

MARRIOTT VACATIONS WORLDWIDE Corp
Form 10-K
February 27, 2014
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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 January 3, 2014

or

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

For the transition period from _____ to _____

Commission File No. 001-35219

MARRIOTT VACATIONS WORLDWIDE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2598330
(IRS Employer
Identification No.)

6649 Westwood Blvd., Orlando, FL
(Address of Principal Executive Offices)

32821
(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
Common Stock, \$0.01 par value

Name of Each Exchange on Which Registered
New York Stock Exchange

(34,767,931 shares outstanding as of February 21, 2014)

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

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

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 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 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 (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

The aggregate market value of shares of common stock held by non-affiliates at June 14, 2013, was \$1,339,350,435.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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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, we, us, or the Company. Unless otherwise specified, each reference to a particular year 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 2013, which included 53 weeks.

| Fiscal Year | Fiscal Year-End Date |
|--------------------|-----------------------------|
| 2013 | January 3, 2014 |
| 2012 | December 28, 2012 |
| 2011 | December 30, 2011 |
| 2010 | December 31, 2010 |
| 2009 | January 1, 2010 |

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 and (iv) our Consolidated Statements of Cash Flows as our Cash Flows. References throughout to numbered Footnotes refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this Annual Report.

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, among other things, 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, or 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 worldwide 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 Hotel Company), a subsidiary of Marriott International, generally provides on-site management for Ritz-Carlton branded properties. We are one of the world's largest companies whose business is focused almost entirely on vacation ownership, based on number of owners, number of resorts and revenues.

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. As of January 3, 2014, we operated 62 properties in the United States and nine other countries and territories and had approximately 420,000 owners of our vacation ownership and residential products.

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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, the quality and strength of the Marriott and Ritz-Carlton brands, our loyal and highly satisfied customer base, our long-standing track record and our experienced management team.

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 (such as hotels, resorts and condominium rentals). 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, reduces maintenance and upkeep concerns 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 or an affiliated entity 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 (such as 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 management company or an affiliated entity), unless a vacation ownership interest specifies fixed usage dates and a particular unit 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, Wyndham Worldwide Corporation, Starwood Hotels & Resorts Worldwide, Inc., Hilton Hotels Corporation, Hyatt Hotels Corporation and The Walt Disney Company, 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 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 2,800 and over 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, 2012, the U.S. vacation ownership community was comprised of over 1,550 resorts, representing over 189,000 units and an estimated 8.3 million vacation ownership week equivalents. According to ARDA, sales were \$6.9 billion in 2012. We believe there is considerable potential for further growth in the vacation ownership industry.

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Our History

During 2014, we are celebrating our 30-year anniversary of providing vacation memories and experiences to millions of families. Since 1984, when 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, we have been recognized as a leader and innovator in the vacation ownership industry. Marriott International leveraged its well-known Marriott brand to sell vacation ownership intervals, which were frequently located at resorts developed adjacent to Marriott International hotels. Over time, the company differentiated its offerings through its high-quality resorts that were purpose-built for vacation ownership, exchange opportunities available under its Marriott Rewards customer loyalty program that increased the flexibility of use of 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. 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, Marriott International completed the spin-off of its vacation ownership division (the Spin-Off). 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. As a result of 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.

In order to provide for an orderly transition to our status as an independent, publicly owned company and to govern the ongoing relationship between us and Marriott International, we and Marriott International entered into several material agreements pertaining to the provision by each company to the other of certain services, and the rights and obligations of each company, following the Spin-Off. These agreements also 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.

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

We 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 Ritz-Carlton Hotel Company (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 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. It 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 (the IRS) 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 describes the conditions under which each company will indemnify and hold harmless the other from and against the taxes so allocated.

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The Employee Benefits and Other Employment Matters Allocation Agreement that we entered into with Marriott International 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 with Marriott International. Under these agreements, Marriott International or certain of its subsidiaries provided us with certain services for a limited time following the Spin-Off. As of the end of 2013 we have ceased using most of these services.

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.

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.

Grand Residences by Marriott is an upscale tier vacation ownership and whole ownership residence brand. The accommodations for this brand are similar to those we offer under the Marriott Vacation Club brand. The time period for each Grand Residences by Marriott vacation ownership interest ranges between three and thirteen weeks. We also offer whole ownership residential products under this brand.

The Ritz-Carlton Destination Club is a luxury tier vacation ownership brand. The Ritz-Carlton Destination Club provides luxurious vacation experiences commensurate with the legacy of the Ritz-Carlton brand. The Ritz-Carlton Destination Club resorts typically feature two, three and four bedroom units that generally include marble foyers, walk-in closets, custom kitchen cabinetry and luxury resort amenities such as large feature pools and access to 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 Hotel Company.

The Ritz-Carlton Residences is a luxury tier whole ownership residence brand. The Ritz-Carlton Residences includes whole ownership luxury residential condominiums and home sites for luxury home construction co-located with The Ritz-Carlton Destination Club resorts. Owners can typically purchase condominiums that vary in size from one-bedroom apartments to spacious penthouses. Owners of The Ritz-Carlton Residences can avail themselves of the services and facilities that are associated with the co-located The Ritz-Carlton Destination Club resort on an a la carte basis. On-site services are delivered by Ritz-Carlton Hotel Company.

Our Products

Our Points-Based Vacation Ownership Products

We offer the majority of our products through two points-based ownership programs: Marriott Vacation Club Destinations™ (MVCD) 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 over 2,800 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. In addition to traditional resort stays, the MVCD program enables our owners to utilize their points for the wide variety of innovative vacation experiences that comprise our Explorer Collection, which include cruises, guided tours, safaris and other unique vacation alternatives. Members of our points-based programs pay annual fees in exchange for the ability to participate in the program. MVCD owners hold an interest in real estate, owned in perpetuity. Our Marriott Vacation Club, Asia Pacific program offers usage for a term of approximately 50 years from the program's 2006 launch date.

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In 2012, we ceased offering The Ritz-Carlton Destination Club points-based vacation ownership product. Inventory from one of The Ritz-Carlton Destination Club branded resorts has been added to the MVCD program, and we intend to place additional luxury branded inventory into the MVCD 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 have historically offered multi-week vacation ownership interests in specific Grand Residences by Marriott and The Ritz-Carlton Destination Club resorts to address demand from some owners for site specific vacation ownership, but expect future demand for these products to be minimal. Our Marriott Vacation Club, Grand Residences by Marriott and The Ritz-Carlton Destination Club weeks-based vacation ownership products in the 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 in the United States and Caribbean the opportunity to participate in the MVCD program on a voluntary basis. In mid-2012, we began offering owners who held weeks-based products in Europe the opportunity to participate in the MVCD program. 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 2013, almost 134,000 weeks-based owners have enrolled over 233,000 weeks in the MVCD program since its launch and, of these owners who have enrolled weeks with one of our sales executives, approximately 45 percent have also purchased MVCD points.

Our Sources of Revenue

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.

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

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 earn revenue for providing ancillary offerings, including food and beverage, retail, and golf and spa offerings at our various resorts. We also receive annual club dues and certain transaction-based fees from owners and other third parties, including our guests, for services provided.

Financing

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

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 alternative 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. The Marriott Vacation Club products are currently marketed for sale throughout the United States and in over 30 countries around the world, targeting customers who vacation regularly with a focus on family, relaxation and recreational activities. In 2013, approximately 83 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 Europe, and our city-based sales centers, such as our sales centers in Dubai and Singapore. We have over 50 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.

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We solicit our owners primarily while they are staying in our resorts, but also offer our owners the opportunity to make additional purchases through direct phone sales, owner events and inquiries from our central customer service center located in Salt Lake City, Utah. In 2013, approximately 60 percent of our sales of vacation ownership products were to our owners. However, we are focused on growing our tour flow cost effectively as we pivot to more first-time buyer tours and work towards achieving our long term goal of selling to an equal mix of new buyers and existing buyers. This strategy includes an emphasis on new sales channels concentrated on first-time buyers.

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 our 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 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.

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, which include www.marriottvacationsworldwide.com, www.marriottvacationclub.com and www.ritzcarltonclub.com, had over 5.8 million visits in 2013.

Inventory and Development Activities

We secure inventory by building additional phases at our existing resorts, repurchasing inventory in the secondary market or developing or acquiring resorts in strategic markets.

We intend to selectively pursue growth opportunities in North America and Asia by targeting high-quality inventory sources that allow us to add desirable new locations to our system, as well as new sales locations, through transactions that limit our capital investment. These asset light deals may consist of the development of turn-key resorts financed by third-party partners, the purchase of constructed inventory just prior to sale, or the entry into fee-for-service arrangements. We proactively buy back previously sold vacation ownership interests under our repurchase program at lower costs than would be required to develop new inventory. We also intend to further control inventory spending by placing additional Ritz-Carlton branded inventory that we own into the MVCD program.

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 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 opportunistically pursue co-located projects with them.

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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 and Asia Pacific 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 that are tied to the underlying vacation ownership interest, 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, 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 have restricted 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 and partially developed land that we originally acquired for vacation ownership development, as well as built luxury inventory, including unfinished units. However, as we target new destinations for our points program and pursue future asset light development opportunities, we have implemented a plan to dispose of certain undeveloped and partially developed land and excess built luxury inventory.

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 and 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 payroll-related 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 nearly 30-year history, our management agreements for most of our resorts have been regularly renewed. 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 Hotel Company manages the on-site operations for substantially all The Ritz-Carlton Destination Club and The Ritz-Carlton Residences properties under separate management agreements with us or the relevant property owners' association or trust for each property. We provide property owners' association governance and vacation ownership program management services for The Ritz-Carlton Destination Club and The Ritz-Carlton Residences 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 Hotel Company 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 usage benefits, such as access to accommodations at other The Ritz-Carlton Destination Club resorts, preferential access to Ritz-Carlton hotels worldwide and access to our internal exchange and vacation travel options.

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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 (such as 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 who 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 have entered into arrangements with several property owners' associations to assist in reselling foreclosed or revoked vacation ownership interests in exchange for a fee 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. We are not providing financing to residential buyers.

In our North America segment in 2013, approximately 40 percent of Marriott Vacation Club customers financed their purchase with us. The average loan for our Marriott Vacation Club products totaled approximately \$23,000, which represented 88 percent of the average purchase price. Our policy is to require a minimum down payment of 10 percent of the purchase price for qualified applicants, although down payments and interest rates are typically 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 2013 was 12.02 percent and the average term was 9.6 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 2013 was \$439. Since 2008, approximately 17 percent of borrowers have prepaid their loan within the first six months. Generally, loans for The 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 2013, approximately 85 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 2013, the average FICO score of our customers who were U.S. citizens or residents who financed a vacation ownership purchase was 729; 67 percent had a credit score of over 700, 88 percent had a credit score of over 650 and over 97 percent had a credit score

of over 600.

We use other information to determine minimum down payments and interest rates applicable to loans made to purchasers that do not have a credit score or who do not reside within the United States, such as regional historical default rates and currency fluctuation risk.

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 2013, we completed a transaction securitizing \$263 million of vacation ownership notes receivable at a weighted average interest rate of 2.21 percent and an advance rate of 95 percent. This transaction generated approximately \$250 million of gross cash proceeds. Net cash proceeds after transaction costs, cash reserves and repayment of amounts outstanding under our non-recourse warehouse credit facility (the Warehouse Credit Facility) were \$148 million. On an ongoing basis, we have the ability 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 amounts securitized through the Warehouse Credit Facility, since the early 1990s, we have securitized over \$5.1 billion of loans. We retain the servicing and collection responsibilities for the loans we securitize, for which we receive a servicing fee.

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Our Competitive Advantages

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, pricing of product offerings and the availability of program benefits, such as exchange programs and access to affiliated hotel networks. Vacation ownership is a vacation option that is positioned and sold as an attractive alternative to vacation rentals (such as 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. We believe that we have significant competitive advantages that support our leadership position in the vacation ownership industry.

A leading global pure-play vacation ownership company

We are one of the world's largest pure-play vacation ownership companies (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 cater to a diverse range of customers through our upscale tier Marriott-branded resorts and our luxury tier Ritz-Carlton branded resorts.

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 3,800 properties in 72 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 2013, based on nearly 224,000 survey responses, nearly 90 percent of respondents indicated that they were highly satisfied with our products, sales and 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 2013, significantly higher than the overall vacation ownership industry average of nearly 77 percent in 2012, 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.

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 over 40 years of combined experience at Marriott International and Marriott Vacations Worldwide. William J. Shaw, the Chairman of our Board of Directors, is the former Vice Chairman, President and Chief Operating Officer of Marriott International and has nearly 37 years of experience at Marriott International. Our nine executive officers have an average of over 24 years of total combined experience at Marriott Vacations Worldwide and Marriott International, with nearly half of those years spent leading our business. We believe our management team's extensive public company and vacation ownership industry experience enables us to respond quickly and effectively to changing market conditions and consumer trends. Management's experience in the highly regulated vacation ownership industry also provides us with a competitive advantage in expanding existing product forms and developing new ones.

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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 2013, 83 percent of our associates indicated that they were engaged, which is three points above Aon Hewitt's Global Best Employer benchmark of 80 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. In 2013, approximately 60 percent of our sales of vacation ownership products were to our owners. However, we are focused on growing our tour flow cost effectively as we pivot to more first-time buyer tours and work towards achieving our long term goal of selling to an equal mix of new buyers and existing buyers. This strategy includes an emphasis on new sales channels concentrated on first-time buyers. We also continue to drive improved development margin through more efficient marketing and sales spending and managing inventory costs and development activities.

