Marriott International in respect of the distribution will be based on the excess, if any, of the aggregate fair market value of our stock over Marriott International s tax basis in our stock at the time of the distribution of our common stock in the Spin-Off. In addition, if the distribution fails to qualify as a tax-free transaction for reasons other than those specified in the Spin-Off tax indemnification provisions, liability for any resulting taxes related to the distribution will be apportioned between Marriott International and us based on the relative fair market values of Marriott International and us. In addition, Marriott International expects to recognize, for U.S. federal income tax purposes, significant built-in losses in properties used in the vacation ownership and related residential businesses. If Marriott International s U.S. federal consolidated group is unable to deduct these losses for U.S. federal income tax purposes, and, instead, the tax basis of the properties that is attributable to the built-in losses is available to our U.S. federal consolidated group, we have agreed to indemnify Marriott International for certain lost tax benefits that Marriott International otherwise would have recognized if Marriott International s U.S. federal consolidated group was able to deduct such losses. The amount of any future indemnification payments could be substantial.

If the distribution does not qualify for tax-free treatment at the shareholder level, our shareholders who received shares in the Spin-Off will be taxed on their receipt of our stock.

The IRS could determine the distribution to be taxable even though Marriott International received a private letter ruling and an opinion from its tax counsel that, for U.S. federal income tax purposes, the distribution of shares of Marriott Vacations Worldwide common stock would be tax-free to Marriott International and Marriott International shareholders under Sections 368(a)(1)(D) and/or 355 of the Internal Revenue Code. In addition, certain future events that may or may not be within the control of Marriott International or our company, including certain extraordinary purchases of Marriott International common stock or our common stock, could cause the distribution not to qualify as tax-free. If the distribution does not qualify for tax-free treatment at the shareholder level, our shareholders who received shares in the Spin-Off will be taxed on the full value of our shares received (without reduction for any portion of a shareholder s tax basis in Marriott International shares) as a dividend for U.S. federal income tax purposes and possibly for purposes of U.S. state and local tax law to the extent of their pro rata share of Marriott International s current and accumulated earnings and profits (as increased by any gain recognized by Marriott International on the distribution).

The Spin-Off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.

The Spin-Off is subject to review under various state and federal fraudulent conveyance laws. Fraudulent conveyance laws generally provide that an entity engages in a constructive fraudulent conveyance when (1) the entity transfers assets and does not receive fair consideration or reasonably equivalent value in return, and (2) the entity (a) is insolvent at the time of the transfer or is rendered insolvent by the transfer, (b) has unreasonably small capital with which to carry on its business, or (c) intends to incur or believes it will incur debts beyond its ability to repay its debts as they mature. An unpaid creditor or an entity acting on behalf of a creditor (including without limitation a trustee or debtor-in-possession in a bankruptcy by us or

29

Table of Contents

Marriott International or any of our respective subsidiaries) may bring a lawsuit alleging that the Spin-Off or any of the related transactions constituted a constructive fraudulent conveyance. If a court accepts these allegations, it could impose a number of remedies, including without limitation, voiding our claims against Marriott International, requiring our shareholders to return to Marriott International some or all of the shares of our common stock issued in the Spin-Off, or providing Marriott International with a claim for money damages against us in an amount equal to the difference between the consideration received by Marriott International and the fair market value of our company at the time of the Spin-Off.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction s law is applied. Generally, an entity would be considered insolvent if (1) the present fair saleable value of its assets is less than the amount of its liabilities (including contingent liabilities); (2) the present fair saleable value of its assets is less than its probable liabilities on its debts as such debts become absolute and matured; (3) it cannot pay its debts and other liabilities (including contingent liabilities and other commitments) as they mature; or (4) it has unreasonably small capital for the business in which it is engaged. We cannot provide assurance as to what standard a court would apply to determine insolvency or that a court would determine that we, Marriott International or any of our respective subsidiaries were solvent at the time of or after giving effect to the Spin-Off.

The distribution of our common stock is also subject to review under state corporate distribution statutes. Under the General Corporation Law of the State of Delaware (the DGCL), a corporation may only pay dividends to its shareholders either (1) out of its surplus (net assets minus capital) or (2) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although it was the intention of Marriott International to make the distribution of our common stock entirely from surplus, a court could later determine that some or all of the distribution to Marriott International shareholders was unlawful.

The Marriott International board of directors obtained an opinion that each of us and Marriott International would be solvent at the time of the Spin-Off (including immediately after the payment of the dividend and the Spin-Off), would be able to repay its debts as they mature following the Spin-Off and would have sufficient capital to carry on its businesses and the Spin-Off and the distribution would be made entirely out of surplus in accordance with Section 170 of the DGCL. A court could reach conclusions different from those set forth in such opinion in determining whether Marriott International or we were insolvent at the time of, or after giving effect to, the Spin-Off, or whether lawful funds were available for the separation and the distribution to Marriott International s shareholders.

A court could require that we assume responsibility for obligations allocated to Marriott International under the Separation and Distribution Agreement.

Under the Separation and Distribution Agreement, from and after the Spin-Off, each of us and Marriott International are responsible for the debts, liabilities and other obligations related to the business or businesses it owns and operates following the consummation of the Spin-Off. Although we do not expect to be liable for any obligations that were not allocated to us under the Separation and Distribution Agreement, a court could disregard the allocation agreed to between the parties, and require that we assume responsibility for obligations allocated to Marriott International (for example, tax and/or environmental liabilities), particularly if Marriott International were to refuse or were unable to pay or perform the allocated obligations. See Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report.

We might have been able to receive better terms from unaffiliated third parties than the terms we received in our agreements with Marriott International.

The agreements related to the Spin-Off, including the Separation and Distribution Agreement, the Marriott License Agreement, the Ritz-Carlton License Agreement, the Employee Benefits and Other Employment Matters Allocation Agreement, the Tax Sharing and Indemnification Agreement, the Transition Services Agreements, the Non-Competition Agreement and other agreements, were negotiated in the context of our separation from Marriott International while we were still part of Marriott International. Although these agreements are intended to be on an arm s-length basis, they may not reflect terms that would have resulted from arm s-length negotiations among unaffiliated third parties. The terms of the agreements entered into in the context of our separation concern, among other things, allocations of assets, liabilities, rights, indemnifications and other obligations among Marriott International and us. See Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report for more detail.

Table of Contents

Certain of our executive officers and directors may have actual or potential conflicts of interest because of their ownership of Marriott International equity or their current or former positions in Marriott International.

Certain of our executive officers and directors are former officers and employees of Marriott International and thus have professional relationships with Marriott International s executive officers and directors. In addition, many of our executive officers and directors have a substantial financial interest in Marriott International as a result of their ownership of Marriott International stock, options and other equity awards. These relationships and financial interests may create, or may create the appearance of, conflicts of interest when these directors and officers face decisions that could have different implications for Marriott International than for us.

In addition, one of our Board members, Deborah Marriott Harrison, continues to be employed by Marriott International since the Spin-Off. Ms. Harrison is also the daughter of the chairman of the board of directors and chief executive officer of Marriott International. These facts may also create, or may create the appearance of, conflicts of interest.

Our stock price may fluctuate significantly.

Our common stock has a limited trading history. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results due to factors related to our business;
- success or failure of our business strategy;
- our quarterly or annual earnings, or those of other companies in our industry;
- our ability to obtain financing as needed;
- announcements by us or our competitors of significant new business developments or significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to continue to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and the vacation ownership industry;
- overall market fluctuations;

changes in laws and regulations affecting our business; and

general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

Anti-takeover provisions in our organizational documents and Delaware law and in our agreements with Marriott International could delay or prevent a change in control.

Provisions of our Charter and Bylaws may delay or prevent a merger or acquisition that a shareholder may consider favorable. For example, our Charter and Bylaws provide for a classified board, require advance notice for shareholder proposals and nominations, place limitations on convening shareholder meetings and authorize our Board to issue one or more series of preferred stock. The holders of the preferred stock issued by our subsidiary MVW US Holdings have the right to require MVW US Holdings to redeem the preferred stock if we sell all or substantially all of our assets or MVW US Holdings sells all or substantially all of its assets or completes a change of control, as defined in the terms of the preferred stock. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price. In addition, Delaware law also imposes some restrictions on mergers and other business combinations between any holder of 15 percent or more of our outstanding common stock and us.

In addition, provisions in our agreements with Marriott International may delay or prevent a merger or acquisition that a shareholder may consider favorable. Under the Tax Sharing and Indemnification Agreement, we agreed not to enter into any transaction involving an acquisition or issuance of our common stock or any other transaction (or, to the extent we have the right to prohibit it, to permit any such transaction) that could reasonably be expected to cause the distribution of our common stock to be taxable to Marriott International. We are required to indemnify Marriott International for any tax resulting from any such prohibited transaction, and we are required to meet various requirements, including obtaining the approval of Marriott International or obtaining an IRS ruling or unqualified opinion of tax counsel acceptable to Marriott International, before engaging in such transactions.

Further, our License Agreements with Marriott International and Ritz-Carlton provide that a change in control may not occur without the consent of Marriott International or Ritz-Carlton, respectively. See Agreements with Marriott International Related to the Spin-Off in Item 13 of this Annual Report.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 30, 2011, we managed 64 vacation ownership or residential properties in the United States and eight other countries and territories. These vacation ownership and residential properties are described in Part I, Item 1, Business, of this Annual Report. Except as indicated in Part I, Item 1, Business, we own all unsold inventory at these properties. We also own, manage or lease golf courses, fitness, spa and sports facilities, undeveloped land and other common area assets at some of our resorts, including resort lobbies and food and beverage outlets.

We own or lease our regional offices and sales centers, both in the United States and internationally. Our corporate headquarters in Orlando, Florida consists of approximately 190,000 square feet of leased space in two buildings, under a lease expiring in December 2013. We also own an office facility in Lakeland, Florida consisting of approximately 125,000 square feet.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock currently is traded on the New York Stock Exchange, or the NYSE, under the symbol VAC. A when-issued trading market for our common stock on the NYSE began on November 8, 2011, and regular way trading of our common stock began on November 22, 2011. Prior to November 8, 2011, there was no public market for our common stock. We have not made any unregistered sales of our equity securities.

The following table sets forth the high and low sales prices for our common stock for the indicated period after regular way trading began:

	High	Low
Quarter ended December 30, 2011 (November 22, 2011 through December 30, 2011)	$ 19.59	$ 15.75

Table of Contents

Holders of Record

On February 29, 2012, there were 31,309 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of shareholders, we are unable to determine the total number of shareholders represented by these record holders; however, we believe that there were approximately 49,000 beneficial owners of our common stock as of February 29, 2012.

Dividends

We do not currently intend to pay dividends on our common stock. We currently intend to retain any future earnings to finance our operations and growth. Any future determination to pay cash dividends will be based on our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that our Board considers relevant. Our Revolving Corporate Credit Facility contains restrictions on our ability to pay dividends. The terms of agreements governing debt that we may incur in the future may also limit or prohibit dividend payments. Accordingly, we cannot assure you that we will either pay dividends in the future or continue to pay any dividend that we may commence in the future.

Issuer Purchases of Equity Securities

During the quarter and year ended December 30, 2011, we did not purchase any of our equity securities that are registered under Section 12 of the Exchange Act.

Item 6. Selected Financial Data

The following tables present a summary of selected historical consolidated financial data for the periods indicated below. The selected historical consolidated statements of operations data for fiscal years 2011, 2010 and 2009 and the selected consolidated balance sheet data for fiscal years 2011 and 2010 are derived from our consolidated financial statements included elsewhere in this Annual Report. The selected historical consolidated statement of operations data for fiscal year 2008 and the selected consolidated balance sheet data for fiscal years 2009 and 2008 are derived from our audited consolidated financial statements not included in this Annual Report. The selected historical consolidated statement of operations data and the selected consolidated balance sheet data for fiscal year 2007 are derived from our unaudited consolidated financial statements that are not included in this Annual Report. We have prepared our unaudited financial statements on the same basis as our audited financial statements and have included all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the unaudited periods.

Prior to November 21, 2011, the effective date of the Spin-Off, our company was a subsidiary of Marriott International. For periods prior to the Spin-Off, our historical financial statements include allocations of certain expenses from Marriott International, including expenses for costs related to functions such as treasury, tax, accounting, legal, internal audit, human resources, public and investor relations, general management, real estate, shared information technology systems, corporate governance activities and centrally managed employee benefit arrangements. These costs may not be representative of the future costs we will incur as an independent, public company, and do not include certain additional costs we may incur as a public company that we did not incur as a private company.

The financial statements included in this Annual Report may not necessarily reflect our financial position, results of operations and cash flows as if we had operated as a stand-alone public company during periods presented prior to the Spin-Off. Accordingly, our historical results should not be relied upon as an indicator of our future performance. The following table includes EBITDA and Adjusted EBITDA, which are financial measures we use in our business that are not calculated or presented in accordance with GAAP, but we believe these measures are useful to help investors understand our results of operations. We explain these measures and reconcile them to their most directly comparable financial measures calculated and presented in accordance with United States Generally Accepted Accounting Principles (GAAP) in Footnote No. 3 to the following table.

Table of Contents

The following selected historical financial and other data should be read in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, and our Financial Statements and related notes included elsewhere in this Annual Report. All fiscal years included 52 weeks, except for 2008, which included 53 weeks.

	Fiscal Years				
($ in millions, except per share amounts)	**2011**	**2010**(1)	**2009**	**2008**	**2007** (unaudited)
Statement of operations data:					
Total revenues	$ 1,613	$ 1,584	$ 1,596	$ 1,916	$ 2,240
Total revenues net of total expenses	(220)	88	(615)	(2)	274
Net (loss) income attributable to MVW	(178)	67	(521)	9	178
Basic and diluted (loss) income per common share	(5.29)	2.00	(15.48)	0.26	5.30
Shares used in computing basic and diluted (loss) income per share (in millions)(2)	33.7	33.7	33.7	33.7	33.7
Balance sheet data (end of period):					
Total assets	2,846	3,642	3,036	3,811	3,297
Total debt	850	1,022	59	85	132
Total mandatorily redeemable preferred stock of consolidated subsidiary	40				
Total liabilities	1,712	1,738	813	965	1,038
Total equity	1,134	1,904	2,223	2,846	2,259
Other data:					
EBITDA(3)	$ (134)	$ 207	$ (720)	$ 55	$ 323
Adjusted EBITDA(3)	$ 139	$ 155	$ 85	$ 118	$ 323
Contract sales(4):					
Vacation ownership	661	692	736	1,133	1,352
Residential products	15	13	12	58	49
Total before cancellation reversal (allowance)	676	705	748	1,191	1,401
Cancellation reversal (allowance)	4	(20)	(83)	(115)	
Total contract sales	$ 680	$ 685	$ 665	$ 1,076	$ 1,401

(1) We adopted the new Consolidation Standard in our 2010 first quarter, which significantly increased our reported notes receivable and debt. See Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements.

(2) For periods prior to 2011, the same number of shares is being used for diluted income (loss) per common share as for basic income (loss) per common share as all 100 shares of our common stock outstanding was held by Marriott International prior to the Spin-Off and no dilutive securities were outstanding for any prior period. See Footnote No. 8, Earnings per Share, of the Notes to our Financial Statements for further information on this calculation.

(3) EBITDA, a financial measure which is not prescribed or authorized by GAAP, reflects earnings excluding the impact of interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance, and we use it to measure our ability to service debt, fund capital expenditures and expand our business. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company s capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

We also evaluate Adjusted EBITDA, another non-GAAP financial measure, as an indicator of performance. Our Adjusted EBITDA excludes the impact of our 2008 and 2009 restructuring costs and 2008, 2009, 2010 and 2011 impairment charges and includes the impact of interest expense associated with the debt from the Warehouse Credit Facility and from the securitization of our notes receivable in the term ABS market, which together we refer to as consumer financing interest expense. We deduct consumer financing interest expense in determining Adjusted EBITDA since the debt is secured by notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us or to our business. We evaluate Adjusted EBITDA, which adjusts for these items, to allow for period-over-period comparisons of our ongoing core operations before material charges and to measure our ability to service our non-securitized debt. EBITDA and Adjusted EBITDA also facilitate our comparison of results from our ongoing operations with results from other vacation ownership companies.

EBITDA and Adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Both of these non-GAAP measures exclude certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do or may not calculate it at all, limiting Adjusted EBITDA s usefulness as a comparative measure. The table below shows our EBITDA and Adjusted EBITDA calculations and reconciles those measures with Net (Loss) Income.

Table of Contents

The following is a reconciliation of net (loss) income to EBITDA and Adjusted EBITDA:

($ in millions, except per share amounts)	Fiscal Years				
	2011	**2010(1)**	**2009**	**2008**	**2007** (unaudited)
Net (loss) income	$ (178)	$ 67	$ (532)	$ (16)	$ 177
Interest Expense	47	56			
Tax (benefit) provision, continuing operations	(36)	45	(231)	25	107
Depreciation and amortization	33	39	43	46	39
EBITDA	(134)	207	(720)	55	323
Restructuring expenses			44	19	
Impairment charges:					
Impairments	324	15	623	44	
Impairment (reversals) charges on equity investment	(4)	(11)	138		
Consumer financing interest expense	(47)	(56)			
	273	(52)	805	63	
Adjusted EBITDA	$ 139	$ 155	$ 85	$ 118	$ 323

(4) Contract sales represent the total amount of vacation ownership product sales from purchase agreements signed during the period where we have received a downpayment of at least 10 percent of the contract price, reduced by actual rescissions during the period. Contract sales differ from revenues from the sale of vacation ownership products that we report in our Statements of Operations due to the requirements for revenue recognition described in Footnote No. 1, Summary of Significant Accounting Policies. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our results of operations and financial condition together with our audited historical consolidated financial statements and accompanying notes that we have included elsewhere in this Annual Report as well as the discussion in the section of this Annual Report entitled Business. This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on our current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those we discuss in the sections of this Annual Report entitled Risk Factors and Special Note About Forward-Looking Statements.

Our consolidated financial statements, which we discuss below, reflect our historical financial condition, results of operations and cash flows. The financial information discussed below and included in this Annual Report, however, may not necessarily reflect what our financial condition, results of operations or cash flows would have been had we been operated as a separate, independent entity during all of the periods presented, or what our financial condition, results of operations and cash flows may be in the future.

Business Overview

We are 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. Ritz-Carlton generally provides on-site management for Ritz-Carlton branded properties.

Our business is grouped into four segments: North America, Luxury, Europe and Asia Pacific. We operate 64 properties (under 71 separate resort management contracts) 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 of vacation ownership products; and renting vacation ownership inventory. See the section of this Annual Report entitled Business Segments for further details of our individual properties by segment.

As described in Footnote No. 1, Summary of Significant Accounting Policies, in the Notes to our Financial Statements included in this Annual Report, through the date of the Spin-Off, the Financial Statements discussed below were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Marriott International. These Financial Statements have been prepared as if the Spin-Off had taken place as of the earliest period presented and include an allocation of certain Marriott International expenses as discussed in the section of this Annual Report entitled Selected Financial Data. The Financial Statements reflect our historical financial position, results of operations and cash flows as we have historically operated, in conformity with GAAP. All significant intracompany transactions and accounts within these Financial Statements have been eliminated. Beginning November 22, 2011, for periods following completion of the Spin-Off, our financial results also include the impact of the royalty fee payable under our License Agreements and the dividend payable on the mandatorily redeemable preferred stock of MVW US Holdings, our consolidated subsidiary (included in interest expense).

Conditions for our vacation ownership business have remained relatively unchanged throughout 2011 compared to 2010. In 2011:

- We generated $1,613 million of total revenues, including $634 million from the sale of vacation ownership products, and $321 million of cash flows from operating activities.

- We continued to expand our Marriott Vacation Club Destinations ™ (MVCD) points-based vacation ownership program in North America and the Caribbean, offering greater flexibility, further personalization and more experience opportunities for our owners. As of the end of 2011, almost 92,000 of our weeks-based owners had enrolled in this program, representing over 167,000 weeks.

- We generated $18 million of cash proceeds from the disposal of excess land and inventory in our Luxury segment.

- As discussed in more detail below and in Footnote No. 19, Impairment Charges, in the Notes to our Financial Statements, in preparing for the Spin-Off, management approved a plan in the third quarter of 2011 to accelerate cash flow through the monetization of certain excess undeveloped land and excess built Luxury inventory. As a result of adopting this plan, we recorded a pre-tax non-cash impairment charge of $324 million in our statement of operations to write-down the value of these assets.

Below is a summary of significant accounting policies used in our business that will be used in describing our results of operations.

Sales of Vacation Ownership Products

We recognize revenues from our sales of vacation ownership products when all of the following conditions exist:

- A binding sales contract has been executed;

- The statutory rescission period has expired;

- The receivable is deemed collectible;

- The criteria for percentage of completion accounting are met; and

- The remainder of our obligations are substantially completed.

Sales of vacation ownership products may be made for cash or we may provide financing. For sales where we provide financing, we defer revenue recognition until we receive a minimum downpayment equal to ten percent of the purchase price plus the fair value of certain sales incentives provided to the purchaser. Prior to the launch of the MVCD program in mid-2010, these sales incentives typically included Marriott Rewards Points; however, in connection with the launch of the MVCD program, we offered an alternative sales incentive that we refer to as plus points . These plus points are redeemable for stays at our resorts, generally within one year from the date of issuance. All sales incentives are only awarded if the sale is closed.

When construction of a vacation ownership product that has been purchased is not complete, we recognize revenues using the percentage-of-completion (POC) method of accounting. Under the POC method, sales may only be recognized when the preliminary construction phase is complete and a minimum of 10 percent of expected sales has been achieved. The completion percentage is determined by the proportion of life-to-date real estate inventory costs incurred to total estimated costs, with that percentage being applied to life-to-date revenues to determine the amount of revenue to be recognized. The remaining revenues and related costs of sales, including commissions and direct expenses, are deferred and recognized in subsequent periods as the construction is completed in the same proportion as the costs incurred compared to the total expected costs for completion. Our points-based ownership programs generally require that we only sell completed inventory and, given that we expect most of our sales to be completed under the points-based programs going forward, we do not expect the POC method of accounting to result in a significant deferral of revenues in the future. As of year-end 2011, we had less than $1 million of deferred revenues related to projects that were not completed.

Table of Contents

As a result of the downpayment requirements with respect to financed sales and the statutory rescission periods, we often defer revenues associated with the sale of vacation ownership products from the date of the purchase agreement to a future period. When comparing results year-over-year, this deferral frequently generates significant variances, which we categorize as the impact of revenue reportability.

Finally, as more fully described in the Financing section below, we record an estimate of expected uncollectibility on all notes receivable (also known as a notes receivable reserve) from vacation ownership purchases as a reduction of revenues from the sale of vacation ownership products at the time we recognize revenues from a sale.

We report, on a supplemental basis, contract sales for each of our four segments. Contract sales represent the total amount of vacation ownership product sales from purchase agreements signed during the period where we have received a downpayment of at least 10 percent of the contract price, reduced by actual rescissions during the period. Contract sales differ from revenues from the sale of vacation ownership products that we report in our Statements of Operations due to the requirements for revenue recognition described above. We consider contract sales to be an important operating measure because it reflects the pace of sales in our business.

Total contract sales include sales from company-owned projects as well as sales generated under a marketing and sales arrangement with a joint venture. Revenue associated with the company-owned contract sales is reflected as sales of vacation ownership products while revenue associated with joint venture contract sales is reflected on the Equity in losses line on the Statements of Operations, included herein.

Prior to 2011, we established cancellation allowances for previously reported contract sales in anticipation that a portion of these contract sales would not be realized due to contract cancellations prior to closing. These cancellation allowances related mainly to our Luxury segment where we were selling vacation ownership products well in advance of completion of construction. Given the significant amount of time between the date of the purchase agreement and ultimate closing of the sale for these projects, as well as the significant weakness in the overall economic environment and, in particular, the luxury real estate market during 2010, 2009 and 2008, many customers decided not to complete their purchases. As we do not have any luxury products under construction, we do not anticipate having significant additional cancellation allowances in the future.

Cost of vacation ownership products includes costs to develop and construct the project (also known as real estate inventory costs) as well as other non-capitalizable costs associated with the overall project development process. For each project, we expense real estate inventory costs in the same proportion as the revenue recognized. Consistent with the applicable accounting guidance, to the extent there is a change in the estimated sales revenues or real estate inventory costs for the project in a period, a non-cash adjustment is recorded in our Statements of Operations to true-up revenues and costs in that period to those that would have been recorded historically if the revised estimates had been used. These true-ups will have a positive or negative impact on our Statements of Operations.

We refer to revenues from the sale of vacation ownership products less the cost of vacation ownership products and marketing and sales costs as revenues from the sale of vacation ownership products, net of expenses.

Resort Management and Other Services

Our resort management and other services revenues includes revenues we earn for managing our resorts, providing ancillary offerings including food and beverage, retail, and golf and spa offerings, and for providing other services to our guests.

We provide day-to-day-management services, including housekeeping services, operation of a reservation system, maintenance, and certain accounting and administrative services for property owners associations. We receive compensation for such management services which is generally based on either a percentage of total costs to operate the resorts or a fixed fee arrangement. We earn these fees regardless of usage or occupancy. With the launch of the MVCD program in mid-2010, we also receive certain annual and transaction based fees charged to owners and other third parties for services.

Resort management and other services expenses include costs to operate the food and beverage and other ancillary operations and overall customer support services, including reservations.

Table of Contents

Financing

We offer financing to qualified customers for the purchase of most types of our vacation ownership products. The average FICO score of customers who were U.S. citizens or residents who financed a vacation ownership purchase was as follows:

	Fiscal Years		
	2011	**2010**	**2009**
Average FICO score	736	732	731

The typical financing agreement provides for monthly payments of principal and interest with the principal balance of the loan fully amortizing over the term of the note receivable, which is generally 10 years. The interest income earned from the financing arrangements is earned on an accrual basis on the principal balance outstanding over the life of the arrangement and is recorded as financing revenues on our Statements of Operations.

