

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

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

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Marriott International, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

1. Title of each class of securities to which transaction applies:
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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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3. Filing Party:
4. Date Filed:

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Corporate Headquarters:
10400 Fernwood Road
Bethesda, Maryland 20817

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD FRIDAY, MAY 1, 2009

To our Shareholders:

March 27, 2009

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

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

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

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

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

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

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MARRIOTT INTERNATIONAL, INC.

10400 FERNWOOD ROAD, BETHESDA, MARYLAND 20817

PROXY STATEMENT

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

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

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

QUESTIONS AND ANSWERS ABOUT THE MEETING

What is the purpose of the annual meeting?

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

Who is entitled to vote?

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

Who can attend the meeting?

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

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

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What constitutes a quorum?

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

How do I vote?

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

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

What does the Board recommend?

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

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

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

How will my shares be voted?

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

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

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

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

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

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

How do I vote my 401(k) shares?

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

What vote is required to approve each item?

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

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

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

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

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Who will count the vote?

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

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

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

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

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

How will voting on any other business be conducted?

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

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

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

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

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

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

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

Can I receive future shareholder communications electronically through the Internet?

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

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

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

PROPOSALS TO BE VOTED ON

ITEM 1 Election of Directors

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

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

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

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

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

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

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

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

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

ITEM 2 Ratification of Appointment of Independent Registered Public Accounting Firm

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

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

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

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

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

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

discussed below.

Table of Contents***Background***

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

Reason for Management's Request

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

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

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

Equity Plan Share Reservation

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

Description of the Amendment to the Stock Plan

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

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

Section 162(m) of the Internal Revenue Code

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

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

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

Why You Should Vote For the Proposal

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

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

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

Description of the Stock Plan

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

Shares Available under the Plan

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

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

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

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

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

Administration

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

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

Eligibility

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

Type of Awards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance Measures

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

Change in Control Provision

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

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

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Directors' Stock Awards and Fee Deferral Elections

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

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

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

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

Conversion Awards

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

Federal Income Tax Consequences

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

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

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

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

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

CORPORATE GOVERNANCE

Our Board of Directors

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

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

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

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

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

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

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

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

Debra L. Lee, age: 54. Ms. Lee is Chairman and Chief Executive Officer of BET Networks, a media and entertainment subsidiary of Viacom, Inc. that owns and operates Black Entertainment Television and several other ventures. She joined BET in 1986 and served in a number of executive posts before ascending to her present position in January 2006, including President and Chief Executive Officer from June 2005, President and Chief Operating Officer from 1995 to May 2005, Executive Vice President and General Counsel, and Vice President and General Counsel. Prior to joining BET, Ms. Lee was an attorney with