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, optimize our cost of capital, and pursue strategies for returning capital to shareholders. We intend to meet our liquidity needs through operating cash flow, the disposition of excess undeveloped and partially developed land and excess built luxury inventory, our \$200 million revolving credit facility (the Revolving Corporate Credit Facility), our 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 redeploy the capital from these sales. 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 respective locations of these assets improve.

We intend to selectively pursue growth opportunities in North America and Asia by targeting high-quality inventory sources that allow us to add desirable new locations to our system, as well as new sales locations, through transactions that limit our capital investment. These asset light deals may consist of the development of turn-key resorts financed by third-party partners, the purchase of constructed inventory just prior to sale, or the entry into fee-for-service arrangements.

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As an independent company, we are positioned to explore new business opportunities, such as development of our exchange activities, new management affiliations and acquisitions of existing vacation ownership and related businesses, which 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 three business segments: North America, Europe and Asia Pacific. The Corporate and Other information described below includes activities that do not collectively comprise a separate reportable segment. Prior to 2013, our business was grouped into four reportable segments: North America, Luxury, Europe and Asia Pacific. Effective December 29, 2012, we combined the reporting of the financial results of the former Luxury segment with the North America segment based upon our decision to scale back separate development activity for the luxury market and to aggregate future marketing and sales efforts for upscale and luxury inventory. Existing service standards and on-site management remain unaffected by our reporting changes. Prior year amounts have been recast for consistency with the current year's presentation. See Footnote No. 19, Business Segments, to our Financial Statements for further information on our segments.

The table below shows our revenue for 2013 for each of our segments and each of our revenue sources (dollars in millions).

| Revenue Source | North | | | Total |
|--------------------------------------|----------|--------|--------------|----------|
| | America | Europe | Asia Pacific | |
| Vacation ownership sales | \$ 583 | \$ 55 | \$ 34 | \$ 672 |
| Resort management and other services | 226 | 30 | 4 | 260 |
| Financing | 132 | 4 | 5 | 141 |
| Rental | 233 | 22 | 7 | 262 |
| Other | 29 | 1 | | 30 |
| Cost reimbursements | 342 | 29 | 14 | 385 |
| | \$ 1,545 | \$ 141 | \$ 64 | \$ 1,750 |

Financial information by segment and geographic area for 2013, 2012 and 2011 appears in Footnote No. 19, Business Segments, to our Financial Statements.

We generally own the unsold vacation ownership inventory at our properties 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). 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. 9, Contingencies and Commitments, to our Financial Statements for more information on our golf course land

leases and other operating leases. Substantially all of our ownership and leasehold interests in these properties, subject to certain exceptions, are pledged as collateral for our Revolving Corporate Credit Facility.

Our Properties

As of January 3, 2014, we operated 62 properties (under 85 management contracts) with 12,829 vacation ownership villas (units) and approximately 420,000 owners. The following table shows our vacation ownership and residential properties as of January 3, 2014, and indicates the segment that operates such property:

| Property⁽¹⁾ | Segment | Experience | Location | Vacation Ownership (VO) or Residential | Units Built⁽²⁾ | Additional Planned Units⁽³⁾ |
|------------------------------------------------|----------------|-------------------|---------------------|-----------------------------------------------------------|--------------------------------------|-------------------------------------------------------|
| 47 Park Street-Grand Residences by Marriott | Europe | Urban | London, UK | VO | 49 | |
| Aruba Ocean Club | North America | Island/Beach | Aruba | VO | 218 | |
| Aruba Surf Club | North America | Island/Beach | Aruba | VO | 450 | |
| Barony Beach Club | North America | Beach | Hilton Head, SC | VO | 255 | |
| BeachPlace Towers | North America | Beach | Fort Lauderdale, FL | VO | 206 | |
| Canyon Villas at Desert Ridge | North America | Golf/Desert | Phoenix, AZ | VO | 213 | 39 |
| Club Son Antem | Europe | Island/Golf | Mallorca, Spain | VO | 224 | |
| Crystal Shores on Marco Island | North America | Island/Beach | Marco Island, FL | VO | 67 | 152 |
| Custom House | North America | Urban | Boston, MA | VO | 84 | |

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| Property⁽¹⁾ | Segment | Experience | Location | Vacation Ownership (VO) or Residential | Units Built⁽²⁾ | Additional Planned Units⁽³⁾ |
|---------------------------------------------------|----------------|-------------------|-----------------------|-----------------------------------------------------------|--------------------------------------|-------------------------------------------------------|
| Cypress Harbour | North America | Entertainment | Orlando, FL | VO | 510 | |
| Desert Springs Villas | North America | Golf/Desert | Palm Desert, CA | VO | 638 | |
| Fairway Villas | North America | Golf | Absecon, NJ | VO | 180 | 90 |
| Frenchman's Cove | North America | Island/Beach | St. Thomas, USVI | VO | 155 | 66 |
| Grand Chateau | North America | | | | | |
| | /Asia Pacific | Entertainment | Las Vegas, NV | VO | 448 | 447 |
| Grand Residences by Marriott at Bay Point | North America | Golf | Panama City, FL | Residential | 65 | |
| Grande Ocean | North America | Beach | Hilton Head, SC | VO | 290 | |
| Grande Vista | North America | Entertainment | Orlando, FL | VO | 900 | |
| Harbour Club | North America | Beach | Hilton Head, SC | VO | 40 | |
| Harbour Lake | North America | Entertainment | Orlando, FL | VO | 312 | 588 |
| Harbour Point/Sunset Pointe | North America | Beach | Hilton Head, SC | VO | 111 | |
| Heritage Club | North America | Golf | Hilton Head, SC | VO | 30 | |
| Imperial Palm Villas | North America | Entertainment | Orlando, FL | VO | 46 | |
| Kauai Beach Club | North America | Island/Beach | Kauai, HI | VO | 232 | |
| Kauai Lagoons: Grand Residences by Marriott | North America | Island/Beach | Kauai, HI | Residential | 3 | |
| Kalanipuu | North America | Island/Beach | Kauai, HI | VO | 75 | |
| Ko Olina Beach Club | North America | | | | | |
| | /Asia Pacific | Island/Beach | Oahu, HI | VO | 560 | 190 |
| Lakeshore Reserve | North America | Entertainment | Orlando, FL | VO | 95 | 245 |
| Legends Edge at Bay Point | North America | Golf | Panama City, FL | VO | 83 | |
| Mai Khao Beach Resort | Asia Pacific | Beach | Phuket, Thailand | VO | 127 | |
| Manor Club at Ford's Colony | North America | Entertainment | Williamsburg, VA | VO | 200 | |
| Marbella Beach Resort | Europe | Beach | Marbella, Spain | VO | 288 | |
| Marriott Grand Residence Club, Lake Tahoe | North America | Mountain/Ski | Lake Tahoe, CA | VO | 199 | |
| Maui Ocean Club | North America | Island/Beach | Maui, HI | VO | 459 | |
| Monarch at Sea Pines | North America | Beach | Hilton Head, SC | VO | 122 | |
| Mountain Valley Lodge | North America | Mountain/Ski | Breckenridge, CO | VO | 78 | |
| MountainSide | North America | Mountain/Ski | Park City, UT | VO | 182 | |
| Newport Coast Villas | North America | Beach | Newport Beach, CA | VO | 700 | |
| Ocean Pointe | North America | Beach | Palm Beach Shores, FL | VO | 341 | |
| Ocean Watch Villas at Grand Dunes | North America | Beach | Myrtle Beach, SC | VO | 374 | |
| Oceana Palms | North America | Beach | Singer Island, FL | VO | 169 | |
| Phuket Beach Club | Asia Pacific | Beach | Phuket, Thailand | VO | 144 | |
| Playa Andaluza | Europe | Beach | Estepona, Spain | VO | 173 | |

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| | | | | | | |
|-----------------------------------------------------|---------------|---------------|-------------------|-------------|---------------|--------------|
| Royal Palms | North America | Entertainment | Orlando, FL | VO | 123 | |
| Sabal Palms | North America | Entertainment | Orlando, FL | VO | 80 | |
| Shadow Ridge | North America | Golf/Desert | Palm Desert, CA | VO | 500 | 487 |
| St. Kitts Beach Club | North America | Island/Beach | West Indies | VO | 88 | |
| Streamside | North America | Mountain/Ski | Vail, CO | VO | 96 | |
| Summit Watch | North America | Mountain/Ski | Park City, UT | VO | 135 | |
| Surf Watch | North America | Beach | Hilton Head, SC | VO | 195 | |
| The Abaco Club on Winding Bay | | | | | | |
| Vacation Ownership | North America | Island/Beach | Bahamas | VO | 12 | |
| Residential | North America | Island/Beach | Bahamas | Residential | 32 | |
| The Buckingham | Asia Pacific | Entertainment | Macau, China | VO | 18 | |
| The Empire Place | Asia Pacific | Urban | Bangkok, Thailand | VO | 55 | |
| The Ritz-Carlton Club and Residences, Jupiter | | | | | | |
| Vacation Ownership | North America | Golf | Jupiter, FL | VO | 50 | |
| Residential | North America | Golf | Jupiter, FL | Residential | 81 | |
| The Ritz-Carlton Club and Residences, San Francisco | | | | | | |
| Vacation Ownership | North America | Urban | San Francisco, CA | VO | 25 | 19 |
| Residential | North America | Urban | San Francisco, CA | Residential | 57 | |
| The Ritz-Carlton Club, Aspen Highlands | North America | Mountain/Ski | Aspen, CO | VO | 73 | |
| The Ritz-Carlton Club, Lake Tahoe | North America | Mountain/Ski | Lake Tahoe, CA | VO | 11 | |
| The Ritz-Carlton Club, St. Thomas | North America | Beach | St. Thomas, USVI | VO | 105 | |
| The Ritz Carlton Club, Vail | North America | Mountain/Ski | Vail, CO | VO | 45 | |
| Timber Lodge | North America | Mountain/Ski | Lake Tahoe, CA | VO | 264 | |
| Village d Ile-de-France | Europe | Entertainment | Paris, France | VO | 185 | |
| Villas at Doral | North America | Golf | Miami, FL | VO | 141 | |
| Waiohai Beach Club | North America | | | | | |
| | /Asia Pacific | Island/Beach | Kauai, HI | VO | 231 | |
| Willow Ridge Lodge | North America | Entertainment | Branson, MO | VO | 132 | 282 |
| Total | | | | | 12,829 | 2,605 |
| Units Available for Sale⁽⁴⁾ | | | | | 852 | |

(1) A property is counted as a separate property to the extent it does not share common areas (such as check-in facilities, pools, etc.) with another property.

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- (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 through foreclosure or our repurchase program.

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, and resort residential real estate located within our vacation ownership developments under the Grand Residences by Marriott brand. We also develop, market, sell and manage vacation ownership and related products under The Ritz-Carlton Destination Club brand, and sell whole ownership luxury residential products under The Ritz-Carlton Residences brand.

Europe Segment

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.

Asia Pacific Segment

In our Asia Pacific segment, we develop, market, sell and manage vacation ownership products through Marriott Vacation Club, Asia Pacific, a right-to-use points program that we specifically designed to appeal to the vacation preferences of the Asian market, as well as a weeks-based right-to-use product. We believe opportunity exists to expand our Asia Pacific segment and are seeking to add inventory to support the growth of this business.

Corporate and Other

Corporate and Other includes financial items not specifically identifiable to an individual segment, including expenses in support of our financing operations, consumer financing interest expense, non-capitalizable development expenses supporting overall company development, company-wide general and administrative costs, the fixed royalty fee payable under the License Agreements and interest expense.

Intellectual Property

We manage and sell properties under the Marriott Vacation Club, Grand Residences by Marriott, The Ritz-Carlton Destination Club and The Ritz-Carlton Residences brands under license agreements with Marriott International and Ritz-Carlton Hotel Company. 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. Similar to the lodging industry, our rental operations generally maintain higher occupancy and room rates during the first, second and third quarters of our fiscal year compared to our fourth quarter. These seasonal patterns can be expected to cause fluctuations in the quarterly rental

revenues and margin. 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

Competition in the vacation ownership industry is based primarily on the quality, number and location of vacation ownership resorts, the quality and capability of the related property management program, trust in the brand, pricing of product offerings and the availability of program benefits, such as exchange programs and access to affiliated hotel networks. 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. Vacation ownership is a vacation option that is positioned and sold as an attractive alternative to vacation rentals (such as hotels, resorts and condominium rentals) and second home ownership. The various segments within the vacation ownership industry can be 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.

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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 smaller independent companies. In addition, the vacation ownership industry competes generally with other vacation rental options (such as hotels, resorts 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 the North America, Europe and Middle East regions. In Asia Pacific, our owner base is derived primarily from the Asia Pacific region and secondarily from the Europe and North America regions.

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. Some laws, regulations and policies impact multiple areas of our business, such as anti-corruption laws and regulations, including regulations applicable under the U.S. Treasury's Office of Foreign Asset Control and the U.S. Foreign Corrupt Practices Act (FCPA). The FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. Other laws, regulations and policies primarily affect one of 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 in the jurisdictions in which we carry out such 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, including many jurisdictions in the United States, 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. Regulation outside the United States includes, for example, European regulations to which our vacation ownership activities within the European Union are subject and Singapore regulations to which certain of our Asia Pacific operations are subject. Among other things, the European and Singapore regulations require: (1) delivery of specified disclosure (some of which must be provided in a specific format) to purchasers; (2) require a specified cooling off rescission period after a purchase is made; and (3) prohibit any advance payments for a purchase.