Financing revenues include interest income earned on notes receivable as well as fees earned from servicing the existing loan portfolio. Financing expenses include costs in support of the financing, servicing and securitization processes.

In the event of a default, we generally have the right to foreclose on or revoke the vacation ownership interest. We typically return interests that we reacquire through foreclosure or revocation back to developer inventory. As discussed above, we record a notes receivable reserve at the time of sale and classify the reserve as a reduction to revenues from the sales of vacation ownership products in our Statements of Operations. Historical default rates, which represent annual defaults as a percentage of each year s beginning gross notes receivable balance, were as follows:

	Fiscal Years		
	2011	**2010**	**2009**
Historical default rates	4.8%	5.3%	6.0%

On January 2, 2010, the first day of our 2010 fiscal year, we adopted the new Consolidation Standard. We use certain special purpose entities to securitize notes receivable originated with the sale of vacation ownership products, which prior to our adoption of the new Consolidation Standard were treated as off-balance sheet entities. We retain the servicing rights and varying subordinated interests (residual interests) in the securitized notes receivable. Pursuant to GAAP in effect prior to 2010, we did not consolidate these special purpose entities in our Financial Statements because the notes receivable securitization transactions were executed through qualified special purpose entities and qualified as sales of financial assets. As a result of adopting the new Consolidation Standard on the first day of 2010, we consolidated 13 existing qualifying special purpose entities associated with past notes receivable securitization transactions, and we recorded a one-time non-cash after-tax reduction to shareholders equity of $141 million ($238 million pre-tax) in the first quarter of 2010, representing the cumulative effect of a change in accounting principle.

The following table highlights some of the key changes in treatment of various items on our Balance Sheets and Statement of Operations resulting from our adoption of the new Consolidation Standard.

	After the January 2, 2010 adoption of the new Consolidation Standard	**Prior to the January 2, 2010 adoption of the new Consolidation Standard**
Gains on securitization of notes receivable	Not recorded	Recorded in our Statements of Operations
Securitized notes receivable (Balance Sheet)	Remain on our Balance Sheets	Removed from our Balance Sheets
Retained interest in securitized notes receivable (Balance Sheet)	Not recorded	Recorded on our Balance Sheets
Accretion of retained interests	Not recorded	Recorded in our Statements of Operations
Interest income on securitized notes	Recorded in our Statements of Operations	Not recorded
Reversal of the notes receivable reserve upon securitization	Not recorded	Recorded in our Statements of Operations

Debt issued upon securitization of notes receivable	Recorded on our Balance Sheets	Not recorded

Table of Contents

See Footnote No. 5, Fair Value Measurements, in the Notes to our Financial Statements for further information on the valuation of our retained interests in securitized notes receivable prior to adoption of the new Consolidation Standard.

Rental

We operate a rental business to provide owner flexibility and to help mitigate carrying costs associated with our inventory.

We obtain rental inventory from:

- Unsold inventory; and
- Inventory we control because owners have elected various usage options.

Rental revenues are primarily the revenues we earn from renting this inventory. Since the launch of the MVCD program, we also recognize rental revenue from the utilization of plus points when those points are redeemed for rental stays at one of our resorts or upon expiration.

Rental expenses include:

- Maintenance fees on unsold inventory;
- Costs to provide alternate usage rights, including Marriott Rewards Points, for owners who elect to exchange their inventory;
- Subsidy payments to property owners associations at resorts that are in the early phases of construction where maintenance fees collected from the owners are not sufficient to support operating costs of the resort;
- Marketing costs and direct operating and related expenses in connection with the rental business (e.g., housekeeping, credit card expenses and reservation services); and
- Costs associated with the banking and borrowing usage option that is available under our MVCD program.

Rental metrics, including the average daily transient rate or the number of transient keys rented, may not be comparable between periods given fluctuation in available occupancy by location, unit size (e.g., two bedroom, one bedroom or studio unit), and owner use and exchange behavior. Further, as our ability to rent certain inventory in our Luxury and Asia Pacific segments is often limited on a site-by-site basis, rental operations may not generate adequate rental revenues to cover associated costs. Our vacation units are either full villas or lock-off villas. Lock-off villas are units that can be separated into a master unit and a guest room. Full villas are non-lock-off villas because they cannot be separated. A key night is the lowest increment for reporting occupancy statistics based upon the mix of non-lock-off and lock-off villas. Lock-off villas represent two keys and non-lock-off villas represent one key. The Transient keys metric represents the blended mix of inventory available for rent and includes all of the combined inventory configurations available in our resort system.

Other

We also record other revenues which are primarily comprised of fees received from our external exchange company and settlement fees from the sale of vacation ownership products.

Cost Reimbursements

Cost reimbursements revenues includes direct and indirect costs that property owners associations and joint ventures we participate in reimburse to us. In accordance with the accounting guidance for gross versus net presentation, we record these revenues on a gross basis. We recognize cost reimbursements revenue when we incur the related reimbursable costs. These costs primarily consist of payroll and payroll related costs for management of the property owners associations and other services we provide where we are the employer, and for development and marketing and sales services that joint ventures contract with us to perform. Cost reimbursements are based upon actual expenses with no added margin.

Other Items

We measure operating performance using the following key metrics:

- Contract sales from the sale of vacation ownership products; and

- With the launch of the MVCD program, volume per guest (VPG). We calculate VPG by dividing contract sales, excluding telesales and other sales that are not attributed to a tour at a sales location, by the number of sales tours in a given period. We believe that this operating metric is valuable in evaluating the effectiveness of the sales process as it combines the impact of average contract price with the number of touring guests who make a purchase.

Table of Contents

Consolidated Results

The following discussion presents an analysis of results of our operations for 2011, 2010 and 2009.

($ in millions)	Fiscal Years		
	2011	**2010**	**2009**
Revenues			
Sales of vacation ownership products, net	$ 634	$ 635	$ 743
Resort management and other services	238	227	213
Financing[(1)]	169	188	119
Rental	212	187	175
Other	29	29	34
Cost reimbursements	331	318	312
Total revenues	1,613	1,584	1,596
Expenses			
Costs of vacation ownership products	245	247	314
Marketing and sales	342	344	413
Resort management and other services	198	196	170
Financing	28	26	21
Rental	220	194	199
Other	13	18	27
General and administrative	81	82	88
Interest[(1)]	47	56	
Restructuring			44
Royalty fee	4		
Impairment	324	15	623
Cost reimbursements	331	318	312
Total expenses	1,833	1,496	2,211
Gains and other income	2	21	2
Equity in losses		(8)	(12)
Impairment reversals (charges) on equity investment	4	11	(138)
(Loss) income before income taxes	(214)	112	(763)
Benefit (provision) for income taxes	36	(45)	231
Net (loss) income	(178)	67	(532)
Add: Net losses attributable to noncontrolling interests, net of tax			11
Net (loss) income attributable to Marriott Vacations Worldwide	$ (178)	$ 67	$ (521)
Contract Sales			
Company-Owned			
Vacation ownership	$ 653	$ 680	$ 717
Residential products	5	9	12
Subtotal	658	689	729
Cancellation reversal (allowance)	1	(1)	(8)
Total company-owned contract sales	659	688	721

Joint Venture			
Vacation ownership	8	12	19
Residential products	10	4	
Subtotal	18	16	19
Cancellation reversal (allowance)	3	(19)	(75)
Total joint venture contract sales	21	(3)	(56)
Total contract sales	$ 680	$ 685	$ 665

(1) Financing revenues and Interest expenses reflect the impact of adopting the new Consolidation Standard in 2010.

Table of Contents

Revenues and Expenses

2011 Compared to 2010

Revenues increased by $29 million (2 percent) to $1,613 million in 2011 from $1,584 million in 2010, reflecting $25 million of higher rental revenues, $13 million of higher cost reimbursements, and $11 million of higher resort management and other services revenues, partially offset by $19 million of lower financing revenues and $1 million of lower sales of vacation ownership products.

Rental revenues increased $25 million (13 percent) to $212 million in 2011 from $187 million in 2010 from the recognition of $27 million of plus points revenue (upon utilization of plus points for stays at our resorts in 2011 or upon expiration of plus points), a company-wide 2 percent increase in transient keys rented (20,000 additional keys) driven by an increase in available keys due to owners banking significantly more points than were borrowed in 2011, as well as the impact of higher rental demand mainly at our North America and Europe properties that resulted in a company-wide 2 percent increase in transient rate (nearly a $4.50 increase per key). This increase was partially offset by the loss of rental units in our Asia Pacific segment associated with the disposition in the 2010 fourth quarter of an operating hotel that we originally acquired for conversion into vacation ownership products. Resort occupancy, which includes owner and rental occupancy, was 90 percent in both 2011 and 2010.

Cost reimbursements increased $13 million (4 percent) to $331 million in 2011 from $318 million in 2010, reflecting the impact of growth across the system.

Resort management and other services revenues increased $11 million (5 percent) to $238 million in 2011 from $227 million in 2010, reflecting $9 million of higher ancillary revenues from food and beverage and golf offerings, $8 million of additional fees earned in connection with the MVCD program, and $3 million of higher management fees (from $60 million to $63 million) resulting from the cumulative increase in the number of vacation ownership products sold. These increases were partially offset by $8 million of lower resales volumes and $1 million of lower fees earned on lower contract closings under a marketing and sales arrangement with a joint venture.

Financing revenues decreased $19 million (10 percent) to $169 million in 2011 from $188 million in 2010 due to a lower outstanding notes receivable balance, reflecting our continued collection of existing mortgage notes receivables at a faster pace than our origination of new mortgage notes receivables. The average notes receivable balance decreased $164 million to $1,391 million in 2011 from $1,555 million in 2010. For 2011, 43 percent of purchasers financed their vacation ownership purchase with us, compared to 40 percent in 2010.

Revenues from the sale of vacation ownership products decreased $1 million to $634 million in 2011 from $635 million in 2010 driven by $31 million of lower company-owned gross contract sales (before cancellation allowances), partially offset by $16 million of higher revenue reportability and approximately $14 million of lower notes receivable reserve activity resulting from lower reserves recorded in 2011 due to lower note receivable default and delinquency activity.

Total gross contract sales declined by $29 million (4 percent) to $676 million in 2011 from $705 million in 2010. Company-owned gross contract sales decreased by $31 million (4 percent) to $658 million from $689 million, driven by $16 million of lower contract sales in our North America segment, $11 million of lower contract sales in our Luxury segment due to the continued weakness in the luxury real estate market, and $6 million of lower contract sales in our Europe segment due to limited inventory available for sale at one project that is almost sold out as well as from fewer tours. These declines were partially offset by $2 million of higher contract sales in our Asia Pacific segment. Joint venture gross contract sales increased by $2 million to $18 million in 2011 from $16 million in 2010, driven by $6 million of higher luxury residential sales resulting from pricing incentives we extended to encourage buyers to close on pending sales from prior years, partially offset by $4 million of lower fractional sales due to the continued weakness in the luxury real estate market. Contract sales, net of cancellation allowances, decreased by $5 million to $680 million in 2011 from $685 million in 2010.

The $16 million decline in contract sales in our North America segment, to $514 million in 2011 from $530 million in 2010, reflected a $19 million decline in the first half of 2011 compared to the first half of 2010 and a $3 million increase in the second half of 2011 compared to the second half of 2010.

The $19 million (7 percent) decline in contract sales in our North America segment in the first half of 2011 compared to the first half of 2010 corresponds with the launch of the MVCD points product in June 2010 and our decision to focus on enrolling and selling our new product to existing owners at an average purchase price that was generally lower than the average purchase price for new owners. As a result, while the number of sales contracts executed in the first half of 2011 rose by 22 percent from the first half of 2010, the average price per contract for sales to existing owners was approximately $7,000 (or 25 percent) lower than the first half of 2010.

The $3 million (1 percent) increase in contract sales in our North America segment in the second half of 2011 compared to the second half of 2010 reflected a nearly 8 percent increase in volume per guest to $2,463 in the second half of 2011 from $2,285 in the second half of 2010. This increase was driven by an increase in the minimum purchase price requirements for existing owners that make additional purchases, as well as incentives to encourage larger purchases. Although sales contracts executed with new owners were up nearly 4 percent during the period, total sales contracts executed were down 18 percent, driven by a 25 percent decrease in existing owner purchases, reflecting our focus in the second half of 2010 on enrolling existing owners in the MVCD program.

Total revenues net of total expenses decreased $308 million to a loss of $220 million in 2011 from $88 million in 2010. Results reflected an unfavorable variance of $309 million related to higher impairment charges (see further discussion of these impairment charges below), $21 million of lower financing revenues net of expenses, $4 million of royalty fees, and $1 million of lower rental revenues net of expenses. These declines were partially offset by $9 million of higher resort management and other services revenues net of expenses, $9 million of lower interest expense, $5 million of higher other revenues net of expenses, $3 million of higher revenues from the sale of vacation ownership products net of related expenses, and $1 million of lower general and administrative expenses.

The $21 million decrease in financing revenues net of expenses to $141 million in 2011 from $162 million in 2010 reflected $19 million of lower interest income and $2 million of higher financing related expenses.

General and administrative expenses decreased $1 million to $81 million in 2011 from $82 million in 2010 due to lower technology related depreciation expense and the full-year impact of cost savings initiatives that resulted in lower finance and accounting, human resources, information resources and other costs, partially offset by $1 million of higher severance expenses in 2011.

Royalty fee expense increased to $4 million in 2011 from $0 in 2010 due to the License Agreements that were entered into at the time of the Spin-Off.

Rental revenues net of expenses decreased $1 million to a loss of $8 million in 2011 from a loss of $7 million in 2010. Results reflected $25 million of higher rental revenues, a $3 million decrease in maintenance fees on unsold inventory ($65 million in 2011 from $68 million in 2010) and a $3 million decrease in subsidy costs in our Luxury segment. These increases were offset by $14 million of higher costs associated with the banking and borrowing usage option under our MVCD points program, a $12 million unfavorable variance from a 2010 third quarter adjustment to the Marriott Rewards customer loyalty program liability resulting from lower than anticipated cost of redemptions of Marriott Rewards Points, and $6 million of higher housekeeping and other variable costs driven by the increase in revenues. As part of the greater flexibility offered in the MVCD program, owners have the ability to bank their MVCD program points for a limited time in order to use them for future vacations. During 2011, which was the first year this option was available, a substantial number of owners decided to defer their vacation from 2011 to 2012, combining this year s points with next year s points for a longer or more upscale vacation experience next year. We made the inventory related to their 2011 usage available for rent to offset the higher costs associated with banking.

Resort management and other services revenues net of expenses increased $9 million to $40 million in 2011 from $31 million in 2010, reflecting $6 million of additional fees earned in connection with the MVCD program net of expenses and a $3 million increase in management fees.

Interest expense decreased by $9 million to $47 million in 2011 compared to $56 million in 2010 due to a lower outstanding debt balance related to the securitized notes receivable, reflecting our continued collection of existing mortgage notes receivables at a faster pace than our origination of new mortgage notes receivables and therefore a faster pay down of debt associated with these notes receivable securitizations.

Other revenues net of expenses increased $5 million to $16 million in 2011 from $11 million in 2010, primarily from a $2 million favorable true-up of the 2010 bonus accrual as a result of final payouts made in the first quarter of 2011 and $3 million of lower miscellaneous other expenses.

Revenues from the sale of vacation ownership products net of expenses increased $3 million to $47 million in 2011 from $44 million in 2010. Results reflected a $13 million increase in revenues net of variable expenses, inclusive of the favorable mix of real estate inventory sold, partially offset by $3 million of higher costs related to Americans with Disabilities Act (ADA) compliance and Hurricane Irene in the Bahamas, a $3 million unfavorable variance from the 2010 third quarter adjustment to the Marriott Rewards customer loyalty program liability, and $3 million of legal costs related to a European project.

2010 Compared to 2009

Revenues decreased by $12 million (1 percent), to $1,584 million in 2010 from $1,596 million in 2009, as a result of $108 million of lower revenues from the sale of vacation ownership products and $5 million of lower other revenues, partially offset by $69 million of higher financing revenues, $14 million of higher resort management and other services revenues, $12 million of higher rental revenues, and $6 million of higher cost reimbursements.

Table of Contents

Gross contract sales (before cancellation allowances) declined $43 million (6 percent) to $705 million in 2010 from $748 million in 2009, primarily due to $43 million of lower contract sales in our North America segment. Contract sales, net of cancellation allowances, increased $20 million in 2010 to $685 million from $665 million in 2009 driven mainly by a $63 million decrease in cancellation allowances year-over-year.

Revenues from the sale of vacation ownership products declined $108 million (15 percent) to $635 million in 2010 from $743 million in 2009, driven mainly by $43 million of lower gross contract sales, $38 million from lower revenue reportability and $37 million related to the notes receivable reserve activity as discussed below.

The $43 million decline in gross North America contract sales primarily reflected:

- The continued impact of a weakened economy, due in part to the continued weakness in consumer confidence and decreased consumer willingness to spend discretionary income on purchases such as vacation ownership;
- The impact of restructuring efforts that we started in 2008 in response to the weakened economy that resulted in the closing of eight sales locations and one call center where we were no longer selling in a cost-effective manner. While those efforts resulted in lower sales volumes in 2010, they contributed to improvement in our total revenues from the sale of vacation ownership products, net of expenses;
- The impact of the 2009 sales promotion launched in celebration of the company s 25th anniversary, which resulted in a significant increase in contract sales in 2009; and
- The impact of a higher proportion of sales made to existing owners that resulted in a 22 percent decline in the overall average price per contract to $21,799 in 2010 from $27,889 in 2009. The increase in existing owner purchases was driven by: (1) sales promotions and (2) the launch of the MVCD program in mid-2010, as our sales efforts were focused on educating existing owners about this program. As a result, while the number of sales contracts executed in 2010 rose by 29 percent, or nearly 4,400 contracts, from 2009, sales to existing owners as a percentage of total sales was 66 percent in 2010, compared to 47 percent in 2009. The average price per contract for sales to existing owners was nearly $8,000 (or 30 percent) lower than 2009 given the impact of discounting and lower minimum purchase requirements for existing owners.

The $37 million of lower revenues relating to the notes receivable reserve activity included a $25 million impact due to the reversal in 2009 of the notes receivable reserve upon the securitization of our notes receivable. As discussed in Business Overview above, as a result of the adoption of the new Consolidation Standard on the first day of fiscal 2010, securitization transactions are no longer treated as sales transactions. Thus, after adoption of the new Consolidation Standard, the secured notes receivable and related reserves remained in our Balance Sheets, and there was no reversal of this related notes receivable reserve. Additionally, the notes receivable reserve charge was $12 million higher in 2010 as a result of higher note receivable default and delinquency activity.

Other revenues decreased $5 million (15 percent) to $29 million in 2010 from $34 million in 2009 due primarily to higher tour deposit forfeitures in 2009.

The $69 million increase (58 percent) in financing revenues to $188 million in 2010 from $119 million in 2009 primarily reflected:

- a $129 million increase in interest income, due to a $139 million increase from the notes receivable we now consolidate as part of our adoption of the new Consolidation Standard, partially offset by a $10 million decrease in interest income related mainly to non-securitized notes receivable, reflecting a lower outstanding balance as discussed below; and
- a $60 million reduction from the elimination of accretion of retained interests in securitized notes receivable and gains on a securitization of notes receivable which were no longer recorded in 2010 after the adoption of the new Consolidation Standard.

The lower non-securitized notes receivable balance reflects the continued collection of existing notes receivable, as well as the impact of lower financing propensity. The reduction in financing propensity was due in part to our elimination of financing incentive programs. The average non-securitized notes receivable balance decreased $71 million to $451 million in 2010 from $522 million in 2009. For 2010, 40 percent of purchasers financed their vacation ownership purchase with us, compared to 44 percent in 2009 and 67 percent in 2008.

The $12 million (7 percent) increase in rental revenues to $187 million in 2010 from $175 million in 2009 reflected rental demand mainly at our North America properties ($13 million) that resulted in a company-wide 10 percent increase in transient keys rented (78,000 additional keys) and a company-wide 9 percent increase in transient rate ($14.52 increase per key). This was partially offset by a decrease in tour package revenue of $11 million related to lower tour flow, as we reduced reliance on this higher cost marketing channel. Resort occupancy, which includes owner and rental occupancy, was 90 percent in both 2010 and 2009.

Resort management and other services revenues increased $14 million (7 percent) to $227 million in 2010 from $213 million in 2009, reflecting $7 million of fees earned from the MVCD program; $4 million of higher ancillary revenues due to stronger demand for food and beverage and golf offerings as well as the impact of full-year operations at various projects and phases that opened during 2009; and a $4 million increase in management fees (from $56 million to $60 million) resulting primarily from the cumulative increase in the number of vacation ownership products sold.

The $6 million (2 percent) increase in cost reimbursements revenue to $318 million in 2010 from $312 million in 2009 reflected the impact of growth across the system from new resorts and new phases of existing resorts, partially offset by the impact of continued cost savings initiatives, lower development expenditures after the completion of a joint venture project, and lower marketing and sales efforts incurred under our joint venture arrangements in response to weak business conditions.

Total revenues net of total expenses increased by $703 million to $88 million in 2010 from a loss of $615 million in 2009. The increase reflected a favorable variance of $652 million related to impairment charges and restructuring expenses (see further discussion below), a $64 million increase in financing revenues net of expenses, $28 million of higher revenues from the sale of vacation ownership products net of expenses, $17 million of improvement in rental revenues net of expenses, $6 million of lower general and administrative expenses, and $4 million of higher other revenues net of expenses. Offsetting these improvements were $56 million of higher interest expense and $12 million of lower resort management and other services revenues net of expenses.

The $64 million increase in financing revenues net of expenses to $162 million in 2010 from $98 million in 2009 reflected $129 million of higher interest income, partially offset by $60 million related to the elimination of both the gains from the securitization of notes receivable and accretion of retained interests, mainly as a result of adopting the new Consolidation Standard and $5 million of higher financing related expenses.

Revenues from the sale of vacation ownership products net of expenses increased $28 million to $44 million in 2010 from $16 million in 2009. Results reflected lower expenses related to lower sales volumes, lower average inventory costs associated with a proportionately higher sales mix of lower cost products, and a 1.4 percentage point reduction in marketing and selling expenses, as a percentage of related revenues. This improvement reflects the impact of ongoing cost savings initiatives, including the closure of higher cost sales locations and other restructuring efforts. These increases were partially offset by $108 million of lower revenues from the sale of vacation ownership products, a $6 million unfavorable variance for real estate inventory cost true-ups due to revised estimates of project economics, and $6 million from an increase in non-capitalizable development expenses, including property taxes and insurance, due to the decision to delay development of new project phases.

Rental revenues net of expenses improved $17 million to a loss of $7 million in 2010 from a loss of $24 million in 2009. Results reflected $12 million of higher revenues, $12 million of lower Marriott Rewards customer loyalty program costs due to fewer owner exchanges for Marriott Rewards Points, and $4 million of lower operating expenses resulting mainly from cost savings initiatives implemented in 2009. Partially offsetting these increases was a $9 million increase in maintenance fees on unsold inventory ($68 million in 2010 from $59 million in 2009) and a $2 million increase in subsidy costs, due mainly to new resort and phase openings.

General and administrative expenses decreased $6 million to $82 million in 2010 from $88 million in 2009 due to lower technology related depreciation expense and the full-year impact of cost savings initiatives and other restructuring efforts that resulted in lower finance, human resource, information resources and other costs.

Other revenues net of expenses increased $4 million to $11 million in 2010 from $7 million in 2009 due mainly to a $10 million charge in the prior year related to resolving a tax issue with a state taxing authority, partially offset by the high amount of tour deposit forfeitures in 2009.

Interest expense increased by $56 million from zero in 2009. This increase was driven mainly by the consolidation of $1,121 million of debt associated with previously securitized notes receivable on the first day of fiscal 2010 in conjunction with our adoption of the new Consolidation Standard.

Resort management and other services revenues net of expenses decreased $12 million to $31 million in 2010 from $43 million in 2009, reflecting $12 million of start-up costs associated with the launch of the MVCD program and higher technology costs, partially offset by $14 million of higher revenues.

Impairment Charges

For additional information related to impairment charges for 2011, 2010 and 2009, including how these impairments were determined and the impairment charges grouped by product type and/or geographic location, see Footnote No. 19, Impairment Charges, of the Notes to our Financial Statements.

2011

We recorded pre-tax charges in our Statements of Operations totaling a net of $320 million primarily comprised of the $324 million impairment charge noted above, partially offset by a $4 million reversal of a previously recorded funding liability. As discussed in more detail in Footnote No. 19 to our Financial Statements, Impairment Charges, in the third quarter of 2011, management approved a plan to accelerate cash flow through the monetization of certain excess undeveloped parcels of land. Under this plan, we will seek to sell these parcels over the course of the next three years, and we will offer incentives to accelerate sales of excess built Luxury inventory over the next 18 to 24 months. Based on our current plans, we believe we have identified all excess land and inventory. However, if our future plans change, the planned use of such assets may change. Further, to the extent that real estate market conditions change, our estimates of the fair value of such assets may change.

We reversed nearly $4 million of a more than $16 million funding liability we originally recorded in 2009 related to a Luxury segment vacation ownership joint venture project, based on facts and circumstances surrounding the project, including favorable resolution of certain construction-related claims and contingent obligations to refund certain deposits relating to sales that have subsequently closed.

2010

We recorded pre-tax charges totaling a net $4 million in our Statements of Operations primarily comprised of a $14 million impairment charge in connection with a golf course and related assets that we decided to sell (the amount of this charge was equal to the excess of our carrying cost over estimated fair value) and a $6 million impairment charge associated with our Luxury segment inventory due to continued sluggish sales, partially offset by an $11 million reversal of a previously recorded funding liability and a reversal of $5 million of previously recorded impairment charges due to our negotiation of a reduction in a purchase commitment with a third party.

We reversed $11 million of the $27 million funding liability we recorded in 2009 related to a Luxury segment vacation ownership joint venture project, based on facts and circumstances surrounding the project, including favorable resolution of certain construction-related legal claims and potential funding of certain costs by one of our joint venture partners.