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.

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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-based marketing, under which we obtain the permission of prospective purchasers to contact them in the future. We utilize various programs and procedures that we believe 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 may 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 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, the Dodd-Frank Wall Street Reform and Consumer Protection Act (subject to certain exceptions applicable to the timeshare industry) 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, food and beverage services, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming, and the environment (including climate change). In addition, 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 under certain circumstances (for example, upon a super-majority vote of the owners), even if we are not in default under the agreement.

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 January 3, 2014 we had nearly 10,000 employees with an average length of service of approximately seven years. We believe our relations with our employees are very good.

Available Information

Our website address is www.marriottvacationsworldwide.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any and all amendments thereto are available free of charge through our website as soon as reasonably practicable after they are filed or furnished to the Securities and Exchange Commission (the SEC). These materials are also accessible on the SEC's website at www.sec.gov.

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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 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 such conditions could have a negative impact on the vacation ownership industry. Weak consumer confidence and limited availability of consumer credit can, as it has in the past, cause us 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 harmed or constrained if economic conditions worsen.

The sale of vacation ownership interests in the secondary market by existing owners could cause our sales revenues and profits to decline.

Existing owners have offered, and are expected to continue to offer, their vacation ownership interests for sale on the secondary market. The prices at which these interests are sold are typically less than the prices at which we would sell the interests. As a result, these sales create additional pricing pressure on our sale of vacation ownership products, which could cause our sales revenues and profits to decline. In addition, if the secondary market for vacation ownership interests becomes more organized and liquid than it currently is, the resulting availability of vacation ownership interests (particularly where the vacation ownership interests are available for sale at lower prices than the prices at which we would sell them) could adversely affect our sales and our sales revenues. Furthermore, the volume of vacation ownership interests inventory that we are able to repurchase each year may decline if a viable secondary market develops.

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

Our success will depend, in part, on the maintenance of ongoing relationships with Marriott International that are governed by a number of agreements that we entered into with Marriott International in connection with the Spin-Off. In particular, our License Agreements with Marriott International and Ritz-Carlton Hotel Company, 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 Hotel Company 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 Hotel Company 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 Hotel Company 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 be subject to claims by Marriott International and Ritz-Carlton Hotel Company, property owners, third parties with whom we have contracted and others.

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Our ability to expand our business and remain competitive could be harmed if Marriott International or Ritz-Carlton Hotel Company 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 Hotel Company, we must obtain Marriott International's or Ritz-Carlton Hotel Company'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 Hotel Company may reject a proposed project if, among other things, the project does not meet Marriott International's or Ritz-Carlton Hotel Company's respective construction and design standards or Marriott International or Ritz-Carlton Hotel Company reasonably believes the project will breach contractual or legal restrictions applicable to them and their affiliates. In addition, Ritz-Carlton Hotel Company may reject a proposed project if Ritz-Carlton Hotel Company will not be able to provide services that comply with Ritz-Carlton brand standards at the proposed project. If Marriott International or Ritz-Carlton Hotel Company do not permit us to use their trademarks in connection with our development or acquisition plans, our ability to expand our Marriott and Ritz-Carlton businesses and remain competitive may be materially adversely affected. The requirement to obtain Marriott International's or Ritz-Carlton Hotel Company's consent to our expansion plans, or the need to identify and secure alternative expansion opportunities because Marriott International or Ritz-Carlton Hotel Company 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, our products and services are predominantly 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.

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 America and Asia Pacific business segments. Thus, the primary source of inventory for each of these segments 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 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. Our ongoing involvement in the development of inventory presents

a number of risks, including that: (1) 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.

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 and any resulting contraction of available liquidity and leverage could 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 America segment in the ABS market, completing transactions once or twice each year. Instability in the financial markets could also impact the timing and volume of any securitizations we undertake, as well as the financial terms of such securitizations. Any future deterioration in the financial markets could preclude, delay or increase the cost to us of future note securitizations. Such 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 2015, on terms favorable to us, or at all.

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Further, the obligations of MVW US Holdings, Inc. (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 make other investments in our business, or to repurchase vacation ownership interests that our owners propose to sell to third parties.

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 vacation ownership 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 vacation ownership 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 vacation ownership notes receivable we have securitized through the ABS market or the Warehouse Credit Facility.

If default rates increase beyond current projections and result in higher than expected foreclosure activity, our results of operations could be adversely affected. In addition, the transactions in which we have securitized vacation ownership notes receivable contain certain portfolio performance requirements related to default and delinquency rates, which, if not met, would result in loss or disruption of cash flow until portfolio performance sufficiently improves to satisfy the requirements. In addition, we may not be able to resell foreclosed interests in a timely manner or for an attractive price.

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, if we do not elect to redeem the preferred stock, 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

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following a change of control, the preferred shareholders may designate a representative to attend meetings of our Board of Directors 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.

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. Our ability to make dividend payments to preferred shareholders of MVW US Holdings 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 capital expenditures, (2) limiting financing offered to customers, which could result in reduced sales, and (3) 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.

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.

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 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.

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 over 30 countries and territories, and our operations outside the United States represented approximately 12 percent of our revenues in 2013. 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; (7) currency exchange rate fluctuations; and (8) other exposure to local economic risks.

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 relationships with our owners and 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. Owners of our vacation ownership interests may also disagree with changes we make to our products or programs. We seek to expeditiously 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.

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The expiration, termination or renegotiation of our management contracts could adversely affect our cash flows, revenues and profits.

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. The management fee is typically based on either a percentage of total cost to operate such resorts or a fixed fee arrangement. We also receive revenues that represent reimbursement for certain costs we incur under our management agreements, principally payroll-related costs, at the locations where we employ the associates providing on-site services. The terms of our management agreements typically 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 notice of termination before the expiration of the term. Any of these management contracts may expire at the end of its then-current term (following notice by a party of non-renewal) or be terminated, or the contract terms may be renegotiated in a manner adverse to us. If a management agreement is terminated or not renewed on favorable terms, our cash flows, revenues and profits could be adversely affected.

The maintenance and refurbishment 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, not only would our management fee revenue be adversely affected, but 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 Hotel Company 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.

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 social security numbers, 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, cyber attacks, 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 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 (such as hotels, resorts and condominium rentals) offered by the lodging industry. In addition, under our License Agreements with Marriott International and Ritz-Carlton Hotel Company, 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 Hotel Company may also offer such new products and services, and use their respective trademarks in connection with such offers. If Marriott International or Ritz-Carlton Hotel Company offer new 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 Hotel Company, and we may not be able to distinguish our vacation ownership products and services from those offered by Marriott International and Ritz-Carlton Hotel Company. 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.

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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 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. Some laws, regulations and policies impact multiple areas of our business, such as anti-corruption laws and regulations, including regulations applicable under the U.S. Treasury's Office of Foreign Asset Control and the FCPA. Other laws, regulations and policies primarily affect one of four areas of our business: real estate development activities; marketing and sales activities; lending activities; and resort management activities. For more information regarding laws, regulations and policies to which we are subject, see [Business Regulation](#).

The FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or generating business. Our internal controls and procedures may not always protect us from the reckless or criminal acts that may be committed by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in international jurisdictions, criminal or civil penalties could be imposed on us.

Our real estate development activities 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. 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.

A number of laws govern our marketing and sales activities, such as vacation ownership and land sales acts, fair housing statutes, regulations regulating unfair and deceptive trade practices and unfair competition, 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, 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 such procedures may not be effective in ensuring regulatory compliance. Additionally, we are not 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, including many jurisdictions in the United States, 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. Regulation outside the United States includes, for example, European regulations to which our vacation ownership activities within the European Union are subject and Singapore regulations to which certain of our Asia Pacific operations are subject. Among other things, the European and Singapore regulations require: (1) delivery of specified disclosure (some of which must be provided in a specific format) to purchasers; (2) require a specified [cooling off](#) rescission period after a purchase is made; and (3) prohibit any advance payments for a purchase.

Our lending activities are subject to a number of U.S. laws and regulations, as well as 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.

Our resort management activities are subject to laws and regulations regarding community association management, public lodging, food and beverage services, labor, employment, health care, health and safety, accessibility, discrimination, immigration, gaming and the environment (including climate change). In addition, 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 under certain circumstances (for example, upon a super-majority vote of the owners), even if we are not in default under the agreement. 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.

We may not be successful in maintaining compliance with all laws, regulations and policies to which we are currently subject, and the cost of compliance with such laws, regulations and policies could be significant. 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

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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 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.

Jurisdictions in which we do business may at any time 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 business may be adversely affected by factors that disrupt or deter travel.

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. 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 sales tours at our resorts or cause them to cancel travel 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 travel plans. In addition, demand for 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.

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

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 the price of coverage for such losses may be 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.

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

We have excess land that was purchased for future development, as well as excess built luxury real estate inventory at a few of our projects. 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 dispose of properties at favorable prices 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.

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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 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 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.

If we are not able to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is not able to provide an unqualified 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 Securities Exchange Act of 1934 (the Exchange Act) and requirements of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), including the obligation of our management to report on its assessment of the effectiveness of our internal control over financial reporting. We continue to establish new infrastructure and systems, including infrastructure and systems to replace financial, administrative and other corporate services that had been provided by Marriott International, some of which may impact our ability to favorably assess the effectiveness of our internal control over financial reporting. 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 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.

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.

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. The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction's law is applied, and we cannot predict with certainty what standard a court would apply to determine insolvency or whether 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. An unpaid creditor or an entity acting on behalf of a creditor may bring a lawsuit alleging that the Spin-Off or any of the related transactions constituted a constructive

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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 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. 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.

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 financial interests in Marriott International that are substantial to them as a result of their ownership of Marriott International stock, options and other equity awards. These relationships and personal 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.

Our share repurchase program may not enhance long-term stockholder value, and could increase the volatility of the market price of our common stock and diminish our cash reserves.

On October 8, 2013, our Board of Directors authorized a share repurchase program under which we may purchase up to 3,500,000 shares of our common stock prior to March 28, 2015. The share repurchase program does not obligate us to repurchase any specific dollar amount, or to acquire any specific number, of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market conditions, business conditions, statutory and contractual restrictions, the trading price of our common stock and the nature of other investment opportunities available to us. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price

and increase its volatility. The existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Our share repurchases may not enhance stockholder value because the market price of our common stock may decline below the prices at which we repurchased shares of stock and short-term stock price fluctuations could reduce the program's effectiveness.

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;

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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;

initiation of or developments in legal proceedings;

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 of Directors 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 Hotel Company provide that a change in control may not occur without the consent of Marriott International or Ritz-Carlton Hotel Company, respectively. A change in control for purposes of these agreements would occur if, among other things, a person or group acquires beneficial ownership of, or the power to exercise effective control over, shares of our common stock representing more than 15 percent of the combined voting power of the then-outstanding securities entitled to vote generally in elections of directors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of January 3, 2014, we operated 62 vacation ownership or residential properties in the United States and nine 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 and partially developed 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 175,000 square feet of leased space in two buildings, under a lease expiring in August 2021. We also own an office facility in Lakeland, Florida consisting of approximately 125,000 square feet.

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Currently, and from time to time, we are subject to claims in legal proceedings arising in the normal course of business, including, among others, the legal actions discussed in Footnote No. 9, Contingencies and Commitments, to our Financial Statements. 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. 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 periods.

| | High | Low |
|---------------------------------|-------------|------------|
| 2013 | | |
| Quarter ended March 22, 2013 | \$ 47.33 | \$ 38.30 |
| Quarter ended June 14, 2013 | \$ 47.21 | \$ 41.25 |
| Quarter ended September 6, 2013 | \$ 47.92 | \$ 40.43 |
| Quarter ended January 3, 2014 | \$ 53.71 | \$ 43.16 |
| 2012 | | |
| Quarter ended March 23, 2012 | \$ 28.03 | \$ 17.35 |
| Quarter ended June 15, 2012 | \$ 33.64 | \$ 26.02 |
| Quarter ended September 7, 2012 | \$ 33.02 | \$ 27.77 |
| Quarter ended December 28, 2012 | \$ 42.16 | \$ 32.60 |

Holder of Record

On February 14, 2014, there were 29,447 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 37,150 beneficial owners of our common stock as of February 14, 2014.

Dividends

We currently do not intend to pay dividends. 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 of Directors 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.

Table of Contents**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased Maximum Number of Shares That May Yet Be Purchased | |
|--------------------------------------|----------------------------------|-------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|
| | | | as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Under the Plans or Programs ⁽¹⁾ |
| October 5, 2013 – November 1, 2013 | 150,354 | \$ 49.65 | 150,354 | 3,349,646 |
| November 2, 2013 – November 29, 2013 | 116,115 | \$ 50.62 | 116,115 | 3,233,531 |
| November 30, 2013 – January 3, 2014 | 238,554 | \$ 51.52 | 238,554 | 2,994,977 |

- ⁽¹⁾ On October 8, 2013, our Board of Directors authorized a share repurchase program under which we may purchase up to 3,500,000 shares of our common stock prior to March 28, 2015. No purchases were made under the program prior to October 22, 2013.

Performance Graph

The above graph compares the relative performance of our common stock, the S&P SmallCap 600 Index and the S&P Composite 1500 Hotels, Resorts & Cruise Lines Index. The graph assumes that \$100 was invested in our common stock and each index on November 8, 2011, the date a when-issued trading market for our common stock began. The stock price performance reflected above is not necessarily indicative of future stock price performance. The foregoing performance graph is being furnished as part of this Annual Report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act of 1933, as amended, or the Exchange Act.

Table of Contents**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 2013, 2012 and 2011 and the selected consolidated balance sheet data for fiscal years 2013 and 2012 are derived from our consolidated financial statements included elsewhere in this Annual Report. The selected historical consolidated statement of operations data for fiscal year 2010 and 2009 and the selected consolidated balance sheet data for fiscal years 2011, 2010 and 2009 are derived from our audited consolidated financial statements not included in this Annual Report.

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 costs we have incurred or will incur in the future as an independent, public company, and do not include certain additional costs we have incurred or may incur as a public company that we did not incur as a wholly owned subsidiary of Marriott International.

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 for periods prior to the Spin-Off should not be relied upon as an indicator of our future performance. The following table includes earnings before interest expense, taxes, depreciation and amortization (EBITDA), which is a financial measure we use in our business that is not prescribed or authorized by United States Generally Accepted Accounting Principles (GAAP). We believe this measure is useful to help investors understand our results of operations. We explain this measure and reconcile it to the most directly comparable financial measure calculated and presented in accordance with GAAP in Footnote No. 4 to the following table.

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 2013, which included 53 weeks.

| (\$ in millions, except per share amounts) | Fiscal Years | | | | |
|-----------------------------------------------------------------------------------------|--------------|---------------------|---------------------|------------------------|---------------------|
| | 2013 | 2012 ⁽¹⁾ | 2011 ⁽¹⁾ | 2010 ⁽¹⁾⁽²⁾ | 2009 ⁽¹⁾ |
| Statement of operations data: | | | | | |
| Total revenues | \$ 1,750 | \$ 1,639 | \$ 1,624 | \$ 1,592 | \$ 1,596 |
| Total revenues net of total expenses | 144 | 36 | (223) | 85 | (617) |
| Net income (loss) | 80 | 7 | (172) | 59 | (533) |
| Basic earnings (loss) per common share | 2.25 | 0.19 | (5.12) | 1.74 | (15.52) |
| Shares used in computing basic earnings (loss) per share (in millions) ⁽³⁾ | 35.4 | 34.4 | 33.7 | 33.7 | 33.7 |
| Diluted earnings (loss) per common share | 2.18 | 0.18 | (5.12) | 1.74 | (15.52) |
| Shares used in computing diluted earnings (loss) per share (in millions) ⁽³⁾ | 36.6 | 36.2 | 33.7 | 33.7 | 33.7 |
| Balance sheet data (end of period): | | | | | |
| Total assets | 2,632 | 2,613 | 2,851 | 3,643 | 3,035 |
| Total debt | 678 | 678 | 850 | 1,022 | 59 |

| | | | | | |
|-------------------------------------------------------------------------|--------|--------|----------|--------|----------|
| Total mandatorily redeemable preferred stock of consolidated subsidiary | 40 | 40 | 40 | | |
| Total liabilities | 1,423 | 1,474 | 1,720 | 1,748 | 813 |
| Total equity | 1,209 | 1,139 | 1,131 | 1,895 | 2,222 |
| Other data: | | | | | |
| EBITDA ⁽⁴⁾ | \$ 167 | \$ 78 | \$ (184) | \$ 148 | \$ (721) |
| Contract sales⁽⁵⁾: | | | | | |
| Vacation ownership | 679 | 687 | 661 | 692 | 736 |
| Residential products | 15 | 1 | 15 | 13 | 12 |
| Total before cancellation reversal (allowance) | 694 | 688 | 676 | 705 | 748 |
| Cancellation reversal (allowance) | | | 4 | (20) | (83) |
| Total contract sales | \$ 694 | \$ 688 | \$ 680 | \$ 685 | \$ 665 |

- (1) Data presented herein has been restated for certain previously unrecorded immaterial adjustments to our Financial Statements. Refer to Footnote No. 1, Summary of Significant Accounting Policies, to our Financial Statements for further information.
- (2) We adopted Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* in the first quarter of 2010, which significantly increased our reported vacation ownership notes receivable and debt.

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- (3) 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 then outstanding were held by Marriott International prior to the Spin-Off and no dilutive securities were outstanding for any such period. See Footnote No. 6, Earnings per Share, to our Financial Statements for further information on this calculation.
- (4) EBITDA, a financial measure that is not prescribed or authorized by GAAP, is defined as earnings, or net income, before interest expense (excluding consumer financing interest expense), provision for income taxes, depreciation and amortization. For purposes of our EBITDA calculation (which previously adjusted for consumer financing interest expense), we do not adjust for consumer financing interest expense because the associated debt is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us. Further, we consider consumer financing interest expense to be an operating expense of our business. Prior year amounts have been reclassified to conform to our 2013 presentation.

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 it, 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.

EBITDA has limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, other companies in our industry may calculate EBITDA differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The table below shows our EBITDA calculation and reconciles that measure with Net income (loss).

| (\$ in millions) | Fiscal Years | | | | |
|---------------------------------|---------------|---------------------|---------------------|------------------------|---------------------|
| | 2013 | 2012 ⁽¹⁾ | 2011 ⁽¹⁾ | 2010 ⁽¹⁾⁽²⁾ | 2009 ⁽¹⁾ |
| Net income (loss) | \$ 80 | \$ 7 | \$ (172) | \$ 59 | \$ (533) |
| Interest expense ^(a) | 13 | 17 | | | |
| Tax provision (benefit) | 51 | 24 | (45) | 50 | (231) |
| Depreciation and amortization | 23 | 30 | 33 | 39 | 43 |
| EBITDA | \$ 167 | \$ 78 | \$ (184) | \$ 148 | \$ (721) |

(a) Interest expense excludes consumer financing interest expense.

(5) Contract sales represent the total amount of vacation ownership product sales under purchase agreements signed during the period where we have received a down payment 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, to our Financial Statements. We consider

contract sales to be an important operating measure because it reflects the pace of sales in our business.

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

Our business is grouped into three reportable segments: North America, Europe and Asia Pacific. As of January 3, 2014, we operated 62 properties in the United States and nine 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 "Business Segments" for further details regarding our individual properties by segment.

As described in Footnote No. 1, "Summary of Significant Accounting Policies," 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 occurred as of the first day 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 our consolidated subsidiary, MVW US Holdings (included in interest expense).

Full year 2013 highlights include:

Due to our reporting calendar, the fourth quarter and full year 2013 include the impact of an additional week of financial results as compared to 2012.

We generated \$1.75 billion of total revenues, including \$672 million from the sale of vacation ownership products, and \$162 million of cash flows from operating activities.

Total company contract sales were \$694 million, up \$6 million from \$688 million in 2012, including \$9 million of contract sales from the additional week in 2013. North America contract sales were \$623 million, up \$40 million from 2012, driven by an 8 percent increase in volume per guest (VPG) to \$3,200, including \$9 million of contract sales from the additional week in 2013.

Total company development margin was 21.2 percent, and North America development margin was 22.1 percent, an increase of 7.2 percentage points and 3.9 percentage points, respectively, year-over-year.

We generated \$80 million of net income, up \$73 million from \$7 million in 2012.

Basic earnings per share increased to \$2.25 per share, up from \$0.19 per share for 2012, and diluted earnings per share increased to \$2.18 per share, up from \$0.18 per share for 2012.

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

Sale of Vacation Ownership Products

We recognize revenues from the sale 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; 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 down payment equal to ten percent of the purchase price plus the fair value of certain sales incentives provided to the purchaser. These sales incentives typically include Marriott Rewards Points or an alternative sales incentive that we refer to as "plus points". These plus points are redeemable for stays at our resorts, generally within one to two years from the date of issuance. Sales incentives are only awarded if the sale is closed.

As a result of the down payment 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 refer to 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 vacation ownership notes receivable (also known as a vacation ownership notes receivable reserve or a sales 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 three segments. Contract sales represent the total amount of vacation ownership product sales under purchase agreements signed during the period where we have received a down payment of at least ten 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 on 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 and, for periods prior to 2012, also included sales generated under a marketing and sales arrangement with a joint venture.

Revenue associated with company-owned contract sales is reflected as sale of vacation ownership products while revenue associated with joint venture contract sales is reflected on the Equity in earnings line on the Statements of Operations.

Cost of vacation ownership products includes costs to develop and construct our projects (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 on 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, which we refer to as product cost 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 development margin. Development margin percentage is calculated by dividing development margin by revenues from the sale of vacation ownership products.

Resort Management and Other Services

Our resort management and other services revenues include revenues generated from fees we earn for managing each of our resorts. In addition, we earn revenue for providing ancillary offerings, including food and beverage, retail, and golf and spa offerings at our various resorts. We also receive annual club dues and certain transaction-based fees from owners and other third parties, including our guests, for services provided.

We provide day-to-day-management services, including housekeeping services, operation of reservation systems, maintenance, and certain accounting and administrative services for property owners' associations. We receive compensation for these management services; this compensation 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.

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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.

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 | | |
|--------------------|---------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Average FICO score | 729 | 729 | 736 |

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 vacation ownership note receivable, which is generally ten 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 vacation ownership notes receivable as well as fees earned from servicing the existing vacation ownership notes receivable portfolio. Financing expenses include costs in support of the financing, servicing and securitization processes. The amount of interest income earned in a period depends on the amount of outstanding vacation ownership notes receivable, which is impacted positively by the origination of new vacation ownership notes receivable and negatively by principal collections. Due to weakened economic conditions and our elimination of financing incentive programs, the percentage of customers choosing to finance their vacation ownership purchase with us (which we refer to as financing propensity) declined significantly through 2009 and has leveled out since then. As a result, we expect that interest income will continue to decline over the next few years until new originations outpace the decline in principal of the existing vacation ownership notes receivable portfolio.

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

| | Fiscal Years | | |
|--------------------------|---------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Historical default rates | 3.9% | 4.5% | 4.8% |

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 alternative usage options offered through our vacation ownership programs.

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

Rental expenses include:

Maintenance fees on unsold inventory;

Costs to provide alternative usage options, including Marriott Rewards Points and Explorer Collection, 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 (such as housekeeping, credit card expenses and reservation services); and

Costs associated with the banking and borrowing usage option that is available under our MVCD program.

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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 (such as two bedroom, one bedroom or studio unit), and owner use and exchange behavior. Further, as our ability to rent certain luxury inventory and inventory in our Asia Pacific segment 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 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 and expenses which are primarily comprised of fees received from and expenses relating to our external exchange company and settlement fees and expenses from the sale of vacation ownership products.

Cost Reimbursements

Cost reimbursements include direct and indirect costs that property owners' associations and joint ventures in which we participate reimburse to us. In accordance with the accounting guidance for gross versus net presentation, we record these revenues and expenses on a gross basis. We recognize cost reimbursements when we incur the related reimbursable costs. These costs primarily consist of payroll and payroll related expenses 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 consist of actual expenses with no added margin.

Consumer Financing Interest Expense

Consumer financing interest expense represents interest expense associated with the debt from our Warehouse Credit Facility and from the securitization of our vacation ownership notes receivable in the ABS market. We distinguish consumer financing interest expense from all other interest expense because the debt associated with the consumer financing interest expense is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us.

Interest Expense

Interest expense consists of all interest expense other than consumer financing interest expense.

Other Items

We measure operating performance using the following key metrics:

Contract sales from the sale of vacation ownership products;

Development margin percentage; and

VPG, which we calculate by dividing contract sales, excluding fractional and residential sales, 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.

Rounding

Percentage changes presented in our public filings are calculated using whole dollars.

Restatement of Prior Financial Statements

In 2013, during the course of an internal review of certain sales documentation processes related to the sale of certain vacation ownership interests in properties associated with our Europe segment, we determined that the documentation we provided for certain sales of vacation ownership products was not strictly compliant. As a result, in accordance with applicable European regulation, the period of time during which purchasers of such interests may rescind their purchases was extended. We record revenues from the sale of vacation ownership products once the rescission period has ended. Originally, we recorded revenues from these sales of vacation ownership products based on the rescission periods in effect assuming compliant documentation had been provided to the purchasers rather than the extended periods. As a result, we recognized revenue in incorrect periods between fiscal years 2010 and 2013 and misstated revenues in our previously filed consolidated financial statements.

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The documentation issue described above was limited to sales documentation provided to purchasers of certain interests in properties associated with our Europe segment. We took corrective measures and, as a result, compliant documentation is being provided to purchasers. In addition, we provided compliant documentation to purchasers for whom the extended rescission period had not yet expired. The cumulative impact of these items through December 28, 2012 was a reduction in reported income before income taxes of \$12 million. However, as compliant documentation was subsequently provided as part of our corrective measures, the extended rescission period for most of the purchases at issue ended during the second quarter of 2013. As of January 3, 2014, sales having a net pre-tax impact of \$1 million had been rescinded. As a result, approximately \$11 million of the cumulative impact of these items is reflected as an increase in income before income taxes for the year ended January 3, 2014.

The consolidated restated financial statements include certain other corrections related to the timing of recording adjustments to previously reported deferred tax balances. Certain deferred tax assets were determined to not be realizable in future years and thus were eliminated, albeit in the incorrect fiscal year for the years ended December 28, 2012, December 30, 2011 and December 31, 2010. The need for these corrections was identified while we were developing internal processes relating to deferred taxes after we became a stand-alone public company. In addition to the adjustments required as a result of the errors described above, the restated consolidated financial statements include certain previously unrecorded immaterial adjustments to our financial statements for fiscal years 2009, 2010 and 2011 relating to cost reimbursements, which previously were recorded on a net basis.