2009

In response to the difficult business conditions in the vacation ownership and residential real estate development businesses in 2009, we evaluated our entire portfolio for impairment. In order to adjust our business strategy to reflect market conditions at that time, we approved the following actions: (1) for our Luxury segment residential projects, to reduce prices, convert certain proposed projects to other uses, sell certain undeveloped land and not pursue further company-funded residential development projects; (2) to reduce prices for existing Luxury segment vacation ownership products; (3) to continue short-term sales promotions for our North America segment and defer the introduction of new projects and development phases; and (4) for our Europe segment vacation ownership products, to continue promotional pricing and marketing incentives and not pursue further development projects. We designed these plans to stimulate sales, accelerate cash flow and reduce investment spending.

As a result of these decisions, in 2009, we recorded pre-tax charges in our Statements of Operations totaling $761 million, including $623 million of pre-tax charges recorded in the Impairment line and $138 million of pre-tax charges recorded in the Impairment reversals (charges) on equity investment line. The $761 million of pre-tax impairment charges were non-cash, other than $27 million of charges associated with ongoing mezzanine loan fundings and $21 million of charges for purchase commitments that we expected to fund in 2010.

Restructuring Costs and Other Charges

Our business was negatively affected both domestically and internationally by the downturn in market conditions, particularly the significant deterioration in the credit markets, which resulted in our decision not to complete a notes receivable securitization in the fourth quarter of 2008 (although we did complete a note receivable securitization in the first quarter of 2009). These weak economic conditions resulted in cancelled development projects, reduced contract sales and higher anticipated loan losses. In the fourth quarter of 2008, we implemented certain company-wide cost-saving initiatives at both the corporate and site levels. The various initiatives resulted in aggregate restructuring costs of $19 million in the 2008

fourth quarter. As part of the restructuring we began in 2008 and as a result of the continued deterioration in market conditions, we initiated further cost-saving measures in 2009 that resulted in additional restructuring costs of $44 million in 2009. We completed this restructuring in 2009 and have not incurred additional expenses in connection with these initiatives.

For additional information on the 2009 restructuring costs, including the types of restructuring costs incurred in total and by segment, and for the cumulative restructuring costs incurred since inception and a roll forward of the restructuring liability through year-end 2011, please see Footnote No. 18, Restructuring Costs and Other Charges, of the Notes to our Financial Statements.

Gains and Other Income

2011

Gains and other income of $2 million includes a gain on the disposition of excess inventory and land at one of our Luxury projects.

2010

Gains and other income of $21 million reflected a gain on the sale of an operating hotel that we originally acquired for conversion into vacation ownership products for our Asia Pacific segment.

2009

Gains and other income of $2 million reflected a gain in our Luxury segment on the sale of a sales center that was no longer needed.

Equity in Losses

2011 Compared to 2010

The decline in equity in losses to $0 in 2011 from $8 million in 2010 reflected the discontinuance of recording equity in losses associated with a Luxury segment joint venture, when our investment in the joint venture, including loans due from the joint venture, reached zero in 2010.

2010 Compared to 2009

Equity in losses improved $4 million to $8 million in 2010 from $12 million in 2009 due mainly to lower cancellation reserves and improved operating results related to a Luxury segment joint venture as well as the discontinuance of recording equity in losses when our investments in the joint venture, including loans from the joint venture, reached zero in 2010.

Income Tax

Our effective tax rate for fiscal years 2011, 2010 and 2009 was a benefit of 16.79%, expense of 40.06%, and a benefit of 30.19%, respectively. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in jurisdictions, which we expect to be fairly consistent in the near term. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. The following is a description of the items impacting our effective tax rate during the current and prior two years.

2011 Compared to 2010

Income tax expense decreased by $81 million to a tax benefit of $36 million in 2011 compared to a tax provision of $45 million in 2010. The decrease in income tax expense is primarily related to a decrease in pre-tax income driven by the $90 million tax benefit resulting from the $324 million impairment charge in the third quarter of 2011. Of the impairment charges, $234 million were incurred in the U.S. and $90 million were attributable to foreign jurisdictions.

The effective tax rate decreased from a tax expense of 40.06% during 2010 to a tax benefit of 16.79% in 2011 primarily driven by the tax benefit attributable to the U.S. impairments charges. This change is partially offset by an increase in the foreign tax rate due to impairment charges on foreign properties resulting in losses for which no tax benefit was received because they were incurred in low tax jurisdictions or jurisdictions with a valuation allowance.

2010 Compared to 2009

Income tax expense increased by $276 million to a tax provision of $45 million in 2010 compared to $231 million tax benefit attributable to $623 million of impairment charges recorded in 2009. The effective tax rate increased from a benefit of 30.19% in 2009 to an expense of 40.06% primarily attributable to the tax benefits relating to the impairment charges in the U.S. in 2009. This is partially offset by a decrease in the foreign tax rate due to 2009 impairment charges on foreign properties resulting in losses for which no tax benefit was received because they were incurred in low tax jurisdictions.

Net Losses Attributable to Noncontrolling Interests

2011 Compared to 2010

Net losses attributable to noncontrolling interests were zero in 2011 and 2010. See Footnote No. 17, Variable Interest Entities, of the Notes to our Financial Statements for additional information.

2010 Compared to 2009

Net losses attributable to noncontrolling interests decreased by $11 million in 2010 to zero, compared to $11 million in 2009 and reflected our acquisition of our partner s interest in a joint venture in 2010. The benefit for net losses attributable to noncontrolling interests in 2009 of $11 million is net of tax and reflected our partner s share of losses associated with a joint venture previously consolidated that we now wholly own. See Footnote No. 17, Variable Interest Entities, of the Notes to our Financial Statements for additional information.

Net (Loss) Income Attributable to Marriott Vacations Worldwide

2011 Compared to 2010

Net (loss) income decreased $245 million to a loss of $178 million in 2011 from income of $67 million in 2010. As discussed in more detail in the preceding sections, the $245 million decrease reflected an unfavorable variance related to impairment charges recorded during the period ($316 million), lower financing revenues net of expenses ($21 million), lower gains and other income ($19 million), royalty fee expenses ($4 million) and lower rental revenues net of expenses ($1 million). These decreases were partially offset by lower income taxes ($81 million), higher resort management and other services revenue net of expenses ($9 million), lower interest expense ($9 million), lower equity in losses ($8 million), higher other revenues net of expenses ($5 million), higher revenues from the sale of vacation ownership products net of related expenses ($3 million) and lower general and administrative expenses ($1 million).

2010 Compared to 2009

Net income (loss) attributable to Marriott Vacations Worldwide increased $588 million to income of $67 million in 2010 from a loss of $521 million in 2009. As discussed in more detail in the preceding sections, the $588 million increase reflected a favorable variance related to our impairment and restructuring charges ($801 million), higher financing revenues net of expenses ($64 million), higher revenues from the sale of vacation ownership products net of expenses ($28 million), higher gains and other income ($19 million), an improvement in rental revenues net of expenses ($17 million), lower general and administrative expenses ($6 million), lower equity in losses ($4 million), and higher other revenues net of expenses ($4 million). Offsetting these improvements were higher income taxes ($276 million), higher interest expense ($56 million), lower resort management and other services revenues net of expenses ($12 million) and lower net losses attributable to noncontrolling interests, net of tax ($11 million).

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

EBITDA, a financial measure which is not prescribed or authorized by GAAP, reflects earnings excluding the impact of interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance, and we use it to measure our ability to service debt, fund capital expenditures and expand our business. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company s capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

We also evaluate Adjusted EBITDA, another non-GAAP financial measure, as an indicator of performance. Our Adjusted EBITDA excludes the impact of our 2009 restructuring costs and 2011, 2010 and 2009 impairment charges and

Table of Contents

includes the impact of interest expense associated with the debt from the Warehouse Credit Facility and from the securitization of our notes receivable in the term ABS market, which together we refer to as consumer financing interest expense. We deduct consumer financing interest expense in determining Adjusted EBITDA since the debt is secured by notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us or to our business. We evaluate Adjusted EBITDA, which adjusts for these items, to allow for period-over-period comparisons of our ongoing core operations before material charges. Adjusted EBITDA is also useful in measuring our ability to service our non-securitized debt. EBITDA and Adjusted EBITDA facilitate our comparison of results from our ongoing operations with results from other vacation ownership companies.

EBITDA and Adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Both of these non-GAAP measures exclude certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do or may not calculate it at all, limiting Adjusted EBITDA s usefulness as a comparative measure. The table below shows our EBITDA and Adjusted EBITDA calculations and reconciles those measures with Net (Loss) Income.

($ in millions)	**Fiscal Years**		
	2011	**2010**	**2009**
Net (loss) income	$ (178)	$ 67	$ (532)
Interest expense	47	56	
Tax (benefit) provision, continuing operations	(36)	45	(231)
Depreciation and amortization	33	39	43
EBITDA	(134)	207	(720)
Restructuring expenses			44
Impairment charges:			
Impairments	324	15	623
Impairments (reversals) charges on equity investment	(4)	(11)	138
Consumer financing interest expense	(47)	(56)	
	273	(52)	805
Adjusted EBITDA	$ 139	$ 155	$ 85

Business Segments

Our business is grouped into four business segments: North America, Luxury, Europe and Asia Pacific. See Footnote No. 22, Business Segments, of the Notes to our Financial Statements for further information on our segments.

At the end of 2011, we operated the following 64 properties by segment (under 71 separate resort management contracts):

	U.S.(1)	**Non-U.S.**	**Total**
North America	43	3	46
Luxury	8	2	10
Europe		5	5
Asia Pacific		3	3
Total	51	13	64

(1) Includes U.S. territories.

Non-GAAP Financial Measures

We report Segment financial results (as adjusted), a financial measure that is not prescribed or authorized by GAAP. We believe Segment financial results (as adjusted) better reflects a segment s core operating performance than does the comparable unadjusted measure, Segment financial results, as it adjusts this measure for restructuring charges and impairment charges that are not representative of ongoing operations.

Table of Contents

The tables on the following pages reconcile Segment financial results (as adjusted) to the most directly comparable GAAP measure, Segment financial results (identified by a footnote reference on the following segment tables). This non-GAAP measure is not an alternative to revenue, net income or any other comparable operating measure prescribed by GAAP. In addition, Segment financial results (as adjusted) may be calculated and/or presented differently than measures with the same or similar names that are reported by other companies, and as a result, the Segment financial results (as adjusted) we report may not be comparable to those reported by others.

Table of Contents

North America

($ in millions)	Fiscal Years		
	2011	**2010**	**2009**
Revenues			
Sales of vacation ownership products, net	$ 484	$ 492	$ 596
Resort management and other services	180	175	161
Financing[(1)]	153	172	43
Rental	180	152	139
Other	28	27	32
Cost reimbursements	247	233	224
Total revenues	1,272	1,251	1,195
Expenses			
Costs of vacation ownership products	190	191	241
Marketing and sales	248	247	304
Resort management and other services	142	149	116
Rental	168	135	145
Other	11	12	24
General and administrative	3	4	4
Restructuring			31
Impairment			108
Cost reimbursements	247	233	224
Total expenses	1,009	971	1,197
Segment financial results	$ 263	$ 280	$ (2)
Segment financial results as adjusted[(2)]	$ 263	$ 280	$ 137
Contract Sales (company-owned)			
Vacation ownership	$ 510	$ 529	$ 572
Residential products	4	1	1
Subtotal	514	530	573
Cancellation allowance			(4)
Total contract sales	$ 514	$ 530	$ 569
Volume per Guest[(3)]	$ 2,504	$ 2,285	N/A

(1) Financing revenues reflect the impact of adopting the new Consolidation Standard in 2010.
(2) Denotes a non-GAAP measure and includes:

Segment financial results	$ 263	$ 280	$ (2)
Add:			
- Restructuring			31
- Impairment			108

Segment financial results (as adjusted)	$ 263	$ 280	$ 137

(3) VPG information is only reported for periods subsequent to the launch of the MVCD program in mid-2010.

2011 Compared to 2010

The $21 million (2 percent) increase in revenues to $1,272 million in 2011 from $1,251 million in 2010 reflected $28 million of higher rental revenues, $14 million of higher cost reimbursements, and $5 million of higher resort management and other services revenues, partially offset by $19 million of lower financing revenues and $8 million of lower sales of vacation ownership products.

Rental revenues increased $28 million (18 percent) to $180 million in 2011 from $152 million in 2010 due to the recognition of $27 million of plus points revenue (upon utilization of plus points for stays at our resorts in 2011 or upon expiration of plus points), a 2 percent increase in transient keys rented (nearly 14,000 additional keys) driven by an increase in available keys due to owners banking significantly more points than were borrowed in 2011, as well as the impact of higher rental demand for our properties that resulted in a 1 percent increase in transient rate achieved ($1.40 increase per key). Resort occupancy, which includes owner and rental occupancy, was 91 percent in both in 2011 and 2010.

Cost reimbursements increased $14 million (6 percent) to $247 million in 2011 from $233 million in 2010, reflecting the impact of growth across the system.

Resort management and other services revenues increased $5 million (3 percent) to $180 million in 2011 from $175 million in 2010, reflecting $8 million of additional fees associated with the MVCD program, $3 million of higher ancillary revenues from food and beverage and golf offerings, and $2 million of higher management fees (from $50 million to $52 million) resulting from the cumulative increase in the number of vacation ownership products sold. These increases were partially offset by $7 million of lower resales commissions.

Financing revenues decreased $19 million (11 percent) to $153 million in 2011 from $172 million in 2010, reflecting a lower outstanding notes receivable balance due to our continued collection of existing mortgage notes receivables at a faster pace than our origination of new mortgage notes receivables. In 2011, 44 percent of purchasers financed their vacation ownership purchase with us compared to 42 percent in 2010.

Revenue from the sale of vacation ownership products decreased $8 million to $484 million in 2011 compared to $492 million in 2010, reflecting $16 million of lower gross contract sales and $8 million of higher notes receivable reserve activity in 2011 as default and delinquency activity improved less than expected, partially offset by $16 million related to higher revenue reportability.

The $16 million decline in contract sales, to $514 million in 2011 from $530 million in 2010, reflected a $19 million decline in the first half of 2011 compared to the first half of 2010 and a $3 million increase in the second half of 2011 compared to the second half of 2010.

The $19 million (7 percent) decline in contract sales in the first half of 2011 compared to the first half of 2010 was due to the impact of a higher proportion of sales made to existing owners at an average purchase price that was generally lower than the average purchase price for new owners. The increase in existing owner purchases was driven by the launch of the MVCD program in mid-2010, as our sales efforts were focused on educating existing owners about this program, at which time they were offered the opportunity to make purchases with lower minimum purchase price requirements. As a result, while the number of sales contracts executed in the first half of 2011 rose by 22 percent from the first half of 2010, the average price per contract for sales to existing owners was over $7,000 (or 25 percent) lower than the first half of 2010.

The $3 million (1 percent) increase in contract sales in the second half of 2011 compared to the second half of 2010 reflected a nearly 8 percent increase in volume per guest to $2,463 in the second half of 2011 from $2,285 in the second half of 2010, driven by an increase in the minimum purchase price requirements for existing owners that make additional purchases, as well as incentives provided to all customers to encourage larger purchases. Although sales contracts executed with new owners were up nearly 4 percent, total sales contracts executed were down 18 percent, driven by a 25 percent decrease in existing owner purchases, reflecting our focus in the second half of 2010 on enrolling existing owners in the MVCD program.

Segment financial results decreased $17 million to $263 million in 2011 from $280 million in 2010 due to $19 million of lower financing revenues net of expenses from lower revenues, $8 million of lower revenue from the sale of vacation ownership products net of related expenses, and $5 million of lower rental revenues net of expenses. These decreases were partially offset by $12 million from higher resort management and other services revenues net of expenses and $2 million of higher other revenues net of expenses.

Revenues from the sale of vacation ownership products net of expenses decreased $8 million to $46 million in 2011 from $54 million in 2010. Results reflected a $5 million decrease in revenues net of variable expenses, a $3 million unfavorable variance from the 2010 third quarter adjustment to the Marriott Rewards customer loyalty program liability, $1 million of ADA compliance costs, and $1 million of severance expense in 2011.

Rental revenues net of expenses decreased $5 million to $12 million in 2011 from $17 million in 2010. Results reflected $28 million of higher rental revenues, a $3 million decrease in maintenance fees on unsold inventory ($40 million in 2011 from $43 million in 2010) and a $1 million decrease in subsidy costs. These increases were offset by $14 million of higher costs associated with the banking and borrowing usage option under our MVCD points program, a $12 million unfavorable variance from a 2010 third quarter adjustment to the Marriott Rewards customer loyalty program liability resulting from lower than anticipated cost of redemptions of Marriott Rewards Points, and $11 million of higher housekeeping and other variable costs driven by the increase in rental revenues.

Resort management and other services revenues net of expenses increased $12 million to $38 million in 2011 from $26 million in 2010 reflecting $6 million of additional fees earned in connection with the MVCD program net of expenses, $4 million of higher ancillary revenues net of expenses from food and beverage and golf offerings, and $2 million of higher management fees.

Other revenues net of expenses increased $2 million to $17 million in 2011 from $15 million in 2010, primarily due to lower miscellaneous expenses.

2010 Compared to 2009

The $56 million increase (5 percent) in revenues to $1,251 million in 2010 from $1,195 million in 2009 reflected $129 million of higher financing revenues, a $14 million increase in resort management and other services revenues, $13 million of higher rental revenues and $9 million of higher cost reimbursements, offset by a $104 million decline in revenues from the sale of vacation ownership products and $5 million of lower other revenues.

The $129 million increase in financing revenues to $172 million in 2010, from $43 million in 2009, primarily reflected a $129 million increase in interest income, including a $135 million increase from the notes receivable we now consolidate in accordance with the new Consolidation Standard, partially offset by a $6 million decline in interest income related to a lower non-securitized notes receivable balance. The lower non-securitized notes receivable balance reflected the continued collection of existing notes receivable and lower financing propensity than we experienced in the past due in part to our elimination of financing incentive programs. For 2010, 42 percent of buyers financed their purchase with us, compared to 46 percent in 2009. On average, the non-securitized notes receivable balance decreased $75 million to $320 million in 2010 from $395 million in 2009.

Rental revenues increased $13 million (9 percent) to $152 million in 2010 from $139 million in 2009, reflecting rental demand for our properties that resulted in a 9 percent increase in transient keys rented (63,000 additional keys) and a 9 percent increase in transient rate achieved ($13.83 increase per key). This was partially offset by a decrease in tour package revenue of $10 million related to lower tour flow, as we reduced reliance on this higher cost marketing channel. Resort occupancy, which includes owner and rental occupancy, increased 1 percentage point to 92 percent in 2010.

The $14 million (9 percent) increase in resort management and other services revenues to $175 million in 2010 from $161 million in 2009 reflected $7 million of fees associated with the MVCD program that we launched in mid-2010, $5 million of higher ancillary revenues due to stronger demand for food and beverage and golf offerings and the impact of new or full-year operations at various projects and phases opened in 2009, and a $4 million increase in management fees (from $46 million to $50 million) resulting from the cumulative increase in the number of vacation ownership products sold.

The $9 million (4 percent) increase in cost reimbursements to $233 million in 2010 from $224 million in 2009 reflected the impact of growth across the system from new resorts and new phases at existing resorts.

Revenues from the sale of vacation ownership products decreased $104 million (17 percent) to $492 million in 2010 from $596 million in 2009, reflecting lower vacation ownership contract sales, $38 million related to lower revenue reportability year-over-year, the majority of which became reportable in the first half of 2011, and $27 million related to notes receivable reserve activity. The notes receivable reserve activity included a $25 million favorable impact in 2009 of the reversal of the notes receivable reserve into income upon the sale of the notes receivable through securitization. In 2010, notes receivable and the related reserves remained on our books upon securitization as part of our adoption of the new Consolidation Standard. Notes receivable reserve activity also included a $2 million increase to the 2010 notes receivable reserve as a result of higher notes receivable default and delinquency activity.

Table of Contents

Gross contract sales decreased $43 million (8 percent) to $530 million in 2010 from $573 million in 2009, reflecting:

- The continued impact of a weakened economy, due in part to the continued weakness in consumer confidence and decreased consumer willingness to spend discretionary income on purchases such as vacation ownership;

- The impact of restructuring efforts that we started in 2008 in response to the weakened economy that resulted in the closing of eight sales locations and one call center where we were no longer selling cost effectively. While those efforts resulted in lower sales volumes, they contributed to improvement in our total revenues from the sale of vacation ownership products, net of expenses;

- The impact of the 2009 sales promotion launched in celebration of the company s 25th anniversary, which resulted in a significant increase in contract sales in 2009; and

- The impact of a higher proportion of sales made to our existing owners that resulted in a 22 percent decline in the overall average price per contract to $21,799 in 2010 from $27,889 in 2009. The increase in existing owner purchases was driven by: (1) sales promotions and (2) the launch of the MVCD program in mid-2010, as our sales efforts were focused on educating existing owners about this program. As a result, while the number of sales contracts executed in 2010 rose by 29 percent, or nearly 4,400 contracts, from 2009, sales to existing owners as a percentage of total sales were 66 percent in 2010, compared to 47 percent in 2009. The average price per contract for sales to existing owners was nearly $8,000 (or 30 percent) lower than 2009 given the impact of discounting and lower minimum purchase requirements for existing owners in the MVCD program as compared to the average price per week in 2010.

Other revenues decreased by $5 million (16 percent) to $27 million in 2010 from $32 million in 2009 due mainly to $5 million of lower tour deposit forfeitures in 2009, partially offset by higher settlement revenues associated with a higher number of contract closings in 2010.

Segment financial results of $280 million in 2010 increased by $282 million from $2 million of losses in 2009, and primarily reflected a favorable variance from the $139 million of impairment charges and restructuring expenses recorded in 2009, $129 million of higher financing revenues, $23 million of higher rental revenues net of expenses, $7 million from higher other revenue net of expense, driven mainly by a $10 million charge in 2009 related to resolving a tax issue with a state taxing authority, and $3 million from higher revenues from the sale of vacation ownership products net of expenses. Offsetting these increases was $19 million of lower resort management and other services revenues net of expenses.

Rental revenues net of expense increased $23 million to $17 million in 2010 from a loss of $6 million in 2009 as a result of increased transient keys rented and higher transient rates, $12 million of lower costs due to fewer owner exchanges for Marriott Rewards Points, and lower operating costs resulting from cost savings initiatives implemented in 2008. These increases were partially offset by $3 million of higher maintenance fees on unsold inventory (to $43 million in 2010 from $40 million in 2009) and $4 million of higher subsidy costs, both associated with the opening of new projects and phases.

Revenues from the sale of vacation ownership products net of expenses increased $3 million to $54 million in 2010 from $51 million in 2009 as a result of a nearly 1 percentage point reduction in marketing and sales expenses, as a percentage of related revenues, related to the cost savings initiatives begun in 2008, including the closure of higher cost sales locations, and lower overall real estate inventory expenses. These increases were partially offset by lower revenues and $4 million from higher non-capitalizable development expenses, including property taxes and insurance, due to our decision to delay developing new project phases. A proportionately higher sales mix of lower cost projects resulted in $18 million of lower real estate inventory expenses, offset by an unfavorable variance of $10 million for real estate inventory cost true-ups related to revised estimates of project economics.

Resort management and other services revenues net of expenses decreased $19 million to $26 million in 2010 from $45 million in 2009 resulting mainly from $12 million of start-up costs associated with the launch of the MVCD program, as well as higher technology costs.

Segment financial results (as adjusted) increased by $143 million to $280 million in 2010 from $137 million in 2009.

53

Table of Contents

Luxury

($ in millions)	Fiscal Years 2011	2010	2009
Revenues			
Sales of vacation ownership products, net	$ 32	$ 20	$ 39
Resort management and other services	24	20	20
Financing(1)	7	8	7
Rental	4	2	2
Other	1	1	1
Cost reimbursements	46	52	58
Total revenues	114	103	127
Expenses			
Costs of vacation ownership products	18	11	28
Marketing and sales	15	23	31
Resort management and other services	28	23	26
Rental	22	21	18
Other	1		1
General and administrative	3	3	3
Restructuring			3
Impairment	117	20	441
Cost reimbursements	46	52	58
Total expenses	250	153	609
Gains and other income	2		2
Equity in losses		(8)	(12)
Impairment reversals (charges) on equity investment	4	11	(138)
Segment financial results	$ (130)	$ (47)	$ (630)
Segment financial results as adjusted(2)	$ (17)	$ (38)	$ (48)
Contract Sales			
Company-Owned			
Vacation ownership	$ 16	$ 20	$ 25
Residential products	1	8	11
Subtotal	17	28	36
Cancellation reversal (allowance)	1	(1)	(4)
Total company-owned contract sales	18	27	32
Joint Venture			
Vacation ownership	8	12	19
Residential products	10	4	
Subtotal	18	16	19
Cancellation reversal (allowance)	3	(19)	(75)
Total joint venture contract sales	21	(3)	(56)

Total contract sales	$ 39	$ 24	$ (24)

(1) Financing revenues reflect the impact of adopting the new Consolidation Standard in 2010.
(2) Denotes a non-GAAP measure and includes:

Segment financial results	$ (130)	$ (47)	$ (630)
Add:			
- Restructuring			3
- Impairment	117	20	441
- Impairment (reversals) charges on equity investment	(4)	(11)	138
Segment financial results (as adjusted)	$ (17)	$ (38)	$ (48)

Table of Contents

Overview

Given the continued weakness in the economy, particularly in the luxury real estate market, we have significantly scaled back our development of luxury vacation ownership products. We do not have any luxury projects under construction nor do we have any current plans for new development in this segment. While we will continue to sell existing luxury vacation ownership products, we also expect to continue to evaluate opportunities for bulk sales of excess luxury inventory and disposition of undeveloped land.