The adjustments necessary to correct all of these errors have no impact on previously reported cash flows from operations and do not have a material impact on our balance sheet as of any date. In accordance with applicable accounting guidance, an adjustment to the financial statements for each individual period presented is required to reflect the correction of the period-specific effects of the errors described above, if material. Based on our evaluation of relevant quantitative and qualitative factors, we determined the identified misstatements are not material to our individual prior period consolidated financial statements; however, the cumulative correction of the prior period errors would be material to our current year consolidated financial statements. Consequently, we have restated the Statements of Operations for the years ended December 28, 2012 and December 30, 2011. We have restated the accompanying Balance Sheet as of December 28, 2012.

The cumulative impact of these misstatements on our Cash Flows for the years ended December 28, 2012 and December 30, 2011 is inconsequential as the impact on individual line items within operating activities is not material and has no impact on net cash provided by (used in) operating, investing or financing activities. However, we have restated these Cash Flows to reflect changes to individual line items within operating activities.

The cumulative effect of misstatements for periods prior to the year ended December 30, 2011, of approximately \$9 million has been presented as a reduction to retained earnings as of January 1, 2011 in our Consolidated Statements of Shareholders' Equity.

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The following discussion presents an analysis of our results of operations for 2013, 2012 and 2011.

| (\$ in millions) | Fiscal Years | | |
|-----------------------------------------------------|--------------|--------------|-----------------|
| | 2013 | 2012 | 2011 |
| Revenues | | | |
| Sale of vacation ownership products | \$ 672 | \$ 618 | \$ 627 |
| Resort management and other services | 260 | 253 | 238 |
| Financing | 141 | 151 | 169 |
| Rental | 262 | 225 | 212 |
| Other | 30 | 30 | 29 |
| Cost reimbursements | 385 | 362 | 349 |
| Total revenues | 1,750 | 1,639 | 1,624 |
| Expenses | | | |
| Cost of vacation ownership products | 214 | 203 | 239 |
| Marketing and sales | 316 | 329 | 341 |
| Resort management and other services | 190 | 199 | 198 |
| Financing | 25 | 26 | 28 |
| Rental | 251 | 225 | 220 |
| Other | 16 | 14 | 13 |
| General and administrative | 99 | 86 | 81 |
| Litigation settlement | 4 | 41 | 3 |
| Organizational and separation related | 12 | 16 | |
| Consumer financing interest | 31 | 41 | 47 |
| Royalty fee | 62 | 61 | 4 |
| Impairment | 1 | | 324 |
| Cost reimbursements | 385 | 362 | 349 |
| Total expenses | 1,606 | 1,603 | 1,847 |
| Gains and other income | 1 | 9 | 2 |
| Interest expense | (13) | (17) | |
| Equity in earnings | | 1 | |
| Impairment (charges) reversals on equity investment | (1) | 2 | 4 |
| Income (loss) before income taxes | 131 | 31 | (217) |
| (Provision) benefit for income taxes | (51) | (24) | 45 |
| Net income (loss) | \$ 80 | \$ 7 | \$ (172) |

Contract Sales

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|----------------------|--------------|--------|--------|----------|
| | 2013 | 2012 | | |
| Contract Sales | | | | |
| Vacation ownership | \$ 679 | \$ 687 | \$ (8) | (1%) |
| Residential products | 15 | 1 | 14 | NM |
| Total contract sales | \$ 694 | \$ 688 | \$ 6 | 1% |

NM = not meaningful

The \$6 million increase in total contract sales was driven by \$40 million, or 7 percent, of higher contract sales in our key North America segment, partially offset by \$20 million of lower contract sales in our Asia Pacific segment (due to the closure of our off-site sales locations in Hong Kong and Japan in the fourth quarter of 2012) and \$14 million of lower contract sales in our Europe segment (\$11 million as we continued to sell through developer inventory and as \$3 million as a result of higher rescission activity due to the extended rescission periods in our Europe segment during the second quarter of 2013).

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The increase in contract sales in our North America segment included \$14 million of higher residential contract sales, including \$9 million associated with the continued execution of our strategy to dispose of excess inventory, and a \$26 million, or 5 percent, increase in vacation ownership contract sales, which includes \$9 million from the additional week in 2013. The increase in vacation ownership contract sales reflected an 8 percent increase in VPG to \$3,200 in 2013 from \$2,963 in the prior year. This increase in VPG was due to a nearly 4 percent price increase and a 1 percentage point increase in closing efficiency resulting from improved marketing and sales execution. These increases were partially offset by a 3 percent decline in tours. The decline in tours was driven by an increase in weeks-based owner utilization of the MVCD program, with owners taking advantage of the program's flexibility to take vacations of shorter duration and exercise alternative usage options. This has reduced our existing owner tour flow because fewer owners are in our resorts, and their stays in our resorts are shorter, than in prior years. We intend to increase tour flow through new programs aimed at generating existing owner tours and developing new sales channels targeted toward first-time buyers.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|------------------------------------|---------------|---------------|-------------|-----------|
| | 2012 | 2011 | | |
| Company-Owned | | | | |
| Vacation ownership | \$ 687 | \$ 653 | \$ 34 | 5% |
| Residential products | 1 | 5 | (4) | (81%) |
| Subtotal | 688 | 658 | 30 | 5% |
| Cancellation reversal | | 1 | (1) | NM |
| Total company-owned contract sales | 688 | 659 | 29 | 5% |
| Joint Venture | | | | |
| Vacation ownership | \$ | \$ 8 | \$ (8) | |
| Residential products | | 10 | (10) | |
| Subtotal | | 18 | (18) | |
| Cancellation reversal | | 3 | (3) | |
| Total joint venture contract sales | | 21 | (21) | |
| Total contract sales | \$ 688 | \$ 680 | \$ 8 | 1% |

The \$30 million increase in total company-owned gross contract sales (before cancellation reversals) was driven by \$52 million (10 percent) of higher contract sales in our key North America segment, partially offset by \$13 million of lower contract sales in our Asia Pacific segment and \$9 million of lower contract sales in our Europe segment as we continued to sell through developer inventory. The lower sales in our Asia Pacific segment were driven mainly by the closure of our off-site sales locations in Hong Kong and Japan in the fourth quarter of 2012 in accordance with our strategy to use more efficient on-site sales locations rather than off-site sales locations.

The increase in contract sales in our North America segment reflected an 18 percent increase in VPG to \$2,963 in 2012 from \$2,504 in the prior year. This increase in VPG in 2012 was due to a 2 percentage point increase in closing

efficiency, resulting from improved marketing and sales execution, and a 2 percent price increase. This increase was partially offset by lower sales of our Ritz-Carlton inventory, which reflects the decision to scale back separate development activity for the luxury market and to aggregate future marketing and sales efforts for upscale and luxury inventory.

Development Margin

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|--------|---------|----------|
| | 2013 | 2012 | | |
| Sale of vacation ownership products | \$ 672 | \$ 618 | \$ 54 | 9% |
| Cost of vacation ownership products | (214) | (203) | (11) | (6%) |
| Marketing and sales | (316) | (329) | 13 | 4% |
| Development margin | \$ 142 | \$ 86 | \$ 56 | 64% |
| Development margin percentage | 21.2% | 14.0% | 7.2 pts | |

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The increase in revenues from the sale of vacation ownership products was due to \$45 million of higher revenue reportability compared to the prior year, a \$6 million increase in contract sales and \$6 million of lower vacation ownership notes receivable reserve activity, partially offset by \$3 million of higher plus points issued as sales incentives in the current period. Plus points will ultimately be recognized as rental revenues upon usage or expiration of the plus points rather than revenues from the sale of vacation ownership products. The \$45 million of higher revenue reportability resulted from \$30 million of higher revenue reportability in 2013 compared to \$15 million of lower revenue reportability in the prior year. Revenue reportability was higher in the current year because the rescission period related to certain sales made in the current or prior periods expired during the current year, including \$21 million of higher revenue reportability related to the impact of the extended rescission periods in our Europe segment, and because certain sales met the down payment requirement for revenue recognition purposes prior to the end of the current year. The lower reportability in the prior year reflected the fact that certain sales made during, or prior to, that period remained in the statutory rescission period or did not meet the down payment requirement for revenue recognition purposes prior to the end of the year, including \$9 million of lower revenue reportability related to the impact of the extended rescission periods in our Europe segment.

The increase in development margin reflected a \$33 million increase from higher contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) due to more efficient marketing and sales spending and a favorable mix of lower cost real estate inventory being sold, \$27 million of higher revenue reportability year-over-year (including \$18 million of higher revenue reportability related to the impact of the extended rescission periods in our Europe segment), \$6 million of prior year charges related mainly to the closure of our Asia Pacific off-site sales locations in the fourth quarter of 2012, a \$2 million benefit from lower vacation ownership notes receivable reserve activity, a \$1 million prior year charge related to the settlement of a construction related dispute at one of our properties, and \$1 million of lower charges associated with Marriott Rewards Points issued prior to the Spin-Off as there were \$1 million of higher than expected redemption costs in 2013 compared to \$2 million of higher than expected redemption costs in 2012. These increases were partially offset by \$12 million of lower favorable product cost true-ups (\$18 million in 2013 compared to \$30 million in the prior year) and \$2 million of severance charges related to the restructuring of sales locations in Europe in early 2013.

The favorable product cost true-ups recorded in 2013 were the result of \$12 million from increases in estimated future revenues associated with the sale of foreclosed inventory as well as changes in the sequencing of inventory into the MVCD program due to the continued reacquisition of previously sold inventory, \$4 million from lower construction costs, and nearly \$2 million from an increase in estimated future revenues associated with our Asia Pacific product.

The 7 percentage point improvement in the development margin percentage reflected a 3 percentage point increase due to higher revenue reportability year-over-year, a 3 percentage point increase from the lower cost of vacation ownership products due to a favorable mix of lower cost real estate inventory being sold, a 2 percentage point increase due to increased efficiency in marketing and sales spending and a 1 percentage point increase from lower year-over-year other expenses. These increases were partially offset by a 2 percentage point decrease due to the lower favorable product cost true-up activity compared to the prior year.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | | |
|-------------------------------------|--------------|--------|--------|----------|
| | 2012 | 2011 | Change | % Change |
| Sale of vacation ownership products | \$ 618 | \$ 627 | \$ (9) | (1%) |
| Cost of vacation ownership products | (203) | (239) | 36 | 15% |

| | | | | |
|-------------------------------|-------|-------|---------|-----|
| Marketing and sales | (329) | (341) | 12 | 3% |
| Development margin | \$ 86 | \$ 47 | \$ 39 | 82% |
| Development margin percentage | 14.0% | 7.6% | 6.4 pts | |

While company-owned contract sales (before cancellation reversals) increased \$30 million in 2012, revenues from the sale of vacation ownership products decreased \$9 million from the prior year as a result of \$33 million of lower revenue reportability and \$6 million of higher vacation ownership notes receivable reserve activity due mainly to a favorable true-up recorded in 2011 for lower than estimated default and delinquency activity in our former Luxury segment. The \$33 million of lower revenue reportability resulted from \$15 million of lower revenue reportability in 2012 compared to \$18 million of higher revenue reportability in the prior year. Revenue reportability was lower in 2012 because certain sales made during, or prior to, that period remained in the statutory rescission period or did not meet the down payment requirement for revenue recognition purposes prior to the end of the period, including \$9 million related to the impact of the extended rescission periods in our Europe segment, and because certain financed sales did not meet the down payment requirement for revenue recognition purposes prior to the end of the year. Revenue reportability in 2011 was favorably impacted because certain 2010 sales did not meet the requirements for revenue recognition purposes until 2011, offset partially by the impact of certain sales that remained in the statutory rescission period as of the end of 2011, including \$7 million related to the impact of the extended rescission periods in our Europe segment.

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The increase in development margin reflects a \$34 million increase from higher contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) mainly from more efficient marketing and sales spending and favorable mix of real estate inventory being sold, \$28 million of favorable product cost true-ups (\$30 million of favorable product cost true-ups in 2012 compared to \$2 million in the prior year) and \$9 million of charges incurred in the prior year, including \$6 million of severance costs and \$3 million of costs related to Americans with Disabilities Act (ADA) compliance and Hurricane Irene damage at our resort in the Bahamas. These increases were partially offset by a \$20 million decrease due to lower revenue reportability year-over-year, including \$3 million related to the impact of the extended rescission periods in our Europe segment, \$6 million of charges related mainly to the closure of our Asia Pacific off-site sales locations in the fourth quarter of 2012, \$3 million from higher vacation ownership notes receivable reserve activity, a \$2 million charge related to higher than expected redemption costs associated with Marriott Rewards Points issued prior to the Spin-Off, and a \$1 million charge related to the settlement of a construction related dispute at one of our properties.

The favorable product cost true-ups recorded in 2012 were the result of \$24 million from increases in estimated sales revenues we expect to generate over the life of the projects, primarily due to adjustments to future volume and pricing assumptions based upon our sales experience to date, and \$6 million from lower overall development costs on specific projects that are substantially completed.

The 6 percentage point improvement in the development margin percentage reflects a nearly 6 percentage point increase from lower cost of vacation ownership products due to nearly 5 percentage points of favorable product cost true-up activity and, to a lesser extent, a favorable mix of lower cost real estate inventory being sold, and a 5 percentage point increase from efficiencies in marketing and sales spending. These increases were partially offset by a 3 percentage point decline due to lower revenue reportability and a 1 percentage point decline related to higher vacation ownership notes receivable reserve activity in 2012.

Resort Management and Other Services Revenues, Expenses and Margin

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|--------------------------------------------------------|--------------|-------|---------|----------|
| | 2013 | 2012 | | |
| Management fee revenues | \$ 70 | \$ 67 | \$ 3 | 4% |
| Other services revenues | 190 | 186 | 4 | 3% |
| Resort management and other services revenues | 260 | 253 | 7 | 3% |
| Resort management and other services expenses | (190) | (199) | 9 | 4% |
| Resort management and other services margin | \$ 70 | \$ 54 | \$ 16 | 29% |
| Resort management and other services margin percentage | 26.7% | 21.4% | 5.3 pts | |

The increase in resort management and other services revenues reflected \$4 million of additional annual club dues earned in connection with the MVCD program due to the cumulative increase in owners enrolled in the program and

\$3 million of higher management fees resulting from the cumulative increase in the number of vacation ownership products sold and higher operating costs across the system. Our ancillary revenues were flat when compared to the prior year, reflecting the offset of a \$9 million decline in revenues due to the disposition of a golf course and related assets at one of our Ritz-Carlton branded projects late in 2012 by a \$9 million increase in ancillary revenues from food and beverage and golf offerings at our other resorts.

The improvement in the resort management and other services margin reflected \$5 million of additional annual club dues earned in connection with the MVCD program net of expenses, a \$4 million benefit from the disposition of a golf course and related assets at one of our Ritz-Carlton branded projects late in 2012 that experienced an operating loss in 2012, \$3 million of higher customer services margin resulting from lower operating expenses, a \$2 million increase in management fees net of expenses and \$2 million of higher ancillary revenues net of expenses at our resorts.

Table of Contents*2012 Compared to 2011*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|--------------------------------------------------------|--------------|-------|---------|----------|
| | 2012 | 2011 | | |
| Management fee revenues | \$ 67 | \$ 63 | \$ 4 | 7% |
| Other services revenues | 186 | 175 | 11 | 6% |
| Resort management and other services revenues | 253 | 238 | 15 | 6% |
| Resort management and other services expenses | (199) | (198) | (1) | 0% |
| Resort management and other services margin | \$ 54 | \$ 40 | \$ 14 | 33% |
| Resort management and other services margin percentage | 21.4% | 17.1% | 4.3 pts | |

The increase in resort management and other services revenues reflects \$7 million of additional annual club dues earned in connection with the MVCD program, \$4 million of higher management fees resulting from the cumulative increase in the number of vacation ownership products sold and higher operating costs across the system, \$3 million of higher ancillary revenues from food and beverage and golf offerings, and nearly \$1 million of higher resales revenues due to an increase in resales activity. These increases were partially offset by \$1 million of lower customer service revenue due to lower Marriott Rewards Points exchange activity.

The improvement in the resort management and other services margin reflects \$6 million of additional annual club dues earned in connection with the MVCD program net of expenses and lower variable enrollment costs due to fewer enrollments in 2012 than the prior year, a \$5 million increase in management fees net of expenses, \$3 million of higher ancillary revenues net of expenses and \$1 million of higher resales revenues net of expenses. These increases were offset by \$1 million of lower customer service revenues net of expenses.

Financing Revenues, Expenses and Margin*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|--------------------------|--------------|--------|---------|----------|
| | 2013 | 2012 | | |
| Interest income | \$ 135 | \$ 145 | \$ (10) | (7%) |
| Other financing revenues | 6 | 6 | | 0% |
| Financing revenues | 141 | 151 | (10) | (7%) |
| Financing expenses | (25) | (26) | 1 | 7% |
| Financing margin | \$ 116 | \$ 125 | \$ (9) | (7%) |

Financing propensity 42% 43%

The decrease in financing revenues was due to a \$109 million decline in the average gross vacation ownership notes receivable balance. This decline reflected our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable. The \$9 million decrease in financing margin from the prior year reflected the lower interest income, partially offset by lower expenses due to lower foreclosure activity.

Financing margin net of consumer financing interest expense increased \$1 million to \$85 million in 2013 from \$84 million in the prior year. See [Consumer Financing Interest Expense](#) below for further discussion.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|--------------------------|--------------|--------|---------|----------|
| | 2012 | 2011 | | |
| Interest income | \$ 145 | \$ 162 | \$ (17) | (11%) |
| Other financing revenues | 6 | 7 | (1) | (3%) |
| Financing revenues | 151 | 169 | (18) | (10%) |
| Financing expenses | (26) | (28) | 2 | 5% |
| Financing margin | \$ 125 | \$ 141 | \$ (16) | (11%) |
| Financing propensity | 43% | 43% | | |

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The decrease in financing revenues is due to a \$138 million decline in the average gross vacation ownership notes receivable balance. This decline reflects our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable. The \$16 million decrease in financing margin from the prior year reflected the lower interest income, partially offset by nearly \$2 million of lower expenses due to lower foreclosure activity.

Financing margin net of consumer financing interest expense declined \$10 million to \$84 million in 2012 from \$94 million in the prior year. See **Consumer Financing Interest Expense** below for further discussion.

Rental Revenues, Expenses and Margin

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|---------------------------------|--------------|--------|---------|----------|
| | 2013 | 2012 | | |
| Rental revenues | \$ 262 | \$ 225 | \$ 37 | 16% |
| Unsold maintenance fees upscale | (54) | (49) | (5) | (12%) |
| Unsold maintenance fees luxury | (12) | (11) | (1) | (12%) |
| Unsold maintenance fees | (66) | (60) | (6) | (12%) |
| Other expenses | (185) | (165) | (20) | (12%) |
| Rental margin | \$ 11 | \$ 11 | | NM |
| Rental margin percentage | 4.1% | 0.1% | 4.0 pts | |

| | Fiscal Years | | Change | % Change |
|--------------------------------------|--------------|-----------|----------|----------|
| | 2013 | 2012 | | |
| Transient keys rented ⁽¹⁾ | 1,098,755 | 962,946 | 135,809 | 14% |
| Average transient key rate | \$ 205.68 | \$ 189.30 | \$ 16.38 | 9% |
| Resort occupancy | 90.0% | 89.8% | 0.2 pts | |

⁽¹⁾ Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues was due to a company-wide 14 percent increase in transient keys rented (\$27 million), which were primarily sourced from an 8 percent increase in available keys (141,000 additional available keys) resulting from an increase in the number of owners choosing to exchange their vacation ownership interests for alternative usage options, additional inventory from a new phase completed at one of our projects in Hawaii after the end of the second quarter of 2012 and a lower utilization of plus points for stays at our resorts, as well as a company-wide 9 percent increase in average transient rate (\$18 million) driven by stronger consumer demand and a favorable mix of available inventory. These increases were partially offset by an \$8 million decrease in plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points) resulting from the decline in new enrollments in the MVCD program by existing owners (due to the maturity of the MVCD program), and the corresponding decline in issuance of plus points as incentives for enrollment in the MVCD program.

The increase in rental margin reflected \$16 million of higher rental revenues net of direct variable expenses (such as housekeeping), expenses incurred due to owners choosing alternative usage options, and higher unsold maintenance fees, as well as \$3 million of lower charges associated with Marriott Rewards Points issued prior to the Spin-Off (\$4 million of higher than expected redemption costs in 2013 compared to \$7 million of higher than expected redemption costs in 2012). These increases were partially offset by the \$8 million decline in plus points revenue. The increase in unsold maintenance fees reflected the addition of new inventory upon completion of a phase at one of our projects in Hawaii in 2012, as well as increased expenses associated with our inventory repurchase program.

Table of Contents*2012 Compared to 2011*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|---------------------------------|--------------|--------|---------|----------|
| | 2012 | 2011 | | |
| Rental revenues | \$ 225 | \$ 212 | \$ 13 | 6% |
| Unsold maintenance fees upscale | (49) | (49) | | 2% |
| Unsold maintenance fees luxury | (11) | (16) | 5 | 32% |
| Unsold maintenance fees | (60) | (65) | 5 | 9% |
| Other expenses | (165) | (155) | (10) | (7%) |
| Rental margin | \$ | \$ (8) | \$ 8 | 104% |
| Rental margin percentage | 0.1% | (4.0%) | 4.1 pts | |

| | Fiscal Years | | Change | % Change |
|--------------------------------------|--------------|-----------|---------|----------|
| | 2012 | 2011 | | |
| Transient keys rented ⁽¹⁾ | 962,946 | 883,471 | 79,475 | 9% |
| Average transient key rate | \$ 189.30 | \$ 186.57 | \$ 2.73 | 1% |
| Resort occupancy | 89.8% | 89.8% | 0.0 pts | |

⁽¹⁾ Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues is due to \$15 million from a company-wide 9 percent increase in transient keys rented, which were primarily sourced from a nearly 6 percent increase in available keys (95,000 additional available keys) due to more owners choosing to exchange their vacation ownership interests for alternative usage options, and more than \$2 million from a company-wide 1 percent increase in average transient rate driven by stronger consumer demand and mix of available inventory. These increases were offset by \$4 million of lower plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points).

The increase in rental margin reflects \$12 million of higher rental revenues net of direct variable expenses (such as housekeeping) and expenses incurred due to owners choosing alternative usage options due to stronger rental demand and more effective monetization of the increased available keys, \$5 million of lower maintenance fees on unsold inventory, and \$2 million of lower subsidy costs. These increases were partially offset by \$7 million of higher than expected costs in 2012 associated with the redemption of Marriott Rewards Points issued prior to the Spin-Off and \$4 million of lower plus points revenue.

Other*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | |
|------------------|--------------|-------|
| | 2013 | 2012 |
| Other revenues | \$ 30 | \$ 30 |

| | | |
|---------------------------------|-------|-------|
| Other expenses | (16) | (14) |
| Other revenues, net of expenses | \$ 14 | \$ 16 |

Other revenues net of expenses decreased in 2013 compared to the prior year mainly as a result of higher expenses primarily due to more MVCD owners utilizing an external exchange company.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | |
|---------------------------------|--------------|-------|
| | 2012 | 2011 |
| Other revenues | \$ 30 | \$ 29 |
| Other expenses | (14) | (13) |
| Other revenues, net of expenses | \$ 16 | \$ 16 |

Other revenues net of expenses remained in line with 2011 due to \$1 million of higher external exchange company and settlement revenues and \$1 million of higher expenses. The increase in expenses resulted from a \$2 million favorable true-up in the prior year related to the 2010 bonus accrual following final bonus payouts totaling less than the amount accrued, partially offset by \$1 million of lower miscellaneous expenses in 2012 over the prior year.

Cost Reimbursements

2013 Compared to 2012

Cost reimbursements increased \$23 million, or 6 percent, over the prior year, reflecting an increase of \$30 million in cost reimbursements due to higher costs (including \$7 million due to the fact that 2013 had 53 weeks) and \$6 million due to additional completed inventory in the current year, partially offset by \$13 million of lower costs associated with the termination of two management contracts 2013.

2012 Compared to 2011

Cost reimbursements increased \$13 million, or 3 percent, over the prior year, reflecting higher costs and the impact of growth across the system in 2012.

General and Administrative

2013 Compared to 2012

General and administrative expenses increased \$13 million (from \$86 million to \$99 million) over the prior year due to \$9 million of higher personnel related costs (including \$1 million due to the fact that 2013 had 53 weeks), \$8 million of higher legal expenses, \$2 million of higher stand-alone public company costs and \$1 million of higher audit related expenses. These increases were offset by \$4 million of savings related to organizational and separation related efforts in the human resources, information technology and finance and accounting areas, \$2 million from lower depreciation expense and \$1 million from the favorable resolution of an international non-income tax matter.

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2012 Compared to 2011

General and administrative expenses increased \$5 million (from \$81 million to \$86 million) over the prior year due mainly to incremental stand-alone public company costs incurred in the current year and higher personnel related costs (in the form of higher bonus costs and merit-based compensation), offset partially by cost savings.

Litigation Settlement

2013

In the 2013 first quarter we reversed \$1 million of the charge we recorded in 2012 based upon final settlement of the lawsuit related to The Ritz-Carlton Club and Residences, San Francisco (the RCC San Francisco) described below that was pending at the end of 2012. In the fourth quarter of 2013 we recorded a \$5 million charge related to the settlement of a lawsuit related to a project in our Europe segment. The plaintiffs in this lawsuit alleged breach of a partnership agreement and copyright infringement in connection with renovations at that project.

2012

In the 2012 fourth quarter we agreed to settle two lawsuits in which certain of our subsidiaries were defendants. The plaintiffs in the lawsuits, residential unit owners at the RCC San Francisco, questioned the adequacy of disclosures made prior to 2008, when our business was part of Marriott International, regarding bonds issued for that project under California's Mello-Roos Community Facilities Act of 1982 (the Mello-Roos Act) and their payment obligations with respect to such bonds. A third lawsuit was pending at the end of 2012 in which one owner at the RCC San Francisco had asserted similar claims. That lawsuit was settled in 2013.

As a result of the settlements and the pending lawsuit, we recorded a charge in connection with these matters of \$41 million in the year ended December 28, 2012, of which \$39 million was recorded in the fourth quarter of 2012. In addition, we repurchased units owned by certain of the plaintiffs in the settled lawsuits which were recorded in inventory at fair value less cost to sell of \$13 million. We used Level 3 inputs in a discounted cash flow model to determine the fair value of these assets.

Organizational and Separation Related Efforts

2013 Compared to 2012 and 2012 Compared to 2011

Since the Spin-Off, Marriott International has continued to provide us with certain information technology, payroll, human resources and other administrative services pursuant to transition services agreements. In connection with our continued organizational and separation related activities, we have incurred expenses to complete our separation from Marriott International. These costs primarily relate to establishing our own information technology systems and services, independent payroll and accounts payable functions and reorganizing existing human resources, information technology, and related finance and accounting organizations to support our needs as a public company.