2011 Compared to 2010

Revenues increased $11 million (11 percent) to $114 million in 2011 from $103 million in 2010, primarily reflecting $12 million of higher revenues from the sale of vacation ownership products, $4 million of higher resort management and other services revenues and $2 million of higher rental revenues, partially offset by $6 million of lower cost reimbursements and $1 million of lower financing revenues.

Revenue from the sale of vacation ownership products increased $12 million (60 percent) to $32 million in 2011 from $20 million in 2010 reflecting a $20 million net favorable year-over-year change in notes receivable reserve activity and $3 million related to favorable revenue reportability year-over-year, partially offset by $11 million of lower company-owned gross contract sales (before cancellation allowances).

Total contract sales include sales from company-owned projects as well as sales generated under a marketing and sales arrangement with a joint venture. Gross contract sales (before cancellation allowances) decreased $9 million driven by lower sales of company owned residential and fractional products, as well as lower sales of joint venture fractional products, due to weakened demand for these products. This decline was partially offset by higher sales of joint venture residential products at one joint venture project resulting from pricing incentives we extended to encourage buyers to close on pending sales from prior years. Contract sales, net of cancellation allowances, increased $15 million to $39 million in 2011 from $24 million in 2010, reflecting a $24 million change in the cancellation allowances year-over-year. Since we do not expect to have any luxury projects under construction, we do not anticipate having significant cancellation allowances in the future.

Resort management and other services revenues increased $4 million (20 percent) to $24 million in 2011 from $20 million in 2010 due mainly to higher ancillary revenues related to stronger consumer demand. Management fees were $3 million in both 2011 and 2010.

Rental revenues increased $2 million (100 percent) to $4 million in 2011 from $2 million in 2010 due to an increase in available inventory to rent and higher rental demand for our properties, resulting in a 5 percent increase in transient keys rented (300 additional keys) and a 13 percent increase in transient rate achieved ($39 increase per key).

Cost reimbursements decreased $6 million (12 percent) to $46 million in 2011 from $52 million in 2010 due to lower development expenditures after completion of a project by one of our joint ventures and lower marketing and sales costs incurred under our joint venture arrangements.

Financing revenues decreased $1 million (13 percent) to $7 million in 2011 from $8 million in 2010, reflecting lower interest income driven by a lower outstanding notes receivable balance due to our continued collection of existing mortgage notes receivables at a faster pace than our origination of new mortgage notes receivables.

Segment financial results decreased $83 million to a loss of $130 million in 2011 from a loss of $47 million in 2010, primarily reflecting an unfavorable variance of $104 million related to impairment charges, $1 million of lower financing revenues net of expenses due to lower interest income, and $1 million of lower resort management and other services revenues net of expenses, partially offset by $13 million of higher revenue from the sale of vacation ownership products net of related expenses (losses), $8 million of lower equity in losses due to the discontinuance of recording equity in losses when our investments in a joint venture, including loans from the joint venture, reached zero during 2010, and $2 million of higher gains and other income. See further discussion of the impairment charges above and in Footnote No. 19 to our Financial Statements, Impairment Charges.

Revenues from the sale of vacation ownership products net of expenses increased $13 million to a loss of $1 million in 2011 from a loss of $14 million in 2010, primarily reflecting a $15 million increase in revenues net of variable expenses, inclusive of the favorable mix of real estate inventory sold, partially offset by $2 million of higher costs related to ADA compliance and Hurricane Irene damage at our property in the Bahamas.

The $2 million increase in gains and other income reflected a $2 million gain on the disposition of excess inventory and land at one of our Luxury projects.

Segment financial results (as adjusted) improved by $21 million to a loss of $17 million in 2011 from a loss of $38 million in 2010.

Table of Contents

2010 Compared to 2009

The $24 million (19 percent) decrease in Luxury segment revenues to $103 million in 2010 from $127 million in 2009 reflected $19 million of lower revenues from the sale of company-owned vacation ownership products and $6 million of lower cost reimbursements, partially offset by $1 million of higher financing revenues. Management fees remained flat at $3 million in 2010 and 2009.

Revenues from the sale of vacation ownership products decreased $19 million (49 percent) to $20 million in 2010 from $39 million in 2009, reflecting lower sales volumes due to the weakness in the luxury real estate market, continued price discounting to drive sales, and the impact of fewer sales locations resulting from our cost savings initiatives. In addition, results reflected a $10 million increase to the 2010 notes receivable reserve activity as a result of higher note receivable default and delinquency activity and $4 million related to unfavorable revenue reportability year-over-year.

Gross contract sales (before cancellation allowances) decreased $11 million due to the continued weakness in the luxury real estate market. Contract sales, net of cancellation allowances, reflected an increase of $48 million to $24 million in 2010 from $24 million of net negative sales in 2009 driven mainly by a net $59 million decrease in cancellation allowances. Since we do not expect to have any luxury projects under construction, we do not anticipate having significant cancellation allowances in the future.

Cost reimbursements decreased $6 million (10 percent) to $52 million in 2010 from $58 million in 2009 due to lower development expenditures after completion of a project by one of our joint ventures and lower marketing and sales costs incurred under our joint venture arrangements, in response to weak business conditions and cost containment measures.

Segment financial results improved by $583 million to $47 million of losses in 2010 from $630 million of losses in 2009, primarily reflecting a favorable variance from the $573 million of impairment charges and restructuring expenses recorded in 2009 and 2010, $6 million of higher revenues from the sale of vacation ownership products net of expenses, $1 million of higher financing revenues net of expenses due to higher interest income associated with the new Consolidation Standard, a $4 million improvement in equity in losses, and a $3 million increase in resort management and other services revenues net of expenses. These increases were partially offset by $2 million of lower gains and other income and $3 million of lower rental revenues net of expenses.

Revenues from the sale of vacation ownership products net of expenses improved $6 million to a loss of $14 million in 2010 from a loss of $20 million in 2009, resulting from lower real estate inventory expenses associated with a proportionately higher sales mix of lower cost projects, partially offset by lower revenues, higher marketing and sales costs due to weak business conditions, and a $2 million increase of non-capitalizable development expenses due to the decision to delay developing new project phases. Due to the ongoing soft luxury market, we streamlined marketing and sales staffing by focusing only on key markets. Further, we re-emphasized our points-based resort system product and lowered prices in some locations to help sell existing inventory.

Equity in losses of $8 million in 2010 improved by $4 million from equity in losses of $12 million in 2009 due mainly to lower cancellation reserves and improved operating results related to a joint venture project as well as the discontinuance of recording equity in losses when our investments in the joint venture, including loans due from the joint venture, were reduced to zero in 2010.

Resort management and other services revenues net of expenses improved $3 million to a loss of $3 million in 2010 from a loss of $6 million in 2009 due to lower marketing and sales expenses incurred under a marketing and sales arrangement with one of our joint venture projects given reduced contract sales volumes, as well as higher technology costs.

Rental losses increased $3 million to a loss of $19 million in 2010 from a loss of $16 million in 2009, reflecting increased maintenance fees on unsold inventory related to a new project, bringing total maintenance costs on unsold inventory to $13 million in 2010 from $9 million in 2009. The $2 million decrease in gains and other income primarily reflected the unfavorable variance from the $2 million gain on the disposition of a sales location in 2009.

Segment financial results (as adjusted) improved by $10 million to $38 million of losses in 2010 from $48 million of losses in 2009.

Table of Contents

Europe

($ in millions)	Fiscal Years 2011	2010	2009
Revenues			
Sales of vacation ownership products, net	$ 51	$ 58	$ 46
Resort management and other services	31	29	30
Financing	5	5	6
Rental	21	17	16
Other		1	1
Cost reimbursements	27	24	23
Total revenues	135	134	122
Expenses			
Costs of vacation ownership products	13	19	18
Marketing and sales	34	32	32
Resort management and other services	26	24	25
Rental	19	18	17
Other	1	1	1
General and administrative	1	1	1
Restructuring			3
Impairment	2		51
Cost reimbursements	27	24	23
Total expenses	123	119	171
Segment financial results	$ 12	$ 15	$ (49)
Segment financial results as adjusted(1)	$ 14	$ 15	$ 5
Contract Sales (company-owned)			
Vacation ownership	$ 57	$ 63	$ 55
Total contract sales	$ 57	$ 63	$ 55

(1) Denotes a non-GAAP measure and includes:

Segment financial results	$ 12	$ 15	$ (49)
Add:			
- Restructuring			3
- Impairment	2		51
Segment financial results (as adjusted)	$ 14	$ 15	$ 5

Overview

In our Europe segment, we are focusing on selling our existing projects and managing existing resorts. We do not have any current plans for new development in this segment.

2011 Compared to 2010

Revenues increased $1 million to $135 million in 2011 from $134 million in 2010, reflecting $4 million of higher rental revenues from a 13 percent increase in transient keys (nearly 6,500 keys) and a 14 percent increase in transient rate ($40 increase per key), $3 million of higher cost reimbursements from growth across the system and $2 million of higher resort management and other services revenues on higher ancillary revenues from food and beverage and golf offerings. These increases were partially offset by $7 million of lower revenues from the sale of vacation ownership products due primarily to lower contract sales. Management fees were $6 million in both 2011 and 2010.

Table of Contents

Segment financial results decreased $3 million to $12 million in 2011 from $15 million in 2010, reflecting $3 million of lower revenue from the sale of vacation ownership products net of related expenses driven mainly by $3 million of legal costs in 2011 as well as a decline in contract sales, and an unfavorable variance of $2 million related to impairment charges. These decreases were partially offset by $3 million of higher rental revenues net of expenses. See further discussion of the impairment charges above and in Footnote No. 19 to our Financial Statements, Impairment Charges.

Segment financial results (as adjusted) decreased by $1 million to $14 million in 2011 from $15 million in 2010.

2010 Compared to 2009

The $12 million (10 percent) increase in revenues to $134 million in 2010 from $122 million in 2009 reflected $12 million of higher revenue from the sale of vacation ownership products, partially offset mainly by $1 million of lower financing revenues. Management fees remained flat at $6 million in 2010 and 2009.

Revenues from the sale of vacation ownership products increased $12 million (26 percent) to $58 million in 2010 from $46 million in 2009, reflecting higher vacation ownership contract sales and $3 million related to favorable revenue reportability year-over-year.

Contract sales increased $8 million (15 percent) to $63 million in 2010 from $55 million in 2009, reflecting increased demand for European products predominantly from Middle East-based customers as well as the impact of price discounting and sales incentives versus 2009. Sales of multi-week contracts increased by 40 percent as a result of price reductions to help stimulate demand.

The $1 million decrease in financing revenues to $5 million in 2010 from $6 million in 2009 primarily reflected a decrease in interest income due to a lower notes receivable balance. The average notes receivable balance decreased $8 million to $45 million in 2010 from $53 million in 2009.

Segment financial results of $15 million in 2010 improved by $64 million from $49 million of losses in 2009, and primarily reflected a favorable variance from the $54 million of impairment charges and restructuring expenses recorded in 2009 and $11 million of higher revenues from the sale of vacation ownership products net of expenses, partially offset by $1 million of lower tour deposit forfeitures.

Revenues from the sale of vacation ownership products net of expenses improved $11 million to $7 million in 2010 from a loss of $4 million in 2009. Results reflected an $8 million increase in revenues net of variable expenses driven by the higher contract sales and increased use of more cost effective marketing channels in the Middle East, as well as a $3 million decline in Real estate inventory costs reflecting a proportionately higher sales mix of lower cost projects in 2009.

Segment financial results (as adjusted) increased by $10 million to $15 million in 2010 from $5 million in 2009.

Table of Contents

Asia Pacific

($ in millions)	Fiscal Years 2011	2010	2009
Revenues			
Sales of vacation ownership products, net	$ 67	$ 65	$ 62
Resort management and other services	3	3	2
Financing	4	3	4
Rental	7	16	18
Other			
Cost reimbursements	11	9	7
Total revenues	92	96	93
Expenses			
Costs of vacation ownership products	19	20	20
Marketing and sales	45	42	46
Resort management and other services	2		3
Rental	11	20	19
Other		1	
General and administrative	1	1	1
Restructuring			7
Impairment		(5)	16
Cost reimbursements	11	9	7
Total expenses	89	88	119
Gains and other income		21	
Segment financial results	$ 3	$ 29	$ (26)
Segment financial results as adjusted(1)	$ 3	$ 24	$ (3)
Contract Sales			
Company-Owned			
Vacation ownership	$ 70	$ 68	$ 65
Total company-owned contract sales	$ 70	$ 68	$ 65

(1) Denotes a non-GAAP measure and includes:

Segment financial results	$ 3	$ 29	$ (26)
Add:			
- Restructuring			7
- Impairment		(5)	16
Segment financial results (as adjusted)	$ 3	$ 24	$ (3)

2011 Compared to 2010

Asia Pacific revenues declined $4 million (4 percent) to $92 million in 2011 from $96 million in 2010, reflecting $9 million of lower rental revenues due to the loss of rental units associated with the disposition of an operating hotel in the 2010 fourth quarter that we originally acquired for conversion into vacation ownership products, partially offset by $2 million of higher revenues from the sale of vacation ownership products on higher contract sales, $2 million of higher cost reimbursements, and $1 million of higher financing revenues reflecting higher interest income driven by an increase in the average coupon interest rate charged on new loan originations. Management fees increased $1 million to $2 million in 2011 from $1 million in 2010.

Contract sales increased $2 million (3 percent) to $70 million in 2011 from $68 million in 2010, reflecting slightly improved demand for our products.

Segment financial results decreased $26 million to $3 million in 2011 from $29 million in 2010, reflecting a $21 million decrease in gains and other income, a $5 million unfavorable variance related to a 2010 first quarter reversal of a previously recorded impairment charge for one of our Asia Pacific projects, and $2 million of lower resort management and other services revenues net of expenses, partially offset by a $1 million increase in financing revenues net of expenses due to the higher interest income.

Resort management and other services revenues net of expenses decreased $2 million to $1 million in 2011 from $3 million in 2010 as a result of the collection of a $2 million receivable in 2010 from a joint venture arrangement for which a reserve had previously been established in 2009.

The $21 million decline in gains and other income is related to a gain on the sale of an operating hotel in 2010. No similar sales occurred in 2011.

Segment financial results (as adjusted) declined by $21 million to $3 million in 2011 from $24 million in 2010.

2010 Compared to 2009

Asia Pacific revenues increased $3 million (3 percent) to $96 million in 2010 from $93 million in 2009, reflecting $3 million of higher revenues from the sale of vacation ownership products on higher contract sales volumes, $1 million of higher resort management and other services revenues, and $2 million of higher cost reimbursements, offset by $2 million of lower rental revenues due to the fourth quarter disposition of an operating hotel that we originally acquired for conversion into vacation ownership products.

Revenues from the sale of vacation ownership products increased $3 million (5 percent) to $65 million in 2010 from $62 million in 2009, mainly reflecting higher vacation ownership contract sales.

Contract sales increased $3 million (5 percent) to $68 million in 2010 from $65 million in 2009, reflecting increased demand and the opening of a new sales location.

Resort management and other services revenues increased $1 million to $3 million in 2010 from $2 million in 2009, reflecting higher customer service revenues from the cumulative increase in the number of vacation ownership products sold. Rental revenues decreased $2 million to $16 million in 2010 from $18 million in 2009 driven by the loss of rental units associated with the disposition of an operating hotel in the 2010 fourth quarter, partially offset by a 28 percent increase in transient keys rented due to a full-year of rental operations at one of our projects in Thailand. Management fees were $1 million in both 2010 and 2009.

Segment financial results of $29 million in 2010 improved by $55 million from $26 million of losses in 2009, and primarily reflected a $28 million favorable variance from the impairment and restructuring costs recorded in 2009 and 2010, a $21 million increase in gains and other income, $7 million of higher revenues from the sale of vacation ownership products net of expenses and $4 million of higher resort management and other services revenues net of expenses, partially offset by $3 million of lower rental revenues net of expenses.

Revenues from the sale of vacation ownership products net of expenses improved $7 million to $3 million in 2010 from a loss of $4 million in 2009, reflecting $5 million from higher revenue net of related expenses driven by the higher contract sales and cost savings initiatives begun in 2008, and $2 million of lower average inventory costs associated with a proportionately higher sales mix of lower cost projects.

The $21 million of gains and other income in 2010 related to a gain on the sale of an operating hotel. No similar sales occurred in 2009.

Resort management and other services revenues net of expenses increased $4 million to $3 million in 2010 from a loss of $1 million in 2009 due to the collection of a $2 million receivable from a joint venture arrangement that had previously been reserved for collection in 2009.

Rental revenues net of expenses decreased $3 million to a loss of $4 million in 2010 from a loss of $1 million in 2009 due to lower rental revenues, as well as $1 million of higher unsold maintenance fees related to a new project.

Segment financial results (as adjusted) increased by $27 million to $24 million in 2010 from a loss of $3 million in 2009.

Table of Contents

Corporate and Other

($ in millions)	Fiscal Years		
	2011	2010	2009
Revenues[(1)]	$	$	$ 59
Expenses[(1)]	$ 362	$ 165	$ 115

(1) Revenues and expenses reflect the impact of adopting the new Consolidation Standard beginning in 2010.

Corporate and Other captures information not specifically identifiable to an individual segment including gains on securitization of notes receivable and accretion of retained interests (prior to the adoption of the new Consolidation Standard), expenses in support of our financing operations, non-capitalizable development expenses supporting overall company development, company-wide general and administrative costs, interest expense and impairment charges.

2011 Compared to 2010

Total expenses increased by $197 million to $362 million in 2011 from $165 million in 2010. The $197 million increase was driven by an unfavorable variance of $205 million for impairment charges related mainly to undeveloped land and internally developed software, $4 million of royalty fees in the fourth quarter of 2011 payable under the License Agreements, and $2 million of higher financing expenses due to higher technology and foreclosure costs, partially offset by $9 million of lower interest expense due to the repayment of bonds related to our securitized notes receivable and $5 million of lower other expenses primarily consisting of the favorable true-up of the 2010 bonus accrual as a result of final payouts in the first quarter of 2011. See further discussion of the impairment charges above and in Footnote No. 19 to our Financial Statements, Impairment Charges.

2010 Compared to 2009

The $59 million decrease in revenues to $0 million in 2010 from $59 million in 2009 reflected the elimination of the accretion of retained interest and gain on notes receivable securitized as a result of the new Consolidation Standard in 2010.

Total expenses increased $50 million to $165 million in 2010 from $115 million in 2009. The $50 million increase primarily reflected $56 million of increased interest expense driven mainly by the consolidation of $1,121 million of debt associated with previously securitized notes receivable on the first day of fiscal 2010 and higher system and other technology costs. These higher expenses were partially offset by a favorable variance of $7 million due to an impairment charge related to internally developed software in 2009, and $6 million of lower general and administrative expenses resulting from cost savings initiatives begun in 2008.

New Accounting Standards

See Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for information related to our adoption of new accounting standards and our anticipated adoption of recently issued accounting standards.

Liquidity and Capital Resources

Our New Credit Facilities and Our Future Cash Flows

In connection with the Spin-Off, we entered into (1) a Revolving Corporate Credit Facility, which has a borrowing capacity of $200 million and provides support for our business, including on-going liquidity and letters of credit, and (2) a Warehouse Credit Facility, which has a funding capacity of $300 million and provides non-recourse financing for the receivables we originate in connection with our sale of vacation ownership products. We believe that the cash we have on hand ($110 million at year-end 2011), the cash we generate from operating activities, the funds available under the Warehouse Credit Facility and the Revolving Corporate Credit Facility, and our ability to raise capital through securitizations in the ABS market, will be adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service, and fulfill other cash requirements. At the end of 2011, $847 million of the $850 million of total debt outstanding is non-recourse debt associated with secured notes receivable, including the Warehouse Credit Facility, which will be paid down using principal and interest collected from the securitized notes receivable.

We have sufficient real estate inventory to meet expected demand for our vacation ownership products for the next several years. At the end of 2011, we had approximately $1 billion of inventory on hand, comprised of $448 million of

Table of Contents

finished goods, $215 million of work-in-process, and $290 million of land and infrastructure. As a result, we expect our real estate inventory spending (discussed below) will be less than cost of sales for the next several years. We also expect to evaluate opportunities to sell excess luxury inventory and dispose of undeveloped land in order to generate incremental cash and reduce related carrying costs.

Changes we have made to our vacation ownership product offerings also allow us to more efficiently utilize our real estate inventory. Following the launch of the MVCD program in 2010, three of our four business segments sell a points-based product offering, which permits us to sell vacation ownership products at most of our sales locations, including those where little or no weeks-based inventory remains available for sale. Because we no longer need specific resort-based inventory at each sales location, we expect to have fewer resorts under construction at any given time and expect to better leverage successful sales locations at completed resorts. We expect that this will allow us to maintain long-term sales locations and minimize the need to develop and staff on-site sales locations at smaller projects in the future. We believe these points-based programs better position us to align our construction of real estate inventory with the pace of sales of vacation ownership products by slowing down or accelerating construction, as demand across our portfolio and market conditions dictate.

During 2011, 2010 and 2009, we had a net change in cash and cash equivalents of $84 million, ($6) million and $6 million, respectively, including distributions to Marriott International of $64 million, $264 million and $100 million, for 2011, 2010 and 2009, respectively. The following table summarizes such changes:

($ in millions)	**Fiscal Years**		
	2011	**2010**	**2009**
Cash provided by (used in):			
Operating activities	$ 321	$ 379	$ 181
Investing activities	9	39	(47)
Financing activities			
Net distribution to Marriott International	(64)	(264)	(100)
Other financing activities	(182)	(160)	(28)
Net change in cash and cash equivalents	$ 84	$ (6)	$ 6

Cash from Operating Activities

In 2011, we generated $321 million of cash flows from operating activities, compared to $379 million in 2010 and $181 million in 2009. Our primary sources of funds from operations are (1) cash sales and downpayments on financed sales, (2) cash from our financing operations, including principal and interest payments received on outstanding notes receivables and (3) net cash generated from our rental and resort management and other services operations. Outflows include spending for the development of new phases of existing resorts as well as funding our working capital needs.

We minimize working capital needs through cash management, strict credit-granting policies, and disciplined collection efforts. We have greater working capital cash needs in the first half of each year, given the timing of annual maintenance fees on unsold inventory we pay to property owners associations and certain annual compensation related outflows. In addition, our cash from operations varies due to the timing of our owners repayment of notes receivable, the closing of sales contracts for vacation ownership products, and cash outlays for real estate inventory development.

In addition to net (loss) income and adjustments for non-cash items, the following operating activities are key drivers of our cash from operating activities:

Real estate inventory spending less than (in excess of) cost of sales

($ in millions)	**Fiscal Years**		
	2011	**2010**	**2009**
Real estate inventory spending	$ (120)	$ (214)	$ (309)
Real estate inventory costs	233	234	305

Real estate inventory spending less than (in excess of) cost of sales	$ 113	$ 20	$ (4)

Table of Contents

We measure our real estate inventory capital efficiency by comparing the cash outflow for real estate inventory spending (a cash item) to the amount of real estate inventory costs charged to expense in our Statements of Operations related to sales of vacation ownership products (a non-cash item).

Given the significant level of completed real estate inventory on hand, as well as the capital efficiency resulting from the launch of our MVCD program, our spending on real estate inventory decreased significantly over the last two years. We succeeded in aligning inventory spending more closely with sales pace for 2011, 2010 and 2009. In addition, 2010 real estate inventory spending included a $102 million payment for delivery of a turnkey project under a purchase agreement signed in 2006. We expect our real estate inventory spending in the near term to be less than our real estate inventory costs and, on a longer term basis, to remain in line with our projected real estate inventory costs.

Notes receivable collections in excess of (less than) new mortgages

($ in millions)		**Fiscal Years**	
	2011	**2010**	**2009**
Notes receivable collections (non-securitized notes)	$ 99	$ 114	$ 153
Notes receivable collections (securitized notes)	219	231	
New notes receivable	(256)	(254)	(298)
Notes receivable collections in excess of (less than) new mortgages	$ 62	$ 91	$ (145)

Notes receivable collections includes principal from non-securitized notes receivable for all periods reported and, beginning in 2010, it also includes principal from securitized notes receivable due to the consolidation of our securitized special purpose entities as a result of the adoption of the new Consolidation Standard. Collections declined for all periods reported due to the declining notes receivable balance. New notes receivable increased modestly in 2011 compared to 2010 due primarily to an increase in financing propensity to 43 percent in 2011 from 40 percent in 2010, partially offset by lower vacation ownership product sales volumes. New notes receivable declined in 2010 compared to 2009 due primarily to lower vacation ownership product sales volumes and a decrease in financing propensity to 40 percent in 2010 from 44 percent in 2009.

New Consolidation Standard

As a result of our adoption of the new Consolidation Standard on the first day of 2010, we no longer account for notes receivable securitizations as sales. Accordingly, we did not recognize any gain or loss on the 2010 notes receivable securitization nor do we expect to recognize gains or losses on future notes receivable securitizations. Additionally, we no longer record accretion due to the elimination of retained interests.

As part of our adoption of the new Consolidation Standard, we classify the following 2011 and 2010 activities as Financing Activities in our Statements of Cash Flows:

Repayments on bonds payable associated with notes receivable term securitizations and on the Warehouse Credit Facility, including note repurchases, as repayment of debt related to securitizations ; and

Proceeds on securitization of notes receivable, including drawdowns on the Warehouse Credit Facility, as Borrowings from securitization transactions.

Also, as a result of the new Consolidation Standard, we no longer have any separate cash flows related to retained interests or servicing assets.

Operating Cash Flow from Securitization in 2009

In March 2009, we completed a private placement of approximately $205 million of floating-rate Vacation Ownership Loan Backed Notes with a bank-administered commercial paper conduit. We contributed approximately $284 million of notes receivable originated in connection with the sale of vacation ownership products to a newly formed special purpose entity (the 2009-1 Trust). The 2009-1 Trust simultaneously issued approximately $205 million of the 2009-1 Trust s notes. In connection with the private placement of notes receivable, we received proceeds of approximately $181 million, net of costs, and retained a $94 million interest in the special purpose entity, which included $81 million of notes we effectively owned after the transfer and $13 million related to the servicing assets and retained interest. We measured all retained interests at fair market value on the date of the transfer. We recorded the notes that we effectively owned after the transfer as notes receivable. In connection with this securitization, we recorded a $1 million loss, which we included in the Financing revenue line item in our Statements of Operations.