Organizational and separation related expenses declined \$4 million, from \$16 million in 2012 to \$12 million in 2013. In addition, \$7 million of organizational and separation related costs were capitalized in 2013, compared to \$2 million of capitalized costs in 2012. There were no organizational and separation related charges in 2011.

We expect to incur an additional \$5 million to \$8 million in connection with these organizational and separation related efforts through 2014, of which approximately \$4 million is expected to be capitalized and amortized over the

useful lives of the assets. Once completed, we expect these efforts will generate approximately \$15 million to \$20 million of annualized savings. Approximately \$10 million of these incremental savings are reflected in our 2013 financial results.

Consumer Financing Interest Expense

2013 Compared to 2012

Consumer financing interest expense decreased \$10 million (from \$41 million to \$31 million) due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs (\$5 million) as well as a lower average interest rate (\$5 million). The lower average interest rate reflected the continued pay-down of older securitization transactions that carried higher overall interest rates and the benefit of lower interest rates applicable to our most recently completed securitizations of vacation ownership notes receivable.

2012 Compared to 2011

Consumer financing interest expense decreased \$6 million (from \$47 million to \$41 million) due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs, partially offset by increases in interest expense and amortized costs associated with the Warehouse Credit Facility.

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Interest Expense

2013 Compared to 2012

Interest expense decreased \$4 million (from \$17 million to \$13 million) due to a \$3 million decline in expense associated with our liability for the Marriott Rewards customer loyalty program under the Marriott Rewards Agreement and \$1 million in capitalized interest costs.

2012 Compared to 2011

Interest expense increased \$17 million (from \$0 to \$17 million) due to \$8 million of expense associated with our liability for the Marriott Rewards customer loyalty program under the Marriott Rewards Agreement, \$4 million of higher dividends associated with the preferred stock issued in connection with the Spin-Off, \$3 million of lower capitalized interest costs, and \$2 million of amortized costs associated with our Revolving Corporate Credit Facility.

Royalty Fee

2013 Compared to 2012 and 2012 Compared to 2011

Royalty fee expenses relate to amounts due under the License Agreements for periods subsequent to the Spin-Off. Royalty fee expense increased \$1 million (from \$61 million in 2012 to \$62 million in 2013) due to the fact that 2013 had 53 weeks. Royalty fee expense increased \$57 million (from \$4 million in 2011 to \$61 million in 2012) due to a full year of royalty fees in 2012 compared to six weeks of royalty fees in 2011.

Impairment

For additional information related to impairment charges, including how impairments were determined and the impairment charges grouped by product type and/or geographic location, see Footnote No. 16, Impairment Charges, to our Financial Statements.

2013

In 2013, we recorded \$1 million of impairment charges related to a leased golf course at a project in our Europe segment.

2012

There were no impairment charges in 2012.

2011

In 2011, we recorded a pre-tax non-cash impairment charge of \$324 million. As discussed in more detail in Footnote No. 16, Impairment Charges, to our Financial Statements, in 2011 management approved a plan to accelerate cash flow through the monetization of certain undeveloped and partially developed parcels of land and excess built luxury fractional and residential inventory.

Gains and Other Income

2013

Gains and other income of \$1 million related to a gain on the disposition of a multi-family parcel in St. Thomas, U.S. Virgin Islands.

2012

Gains and other income of \$9 million included an \$8 million gain on the disposition of a golf course and related assets at one of our luxury projects.

2011

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

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Equity in Earnings

2013 compared to 2012

The \$1 million decrease in equity in earnings in 2013 reflected \$0 in 2013 compared to \$1 million of earnings in 2012 related to our investment in a joint venture in our Asia Pacific segment.

2012 Compared to 2011

The \$1 million increase in equity in earnings in 2012 reflected earnings related to our investment in a joint venture in our Asia Pacific segment.

Impairment (Charges) Reversals on Equity Investment

2013

In 2013, we increased our accrual by \$8 million for remaining costs we expect to incur in connection with an interest in an equity method investment in a joint venture project in our North America segment. This was partially offset by \$7 million of earnings attributed to a partial repayment of previously reserved receivables due from the same joint venture.

2012

In 2012, we reversed \$2 million of a previously recorded impairment of an equity investment because the actual costs incurred to suspend the marketing and sales operations were lower than previously estimated.

2011

In 2011, we reversed nearly \$4 million of our previously recorded impairment of an equity investment 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 had subsequently closed.

Income Tax

Our effective tax rate for fiscal years 2013, 2012 and 2011 was an expense of 39.23%, an expense of 80.08% and a benefit of 20.59% respectively. Our tax rate is affected by recurring items, such as non-deductible expenses, tax rates in foreign jurisdictions and the relative amount of income we earn in different 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.

2013 Compared to 2012

Income tax expense increased by \$27 million (from \$24 million to \$51 million) from the prior year. The increase in income tax expense in 2013 is primarily related to increases in income before income taxes in both U.S. and foreign jurisdictions. The increase in income before income taxes for foreign jurisdictions for 2013 is primarily attributable to the cumulative impact of the extended rescission periods in our Europe segment.

2012 Compared to 2011

Income tax expense increased by \$69 million (from a benefit of \$45 million to a provision of \$24 million) from the prior year. The increase in income tax expense in 2012 is primarily related to an impairment charge recorded in the third quarter of 2011 resulting in the recording of a tax benefit in the prior year. The 2012 effective tax rate differs from the U.S. federal income tax rate of 35 percent due to the impact of foreign losses, for which no benefit is received in our U.S. income tax provision.

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EBITDA, a financial measure that is not prescribed or authorized by GAAP, is defined as earnings, or net income, before interest expense (excluding consumer financing interest expense), provision for income taxes, depreciation and amortization. For purposes of our EBITDA calculation (which previously adjusted for consumer financing interest expense), we do not adjust for consumer financing interest expense because the associated debt is secured by vacation ownership notes receivable that have been sold to bankruptcy remote special purpose entities and is generally non-recourse to us. Further, we consider consumer financing interest expense to be an operating expense of our business. Prior year amounts have been reclassified to conform to our 2013 presentation.

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 it, 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.

EBITDA has limitations and should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, other companies in our industry may calculate EBITDA differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The table below shows our EBITDA calculation and reconciles that measure with Net income (loss).

| (\$ in millions) | Fiscal Years | | |
|-------------------------------|---------------|--------------|-----------------|
| | 2013 | 2012 | 2011 |
| Net income (loss) | \$ 80 | \$ 7 | \$ (172) |
| Interest expense | 13 | 17 | |
| Tax provision (benefit) | 51 | 24 | (45) |
| Depreciation and amortization | 23 | 30 | 33 |
| EBITDA | \$ 167 | \$ 78 | \$ (184) |

Business Segments

Our business is grouped into three reportable business segments: North America, Europe and Asia Pacific. Prior to 2013, our business was grouped into four reportable segments: North America, Luxury, Europe and Asia Pacific. Effective December 29, 2012, we combined the reporting of the financial results of the former Luxury segment with the North America segment based upon our decision to scale back separate development activity for the luxury market and to aggregate future marketing and sales efforts for upscale and luxury inventory. Existing service standards and on-site management remain unaffected by our reporting changes. Prior year amounts have been recast for consistency with the current year's presentation. See Footnote No. 19, Business Segments, to our Financial Statements for further information on our segments, and Business Segments for further details regarding our individual properties by

segment.

As of January 3, 2014, we operated the following 62 properties by segment:

| | U.S. ⁽¹⁾ | Non-U.S. | Total |
|---------------|----------------------------|-----------------|--------------|
| North America | 48 | 5 | 53 |
| Europe | | 5 | 5 |
| Asia Pacific | | 4 | 4 |
| Total | 48 | 14 | 62 |

⁽¹⁾ Includes incorporated U.S. territories.

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| (\$ in millions) | Fiscal Years | | |
|-----------------------------------------------------|--------------|--------|--------|
| | 2013 | 2012 | 2011 |
| Revenues | | | |
| Sale of vacation ownership products | \$ 583 | \$ 532 | \$ 516 |
| Resort management and other services | 226 | 220 | 204 |
| Financing | 132 | 143 | 160 |
| Rental | 233 | 198 | 184 |
| Other | 29 | 29 | 29 |
| Cost reimbursements | 342 | 322 | 310 |
| Total revenues | 1,545 | 1,444 | 1,403 |
| Expenses | | | |
| Cost of vacation ownership products | 184 | 176 | 205 |
| Marketing and sales | 270 | 260 | 263 |
| Resort management and other services | 161 | 171 | 170 |
| Rental | 222 | 196 | 190 |
| Other | 15 | 13 | 12 |
| Litigation settlement | (1) | 41 | 3 |
| Organizational and separation related | | 1 | |
| Royalty fee | 10 | 9 | |
| Impairment | | | 117 |
| Cost reimbursements | 342 | 322 | 310 |
| Total expenses | 1,203 | 1,189 | 1,270 |
| Gains and other income | 1 | 9 | 2 |
| Impairment (charges) reversals on equity investment | (1) | 2 | 4 |
| Segment financial results | \$ 342 | \$ 266 | \$ 139 |

Contract Sales*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | | |
|-----------------------|--------------|--------|--------|----------|
| | 2013 | 2012 | Change | % Change |
| Contract Sales | | | | |
| Vacation ownership | \$ 608 | \$ 582 | \$ 26 | 5% |
| Residential products | 15 | 1 | 14 | NM |

| | | | | | | | |
|----------------------|----|-----|----|-----|----|----|----|
| Total contract sales | \$ | 623 | \$ | 583 | \$ | 40 | 7% |
|----------------------|----|-----|----|-----|----|----|----|

The increase in contract sales in our North America segment included \$14 million of higher residential contract sales, including \$9 million associated with the continued execution of our strategy to dispose of excess inventory, and a \$26 million, or 5 percent, increase in vacation ownership contract sales, which includes \$9 million from the additional week in 2013. The increase in vacation ownership contract sales reflected an 8 percent increase in VPG to \$3,200 in 2013 from \$2,963 in the prior year. This increase in VPG was due to a nearly 4 percent price increase and a 1 percentage point increase in closing efficiency resulting from improved marketing and sales execution. These increases were partially offset by a 3 percent decline in tours. The decline in tours was driven by an increase in weeks-based owner utilization of the MVCD program, with owners taking advantage of the program's flexibility to take vacations of shorter duration and exercise alternative usage options. This has reduced our existing owner tour flow because fewer owners are in our resorts, and their stays in our resorts are shorter, than in prior years. We intend to increase tour flow through new programs aimed at generating existing owner tours and developing new sales channels targeted toward first-time buyers.

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| (\$ in millions) | Fiscal Years | | Change | % Change |
|------------------------------------|--------------|--------|--------|----------|
| | 2012 | 2011 | | |
| Company-Owned | | | | |
| Vacation ownership | \$ 582 | \$ 526 | \$ 56 | 11% |
| Residential products | 1 | 5 | (4) | (81%) |
| Subtotal | 583 | 531 | 52 | 10% |
| Cancellation reversal | | 1 | (1) | NM |
| Total company-owned contract sales | 583 | 532 | 51 | 10% |
| Joint Venture | | | | |
| Vacation ownership | \$ | \$ 8 | \$ (8) | |
| Residential products | | 10 | (10) | |
| Subtotal | | 18 | (18) | |
| Cancellation reversal | | 3 | (3) | |
| Total joint venture contract sales | | 21 | (21) | |
| Total contract sales | \$ 583 | \$ 553 | \$ 30 | 6% |

The increase in company-owned contract sales in our North America segment reflected an 18 percent increase in VPG to \$2,963 in 2012 from \$2,504 in the prior year. This increase in VPG was due to a 2 percentage point increase in closing efficiency resulting from improved marketing and sales execution and a 2 percent price increase. This increase was partially offset by lower residential sales, which reflects the decision to scale back development activity for the luxury market and aggregate future marketing and sales efforts for upscale and luxury inventory.

Development Margin*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|--------|---------|----------|
| | 2013 | 2012 | | |
| Sale of vacation ownership products | \$ 583 | \$ 532 | \$ 51 | 9% |
| Cost of vacation ownership products | (184) | (176) | (8) | (5%) |
| Marketing and sales | (270) | (260) | (10) | (4%) |
| Development margin | \$ 129 | \$ 96 | \$ 33 | 33% |
| Development margin percentage | 22.1% | 18.2% | 3.9 pts | |

The increase in revenues from the sale of vacation ownership products was due to the \$40 million increase in contract sales, \$9 million of higher revenue reportability in 2013 compared to the prior year, and \$5 million of lower vacation ownership notes receivable reserve activity (due to lower estimated default and delinquency activity, net of higher contract sales volume and revenue reportability in 2013). These increases were partially offset by \$3 million of higher plus points issued as sales incentives in the current year. Plus points will ultimately be recognized as rental revenues upon usage or expiration of the plus points rather than revenues from the sale of vacation ownership products. The \$9 million of higher revenue reportability resulted from \$5 million of higher revenue reportability in 2013 compared to \$4 million of lower revenue reportability in the prior year. Revenue reportability was higher in the current year because certain sales met the down payment requirement for revenue recognition purposes prior to the end of the year, offset partially by the fact that certain sales made during the current year remained in the statutory rescission period at the end of the year. In the prior year, revenue reportability was lower because certain sales made during the prior year period did not meet the down payment requirement for revenue recognition purposes by the end of the year and certain sales made during the prior year period did not meet the rescission requirement for revenue recognition purposes by the end of the year.