Table of Contents

In October 2009, we securitized a pool of approximately $380 million in vacation ownership notes receivables to a newly formed special purpose entity (the 2009-2 Trust). Simultaneously with the securitization, investors purchased $317 million of 4.809 percent Vacation Ownership Loan Backed Notes from the 2009-2 Trust in a private placement. As part of this transaction, we paid off the notes that the 2009-1 Trust issued in March 2009 and reacquired approximately $234 million of vacation ownership notes receivable that were released from the 2009-1 Trust. We included approximately $218 million of these reacquired loans in the October 2009 securitization. As consideration for our securitization of the vacation ownership notes receivable, we received cash proceeds of approximately $168 million and a subordinated retained interest in the 2009-2 Trust, through which we expected to realize the remaining value of the notes receivable over time. These cash proceeds were net of approximately $145 million paid to the commercial paper conduit to unwind the March 2009 transaction. In connection with this October 2009 note securitization, we recorded a $37 million gain, which we included in the Financing revenue line item in our Statements of Operations.

Before the adoption of the new Consolidation Standard on the first day of 2010, we had retained interests of $267 million at year-end 2009. Our servicing assets and retained interests, which we measured at year-end 2009 using Level 3 inputs in the fair value measurement hierarchy, accounted for 35 percent of the total fair value of our financial assets at year-end 2009 that we were required to measure at fair value using the then-applicable fair value measurement guidance. We treated the retained interests, including servicing assets, as trading securities under the provisions for accounting for certain investments in debt and equity securities, and accordingly, we recorded realized and unrealized gains or losses related to these assets in the Financing revenue line in our Statements of Operations. See Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for additional information on retained interests eliminated as part of the adoption of the new Consolidation Standard on the first day of 2010.

See Footnote No. 12, Debt, of the Notes to our Financial Statements for additional information regarding the failure of some securitized notes receivable pools to perform within established parameters and the resulting redirection of cash flows. In different months during 2010, seven securitized notes receivable pools reached performance triggers as a result of an increase in defaults. As of year-end 2010, of the seven pools out of compliance during 2010, loan performance had improved sufficiently in six pools to cure the performance triggers, leaving one pool out of compliance. Approximately $3 million of cash flows in 2011, $6 million of cash flows in 2010 and $17 million of cash flows in 2009 were redirected as a result of reaching the performance triggers for those years.

For additional information on our note securitizations, including a discussion of the cash flows on securitized notes, see Footnote No. 3, Asset Securitizations, of the Notes to our Financial Statements. See also Footnote No. 1, Summary of Significant Accounting Policies, and Footnote No. 17, Variable Interest Entities, of the Notes to our Financial Statements for the impact of adoption of the new Consolidation Standard.

Cash from Investing Activities

($ in millions)	Fiscal Years		
	2011	**2010**	**2009**
Capital expenditures for property and equipment	$ (15)	$ (24)	$ (28)
Dispositions	19	46	1
Note advances			(32)
Note collections	20		6
(Increase) decrease in restricted cash	(15)	17	6
Net cash provided by (used in) investing activities	$ 9	$ 39	$ (47)

Capital expenditures for property and equipment

Capital expenditures for property and equipment relates to spending for technology development, buildings and equipment used at sales locations, and ancillary offerings at resorts such as food and beverage locations.

In 2011, capital expenditures for property and equipment of $15 million included $10 million for technology spending, of which $7 million related to systems enhancements supporting the MVCD program and $2 million of Spin-Off related initiatives, while the remaining spending of $5 million related to the support of normal business operations (*e.g.*, sales locations and ancillary assets).

Table of Contents

In 2010, capital expenditures for property and equipment of $24 million included $16 million for technology spending, of which $14 million was spent to facilitate and support the launch of the MVCD program in 2010, and roughly $8 million was spent to support normal business operations (*e.g.*, sales locations and ancillary assets).

In 2009, capital expenditures for property and equipment of $28 million included $10 million for technology spending, of which $3 million was to facilitate the launch of the MVCD program in 2010, and $9 million for sales locations, with the remaining spending primarily relating to support of other ancillary assets.

Dispositions

Dispositions of property and assets generated cash proceeds of $19 million in 2011, $46 million in 2010 and $1 million in 2009. The $19 million of dispositions in 2011 primarily related to the bulk sale of excess land and developed inventory, which was classified as inventory within our Luxury segment. In 2010, we sold an operating hotel we originally acquired for conversion into vacation ownership products for our Asia Pacific segment for cash proceeds of $42 million and recorded a net gain of $21 million.

Note Advances and Collections

Note advances and collections relate to monies advanced to and collected from a related party. See also Footnote No. 20, Significant Investments, of the Notes to our Financial Statements for more information.

(Increase) Decrease in Restricted Cash

Restricted cash primarily consists of cash held in a reserve account related to notes receivable securitizations; cash collected for maintenance fees to be remitted to property owners associations; and deposits received, primarily associated with vacation ownership products and residential sales that are held in escrow until the associated contract has closed or the period in which it can be rescinded has passed, depending on legal requirements. The 2011 increase in restricted cash reflects higher cash collections for maintenance fees to be remitted to certain property owners associations. The 2010 decrease reflects the impact of bonding escrow deposits, thereby no longer requiring a portion of these deposits to be restricted.

Cash from Financing Activities

($ in millions)	**Fiscal Years**		
	2011	**2010**	**2009**
Borrowings from securitization transactions			
Bonds payable on securitized notes receivable	$	$ 218	$
Warehouse Credit Facility advances	125		
Subtotal	125	218	
Repayment of debt related to securitizations			
Bonds payable on securitized notes receivable	(287)	(323)	
Warehouse Credit Facility reductions	(8)		
Subtotal	(295)	(323)	
Borrowings on Revolving Corporate Credit Facility	1		
Repayment on Revolving Corporate Credit Facility	(1)		
Debt issuance costs	(10)	(3)	
Repayment of third party debt	(2)	(52)	(28)
Net distribution to Marriott International	(64)	(264)	(100)
Net cash used in financing activities	$ (246)	$ (424)	$ (128)

Issuance / repayments of debt related to securitizations

As noted above, as a result of the adoption of the new Consolidation Standard on the first day of 2010, we reflect proceeds on securitizations of notes receivable, including draw downs on the Warehouse Credit Facility, as Borrowings from securitization transactions, and we reflect repayment on bonds payable associated with notes receivable securitizations and on the Warehouse Credit Facility, including note repurchases, as Repayment of debt related to securitizations, within Cash from Financing Activities.

On October 5, 2011, we completed our first non-recourse securitized funding under the Warehouse Credit Facility. The carrying amount of notes receivable securitized was $154 million. The advance rate was 81 percent, which resulted in gross proceeds of $125 million. Please see Footnote No. 12, Debt, of the Notes to our Financial Statements for more information.

Table of Contents

In October 2010, we exercised our option under the term securitization transaction that we completed in 2002 to repurchase all outstanding collateral, payoff and redeem all outstanding bonds, and terminate the associated trust, which resulted in cash outflows of approximately $25 million.

In November 2010, we securitized a pool of approximately $229 million in mortgage notes to a newly formed special purpose entity (the 2010-1 Trust), including $17 million repurchased from the 2002 transaction. Simultaneously with the securitization, investors purchased approximately $218 million in Vacation Ownership Loan Backed Notes from the 2010-1 Trust in a non-recourse private placement in two classes: Class A Notes totaling approximately $195 million with an interest rate of 3.54 percent and Class B Notes totaling approximately $23 million with an interest rate of 4.52 percent. As consideration for our securitization of the notes receivable, we received cash proceeds of approximately $215 million, net of costs, and a subordinated retained interest in the 2010-1 Trust. Under the new Consolidation Standard, we accounted for this transaction as a secured financing in 2010 and we did not record a gain or loss.

Debt Issuance Costs

Debt issuance costs in 2011 relate mainly to costs associated with the establishment of the Warehouse Credit Facility, the Revolving Corporate Credit Facility and the mandatorily redeemable preferred stock of our consolidated subsidiary, which for GAAP purposes is treated as debt.

Repayment of Third Party Debt

Our repayment of third-party debt in 2011 related to the repayment of borrowings we used to finance a sales center in our Asia Pacific segment in accordance with contractual terms. In 2010 and 2009, we fully repaid $52 million and $28 million, respectively, related to borrowings that we used to finance the acquisitions of land and vacation ownership products in accordance with contractual terms. No further obligations exist as of the end of 2011.

Net Distribution to Marriott International

The net distribution to Marriott International in 2011 represents net cash transactions with Marriott International through the date of Spin-Off. For 2010 and 2009, this represents the net change in our divisional equity and was the sum of our operating, investing and financing activity. See Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for further information related to cash management activities prior to Spin-Off.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our contractual obligations as of the end of 2011:

($ in millions)	**Payments Due by Period**				
	Total	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Contractual Obligations					
Debt[1]	$ 988	$ 160	$ 392	$ 240	$ 196
Mandatorily redeemable preferred stock of consolidated subsidiary[1]	88	4	11	10	63
Liability for Marriott Rewards loyalty program[2]	247	69	117	61	
Operating leases	86	20	23	5	38
Purchase obligations	10	8	2		
Other long-term obligations	65	15			50
Total contractual obligations	$ 1,484	$ 276	$ 545	$ 316	$ 347

(1) Includes principal as well as interest payments.
(2) Includes interest accretion.

As a large taxpayer, Marriott International is continuously under audit by the IRS and other taxing authorities. The Company 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. Although we do not anticipate that those audits will have a significant impact on our unrecognized tax benefit balance during the next fiscal year, it remains possible that our liability for unrecognized tax benefits could change over that time period. See Footnote No. 2, Income Taxes, of the Notes to our Financial Statements for additional information.

Table of Contents

We have provided guarantees to certain lenders in connection with the provision of third-party financing for our vacation ownership product sales, which guarantees generally have a stated maximum amount of funding and a term of five to ten years. The terms of the guarantees require us to fund if the purchaser fails to pay under the terms of the note payable. We are then entitled to repossess the property and retain the proceeds from its resale. Our commitments under these guarantees diminish as principal payments are made by the purchaser to the third-party lender. Our current exposure under such guarantees as of year-end 2011 in the Asia Pacific and Luxury segments is $22 million and $3 million, respectively, and the underlying debt to third-party lenders will mature between 2012 and 2022.

Additionally, related to an equity method investment, we provided a completion guarantee in favor of a lender as to which we have a remaining funding liability of approximately $12 million. See Footnote No. 20, Significant Investments, of the Notes to our Financial Statements for additional information regarding this guarantee.

For additional information on these guarantees and the circumstances under which they were entered into, see the Guarantees caption within Footnote No. 11, Contingencies and Commitments, of the Notes to our Financial Statements.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting estimate to be critical if: (1) it requires assumptions to be made that were uncertain at the time the estimate is made; and (2) changes in the estimate, or different estimates that could have been selected, could have a material effect on our results of operations or financial condition.

While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information presently available. Actual results may differ significantly. Additionally, changes in our assumptions, estimates or assessments as a result of unforeseen events or otherwise could have a material impact on our financial position or results of operations.

Please see Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for further information on accounting policies that we believe to be critical, including our policies on:

Revenue recognition for vacation ownership products, including how we recognize revenue using the percentage-of-completion method of accounting;

Marriott Rewards customer loyalty program, including how we determine our redemption obligation to Marriott International in connection with Marriott International s customer loyalty program that we historically participated in by offering points as incentives to vacation ownership purchasers and that we continue to participate in following the Spin-Off;

Inventories, including how we evaluate the fair value of our vacation ownership inventory;

Valuation of property and equipment, including when we record impairment losses;

Loan loss reserves for vacation ownership notes receivable, including information on how we estimate reserves for losses;

Valuation of investments in ventures, including information on how we evaluate the fair value of investments in ventures and when we record impairment losses on investments in ventures;

Legal contingencies, including information on how we account for legal contingencies;

Income taxes, including information on how we determine our current year amounts payable or refundable, as well as our estimate of deferred tax assets and liabilities; and

Retained interests, including how we estimated the fair value of retained interest prior to the adoption of the new Consolidation Standard on the first day of 2010.

In addition to Item 13, below, please see Footnote No. 21, Related Party Transactions, and Footnote No. 20, Significant Investments, of the Notes to our Financial Statements for further information on transactions with related parties.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in interest rates, currency exchange rates, and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through pricing policies that may take into account currency exchange rates, and prior to Spin-Off, by Marriott International entering into derivative arrangements on our behalf. We do not foresee any significant changes in either our exposure to fluctuations in interest rates or currency rates or how we manage such exposure in the future.

Our Warehouse Credit Facility provides variable rate financing when we place consumer loans we originate in support of our North American business into that facility. We manage the interest rate risk of this facility by entering into derivative contracts such as swaps or caps that are traditionally utilized in warehouse funding arrangements. We intend to securitize notes receivable in the ABS market at least annually. For these types of transactions or arrangements, we expect to secure fixed rate funding to match our fixed rate notes receivable. However, if we have floating rate debt in the future, we plan to hedge the interest rate risk using derivative instruments. Changes in interest rates may impact the fair value of our fixed rate long-term debt.

Prior to the Spin-Off, we used derivative instruments, entered into on our behalf by Marriott International, to manage our exposure to market risks associated with fluctuations in interest rate and currency exchange rates, including those that resulted from our operations. Marriott International also used derivative instruments, including cash flow hedges, net investment in non-U.S. operations hedges, fair value hedges, and other derivative instruments, as part of its overall strategy to manage our exposure to market risks. As a matter of policy, Marriott International only entered into transactions that Marriott International believed would be highly effective at offsetting the underlying risk, and did not use derivatives for trading or speculative purposes.

At the time of the Spin-Off, the only interest rate derivatives outstanding were those entered into as a condition to the Warehouse Credit Facility. Subsequent to the Spin-Off and through December 30, 2011, we did not enter into any derivative instruments or hedges.

Please see Footnote No. 1, Summary of Significant Accounting Policies, of the Notes to our Financial Statements for additional information associated with derivative instruments.

The following table sets forth the scheduled maturities and the total fair value as of the end of 2011 for our financial instruments that are impacted by market risks:

		Maturities by Period							
($ in millions)	**Average Interest Rate**	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total Carrying Value**	**Total Fair Value**
Assets Maturities represent expected principal receipts, fair values represent assets									
Notes receivable non-securitized	11.5%	$ 64	$ 33	$ 26	$ 22	$ 21	$ 73	$ 239	$ 245
Notes receivable securitized	13.0%	$ 116	$ 122	$ 125	$ 121	$ 112	$ 314	$ 910	$ 1,061
Liabilities Maturities represent expected principal payments, fair values represent liabilities									
Non-recourse debt associated with securitized notes receivable	5.11%	$ (108)	$ (116)	$ (120)	$ (113)	$ (99)	$ (173)	$ (729)	$ (750)
Warehouse Credit Facility	2.09%	$ (15)	$ (103)	$	$	$	$	$ (118)	$ (116)
Mandatorily redeemable preferred stock of consolidated subsidiary	12.0%	$	$	$	$	$	$ (40)	$ (40)	$ (40)
Other debt	8.35%	$	$	$	$	$	$ (3)	$ (3)	$ (3)

Table of Contents

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are contained on pages F-1 through F-56 of this Annual Report. See Item 15(a)(1) for a listing of financial statements provided in this Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

Historically, we relied on financial information and resources of Marriott International to manage certain aspects of our business and report our results. Since our Spin-Off from Marriott International, several areas of internal control over financial reporting changed. New corporate and oversight functions were implemented, such as investor relations, payroll and benefits accounting and reporting, stock administration, external financial reporting, Board of Directors, and Internal Audit. Existing functions such as external communications, tax, legal, human resources, and treasury, including insurance and risk management, were also enhanced to include corporate-level activities previously performed by Marriott International and to meet all regulatory requirements for a stand-alone company. Lastly, we refined policies as needed, implemented a stand-alone instance of the previously used general ledger system, and entered into agreements with Marriott International pursuant to which Marriott International will provide us use of certain other financial applications such as those for payroll, accounts payable, fixed assets, and project costing.

Other than those noted above, there were no changes in our internal control over financial reporting during 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report does not include a report of management s assessment regarding internal control over financial reporting or an attestation report of our company s registered public accounting firm due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

Item 9B. Other Information

None

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance
Our Executive Officers

The following table provides certain information as of March 9, 2012, about our executive officers, including employment history and any directorships held in public companies. Each executive officer is expected to serve from the date of his or her appointment until the earlier of his or her resignation or the appointment of his or her successor.

Name and Title	Age	Business Experience
Stephen P. Weisz President and Chief Executive Officer	61	Stephen P. Weisz has served as our President since 1996 and as our Chief Executive Officer since 2011. Mr. Weisz joined Marriott International in 1972. Over his 39-year career with Marriott International, he held a number of leadership positions in the Lodging division, including Regional Vice President of the Mid-Atlantic Region, Senior Vice President of Rooms Operations, and Vice President of the Revenue Management Group. Mr. Weisz became Senior Vice President of Sales and Marketing for Marriott Hotels, Resorts & Suites in 1992 and Executive Vice President-Lodging Brands in 1994 before being named to lead our company in 1996. He currently serves as a Trustee of the American Resort Development Association and is on the Board of Trustees of Children s Miracle Network.
John E. Geller, Jr. Executive Vice President and Chief Financial Officer	44	John E. Geller, Jr. has served as our Executive Vice President and Chief Financial Officer since 2009. Mr. Geller joined Marriott International in 2005 as Senior Vice President and Chief Audit Executive and Information Security Officer. In 2008, he led finance and accounting for Marriott International s North American Lodging Operation s West region as Chief Financial Officer. Mr. Geller began his professional career at Arthur Andersen, where he was promoted to audit partner in its real estate and hospitality practice in 2000. During 2002 and 2003, he was an audit partner with Ernst & Young in its real estate and hospitality practice. Mr. Geller served as Chief Financial Officer at AutoStar Realty in 2004. Mr. Geller is a C.P.A.
Robert A. Miller Executive Vice President and Chief Operating Officer International	66	Robert A. Miller has served as our Executive Vice President and Chief Operating Officer International since November 2011. Prior to that time he served as Executive Vice President and Chief Operating Officer since 2007. Mr. Miller joined Marriott International in 1984 when it acquired American Resorts, Inc., which he co-founded in 1978 and where he served as President and Chief Operating Officer. Prior to assuming his current responsibilities he served as our Executive Vice President and General Manager from 1984 to 1988 and as our President from 1988 to 1996. Mr. Miller has overseen our Asia Pacific segment since 2006 and our Europe segment since 2009. Prior to founding American Resorts, Mr. Miller served as Chief Financial Officer of Fleetwing Corporation, a petroleum products distribution company, and on the tax and audit staff of Arthur Young & Company. He is a past Chairman of the American Resort Development Association and currently serves as a member of its Executive Committee and Board of Directors and as Chairman of its International Foundation. He is a member of the Urban Land Institute and serves on the Board of Directors of Apartment Investment and Management Company, a real estate investment trust that engages in the acquisition, ownership, management, and redevelopment of apartment properties.
R. Lee Cunningham Executive Vice President and Chief Operating Officer North America and Caribbean	52	R. Lee Cunningham has served as our Executive Vice President and Chief Operating Officer North America and Caribbean since November 2011. Prior to that time, he had served as our Executive Vice President Chief Operating Officer since 2007. Mr. Cunningham joined Marriott International in 1982 and held various front office assignments at Marriott hotels in Atlanta, Scottsdale, Miami, Kansas City, and Washington, D.C. In 1990, he became one of Marriott International s first revenue management-focused associates and held roles at property, regional and corporate levels. Mr. Cunningham joined our company in 1997 as Vice President of Revenue Management and Owner Service Operations.

Name and Title	Age	Business Experience
Brian E. Miller Executive Vice President Chief Sales and Marketing Officer	49	Brian E. Miller has served as our Executive Vice President and Chief Sales and Marketing Officer since November 2011. Prior to that time, he had served as our Senior Vice President, Sales and Marketing and Service Operations since 2007. Mr. Miller joined our company in 1991 as National Director of Marketing Operations and has more than 25 years of vacation ownership marketing and sales expertise. In 1994, he was promoted to Vice President of Marketing. From 1995 to 2000, he served as Regional Vice President of Sales and Marketing for the Europe and Middle East region based in London. He left our company briefly, but returned in 2001 to assume the role of Senior Vice President, Sales and Marketing.
James H Hunter, IV Executive Vice President and General Counsel	49	James H Hunter, IV has served as our Executive Vice President and General Counsel since November 2011. Prior to that time, he had served as Senior Vice President and General Counsel since 2006. Mr. Hunter joined Marriott International in 1994 as Corporate Counsel and was promoted to Senior Counsel in 1996 and Assistant General Counsel in 1998. While at Marriott International, he held several leadership positions supporting development of Marriott s lodging brands in all regions worldwide. Prior to joining Marriott International, Mr. Hunter was an associate at the law firm of Davis, Graham & Stubbs in Washington, D.C.
Lizabeth Kane-Hanan Executive Vice President and Chief Growth and Inventory Officer	45	Lizabeth Kane-Hanan has served as our Executive Vice President and Chief Growth and Inventory Officer since November 2011. Prior to that time, she had served as our Senior Vice President, Resort Development and Planning, Inventory and Revenue Management and Product Innovation since 2009. Ms. Kane-Hanan joined our company in 2000, and has nearly 25 years of hospitality industry experience. Before joining Marriott International, she spent 14 years in public accounting and advisory firms, including Arthur Andersen and Horwath Hospitality, where she specialized in real estate strategic planning, acquisitions and development. At our company, she has held several leadership positions of increasing responsibility.
Theodorus J. Schavemaker Executive Vice President and Chief Resort Experience Officer	45	Theodorus J. Schavemaker has served as our Executive Vice President and Chief Resort Experience Officer since December 2011. Prior to that time, he had served as Senior Vice President, Resort Operations and Planning since 2007. Mr. Schavemaker joined Marriott International in 1988 at the Marco Island Marriott as a restaurant supervisor. From 1990 to 1999, he worked in several Marriott hotels in Germany serving in both food and beverage and rooms operations roles. From 1999 to 2001, Mr. Schavemaker served as a project manager in Lodging Finance while working at Marriott International headquarters in Bethesda, Maryland. In late 2001, he joined our company as Regional Vice President, Customer Experience for resorts in Europe and Asia. He was named Vice President, Customer Experience in 2006 and assumed responsibility for day-to-day operations of our resorts worldwide.

Name and Title	Age	Business Experience
Dwight D. Smith Executive Vice President and Chief Information Officer	51	Dwight D. Smith has served as our Executive Vice President and Chief Information Officer since December 2011. Prior to that time, he served as our Senior Vice President and Chief Information Officer since 2006. Mr. Smith joined Marriott International in 1988 as Senior Manager and then Director of Information Resources for Roy Rogers Restaurants. He worked from 1982 to 1988 at Andersen Consulting as Staff Consultant and then Consulting Manager in the advanced technology group. Mr. Smith moved to our corporate headquarters in 1990.
Michael E. Yonker Executive Vice President and Chief Human Resources Officer	53	Michael E. Yonker has served as our Executive Vice President and Chief Human Resources Officer since December 2011. Prior to that time, he served as our Chief Human Resources Officer since 2010. Mr. Yonker joined Marriott International in 1983 as Assistant Controller at the Lincolnshire Marriott Resort in Chicago. While at Marriott International, he held a number of positions with increasing responsibility in both the finance and human resources areas. From 1996 to 1998, he was the Area Director of Human Resources, supporting the mid-central region at Sodexho Marriott. He returned to Marriott International in 1998 as Vice President, Human Resources supporting the Midwest Region and was named our Vice President, Human Resources in 2007 supporting global operations.

Our Board of Directors

The following table provides certain information as of March 9, 2012 about the members of our Board. The table contains each person s biography as well as the qualifications and experience each person brings to our Board.

Name and Title	Age	Business Experience and Director Qualifications
William J. Shaw Chairman	66	William J. Shaw has served as a director of our company since inception and as Chairman of our Board since November 2011. He served as Vice Chairman of Marriott International from May 2009 to March 2011. He previously served as President and Chief Operating Officer of Marriott International from 1997 until May 2009. He joined Marriott International in 1974 and was named Corporate Controller in 1979 and a Corporate Vice President in 1982. In 1986, Mr. Shaw was named Senior Vice President-Finance and Treasurer of Marriott International. He became Chief Financial Officer and Executive Vice President of Marriott International in 1988. In 1992, he was named President of the Marriott Service Group. He also serves on the Board of Trustees of three funds in the American Family of Mutual Funds, the Board of Directors of the United Negro College Fund and the Board of Trustees of the University of Notre Dame. Mr. Shaw served as a Director of Marriott International from March 1997 through February 11, 2011. Mr. Shaw brings to the Board his extensive management experience with Marriott International, his prominent status in the hospitality industry and a wealth of knowledge in dealing with financial and accounting matters as a result of his prior service as Marriott International s Chief Financial Officer.
Raymond L. Gellein, Jr. Director	64	Mr. Gellein has served as a director of our company since November 2011. He has served as non-executive Chairman of the Board of Strategic Hotels and Resorts, Inc., a REIT with a portfolio of luxury hotels, since August 2010, and he has served on the company s board since August 2009. He served as President of the Global Development Group of Starwood Hotels and Resorts Worldwide, Inc. from July 2006 through March 2008, and as Chairman and Chief Executive Officer of Starwood Vacation Ownership, Inc. from October 1999 to July 2006. Mr. Gellein also serves as a member of the board of trustees of the American Resort Development Association and as Vice Chairman of the Mind and Life Institute.

Table of Contents

Name and Title	Age	Business Experience and Director Qualifications
		Based on his current role with Strategic Hotels and Resorts and his past roles at Starwood, Mr. Gellein brings to the Board his vast leadership experience in the hospitality and lodging industries with a particular expertise in the vacation ownership sector. As a past Chairman and current trustee of the American Resort Development Association, he also has extensive knowledge of the legislative and regulatory issues related to the vacation ownership business.
Deborah Marriott Harrison Director	54	Deborah Marriott Harrison has served as a director of our company since November 2011. She has served as Senior Vice President of Government Affairs for Marriott International since June 2007. From May 2006 to June 2007, she served as Vice President of Government Affairs for Marriott International. As the daughter of Marriott International s Chairman and Chief Executive Officer and granddaughter of Marriott International s founders, she has extensive knowledge of Marriott International, its history, its culture and its mission. She has held several positions within Marriott since 1975, including accounting positions at Marriott headquarters and operations positions at the Key Bridge and Dallas Marriott hotels. She has been actively involved in serving the community through participation on various committees and boards, including the Mayo Clinic Leadership Council for the District of Columbia and the boards of the Bullis School, the D.C. College Access Program, and the J. Willard and Alice S. Marriott Foundation. Ms. Harrison has also served on the boards of several mental health organizations, including The National Institute of Mental Health Advisory Board, Depression and Related Affective Disorders Association, and the Center for the Advancement of Children s Mental Health in association with Columbia University. She is a graduate of Brigham Young University.
		Given her extensive involvement in governmental affairs, Ms. Harrison provides very valuable counsel to the Board and senior management of the company, which operates in a heavily regulated industry at both the federal and state level. In addition, as the company continues to uphold the legacy of the Marriott name, we expect to benefit from her deep understanding of the founding principles and culture of Marriott International.
Thomas J. Hutchison, III Director	70	Mr. Hutchison has served as a director of our company since November 2011. Since October 2008, Mr. Hutchison has served as Chairman of Legacy Hotel Advisors, LLC and Legacy Healthcare Advisors, LLC, industry consulting firms for which he is the principal founder. From January 2000 through 2007, he served in various executive positions at CNL Financial Group, Inc., including as Chief Executive Officer of the public REITs, CNL Hotels & Resorts and CNL Retirement. Mr. Hutchison is also a director of Hersha Hospitality Trust, a publicly traded REIT. He also serves on the board of ClubCorp, Inc. and the U.S. Chamber of Commerce.
		Mr. Hutchison brings to the Board his over 40 years of senior leadership experience in the lodging, hospitality, travel, and real estate development and finance industries.

Table of Contents

Name and Title	Age	Business Experience and Director Qualifications
Melquiades R. Martinez Director	65	Mr. Martinez has served as a director of our company since November 2011. He has served as regional Chairman of JPMorgan Chase & Co., an investment and financial services company, since July 2010. Prior to that, he was a partner in the law firm DLA Piper, LLC from September 2009. Mr. Martinez served as the U.S. Senator from Florida from January 2005 through September 2009. He also served as Chairman of the Republican Party from November 2006 through October 2007, as Secretary of the U.S. Department of Housing and Urban Development from 2001 to 2004, and as Mayor of Orange County, Florida from November 1998 to January 2001. In addition, Mr. Martinez is a director of Progress Energy, Inc., a publicly traded company, and serves on the boards of Habitat International, the Central Florida Commission on Homelessness and the Urban Land Institute. Mr. Martinez provides our Board with the benefit of his vast experience in the public and private sector and his in-depth knowledge of and relationships with the Florida community, where our headquarters are located. The Board also benefits from his legal experience and knowledge of the legislative and regulatory processes.
William W. McCarten Director	63	Mr. McCarten has served as a director of our company since November 2011. He has served as non-executive Chairman of the Board of DiamondRock Hospitality Company, a lodging REIT, since January 2010. He was Executive Chairman of DiamondRock from September 2008 to December 2009. Prior to that, he was Chairman and Chief Executive Officer of DiamondRock from its inception in 2004 until September 2008. From 1979 through 2003, Mr. McCarten worked at Marriott International and companies that operated businesses that were previously part of Marriott International or its predecessors, where he held a number of executive positions, including President of the Services Group and President and Chief Executive Officer of HMSHost Corporation, a publicly traded company. Mr. McCarten is also a director of Cracker Barrel Old Country Store, Inc., a publicly traded company. Mr. McCarten provides the Board with the benefit of his extensive experience in the hospitality industry and capital markets, including his service as chief executive officer of two publicly traded companies. He is a former certified public accountant who has strong familiarity with accounting and financial reporting matters.
Stephen P. Weisz Director	61	Mr. Weisz has served as a director of our company since November 2011. See Management Our Executive Officers for Mr. Weisz s biographical information. Mr. Weisz brings to the Board the extensive lodging and vacation ownership industry expertise he has developed during his 39-year career with Marriott International, as well as corporate leadership experience from his service as our President since 1996 and his position as Trustee of the American Resort Development Association.

Structure of the Board of Directors

Our Board is divided into three classes of directors that are of equal size to the extent possible. The directors designated as Class I directors have terms expiring at the first annual meeting of shareholders following the Spin-Off; the directors designated as Class II directors have terms expiring at the second annual meeting of shareholders following the Spin-Off; and the directors designated as Class III directors have terms expiring at the third annual meeting of shareholders following the Spin-Off. Beginning with the first annual meeting of shareholders following the Spin-Off, directors for each class will be elected at the annual meeting of shareholders held in the year in which the term for that class expires and thereafter will serve for a term of three years. The Class I directors are Mr. Gellein and Mr. Hutchison, the Class II directors are Mr. McCarten and Mr. Shaw, and the Class III directors are Ms. Harrison, Mr. Martinez and Mr. Weisz. Our Board met once in 2011. No director attended fewer than 75 percent of the meetings of the Board or any Committee on which such director served.

Mr. Shaw serves as the Chairman of the Board. Our Corporate Governance Principles provide that when the position of Chairman is held by a non-independent director, such as Mr. Shaw, the Chairman of the Nominating and Corporate Governance Committee will serve as Lead Independent Director. The Lead Independent Director s responsibilities include: (1) setting the agenda for and presiding over the executive sessions of the independent directors; (2) reviewing agendas and schedules for Board meetings; (3) chairing Board meetings in the Chairman s absence; (4) acting as a liaison between the independent directors and the Chairman; and (5) being available for consultation and communication with shareholders as appropriate. The Lead Independent Director also has the authority to call additional executive sessions as appropriate.

Four of our seven directors are independent, and the Audit Committee, Compensation Policy Committee and Nominating and Corporate Governance Committee are comprised solely of independent directors. Consequently, the independent directors directly oversee such critical items as the Company s financial statements, executive compensation, the selection and evaluation of directors and the development and implementation of our corporate governance programs. We believe that this leadership structure is the optimal structure for our company and our shareholders at this time. Our Board met one time in 2011.

Selection of Director Nominees

The Nominating and Corporate Governance Committee will consider candidates for Board membership. Shareholders may recommend nominees for consideration by the Nominating and Corporate Governance Committee by submitting the names and supporting information to: Marriott Vacations Worldwide Corporation, 6649 Westwood Blvd., Orlando, FL 32821, Attention: Corporate Secretary. The Board proposes a slate of nominees to the shareholders for election to the Board. The Board also determines the number of directors on the Board.

The Nominating and Corporate Governance Committee selects and recommends to the Board director candidates based on character, judgment, personal and professional ethics, integrity, values and familiarity with national and international issues affecting business. The Nominating and Corporate Governance Committee identifies and recruits candidates for election to the Board and evaluates all director candidates, regardless of source, in light of the Board-approved criteria. The Nominating and Corporate Governance Committee recommends to the Board the company s candidates for election or reelection to the Board at each annual shareholders meeting and candidates to be elected by the Board as necessary to fill vacancies and newly created directorships.

Governance Principles

Our Board has adopted Governance Principles that meet or exceed the New York Stock Exchange (NYSE) Listing Standards. The full text of the Governance Principles can be found in the Investor Relations section of our website (www.marriottvacationsworldwide.com) by clicking on Corporate Governance. A copy may also be obtained upon request from our Corporate Secretary. Our Governance Principles establish the limit on the number of board memberships for the Company s directors at three, including our company s Board, for directors who are chief executive officers of public companies, and six for other directors.

Committees of Our Board

The Board has three standing committees: the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. The Board has adopted a written charter for each committee, and those charters are available in the Investor Relations section of our website (www.marriottvacationsworldwide.com) by clicking on Corporate Governance. Copies of the committee charters also may be obtained upon request from our Corporate Secretary. Other committees may also be established by our Board from time to time.

Table of Contents

Audit Committee

The members of the Audit Committee are Mr. McCarten, who is the Chair, Mr. Gellein and Mr. Hutchison. The Board has determined that each of the members of the Audit Committee is independent as defined under our Corporate Governance Principles, the NYSE Listing Standards and applicable SEC rules. The Audit Committee met once in 2011. There is unrestricted access between the Audit Committee and the independent auditor and internal auditors. The Board has determined that all members of the Audit Committee are financially literate, and that Mr. McCarten possesses accounting or related financial management expertise within the meaning of the NYSE Listing Standards and qualifies as an audit committee financial expert as defined under the applicable SEC rules.

The responsibilities of the Audit Committee include, among other things:

- appointing, retaining, overseeing and determining the compensation of our independent auditors;
- approving all terms and fees associated with any audit engagement of independent auditor;
- overseeing our accounting, reporting, and financial practices;
- overseeing our internal control environment and compliance with legal and regulatory requirements;
- overseeing our independent auditors qualifications and independence; and
- overseeing the performance of our internal audit function and the independent auditor.

The Audit Committee s Pre-Approval of Independent Auditor Fees and Services 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 Audit Committee has delegated authority to the Audit Committee Chair to pre-approve principal independent auditor services where we deem it necessary or advisable that such service commence prior to the next regularly scheduled meeting (provided that the Audit Committee Chair informs the Audit Committee of any such services and the estimated fees that are approved at the next scheduled in-person meeting).

The Audit Committee meets at least annually with members of our Disclosure Committee, a management committee that assists in ensuring our company s public disclosures are accurate and timely. A shareholder may receive a copy of the Disclosure Committee s charter upon request from our Corporate Secretary.

Compensation Policy Committee

The members of the Compensation Policy Committee are Mr. Hutchison, who is the Chair, Mr. Gellein and Mr. McCarten. The Board has determined that each of the members of the Compensation Policy Committee is independent as defined under our Corporate Governance Principles and the NYSE Listing Standards. The Compensation Policy Committee met twice in 2011.

The responsibilities of the Compensation Policy Committee include, among other things:

- carrying out the Board s responsibilities relating to executive compensation;
- overseeing our overall compensation structure, policies and programs;

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer;

- overseeing the evaluation and setting the compensation of our other senior officers; and

- reviewing the compensation of non-employee directors and recommending any changes in compensation to the Board.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Mr. Gellein, who is the Chair, Mr. Hutchison, Mr. Martinez and Mr. McCarten. The Board has determined that each of the members of the Nominating and Corporate Governance Committee is independent as defined under our Corporate Governance Principles and the NYSE Listing Standards. The Nominating and Corporate Governance Committee did not meet in 2011.

The responsibilities of the Nominating and Corporate Governance Committee include, among other things:

- identifying and evaluating director candidates;

- recommending to the Board director candidates for election;

- recommending to the Board implementation of corporate governance principles and annually reviewing and recommending changes to these principles as appropriate;

reviewing our conflict of interest and related party transactions policies and approving certain related party transactions as provided for in such policies; and

performing a leadership role in shaping our corporate governance.

Meetings of Independent Directors

Our Corporate Governance Principles require the Board to have at least two regularly scheduled executive sessions a year for the non-management directors without management present, and require the independent directors to meet in executive session at least annually. The Lead Independent Director, who is currently Mr. Gellein, presides at such executive sessions.

Risk Oversight

Our Board is responsible for overseeing our processes for assessing and managing risk. The Board considers our risk profile when reviewing our annual business plan and incorporates risk assessment into its decisions. In performing its oversight responsibilities, our Board receives an annual risk assessment report from the Chief Financial Officer and discuss the most significant risks facing us.

The Board has delegated certain risk oversight functions to the Audit Committee. In accordance with NYSE requirements and as set forth in its charter, the Audit Committee periodically reviews and discusses our business and financial risk management and risk assessment policies and procedures with senior management, our independent auditor and the Chief Audit Executive. The Audit Committee incorporates its risk assessment function into its regular reports to the Board.

In addition, the Compensation Policy Committee evaluates any incentives and risks arising from or related to our compensation programs and plans and assesses whether the incentives and risks are appropriate.

Communications with the Board

Anyone, including a shareholder, may communicate a concern about our company s conduct, or about our company s accounting, internal accounting controls or auditing matters, directly to the Chair of the Nominating and Corporate Governance Committee (who is also the Lead Independent Director), to the independent directors, or to the Audit Committee. Such communications may be confidential and/or anonymous and may be e-mailed to business.ethics@mvwc.com or submitted in writing to Marriott Vacations Worldwide Corporation, 6649 Westwood Blvd., Orlando, Florida 32821, Attention: Chief Audit Executive. All such concerns are forwarded to the appropriate directors for their review, and are reviewed and addressed by us in the same way that we address other concerns.

Codes of Conduct

Our Board has adopted a code of conduct, our Business Conduct Guide, that applies to all of our directors, officers and associates, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. Our Business Conduct Guide is available in the Investor Relations section of our website (www.marriottvacationsworldwide.com) and is accessible by clicking on Corporate Governance. Any amendments to our Business Conduct Guide and any grant of a waiver from a provision of our Business Conduct Guide requiring disclosure under applicable SEC rules will be disclosed at the same location as the Business Conduct Guide in the Investor Relations section of our website located at www.marriottvacationsworldwide.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and person who own more than 10 percent of a registered class of our 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 our company, generally within two business days of a reportable transaction. As a practical matter, we seek to assist our directors and executives by monitoring transactions and completing and filing reports on their behalf.

Based solely on a review of SEC filings furnished to us and written representations that no other reports were required, we believe all Reporting Persons complied with these requirements during our 2011 fiscal year except for: (i) amended Forms 3 filed to report shares of the Company s common stock that were inadvertently omitted from the original Forms 3 for each of Stephen G. Marriott, David S. Marriott, John W. Marriott, III and (ii) an amended Form 4 filed to report shares of the Company s common stock that were inadvertently omitted from a Form 4 for Deborah M. Harrison. Each untimely report was due to an administrative error.

Table of Contents

Item 11. Executive Compensation
Report of the Compensation Policy Committee

The Compensation Policy Committee (the Compensation Policy Committee), which is composed solely of independent members of the Board, assists the Board in fulfilling its responsibilities relating to executive compensation. The Compensation Policy 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 Compensation Policy 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 Compensation Policy Committee reviewed and discussed with management the Company s Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K. Following the reviews and discussions referred to above, the Compensation Policy Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Annual Report.

Members of the Compensation Policy Committee:

Thomas J. Hutchison, III (Chair)

Raymond L. Gellein, Jr.

William W. McCarten

Compensation Discussion and Analysis

Our executive officers for whom compensation information is presented in the Summary Compensation Table below, who we refer to as our named executive officers, are:

Stephen P. Weisz	President and Chief Executive Officer
John E. Geller, Jr.	Executive Vice President and Chief Financial Officer
Robert A. Miller	Executive Vice President and Chief Operating Officer-International
R. Lee Cunningham(1)	Executive Vice President and Chief Operating Officer-North America and Caribbean
Brian E. Miller	Executive Vice President and Chief Sales and Marketing Officer
James H Hunter, IV	Executive Vice President and General Counsel

(1) We are providing voluntary disclosure for Mr. Cunningham, Executive Vice President and Chief Operating Officer North American and Caribbean, because of the significant contributions of that line of business to the financial results of our company in 2011. For purposes of the Compensation Discussion and Analysis and other disclosures in this Annual Report, and unless otherwise noted, references to the named executive officers include Mr. Cunningham even though he should not be considered a named executive officer under the SEC s rules.

The Compensation Policy Committee is responsible for approving and overseeing our executive compensation programs. Prior to the Spin-Off, our business was owned by Marriott International and the named executive officers were Marriott International employees. Therefore, our historical compensation strategy was determined primarily by Marriott International s senior management (Marriott Management) and the Compensation Policy Committee of Marriott International s board of directors (the Marriott Compensation Policy Committee), and the compensation elements and processes discussed in this Compensation Discussion and Analysis for compensation determinations made prior to the November 21, 2011 Spin-Off reflect Marriott International programs and processes.

Philosophy

The following compensation principles approved by the Compensation Policy Committee form the basis of our compensation philosophy. These policies reflect our belief that strong and consistent leadership is the key to long-term success in our industry. Therefore, in designing and implementing the compensation program that applies to the named executive officers, we emphasized the following three principles:

Officers should be paid in a manner that contributes to long-term shareholder value. Therefore, equity compensation has been a significant component of total pay opportunity for the named executive officers.

Compensation should be designed to motivate the named executive officers to perform their duties in ways that would help achieve short- and long-term objectives. This has been achieved by offering a mix of cash and non-cash elements of pay.

The compensation program should be competitive in order to attract key talent from within and outside of our industry and retain key talent at costs consistent with market practice.

This philosophy is similar to the philosophy under which our named executive officers were compensated prior to the Spin-Off.

Role of Management, the Compensation Policy Committee, the Marriott Compensation Policy Committee and Compensation Consultants

For compensation decisions following the Spin-Off, our Chairman, William J. Shaw, made recommendations to the Compensation Policy Committee with respect to Mr. Weisz s compensation. With input from our human resources department, Mr. Weisz recommended the compensation of the other named executive officers. The Compensation Policy Committee approved the total compensation packages for each of the named executive officers, including base salary, annual bonus targets, and equity awards. In designing and implementing compensation programs applicable to the named executive officers, our senior management considered the advice and recommendations of our compensation consultant, Exequity LLP.

For compensation decisions prior to the Spin-Off, the Marriott Compensation Policy Committee and Marriott Management determined the compensation of the named executive officers. Marriott International s Chairman and Chief Executive Officer, J.W. Marriott, Jr., and President and Chief Operating Officer, Arne M. Sorenson, made recommendations to the Marriott Compensation Policy Committee with respect to Mr. Weisz s compensation and, with input from Marriott International s Human Resources Department, Mr. Weisz and, in the case of Mr. Hunter, Marriott International s General Counsel, determined the compensation of the named executive officers other than Mr. Weisz. The Marriott Compensation Policy Committee reviewed Mr. Weisz s total compensation package and approved stock awards to each of our named executive officers.

In designing and implementing compensation programs applicable to the named executive officers, the Compensation Policy Committee considered the advice and recommendation of Exequity LLP. In designing and implementing compensation programs applicable to the named executive officers for periods prior to the Spin-Off, Marriott Management considered the advice and recommendations of the Marriott Compensation Policy Committee s independent compensation consultant, Pearl Meyer & Partners (see the discussion of the compensation consultants below).

2011 Compensation

Both before and after the Spin-Off, the elements and levels of our named executive officers compensation were not determined through rigid, categorical guidelines or formulae. Rather, they reflect internal factors such as job level and internal pay equity as well as subjective factors such as leadership ability, individual performance, retention needs and future potential as part of the management development and succession planning process. The Compensation Policy Committee considered market data (as described below) and internal pay equity considerations in determining the compensation of the named executive officers. For Mr. Weisz s compensation for periods prior to the Spin-Off, Marriott Management primarily considered market data and the compensation of other division presidents. With respect to the other named executive officers, although market data was a factor in establishing compensation levels generally for positions and titles company-wide, Marriott International based their pre Spin-Off compensation primarily on internal pay equity considerations.

Base Salary

In November 2011, following the Spin-Off, the Compensation Policy Committee approved certain compensation arrangements for the Company s executive officers, including the named executive officers. For each named executive officer, the Compensation Policy Committee approved new base salaries to reflect the executives expanded responsibilities resulting from the Company having become an independent, publicly-traded company, which became effective immediately. The Compensation Policy Committee approved the following base salaries: Mr. Weisz, $678,000; Mr. Geller, $403,000; Mr. Robert Miller, $483,000; Mr. Cunningham, $343,000; Mr. Brian Miller, $573,000; and Mr. Hunter, $338,000.

Prior to the Spin-Off, individual base salaries for the named executive officers were reviewed annually to determine whether base salary levels were commensurate with the officers responsibilities (and, in the case of Mr. Weisz, the competitive market). For 2011, each of the named executive officers received a salary increase based upon 2010 performance. Each of Mr. Weisz, Mr. Hunter and Mr. Brian Miller received an increase of 3.5%, Mr. Robert Miller received an increase of 3.0%, and each of Mr. Geller and Mr. Cunningham received an increase of 4.5%. The increase methodology and range was consistent with the increase methodology and range for all eligible Marriott International management associates and with observed salary increases in the marketplace.

Table of Contents

Bonuses and Incentives

Annual Bonuses

For 2011, the named executive officers participated in a management bonus plan (Bonus Plan) which focused on financial, operational and associate objectives. The Bonus Plan was designed by Marriott International to provide the named executive officers with appropriate compensation incentives to achieve identified annual corporate, divisional and individual performance objectives. The potential awards under the Bonus Plan for 2011 are reported in dollars in the Grants of Plan-Based Awards for Fiscal Year 2011 table, and the actual award amounts earned under the Bonus Plan for 2011 are reported in dollars in the Summary Compensation Table following this Compensation Discussion and Analysis.

The respective weightings of the relevant performance measures and the aggregate target and actual payments for 2011 under the Bonus Plan for periods prior to the Spin-Off are displayed in the table below. As reflected in the table, target awards ranged from 40% of salary to 60% of salary. The differences in the target award percentages were determined primarily by considering internal factors, including pay equity with other Marriott International officers. The maximum awards ranged from 150% to 162.5% of the target award.

Name		Marriott Vacations Worldwide Operating Profit	Marriott Earnings Per Share	Individual Achievement	Marriott Vacations Worldwide Operating Profit Process	Customer Satisfaction (1)	Associate Engagement (2)	Total
Stephen P. Weisz	Weight of Total Award (%)	50.00	10.00	20.00		20.00		100.00
	Target Award as % of Salary	30.00	6.00	12.00		12.00		60.00
	Actual Payout as % of Salary	0.00	8.11	15.00		14.40		37.51
John E. Geller, Jr.	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	20.00		10.00	10.00	5.00	5.00	50.00
	Actual Payout as % of Salary	0.00		15.00	7.10	5.98	7.50	35.58
Robert A. Miller	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	20.00		10.00	10.00	5.00	5.00	50.00
	Actual Payout as % of Salary	0.00		12.00	11.70	6.63	7.50	37.83
R. Lee Cunningham	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	16.00		8.00	8.00	4.00	4.00	40.00
	Actual Payout as % of Salary	0.00		12.35	0.00	4.70	6.50	23.55
Brian E. Miller	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	16.00		8.00	8.00	4.00	4.00	40.00
	Actual Payout as % of Salary	0.00		8.06	0.00	6.10	6.50	20.66
James H Hunter, IV (3)	Weight of Total Award (%)		50.00	30.00		10.00	10.00	100.00
(prior to 09/23/11)	Target Award as % of Salary		20.00	12.00		4.00	4.00	40.00
	Actual Payout as % of Salary		28.81	19.50		5.46	4.00	57.77
James H Hunter, IV	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
(on and after 09/23/11)	Target Award as % of Salary	16.00		8.00	8.00	4.00	4.00	40.00
	Actual Payout as % of Salary	0.00		13.00	8.00	4.98	6.50	32.48

(1) Customer Satisfaction means: with respect to Mr. Weisz, Mr. Geller and, on and after September 23, 2011, Mr. Hunter, Marriott Vacations Worldwide Customer Satisfaction; with respect to Mr. Cunningham, North America Timeshare Operations Customer Satisfaction; with respect to Mr. Robert Miller, International Customer Satisfaction; with respect to Mr. Brian Miller, Marriott Vacations Worldwide Sales & Marketing Satisfaction and with respect to Mr. Hunter prior to September 23, 2011, Marriott International Guest Satisfaction.

(2) Associate Engagement means: with respect to Mr. Geller, Marriott Vacations Worldwide Finance and Accounting Associate Engagement; with respect to Mr. Cunningham, North America Timeshare Operations Associate Engagement; with respect to Mr. Robert Miller, International Associate Engagement; with respect to Mr. Brian Miller, Marriott Vacations Worldwide Sales & Marketing Associate Engagement; with respect to Mr. Hunter prior to September 23, 2011, Marriott International Law Department Associate Engagement; and with respect to Mr. Hunter on and after September 23, 2011, Marriott Vacations Worldwide Law Department Associate Engagement.

(3) Mr. Hunter s bonus structure was different from the bonus structure for the other named executive officers until September 22, 2011 because Mr. Hunter reported to Marriott International s General Counsel and was compensated in accordance with programs that applied to Marriott International s legal department. Effective September 23, 2011, in anticipation of the Spin-Off, Mr. Hunter ceased reporting to Marriott International s General Counsel and began reporting to Mr. Weisz.

Following the Spin-Off, the Compensation Policy Committee determined to retain the measures, performance targets and relative weightings established prior to the Spin-Off, with the new target award opportunities, expressed as a percentage of the salary levels established in November 2011, pro-rated for the remaining portion of the fiscal year. As reflected in the table, the new target award opportunities approved by the Compensation Policy Committee were established as a percentage of post-Spin-Off salaries: Mr. Weisz, 80%; Mr. Geller, 60%; Mr. Robert Miller, 60%; Mr. Cunningham, 60%; Mr. Brian Miller, 50%; and Mr. Hunter, 60%. The differences in the target award percentages were determined primarily by considering market data and internal factors, including pay equity with other officers, differences in responsibilities, future potential and, with respect to Mr. Brian Miller, the fact that he participates in the sales incentive plan described below. The Compensation Policy Committee also increased the maximum awards to 200% of the target award.

Name		Marriott Vacations Worldwide Operating Profit	Marriott Earnings Per Share	Individual Achievement	Marriott Vacations Worldwide Operating Profit Process	Customer Satisfaction	Associate Engagement	Total
Stephen P. Weisz	Weight of Total Award (%)	50.00	10.00	20.00		20.00		100.00
	Target Award as % of Salary	40.00	8.00	16.00		16.00		80.00
	Actual Payout as % of Salary	0.00	13.64	24.00		22.40		60.04
John E. Geller, Jr.	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00		12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	0.00		24.00	8.52	8.36	12.00	52.88
Robert A. Miller	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00		12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	0.00		19.20	16.08	9.91	12.00	57.19
R. Lee Cunningham	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00		12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	0.00		22.80	0.00	7.67	12.00	42.47
Brian E. Miller	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	20.00		10.00	10.00	5.00	5.00	50.00
	Actual Payout as % of Salary	0.00		12.40	0.00	9.19	10.00	31.59
James H Hunter, IV	Weight of Total Award (%)	40.00		20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00		12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	0.00		24.00	12.00	8.36	12.00	56.36

The table below shows the actual payout as a percentage of salary from each of the tables above, as well as the total amount of payout for each named executive officer.

Name	Actual Payout as a % of Salary (Pre-Spin-Off)	Actual Payout as a % of Salary (Post-Spin-Off)	Total Amount of Payout
Stephen P. Weisz	37.51	60.04	$229,134
John E. Geller, Jr.	35.58	52.88	133,131
Robert A. Miller	37.83	57.19	186,732
R. Lee Cunningham	23.55	42.47	80,640
Brian E. Miller	20.66	31.59	129,759
James H Hunter, IV	53.33	56.36	163,533

The Bonus Plan rewarded executives for achievement of pre-established financial objectives, including Marriott Vacations Worldwide s Operating Profit (as defined below) performance and, for Mr. Weisz and for Mr. Hunter (for the period prior to September 23, 2011, the date on which Mr. Hunter ceased reporting to Marriott International s General Counsel and began reporting to Mr. Weisz), Marriott International s earnings per share as reported in its financial statements (Marriott International EPS) performance. Marriott International selected these performance measures because they were important indicators of our operation s profitability and, for Mr. Weisz as a corporate executive and Mr. Hunter, Marriott International profitability. The specific performance level percentages for the Marriott Vacations Worldwide Operating Profit objective were set by Marriott Management with input from Mr. Weisz, and Mr. Weisz had discretion to adjust payouts upward or downward for the other named executive officers under the Marriott Vacations Worldwide Operating Profit component after the financial results were determined; no adjustments were made. The specific performance level percentages for the Marriott International EPS objective were set by the Marriott Compensation Policy Committee in consultation with its compensation consultant based on competitive market data as well as the Marriott Compensation Policy Committee s subjective judgment.

Table of Contents

For all named executive officers, Marriott Vacations Worldwide Operating Profit was the most heavily weighted performance criteria. For the purpose of the Bonus Plan, Marriott Vacations Worldwide Operating Profit was determined under U.S. GAAP, and consists of net income for Marriott International s former timeshare segment before income taxes, including all revenues but less all pre-tax expenses, in all cases adjusted to approximate what those results would have been had our company remained a subsidiary of Marriott International for the full year 2011. Although the calculation of Marriott Vacations Worldwide Operating Profit could be modified during the target-setting process for items that were not expected to have a direct impact on the business in the future, no such modifications were made for 2011. The Marriott Vacations Worldwide Operating Profit target was set at $145.9 million, a level Marriott Management believed to be achievable but not certain to be met. For 2011, named executive officers were eligible to receive the Marriott Vacations Worldwide Operating Profit portion of the bonus based the following achievement levels:

Marriott Vacations Worldwide Operating Profit Achievement vs. Target	Bonus Award	Payout as % of Target (Pre-Spin-Off)	Payout as % of Target (Post-Spin-Off)
Below 90%	No Bonus	0%	0%
100%	Target Bonus	100%	100%
110% and Above	Maximum Bonus	150 to 162.5%	200%

For Mr. Weisz and, for the period prior to September 23, 2011, Mr. Hunter, an additional financial performance measure was Marriott International EPS, calculated in accordance with GAAP, subject to any adjustments specified in the target-setting process. For 2011, Marriott International EPS was adjusted for the Spin-Off, and was set at $1.363539 which the Marriott Compensation Policy Committee believed to be achievable but not certain to be met. For 2011, Mr. Weisz and, for the period prior to September 23, 2011, Mr. Hunter were eligible to receive the Marriott International EPS portion of the bonus based on the following achievement levels:

Marriott International EPS Achievement vs. Target	Component Bonus Award	Payout as % of Target (Pre-Spin-Off)	Payout as % of Target (Post-Spin-Off)
Below 85%	No Bonus	0%	0%
85%	Threshold Bonus	25%	25%
95%	Target Bonus	100%	100%
102% and Above	Maximum Bonus	150 to 162.5%	200%

For both Marriott International EPS and Marriott Vacations Worldwide Operating Profit, if the achievement fell between two of the stated performance achievement levels (including for Marriott Vacations Worldwide Operating Profit between 90% and 100% of target), the payment for that portion of the bonus would have been interpolated between the corresponding bonus levels. For 2011, Marriott International EPS as reported under GAAP was $1.362597, which was 99.93% of the target achievement level and which exceeded the target achievement level but was below maximum, and Marriott Vacations Worldwide Operating Profit was $120.5 million which was 82.6% of the target achievement level and which was below the minimum achievement level. Consequently, for 2011, the named executive officers received no bonus payouts under the Marriott Vacations Worldwide Operating Profit portion of the Bonus Plan and Mr. Weisz and Mr. Hunter received bonus payments between target and maximum for the Marriott International EPS portion of the bonus Plan.

In addition to the financial performance measures, the Bonus Plan for the named executive officers also included performance measures based on individual performance as well as measures of operational performance. These performance measures were evaluated subjectively and, like the Marriott International EPS target and Marriott Vacations Worldwide Operating Profit target, were intended to establish high standards, consistent with Marriott International s quality goals, which were achievable but not certain to be met. Marriott International believed that the following individual and operational performance measures were critical to achieving success within the hospitality and service industry. Payouts under these performance measures could have been zero, at target or maximum award levels or, in most cases, interpolated between zero, target and maximum.

Individual Achievement: A different set of management objectives was established for each of the named executive officers that was aligned to his responsibilities and role within Marriott Vacations Worldwide. The management objectives generally were difficult to accomplish and were among the core duties of the positions. Examples of the types of management objectives were:

Transition the vacation ownership business to an independent public company;

Maintain superior associate engagement levels; and

Continue development of a global points program that positions Marriott Vacations Worldwide for future growth.

Payouts relating to management objectives were determined by the Compensation Policy Committee for Mr. Weisz. Payouts for the other named executive officers were determined by the Compensation Policy Committee based upon

Mr. Weisz s recommendation. These assessments were developed through a rigorous and largely subjective assessment of each named executive officer s qualitative performance across the management objectives for the year. Maximum or above target payouts typically occurred if the named executive officer s overall performance was viewed as superior. For 2011, each named executive officer achieved key individual objectives, resulting in payouts ranging from slightly above-target to, for those who achieved superior performance, maximum, as shown in the table above.

Operating Profit Process: Assessment of Operating Profit Process was based on achievement of Operating Profit against budget for the named executive officer s area of responsibility, for all but Mr. Hunter, thus reflecting intra-segment contributions to the Marriott Vacations Worldwide segment at Marriott International. Mr. Hunter s process profit component was based on managing the Marriott Vacations Worldwide law department administrative budget within or below budget. Achievement of 110% of the target resulted in a maximum component bonus payout; achievement of 100% of the target resulted in a target component bonus payout; and achievement of less than 90% of the target resulted in no component bonus payout. The annual goals were established, based upon the Marriott Vacations Worldwide internal budget, so as to be difficult to accomplish and not certain to be met. For 2011, performance results ranged from being between zero and target performance that corresponded with payouts at or below target. Operating Profit Process performance for the named executive officers met or failed to meet target, except that for Mr. Robert Miller s area performance slightly exceeded target performance as shown in the table above.

Customer/Guest Satisfaction: Assessment of Marriott Vacations Worldwide Customer Satisfaction for the named executive officers was based on the results of Marriott Vacations Worldwide customer and internally developed guest satisfaction surveys, except that for the period prior to September 23, 2011 Mr. Hunter s incentive was based on the assessment described below. Different surveys are used for different aspects of Marriott Vacations Worldwide s business, such as Resort Operations Satisfaction, Sales and Marketing Satisfaction and Owner Services Satisfaction. These surveys address topics such as overall satisfaction, quality of service, and cleanliness of properties. Numerical ratings are assigned with the objective of assessing customers and guests overall satisfaction compared to the goal that is established at the beginning of each year. Named executive officers are evaluated based on survey responses for the business operations that they support: Messrs. Weisz, Geller, Cunningham and Robert Miller and, for the period on and after September 23, 2011, Mr. Hunter, were evaluated based on consolidated results under the Resort Operations Satisfaction, Sales and Marketing Satisfaction and Owner Services Satisfaction surveys, weighted based on the number of respondents for each survey, and in the case of Messrs. Cunningham and Miller based only on responses for the geographic regions they support, while Mr. Brian Miller was evaluated based on results of the Sales and Marketing Satisfaction and Owner Services Satisfaction surveys. Achievement of 102% of the target resulted in a maximum component bonus payout; achievement of 100% of the target resulted in a target component bonus payout; and achievement of 95% of the target or less resulted in no payout under this component of the Bonus Plan. For 2011, the target was set at a level above the prior year s target and the prior year s actual survey result. Survey results for 2011 reported increased customer satisfaction, and that achievement was above target, resulting in each of the named executive officers receiving a payout on this bonus criteria that was between target and maximum, as reflected in the chart above. With respect to Mr. Hunter s incentive for the period prior to September 23, 2011, assessment of Marriott Guest Satisfaction was based on the company-wide satisfaction survey results of Marriott International guests for the year compared to pre-established goals, which is based on a compilation of survey results from numerous satisfaction surveys across Marriott International s businesses. Achievement of 100.1% or greater of the target resulted in a maximum component bonus payout; achievement of 99% of the target resulted in a target component bonus payout; achievement of 97% of the target resulted in threshold payment; and achievement of less than 97% resulted in no payout under this component of the Bonus Plan. For 2011, survey results used to determine Mr. Hunter s bonus payout reflected performance that corresponded with a payout between target and maximum.

Associate Engagement: Assessment of Associate Engagement for the named executive officers (other than Mr. Hunter for the period prior to September 23, 2011) was based on Marriott Vacations Worldwide s engagement assessment for their areas of responsibility compared to the Hewitt benchmarks of Consumer Services and Best Employer, adjusted for geographic differentials. For Mr. Hunter, for the period prior to September 23, 2011, assessment of Associate Engagement was based on Marriott International s engagement assessment compared to the Hewitt benchmarks of Professional Services and Best Employer, adjusted for geographic differentials. For 2011, performance results corresponded with payouts at maximum.

Table of Contents

Sales Incentive

Reflecting the significance of customer relations and sales functions to our business and industry practice, Mr. Brian Miller also has been compensated through a sales incentive arrangement (Incentive Plan) under which he was compensated based on our achievement of pre-established sales volume and cash marketing and selling goals. The amount of the sales incentive was established based upon Marriott International s assessment of competitive pay practices in the timeshare industry and marketing and sales functions.

Payouts under the Incentive Plan could have been zero, at target or maximum award levels or interpolated between zero, target and maximum. We report the potential payments under the Incentive Plan for 2011 in the Grants of Plan-Based Awards for Fiscal Year 2011 table, and we include the actual amount paid to Mr. Brian Miller under the Incentive Plan for 2011 in the non-equity incentive plan compensation column in the Summary Compensation Table following this Compensation Discussion and Analysis. The cash flow measures used for determining payouts under the Incentive Plan related to timeshare sales volume (representing 40% of the Incentive Plan amount), timeshare cost (representing 50% of the Incentive Plan amount) and Marketing & Sales corporate overhead (representing 10% of the Incentive Plan amount). Mr. Brian Miller is expected to be eligible for a sales incentive for sales performance for 2012 based on company sales metrics such as net sales volume and cash marketing and selling costs. The amount of the incentive will be recommended by Mr. Weisz and approved by the Compensation Policy Committee.

Bonuses in Connection with the Spin-Off

On December 5, 2011, in recognition of contributions of the named executive officers to the completion of the Spin-Off, the Compensation Policy Committee approved the following cash compensation to the named executive officers: Mr. Weisz, $100,000; Mr. Geller, $100,000; Mr. Robert Miller, $50,000; Mr. Cunningham $50,000; Mr. Brian Miller, $50,000; and Mr. Hunter, $100,000. These awards are included in the Summary Compensation Table.

Stock Awards

Stock Awards in connection with the Spin-Off

On December 5, 2011, the Compensation Policy Committee approved aggregate values of certain awards under the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (the Marriott Vacations Worldwide Stock Plan) in connection with the Spin-Off for a group of employees, including the named executive officers. The size of the awards reflects that the Compensation Policy Committee does not currently intend to approve the grant of additional equity awards under the Marriott Vacations Worldwide Stock Plan to the named executive officers in 2012. The Compensation Policy Committee approved allocating 40 percent of the awards for the named executive officers as restricted stock units (RSUs), 30 percent as stock appreciation rights (SARs) and 30 percent as performance-based stock units (Performance Units). The allocations were set so as to advance the executives alignment with shareholders by increasing their equity ownership, while tying a majority of the awards to future stock price performance and achievement of financial performance goals. The RSUs and the SARs were granted on December 15, 2011 and will vest in installments of 25% on the first, second, third and fourth anniversaries of the grant date.

The Performance Units were approved on March 12, 2012 and granted on March 16, 2012 and represent the right to receive shares of our common stock at the end of the performance period beginning December 31, 2011 and ending January 2, 2015 (the Performance Period), in an amount determined based on our company s cumulative achievement over the Performance Period with respect to two performance objectives: Adjusted EBITDA and return on invested capital; provided, that Performance Units will not vest if the named executive officer does not continue to be an active employee of our company during the entire period from the grant date through the Performance Period or engages in competition or acts that are or potentially are injurious to our company s operations, financial condition or business reputation; the named executive officers are also prohibited from soliciting any of our employees to leave our employment during the period from the grant date until the first anniversary of the termination of the officer s employment for any reason. The number of Performance Units actually earned will be determined following the end of the Performance Period and shall be equal to 50% of the granted number of Performance Units multiplied by a percentage corresponding to the achievement level of the Adjusted EBITDA performance objective *plus* 50% of the granted number of Performance Units multiplied by a percentage corresponding to the achievement level of the return on invested capital performance objective.

Other than the Performance Units (which were granted in 2012), these awards are included in the Summary Compensation Table and are also reported in the Grants of Plan-Based Awards for Fiscal Year 2011 Table below. For the named executive officers, the aggregate values of the equity awards approved by the Compensation Policy Committee were as follows:

Table of Contents

Name	Spin-Off Stock Award Values
Stephen P. Weisz	$ 3,100,000
John E. Geller, Jr.	1,300,000
Robert A. Miller	550,000
R. Lee Cunningham	550,000
Brian E. Miller	475,000
James H Hunter, IV	700,000

Annual Stock Awards

Marriott International granted equity compensation awards to the named executive officers under the Marriott International Stock Plan on an annual basis. With four-year vesting conditions and the opportunity for long-term capital appreciation, the annual stock awards helped Marriott International achieve its objectives of attracting and retaining key executive talent, linking named executive officer pay to long-term Marriott International performance and aligning the interests of named executive officers with those of Marriott International s shareholders.

The named executive officers stock awards for 2011 were granted on February 17, 2011, in the form of RSUs and SARs. For 2011, the named executive officers were permitted to express a preference for receiving their equity awards as all RSUs, all SARs or an equal mix (based on grant date fair value) of RSUs and SARs. Similar to options, 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. Marriott International believed that giving the officers this choice of awards has provided significant reward potential and flexibility to meet the officers individual financial planning profiles and needs, thus enhancing the retention and competitive compensation elements of its compensation programs.

Annual stock award values were set, in the case of Mr. Weisz, by reference to the 50th percentile of the external market data, and in the case of the other named executive officers, based primarily on internal pay equity and position within Marriott International. For the named executive officers other than Mr. Weisz, Marriott International used market data generally to determine stock award ranges for position levels company-wide, and Mr. Weisz and the Marriott Human Resources Department recommended individual award amounts within these ranges. The annual stock award values for 2011 were as follows:

Name	2011 Annual Stock Award Values
Stephen P. Weisz	$ 750,149
John E. Geller, Jr.	400,069
Robert A. Miller	300,092
R. Lee Cunningham	280,201
Brian E. Miller	280,162
James H Hunter, IV	275,064

Equity Compensation Policies

The Compensation Policy Committee adopted stock ownership guidelines for our executive officer and directors. Under these guidelines, executive officers are to achieve the following levels of (as a multiple of base salary rate as of the last day of the fiscal year for which compliance is being evaluated): Chief Executive Officer, five times; Chief Operating Officer, three times; and all other executive officers, two times. Directors are to achieve ownership of stock with a value equal to five times their cash retainer for the fiscal year for which compliance is being evaluated. Executive officers and directors who served in such capacity at the time of the Spin-Off are expected to achieve compliance by the end of 2016; other executive officers and directors are expected to achieve compliance by the end of their fifth full year of service. The Compensation Policy Committee will receive an annual report of the ownership achieved by each executive officer and director as of the end of the fiscal year, with the achievement level determined by reference to the average of the closing prices of our common stock for the 20 trading days ending on the last trading day of the fiscal year. The Compensation Policy Committee will determine the action to be taken for failure to comply, which action may include (but is not limited to), requiring all or a portion of an executive officer s annual bonus to be paid in shares, or requiring retention of shares received upon exercise of stock options or SARs or of shares earned upon the vesting of performance shares.

Table of Contents

Other Compensation

Perquisites

In 2011, we offered limited perquisites that made up a very small portion of total compensation for named executive officers. The value of these benefits was included in the executives wages for tax purposes, and we did not provide tax gross-ups to the executives with respect to these benefits. Following the Spin-Off, we eliminated most of these perquisites.

Other Benefits

Named executive officers also can participate in the same plans and programs offered to all our eligible employees. Some of these benefits were 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, and health care and dependent care spending accounts. Other benefits were paid for or subsidized by us or by Marriott International prior to the Spin-Off, such as the 401(k) company match, certain group medical and dental benefits, $50,000 free life insurance, business travel accident insurance and tuition reimbursement.

Nonqualified Deferred Compensation Plan

We offer a 401(k) plan that is intended to be tax-qualified, and prior to the Spin-Off, our named executive officers were able to participate in Marriott International s tax-qualified 401(k) plan. In addition, Marriott International offered the named executive officers and other senior management the opportunity to supplement their retirement and other tax-deferred savings under the Marriott International, Inc. Executive Deferred Compensation Plan (Marriott Deferred Compensation Plan). The Marriott Compensation Policy Committee believed that offering this plan to executives was critical to achieve the objectives of attracting and retaining talent, particularly because Marriott International did not offer a defined benefit pension plan. Our company has not adopted a plan similar to the Marriott Deferred Compensation Plan or other deferred compensation plan for our executives.

Change in Control

Under the Marriott Vacations Worldwide Stock Plan, equity and cash awards are subject to double trigger change in control provisions, under which vesting and/or settlement is accelerated in connection with a change in control only if the participant s employment is terminated in connection with the change in control or the awards are not assumed in connection with the change in control. Accordingly, upon a change in control of our company resulting from consummation of certain acquisition, merger, sale, liquidation or similar events or a change in a majority of Board members as defined under the Marriott Vacations Worldwide Stock Plan, a participant who is involuntarily terminated by us other than for his or her misconduct on or during the twelve months following the change in control will immediately upon termination vest in all unvested equity awards and cash performance-based awards. In those circumstances, all options and SARs will be exercisable until 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. In addition, all other cash performance-based awards and other share-based awards subject to performance-based vesting shall be fully vested as of the participant s termination and be paid out immediately thereafter based on a target level of performance, pro rated for the days of such performance period through the date of the termination. However, in the event that no substitute awards, shares or other equity interests are available as of the change of control, the participant will become fully vested in his or her awards as of the change in control date, and all awards will be immediately distributed or paid, or, in the case of options and SARs, fully exercisable. In the discretion of the Compensation Policy Committee, distributions may be made in the form of a cash payment equal in amount to the shares distributed or, in the case of options or SARs, the intrinsic value of such awards. The benefits described in this paragraph are subject to a cut-back, so that no such benefits will be provided to the extent they would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provision of the Internal Revenue Code.

Clawbacks

The Marriott Vacations Worldwide Stock Plan includes a clawback provision that applies to all equity awards issued to all of the named executive officers. Under the Marriott Vacations Worldwide Stock Plan, we have the authority to limit or eliminate the ability of any executive to exercise options and SARs or to receive a distribution of our common stock under RSUs or other stock awards if the executive engaged in criminal or tortious conduct that was injurious to us or engaged in competition with us.

Table of Contents

Compensation Consultants

We engaged Exequity LLP to advise us on developing director and executive compensation programs. Exequity now reports to the Compensation Policy Committee and serves as its independent compensation consultant. During 2011, Exequity did not perform any services for our company other than in connection with providing advice and recommendations on executive and director compensation. For 2011, the Marriott Compensation Policy Committee selected and retained Pearl Meyer & Partners to assist the Marriott Compensation Policy Committee in establishing and implementing executive and director compensation strategy. That consultant reported to and was instructed in its duties by the Marriott Compensation Policy Committee and carried out its responsibilities in coordination with Marriott International s Human Resources Department. Other than providing executive compensation survey data to Marriott International as described below, its consultant performed no other services for Marriott International.

Market Data

The Compensation Policy Committee has considered the external market pay practices of various companies for purposes of the compensation decisions that it has made to date. We expect the Compensation Policy Committee to work with Exequity to develop a group of companies for assessing external market pay practices for purposes of determining the compensation of our executives.

In assessing external market pay practices for purposes of determining the compensation of Marriott International executives, including Mr. Weisz, Marriott International for 2011 utilized several broad, revenue-based surveys as well as a custom survey of companies specifically selected by the Marriott Compensation Policy Committee. The Marriott Compensation Policy Committee believed, based on the advice of its compensation consultant, that the companies participating in the revenue-based and custom surveys represented the broad pool of executive talent for which Marriott International competes. In general, the revenue-based surveys used as a market reference included companies with median annual revenues ranging from $10 billion to $20 billion. For 2011, 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*. Individual companies in the revenue-based surveys were not considered in connection with compensation decisions for the named executive officers.

The custom survey consisted of consumer product and service companies selected by the Marriott Compensation Policy Committee on the basis of their similarity to Marriott International on a number of financial metrics and based on their shared emphasis on customer service and brand image. The metrics used for selecting the custom survey companies for 2011 included annual revenue, annual net income, total assets, market capitalization, enterprise value and number of employees. Other factors considered were performance measures such as revenue growth, net income growth, EPS growth, return on equity and total shareholder return. The Marriott Compensation Policy Committee did not apply specific weights to these factors. For 2011, the companies in the custom survey included:

AMR	H.J. Heinz	McDonalds	Walt Disney
Colgate-Palmolive	Hyatt Hotels	MGM Resorts International	Wyndham
Darden Restaurants	J.C. Penney	Nordstrom	Yum! Brands
FedEx	Kellogg	Royal Caribbean Cruises	
General Mills	Kimberly-Clark	Starwood Hotels & Resorts	

The list of Marriott International s custom survey companies was the same as in 2010 except for the removal of American Express and Target and the addition of Hyatt Hotels, MGM Resorts International and Royal Caribbean Cruises. These changes were made to include more companies in the hospitality industry.

Tax Considerations

Internal Revenue Code Section 162(m) limits a public company s federal income tax deduction for compensation in excess of one million dollars paid to its Chief Executive Officer and the next three highest-paid executive officers (except for the Chief Financial Officer). However, compensation that satisfies conditions set forth under Section 162(m) to qualify as performance-based compensation is not subject to the limitation. SARs and some other forms of compensation granted under the Marriott Vacations Worldwide Stock Plan can be designed to qualify as performance-based compensation. We intend to consider the application of the Section 162(m) limits when structuring and granting various elements of compensation. However, we may determine that the value of preserving the ability to structure compensation programs to meet a variety of corporate objectives, such as equity dilution management, workforce planning, customer satisfaction and other non-financial business requirements, justifies the cost of potentially being unable to deduct a portion of the executives compensation.

87

Table of Contents

Risk Considerations

The Marriott Compensation Policy Committee reviewed a risk assessment to determine whether the amount and components of compensation for Marriott International employees, including Marriott Vacations Worldwide employees, and the design of compensation programs might create incentives for excessive risk-taking by Marriott International employees. The Marriott Compensation Policy Committee concluded that Marriott International s compensation programs, including those applicable to our company, encouraged its employees, including executives and officers, to remain focused on a balance of short- and long-term operational and financial goals, and thereby reduced the potential for actions that involved an excessive level of risk.

Employment Agreements

We do not have any employment agreements with the named executive officers.

Changes in Compensation for 2012

2012 Bonus Plan

In March 2012, the Compensation Policy Committee adopted the Bonus Plan for 2012 (the 2012 Bonus Plan). The 2012 Bonus Plan is intended to reward executives for achievement of pre-established financial objectives, including Adjusted EBITDA (as defined below) and Development Margin (as defined below) performance. These performance measures have been selected because they are important indicators of our company s profitability. The specific performance level percentages for the Adjusted EBITDA and Development Margin objectives were set by the Compensation Policy Committee in consultation with its compensation consultant with input from Mr. Weisz.

For executives who are the named executive officers as of the close of the taxable year, awards under the 2012 Bonus Plan also will be contingent upon a compensation formula based on Adjusted EBITDA. Under the formula used to establish the award pool, the maximum amount that can be paid to executive officers covered by the compensation formula as a group will be five percent of Adjusted EBITDA for the fiscal year ended December 28, 2012. The maximum award for Mr. Weisz, as the Chief Executive Officer, will be equal to 40 percent of this pool, and the maximum amount that could be paid to each of the remaining named executive officers covered by the compensation formula will be 15 percent of the pool. In addition, individual award amounts will be limited to the shareholder-approved maximum of $4 million as provided in the Marriott Vacations Worldwide Stock Plan. These limits establish the maximum annual incentive awards that can be paid; the Compensation Policy Committee retains complete discretion to pay any lesser amounts.

For all named executive officers, Adjusted EBITDA will be the most heavily weighted performance criteria. Adjusted EBITDA means earnings (as reported in our financial statements) for the 2012 fiscal year, excluding the impact of non-consumer financing interest expense, provision for income taxes, depreciation and amortization and restructuring charges. Adjusted EBITDA shall include the impact of interest expense associated with our debt from the securitization of our notes receivable including the utilization of our Warehouse Credit Facility. The Adjusted EBITDA target was set at $125 million, a level we believe to be achievable but not certain to be met. For 2012, named executive officers will be eligible to receive the Adjusted EBITDA portion of the bonus based on the following achievement levels:

Adjusted EBITDA Achievement vs. Target	Bonus Award	Payout as % of Target
Below 90%	No Bonus	0%
100%	Target Bonus	100%
115% and Above	Maximum Bonus	200%

An additional financial performance measure is Development Margin. The Development Margin target for 2012 was set at 12.0%, which we believe to be achievable but not certain to be met. Development Margin means the sale of vacation ownership products, net of expenses, that represents revenue from the sale of vacation ownership products, less vacation ownership product costs and marketing and sales costs. For 2012, the named executive officers will be eligible to receive the Development Margin portion of the bonus based on the following achievement levels:

Development Margin Achievement vs. Target	Bonus Award	Payout as % of Target
Below 90%	No Bonus	0%

100%	Target Bonus	100%
110% and Above	Maximum Bonus	200%

Table of Contents

For both Adjusted EBITDA and Development Margin, if the achievement falls between two of the stated performance achievement levels, the payment for that portion of the bonus will be interpolated between the corresponding bonus levels.

In addition to the financial performance measures, the 2012 Bonus Plan for the named executive officers also includes performance measures based on individual performance as well as measures of operational performance. These performance measures will be evaluated subjectively and, like Adjusted EBITDA and Development Margin targets, are intended to establish high standards, consistent with our company s quality goals, which we believe are achievable but not certain to be met. We believe that the following individual and operational performance measures are important contributors to achieving success within our industry. Payouts under these performance measures can be zero, at target or maximum award levels or, in most cases, interpolated between zero, target and maximum.

- Individual Achievement: A different set of management objectives was established for each of the named executive officers that was aligned to his responsibilities and role within our company. The management objectives generally are expected to be difficult to accomplish and are among the core duties of the positions. Examples of the types of management objectives are:
    - Pursue alternate systems solutions that better align to mid-market stand-alone company;
    - Ensure continued superior associate engagement; and
    - Institutionalize stand-alone company capabilities.
- Customer/Guest Satisfaction: Customer satisfaction will be based on the results of our internally developed customer and guest satisfaction surveys. Different surveys are used for different aspects of our business, such as Guest Satisfaction for Resort Operations, Sales and Marketing Satisfaction and Owner Services Satisfaction. These surveys address topics such as overall satisfaction, quality of service, and cleanliness of properties. Numerical ratings are assigned with the objective of assessing customers and guests overall satisfaction compared to the goal that is established at the beginning of each year. The executive officers will be evaluated based on survey responses for the business operations that they support. The achievement of all executive officers, with the exception of the Executive Vice President and Chief Resort Experience Officer and the Executive Vice President and Chief Sales and Marketing Officer, will be based on a composite score of the three satisfaction surveys for the business they support. The composite is a weighted average of the three surveys, based on number of responses. The achievement of the Executive Vice President and Chief Resort Experience Officer is based on Guest Satisfaction only. The achievement of the Executive Vice President and Chief Sales and Marketing Officer is based upon the weighted average of the Sales and Marketing Satisfaction survey and the Owner Services Satisfaction survey, weighted based on the number of responses.
- Associate Engagement: Assessment of our associate engagement for the executive officers will be based on our engagement assessment for their areas of responsibility compared to the Aon Hewitt benchmarks of Consumer Services and Best Employer, adjusted for geographic differentials.

Change in Control Severance Plan

In March 2012, our Board, upon recommendation of the Compensation Policy Committee, adopted the Marriott Vacations Worldwide Corporation Change in Control Severance Plan and the form of Participation Agreement (a Participation Agreement) for Change in Control Severance Plan (together, the Change in Control Plan). Adoption of the Change in Control Plan is intended to maximize shareholder value by retaining key executives through the closing of a Change in Control (as defined in the Change in Control Plan), and to motivate executives to drive business success independent of the possible occurrence of a Change in Control.

Under the terms of the Change in Control Plan, and subject to the conditions thereof, an executive of the Company who is eligible to, and does, execute a Participation Agreement (a Participating Executive) will receive severance benefits if his or her employment is terminated involuntarily by the Company or any of its affiliates, other than due to Cause, Total Disability (as those terms are defined in the Change in Control Plan), or death, or is terminated by the Participating Executive for Good Reason (as defined in the Change in Control Plan), in each case, within two years following a Change in Control of the Company (a Termination). Provided that a Participating Executive executes a waiver and release of claims in favor of the Company, the Participating Executive will be entitled to the following severance benefits: (1) a cash severance payment, payable in a lump sum, equal to two times (or three times, in the case of the President and Chief Executive Officer of the Company) the sum of the Participating Executive s Base Salary and Target Bonus (as

Table of Contents

those terms are defined in the Change in Control Plan); (2) twenty-four months (or thirty-six months, in the case of the President and Chief Executive Officer of the Company) of Company-subsidized medical, dental and life-insurance coverage for such Participating Executive and such Participating Executive s spouse and dependents, at the same benefit level as provided to the Participating Executive immediately prior to the Change in Control, or the cash equivalent of the present value of such coverage; (3) any unpaid Base Salary through the Termination date; (4) any unpaid bonus as of the Termination date for any previously-completed fiscal year; (5) a pro-rata bonus for the fiscal year in which the Participating Executive s employment is terminated; and (6) reimbursement of any unreimbursed expenses properly incurred. Each of our named executive officers is eligible to execute a Participation Agreement, although no Participation Agreements have been entered into as of the date of this Report.

In addition to receipt of the severance benefits listed above, upon Termination, the Participating Executive s stock options and other equity-related compensation shall be treated as follows: (1) all restricted stock, RSUs or other share-based awards in a form substantially similar to restricted stock or RSUs shall become fully vested as of the Termination date; (2) all unvested or unexercisable options, SARs or other share-based awards in a form substantially similar to options or SARs shall become fully vested and exercisable until the earlier of the end of (a) their original term or (b) 12 months (or in the case of certain approved retirees, five years) following the Termination date; and (3) all of the Participating Executive s other cash performance-based awards or other share-based awards subject to performance-based vesting criteria shall be deemed to be fully vested as of the Termination date, and shall be paid immediately thereafter based on a presumed achievement of target levels of performance.

Any payment otherwise due under the Change in Control Plan shall be reduced if necessary so that the payment will not constitute a parachute payment under Section 280G of the Internal Revenue Code. Change in Control Plan does not provide for a gross-up of excise taxes on such parachute payments.

Executive Compensation Tables and Discussion

The following tables contain compensation information for our Chief Executive Officer and certain other executive officers who, based on compensation from Marriott Vacations Worldwide after the Spin-Off and from Marriott International prior to the Spin-Off, were the most highly compensated executive officers for 2011 (the named executive officers).

Summary Compensation Table

The following Summary Compensation Table shows the compensation we paid in fiscal years 2011, 2010 and 2009 to our Chief Executive Officer, our Chief Financial Officer, and our other four most highly compensated executive officers as of December 30, 2011.

Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Stock Awards(2)	Option/ SAR Awards(2)	Non-Equity Incentive Plan Compensation (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4)	All Other Compensation (5)	Total
Stephen P. Weisz	2011	$ 585,941	$ 100,000	$ 1,990,156	$ 929,998	$ 229,134	$ 17,106	$ 20,065	$ 3,872,400
President and Chief	2010	551,144		375,053	375,064	436,231	11,737	14,700 (6)	1,763,929
Executive Officer	2009	541,000		225,030			159	11,025	777,214
John E. Geller, Jr.	2011	351,566	100,000	920,073	390,004	133,131	1,813	23,294	1,919,881
Executive Vice President	2010	329,375		325,068		222,987	1,055	12,499	890,984
and Chief Financial Officer	2009	325,000				162,500	207	169,104	656,811
Robert A. Miller	2011	465,085	50,000	520,091	164,997	186,732	76,992	7,963	1,417,860
Executive Vice President	2010	447,043		250,035		306,090	53,593	11,025(6)	1,067,786
and Chief Operating Officer - International	2009	441,105					41,892	11,025	494,022
R. Lee Cunningham	2011	310,616	50,000	360,162	305,035	80,640	6,214	15,063	1,127,730

Executive Vice President	2010	292,637		112,602	112,540	182,664	4,229	11,700[6]	716,372
and Chief Operating	2009	288,750				42,591	44	11,025	342,410
Officer North America									
and Caribbean									
James H Hunter IV	2011	304,380	100,000	417,553	347,515	163,533	817	13,164	1,346,962
Executive Vice President	2010	284,888		250,057		169,736	493	10,330	715,504
and General Counsel	2009	265,000				66,250	3	11,025	342,278
Brian E. Miller	2011	526,976	50,000	470,159	142,500	134,770	6,120	38,118	1,368,643
Executive Vice President	2010	566,033		215,056		585,026	3,834	12,232	1,382,181
and Chief Sales and	2009	538,125				130,801	68	11,025	680,019
Marketing Officer									

90

(1) This column reports all amounts earned as salary during the fiscal year, whether paid or deferred under other employee benefit plans. Mr. Brian Miller s salary includes a fixed incentive component that is payable in accordance with regular payroll practices. For 2010, Mr. Brian Miller should have received a fixed incentive of $279,335 but due to administrative error he instead received $300,000. The amount of the overpayment of $20,665 was withheld from his 2011 incentive payment of $25,676.

(2) The value reported for Stock Awards and Option/SAR awards is the aggregate grant date fair value of the awards granted in the fiscal year as determined in accordance with accounting guidance for share-based payments, although we recognize the value of the awards for financial reporting purposes over the service period of the awards. The assumptions for making the valuation determinations are set forth in Footnote No. 16, Share-Based Compensation, of the Notes to our Financial Statements included in this Annual Report. For additional information on these awards, see the Grants of Plan-Based Awards for Fiscal Year 2011 table below. The named executive officers, together with other eligible Marriott International associates, received their 2009 equity awards in 2008; as a result, those awards are not reflected in this summary compensation table. The Distribution Awards (as defined below) did not result in any increase in aggregate fair value of the underlying Marriott International awards, and as a result are not reflected in this table except to the extent the underlying Marriott International award was granted during 2011.

(3) This column reports all amounts earned under the Bonus Plan during the fiscal year, whether paid or deferred under other employee benefit plans. Amounts earned under the Bonus Plan during a fiscal year were paid in the first quarter of the following fiscal year. This column also includes $5,011 paid to Mr. Brian Miller under his sales incentive plan, which reflects the $25,676 he earned under that plan, less the $20,665 we withheld as a result of an overpayment to him in 2010.

(4) The values reported equal the excess of the return on amounts credited to accounts in the Marriott Deferred Compensation Plan at the annually designated rate of return over 120% of the applicable federal long-term rate, as discussed below under Nonqualified Deferred Compensation for Fiscal Year 2011.

(5) All Other Compensation for 2011 consists of company contributions to Marriott International s qualified 401(k) plan and to the Marriott Deferred Compensation Plan, of which the deferred compensation contributions for Messrs. Weisz, Geller and Brian Miller were $12,103, $15,331, and $27,705. The values in this column do not include perquisites and personal benefits that were less than $10,000 in aggregate for each named executive officer. For 2009, Mr. Geller received compensation in the amount of $77,553 for relocation to California for a position with Marriott International, and $80,526 for his subsequent relocation to our company s headquarters in Orlando, Florida in connection with his promotion to Executive Vice President and Chief Financial Officer of our company.

(6) Includes $2,120 received by each of Mr. Weisz, Mr. Robert Miller and Mr. Cunningham in 2011 with respect to a contribution made by Marriott International under the 401(k) plan that was not previously reported.

Table of Contents

Grants of Plan-Based Awards for Fiscal Year 2011

The following table shows the plan-based awards granted to the named executive officers in 2011. The Distribution Awards did not result in any increase in the aggregate fair value of the underlying Marriott International awards, and as a result are not reflected in this table except to the extent the underlying Marriott International award was granted during 2011.

Name	Award Type(1)	Grant Date(2)	Approval Date(2)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(3) Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock Or Units	All Other Option/SAR Awards: Number of Securities Underlying Options/SARs	Exercise Or Base Price(4)	Closing Price on Grant Date ($/sh) (4)	Grant Date Fair Value of Stock and Option/SAR Awards(5)
S. Weisz	MAR Bonus			$ 76,156	$ 304,626	$ 456,939			$		$
	VAC Bonus				62,585	125,169					
	MAR RSUs	2/17/2011	2/10/2011				18,368				750,149
	VAC RSUs	12/15/2011	12/5/2011				66,955				1,240,007
	VAC SARs	12/15/2011	12/5/2011					106,529	18.52	18.39	929,998
J. Geller	MAR Bonus				152,533	228,799					
	VAC Bonus				27,900	55,800					
	MAR RSUs	2/17/2011	2/10/2011				9,796				400,069
	VAC RSUs	12/15/2011	12/5/2011				28,078				520,005
	VAC SARs	12/15/2011	12/5/2011					44,674	18.52	18.39	390,004
R. Miller	MAR Bonus				204,677	307,016					
	VAC Bonus				33,438	66,877					
	MAR RSUs	2/17/2011	2/10/2011				7,348				300,092
	VAC RSUs	12/15/2011	12/5/2011				11,879				219,999
	VAC SARs	12/15/2011	12/5/2011					18,900	18.52	18.39	164,997
R.Cunningham	MAR Bonus				108,416	176,175					
	VAC Bonus				23,746	47,492					
	MAR RSUs	2/17/2011	2/10/2011				3,432				140,163
	MAR SARs	2/17/2011	2/10/2011					8,880	38.49	40.96	140,038
	VAC RSUs	12/15/2011	12/5/2011				11,879				219,999
	VAC SARs	12/15/2011	12/5/2011					18,900	18.52	18.39	164,997
J. Hunter	MAR Bonus			26,538	106,152	172,497					
	VAC Bonus				23,400	46,800					
	MAR RSUs	2/17/2011	2/10/2011				3,368				137,549
	MAR SARs	2/17/2011	2/10/2011					8,720	38.49	40.96	137,515
	VAC RSUs	12/15/2011	12/5/2011				15,119				280,004
	VAC SARs	12/15/2011	12/5/2011					24,055	18.52	18.39	210,000
B. Miller	MAR Bonus				200,520	492,741					
	VAC Bonus				33,058	101,461					
	MAR Incentive				179,735	256,764					
	VAC Incentive				23,373	33,495					
	MAR RSUs	2/17/2011	2/10/2011				6,860				280,162
	VAC RSUs	12/15/2011	12/5/2011				10,259				189,997
	VAC SARs	12/15/2011	12/5/2011					16,323	18.52	18.39	142,500

(1) MAR Bonus refers to the Marriott International Bonus Plan in which our named officers participated prior to the Spin-Off. VAC Bonus refers to our Bonus Plan in which our named executive officers participated after the Spin-Off. MAR Incentive and VAC Incentive refer to the sales incentive plan in which Mr. Brian Miller participated before and after the Spin-Off, respectively. MAR RSUs and MAR SARs refer to RSUs and SARs, respectively, issued under the Marriott International Stock Plan. The number of shares and exercise prices reported for MAR RSUs and MAR SARs reflect the terms of the awards and the value of the awards on the date they were granted by Marriott International and do not reflect subsequent adjustments that were made pursuant to the terms of the Marriott International Stock Plan and the awards to reflect the effect of the Spin-Off. For additional information on the effect of such adjustments, see the Outstanding Equity Awards at 2011 Fiscal Year End table below. VAC RSUs refer to RSUs issued under the Marriott Vacations Worldwide Stock Plan following the Spin-Off.

(2) Grant Date applies to equity awards reported in the All Other Stock Awards and All Other Option/SAR Awards columns. As discussed in the Compensation Discussion and Analysis, our board approved grants for the named executive officers on December 5, 2011, and the grant date of these awards was December 15, 2011. The Marriott International board approved the annual stock awards at its February 10, 2011 meeting. Pursuant to Marriott International s equity compensation grant procedures described in the Compensation Discussion and Analysis, the grant date of these awards was February 17, 2011, the second trading day following the release of Marriott International s 2010 earnings.

(3) The amounts reported in these columns include potential payouts corresponding to the achievement of the target and maximum performance objectives under the Bonus Plan and Incentive Plan, pro-rated for the period of services under each arrangement for periods prior to the Spin-Off (January 1, 2011 to November 18, 2011) and after the Spin-Off (November 19, 2011 to December 30, 2011). For Mr. Weisz and Mr. Hunter, the amounts reported also include potential payouts corresponding to the achievement of the threshold performance objective under their respective components of the Bonus Plan.

(4) The awards were granted with an exercise or base price equal to the average of the high and low stock price on the NYSE on the date of grant.

(5) The value reported for Stock Awards and Option/SAR awards is the aggregate grant date fair value of the awards granted in 2011 as determined in accordance with accounting standards for share-based payments, although the value of the awards is recognized for financial reporting purposes over the service period of the awards. The assumptions for making the valuation determinations for awards granted by Marriott International are set forth in Footnote No. 3, Share-Based Compensation, of the financial statement notes in the Marriott International Form 10-K for the 2011 fiscal year and for awards granted by our company, are set forth in Footnote No. 16, Share-Based Compensation, of the Notes to our annual Financial Statements included in this Annual Report.

Table of Contents

The Grants of Plan-Based Awards table reports the potential dollar value of cash incentive awards under the Bonus Plan and/or Incentive Plan at their target and maximum achievement levels (and, for Mr. Weisz and Mr. Hunter, threshold achievement level), and the number and grant date fair value of RSUs and SARs granted under the Marriott Vacations Worldwide Stock Plan and the Marriott International Stock Plan to each named executive officer during the 2011 fiscal year. For cash incentives, this table reports the range of potential amounts that could have been earned by the executive under the Bonus Plan and/or Incentive Plan for 2011, pro-rated for the period of service under each arrangement for periods prior to and after the Spin-Off, whereas the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table reports the actual value earned by the executive for 2011.

Effective as of the completion of the Spin-Off, all holders of Marriott International RSUs on the November 10, 2011 record date for the Spin-Off received RSUs under the Marriott Vacations Worldwide Stock Plan in an amount consistent with the Distribution Ratio of one share of our common stock distributed in the Spin-Off for every ten shares of Marriott International common stock, with terms and conditions substantially similar to the terms and conditions applicable to the Marriott International RSUs. Also, effective as of the completion of the Spin-Off, the holders of Marriott International stock options and SARs on the record date received stock options and SARs under the Marriott Vacations Worldwide Stock Plan, in an amount consistent with the Distribution Ratio, with terms and conditions substantially similar to the terms and conditions applicable to the Marriott International stock options and SARs. We refer to the awards made pursuant to the Marriott Vacations Worldwide Stock Plan with respect to these Marriott International awards as the Distribution Awards. The adjusted exercise price of each converted award was determined in order to preserve the aggregate intrinsic value of the stock options and SARs held by such persons. The exercise prices of Marriott International awards were adjusted based on the proportion of the Marriott International ex-distribution closing stock price to the sum of the total of the Marriott International ex-distribution and Marriott Vacations Worldwide when issued closing stock prices on the distribution date. The per share exercise price of each such Marriott Vacations Worldwide Stock Plan converted award is equal to the proportion of the Marriott Vacations Worldwide when issued closing stock price on the distribution date to the sum of the total of the Marriott International ex-distribution and Marriott Vacations Worldwide when issued closing stock prices on the distribution date. With respect to each of the awards described above, after November 21, 2011, service with Marriott International and/or our company will be treated as continuous service with respect to the awards. Thus, the vesting, exercisability and forfeiture of the awards generally will be determined taking into account all such service, including eligibility to be considered an approved retiree.

Annual SAR and RSU grants under the Marriott Vacations Worldwide Stock Plan and the Marriott International Stock Plan typically vest 25% on each of the first four anniversaries of their grant date, contingent on continued employment. Even when vested, an executive could lose the right to exercise or receive a distribution of any outstanding stock awards if the executive terminated employment due to serious misconduct as defined in the Marriott Vacations Worldwide Stock Plan or the Marriott International Stock Plan, or if it is determined that the executive has engaged in competition or has engaged in criminal conduct or other behavior that was actually or potentially harmful. RSU award vesting is not accelerated upon retirement. These awards do not accrue or pay cash dividends and do not bear voting rights until they vest (in the case of RSUs) or are exercised (in the case of SARs) and shares are issued to the grantee.

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table shows information about outstanding options, SARs and RSUs on our common stock and Marriott International common stock as of December 30, 2011, our fiscal year-end. The Market Values are based on the closing price of our common stock or Marriott International s common stock, as the case may be, on the NYSE on December 30, 2011, the last trading day of the fiscal year, which was $17.16 and $29.17, respectively.

Table of Contents

			Option Awards				Stock Awards	
Name	Grant Date[1]	Award Type[2]	Number of Securities Underlying Unexercised Options/SARs Exercisable[1]	Number of Securities Underlying Unexercised Options/SARs Unexercisable[1]	Option/ SAR Exercise Price	Option/SAR Expiration Date	Number of Shares or Units Of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
S. Weisz		MAR RSUs[4]			$		36,871	$ 1,075,527
		VAC RSUs[4]					70,642.1	1,212,218
	2/6/2003	MAR Options	50,450		14.24	2/6/2013		
	2/5/2004	MAR Options	62,600		21.50	2/5/2014		
	2/10/2005	MAR Options	24,600		30.31	2/10/2015		
	2/6/2003	VAC Options	5,045		8.68	2/6/2013		
	2/15/2004	VAC Options	6,260		13.10	2/5/2014		
	2/10/2005	VAC Options	2,460		18.47	2/10/2015		
	2/19/2008	MAR SARs	16,047	5,349	33.50	2/19/2018		
	8/7/2008	MAR SARs	16,262	16,262	25.88	8/7/2018		
	2/16/2010	MAR SARs	9,085	27,255	25.44	2/16/2020		
	2/19/2008	VAC SARs	1,602	537	20.41	2/19/2018		
	8/7/2008	VAC SARs	1,626	1,626	15.77	8/7/2018		
	2/16/2010	VAC SARs	908	2,726	15.50	2/16/2020		
	12/15/2011	VACSARs		106,529	18.52	12/15/2021		
J. Geller		MAR RSUs[5]					25,087	731,788
		VAC RSUs[5]					30,586.7	524,868
	12/15/2011	VAC SARs		44,674	18.52	12/15/2021		
R. Miller		MAR RSUs[6]					16,055	468,324
		VAC RSUs[6]					13,485.5	231,394
	2/13/2006	MAR SARs	8,584		32.49	2/13/2016		
	8/7/2008	MAR SARs	12,046	12,046	25.88	8/7/2018		
	2/13/2006	VAC SARs	858		19.80	2/13/2016		
	8/7/2008	VAC SARs	1,204	1,205	15.77	8/7/2018		
	12/15/2011	VAC SARs		18,900	18.52	12/15/2021		
R. Cunningham		MAR RSUs[7]					9,383	273,702
		VAC RSUs[7]					12,817.3	219,945
	2/6/2003	MAR Options	13,500		14.24			
	2/6/2003	VAC Options	1,350		8.68	2/6/2013		
	2/19/2008	MAR SARs	11,685	3,895	33.50	2/19/2018		
	8/7/2008	MAR SARs	4,820	4,820	25.88	8/7/2018		
	2/16/2010	MAR SARs	2,726	8,178	25.44	2/16/2020		
	2/17/2011	MAR SARs		8,880	38.49	2/17/2021		
	2/19/2008	VAC SARs	1,167	391	20.41	2/19/2018		
	8/7/2008	VAC SARs	482	482	15.77	8/7/2018		
	2/16/2010	VAC SARs	272	818	15.50	2/16/2020		
	2/17/2011	VAC SARs		888	23.46	2/17/2021		
	12/15/2011	VAC SARs		18,900	18.52	12/15/2021		
J. Hunter		MAR RSUs[8]			15.52		4,868	142,000
		VAC RSUs[8]					15,605.8	267,796
	11/6/1997	MAR Options	2,864		14.63	11/6/2012		
	11/6/1997	MAR Options	2,864		14.39	11/6/2012		
	11/5/1998	MAR Options	16,080		13.30	11/5/2013		
	11/4/1999	MAR Options	11,000		25.63	11/4/2014		
	11/6/1997	VAC Options	286		8.77	11/6/2012		
	11/6/1997	VAC Options	286		8.91	11/6/2012		
	11/5/1998	VAC Options	1,608		8.10	11/5/2013		
	11/4/1999	VAC Options	1,100		9.52	11/4/2014		
	2/12/2007	MAR SARs	3,992		46.21	2/12/2017		
	2/19/2008	MAR SARs	14,595	4,865	33.50	2/19/2018		
	8/7/2008	MAR SARs	12,046	12,046	25.88	8/7/2018		
	2/16/2010	MAR SARs	6,057	18,171	25.44	2/16/2020		

2/17/2011	MAR SARs		8,720	38.49	2/17/2021
2/17/2007	VAC SARs	399		28.16	2/12/2017
2/19/2008	VAC SARs	1,458	488	20.41	2/19/2018
8/7/2008	VAC SARs	1,204	1,205	15.77	8/7/2018
2/16/2010	VAC SARs	605	1,817	15.50	2/16/2020
2/17/2011					