The increase in development margin reflected a \$33 million increase from higher contract sales volume net of direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) due to a favorable mix of lower cost real estate inventory being sold and more efficient marketing and sales spending, \$6 million of higher revenue reportability year-over-year, a \$2 million benefit from lower vacation ownership notes receivable reserve activity, \$1 million of lower charges associated with Marriott Rewards Points issued prior to the Spin-Off (\$1 million of higher than expected redemption costs in 2013 compared to \$2 million of higher than expected redemption costs in 2012), \$1 million of severance costs incurred in 2012 and a \$1 million charge in 2012 related to the settlement of a construction related dispute at one of our properties. These increases were partially offset by \$11 million of higher favorable product cost true-ups in the prior year (\$16 million in 2013 compared to \$27 million in 2012).

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The favorable product cost true-ups recorded in 2013 were the result of \$12 million from increases in estimated future revenues associated with the sale of foreclosed inventory as well as changes in the sequencing of inventory into the MVCD program due to the continued reacquisition of previously sold inventory and nearly \$4 million from lower construction costs.

The 4 percentage point improvement in the development margin percentage reflected a 3 percentage point increase from the lower cost of vacation ownership products due to a favorable mix of lower cost real estate inventory being sold, a nearly 2 percentage point increase due to increased efficiency in marketing and sales spending, and a 1 percentage point increase due to higher revenue reportability year-over-year. These increases were partially offset by a 2 percentage point decrease due to the lower favorable product cost true-up activity compared to the prior year.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|--------|---------|----------|
| | 2012 | 2011 | | |
| Sale of vacation ownership products | \$ 532 | \$ 516 | \$ 16 | 3% |
| Cost of vacation ownership products | (176) | (205) | 29 | 14% |
| Marketing and sales | (260) | (263) | 3 | 1% |
| Development margin | \$ 96 | \$ 48 | \$ 48 | 101% |
| Development margin percentage | 18.2% | 9.4% | 8.8 pts | |

The increase in revenues from the sale of vacation ownership products was due to the \$52 million increase in company-owned contract sales, partially offset by \$31 million of lower revenue reportability in 2012 compared to the prior year and a \$5 million unfavorable change in the vacation ownership notes receivable reserve activity. The \$5 million unfavorable change in the reserve activity was due to a favorable true-up recorded in 2011 for lower than estimated default and delinquency activity, partially offset by lower default and delinquency activity in 2012. The \$31 million of lower revenue reportability resulted from \$4 million of lower revenue reportability in 2012 compared to \$27 million of higher revenue reportability in the prior year. Revenue reportability was impacted unfavorably in 2012 because certain financed sales did not meet the down payment requirement for revenue recognition purposes prior to the end of the period, while revenue reportability in 2011 was favorably impacted because certain 2010 financed sales did not meet the requirements for revenue recognition purposes until 2011.

The increase in development margin reflects a \$38 million increase from higher contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) mainly from more efficient marketing and sales spending and a favorable mix of real estate inventory being sold, \$27 million of favorable product cost true-ups (\$27 million of favorable product cost true-ups in 2012 compared to \$0 product cost true-ups in the prior year), and \$6 million of charges incurred in the prior year, including \$3 million of severance costs and \$3 million related to ADA compliance and Hurricane Irene damage at our resort in the Bahamas. These increases were partially offset by a \$17 million net impact from lower revenue reportability year-over-year, \$2 million of higher vacation ownership notes receivable reserve activity, a \$2 million charge related to higher than expected costs in 2012 associated with the redemption of Marriott Reward Points issued prior to the Spin-Off, \$1 million of severance costs incurred in 2012 and a \$1 million charge related to the settlement of a construction related dispute at one of our properties.

The favorable product cost true-ups recorded in 2012 were the result of \$21 million from increases in estimated sales revenues we expect to generate over the life of the projects, primarily due to adjustments to future volume and pricing assumptions based upon our sales experience to date, and \$6 million from lower overall development costs on specific projects that are substantially completed.

The 9 percentage point improvement in the development margin percentage primarily reflects a 7 percentage point increase from lower cost of vacation ownership products due to the favorable product cost true-up activity (5 percentage points) and, to a lesser extent, a favorable mix of lower cost real estate inventory being sold, a 4 percentage point increase from efficiencies in marketing and sales spending, and a 1 percentage point improvement from higher contract sales volume. These increases were partially offset by a 3 percentage point decline due to lower revenue reportability.

Table of Contents**Resort Management and Other Services Revenues, Expenses and Margin***2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-----------------------------------------------|--------------|-------|--------|----------|
| | 2013 | 2012 | | |
| Management fee revenues | \$ 61 | \$ 58 | \$ 3 | 4% |
| Other services revenues | 165 | 162 | 3 | 3% |
| Resort management and other services revenues | 226 | 220 | 6 | 3% |
| Resort management and other services expenses | (161) | (171) | 10 | 5% |
| Resort management and other services margin | \$ 65 | \$ 49 | \$ 16 | 32% |

Resort management and other services margin percentage 28.6% 22.3% 6.3 pts

The increase in resort management and other services revenues was driven by \$4 million of additional annual club dues earned in connection with the MVCD program due to the cumulative increase in owners enrolled in the program and \$3 million of higher management fees resulting from the cumulative increase in the number of vacation ownership products sold and higher operating costs across the system. These increases were partially offset by \$1 million of lower ancillary revenues, which reflected a \$9 million decline due to the disposition of a golf course and related assets at one of our Ritz-Carlton branded projects late in 2012, partially offset by an \$8 million increase in ancillary revenues from food and beverage and golf offerings at our other resorts.

The improvement in the resort management and other services margin reflected \$4 million of additional annual club dues earned in connection with the MVCD program net of expenses, a \$4 million benefit from the disposition of a golf course and related assets at one of our Ritz-Carlton branded projects late in 2012 that experienced an operating loss in 2012, a \$3 million increase in customer services margin resulting from lower operating expenses, \$2 million of higher ancillary revenues net of expenses at our resorts, a \$2 million increase in management fees net of expenses and \$1 million of higher resales revenues net of expenses.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-----------------------------------------------|--------------|-------|--------|----------|
| | 2012 | 2011 | | |
| Management fee revenues | \$ 58 | \$ 55 | \$ 3 | 6% |
| Other services revenues | 162 | 149 | 13 | 8% |
| Resort management and other services revenues | 220 | 204 | 16 | 7% |
| | (171) | (170) | (1) | NM |

Resort management and other services expenses

| | | | | |
|---------------------------------------------|-------|-------|-------|-----|
| Resort management and other services margin | \$ 49 | \$ 34 | \$ 15 | 42% |
|---------------------------------------------|-------|-------|-------|-----|

| | | | |
|--------------------------------------------------------|-------|-------|---------|
| Resort management and other services margin percentage | 22.3% | 16.8% | 5.5 pts |
|--------------------------------------------------------|-------|-------|---------|

The increase in resort management and other services revenues reflects \$7 million of additional annual club dues earned in connection with the MVCD program, \$5 million of higher ancillary revenues from food and beverage and golf offerings, \$3 million of higher management fees resulting from the cumulative increase in the number of vacation ownership products sold and higher operating costs across the system, and \$1 million of higher resales revenues due to an increase in resales activity.

The improvement in resort management and other services margin reflects \$7 million of additional annual club dues earned in connection with the MVCD program net of expenses and lower variable enrollment costs due to fewer enrollments in 2012 than in the prior year, \$4 million of higher ancillary revenues net of expenses, a \$3 million increase in management fees and \$1 million of higher resales revenues net of expenses.

Financing Revenues, Expenses and Margin

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|--------------------------|--------------|--------|---------|----------|
| | 2013 | 2012 | | |
| Interest income | \$ 126 | \$ 136 | \$ (10) | (7%) |
| Other financing revenues | 6 | 7 | (1) | (1%) |
| Financing revenues | \$ 132 | \$ 143 | \$ (11) | (7%) |
| Financing propensity | 40% | 42% | | |

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The decrease in financing revenues was primarily due to lower interest income from a lower outstanding vacation ownership notes receivable balance. This decline reflected our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable. We expect financing propensity to remain at or near these levels in the future.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|---------------------------|---------------|---------------|----------------|--------------|
| | 2012 | 2011 | | |
| Interest income | \$ 136 | \$ 153 | \$ (17) | (11%) |
| Other financing revenues | 7 | 7 | | (3%) |
| Financing revenues | \$ 143 | \$ 160 | \$ (17) | (11%) |

| | | |
|----------------------|-----|-----|
| Financing propensity | 42% | 44% |
|----------------------|-----|-----|

The decrease in financing revenues was primarily due to lower interest income from a lower outstanding vacation ownership notes receivable balance. This decline reflects our continued collection of existing vacation ownership notes receivable at a faster pace than our origination of new vacation ownership notes receivable.

Rental Revenues, Expenses and Margin

We hold a significant amount of luxury inventory in the North America segment and as such, have a corresponding obligation to pay maintenance fees on the real estate interests we own. Because vacation ownership interests in our luxury inventory often consist of multiple weeks, and require upscale fit and finishes and levels of service to meet Ritz-Carlton brand standards, maintenance fees for luxury inventory are much higher than for our other inventory. We mitigate the maintenance fee expense to the extent possible through open market rental and internal sales-related marketing programs; however, our opportunities to rent this inventory are limited due to contractual and legal restrictions.

2013 Compared to 2012

| (\$ in millions) | Fiscal Years | | Change | % Change |
|---------------------------------|--------------|-------------|-------------|-----------|
| | 2013 | 2012 | | |
| Rental revenues | \$ 233 | \$ 198 | \$ 35 | 17% |
| Unsold maintenance fees upscale | (49) | (43) | (6) | (12%) |
| Unsold maintenance fees luxury | (11) | (11) | | (12%) |
| Unsold maintenance fees | (60) | (54) | (6) | (12%) |
| Other expenses | (162) | (142) | (20) | (13%) |
| Rental margin | \$ 11 | \$ 2 | \$ 9 | NM |

| | | | | |
|--------------------------------------|-------------|-------------|---------------|-----------------|
| Rental margin percentage | 4.5% | 1.0% | 3.5 pts | |
| Fiscal Years | | | | |
| | 2013 | 2012 | Change | % Change |
| Transient keys rented ⁽¹⁾ | 1,005,851 | 874,927 | 130,924 | 15% |
| Average transient key rate | \$ 199.65 | \$ 181.65 | \$ 18.00 | 10% |
| Resort occupancy | 90.7% | 90.7% | 0.0 pts | |

⁽¹⁾ Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues was due to a 15 percent increase in transient keys rented (\$25 million), which were primarily sourced from a 10 percent increase in available keys (159,000 additional available keys) resulting from an increase in the number of owners choosing to exchange their vacation ownership interests for alternative usage options, additional inventory from a new phase completed at one of our projects in Hawaii after the end of the second quarter of 2012 and a lower utilization of plus points for stays at our resorts, as well as a 10 percent increase in average transient rate (\$18 million) driven by stronger consumer demand and a favorable mix of available inventory. These increases were partially offset by an \$8 million decrease in plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points) resulting from the decline in new enrollments in the MVCD program by existing owners (due to the maturity of the MVCD program) and corresponding decline in the issuance of plus points as incentives for enrollment in the MVCD program.

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The increase in rental margin reflected \$14 million of higher rental revenues net of direct variable expenses (such as housekeeping) and expenses incurred due to owners choosing alternative usage options and higher unsold maintenance fees, as well as \$3 million of lower charges associated with Marriott Rewards Points issued prior to the Spin-Off (\$4 million of higher than expected redemption costs in 2013 compared to \$7 million of higher than expected redemption costs in 2012). These increases were partially offset by the \$8 million decline in plus points revenue. The increase in unsold maintenance fees reflected the addition of new inventory upon completion of a phase at one of our projects in Hawaii in 2012, as well as increased expenses associated with our inventory repurchase program.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|---------------------------------|--------------|--------|---------|----------|
| | 2012 | 2011 | | |
| Rental revenues | \$ 198 | \$ 184 | \$ 14 | 8% |
| Unsold maintenance fees upscale | (43) | (40) | (3) | (6%) |
| Unsold maintenance fees luxury | (11) | (16) | 5 | 32% |
| Unsold maintenance fees | (54) | (56) | 2 | 4% |
| Other expenses | (142) | (134) | (8) | (7%) |
| Rental margin | \$ 2 | \$ (6) | \$ 8 | 134% |
| Rental margin percentage | 1.0% | (3.1%) | 4.1 pts | |

| | Fiscal Years | | Change | % Change |
|--------------------------------------|--------------|-----------|-----------|----------|
| | 2012 | 2011 | | |
| Transient keys rented ⁽¹⁾ | 874,927 | 797,328 | 77,599 | 10% |
| Average transient key rate | \$ 181.65 | \$ 176.55 | \$ 5.10 | 3% |
| Resort occupancy | 90.7% | 91.0% | (0.3 pts) | |

(1) Transient keys rented exclude those obtained through the use of plus points.

The increase in rental revenues is primarily due to \$14 million from a 10 percent increase in transient keys rented, which were primarily sourced from an 8 percent increase in available keys (117,000 additional available keys) due to more owners choosing to exchange their vacation ownership interests for alternative usage options (primarily usage of our Explorer program), and \$4 million from a 3 percent increase in average transient rate driven by stronger consumer demand and mix of available inventory, partially offset by the recognition of \$4 million of lower plus points revenue (which is recognized upon utilization of plus points for stays at our resorts or upon expiration of the points).

The increase in rental margin reflects \$15 million of higher rental revenues net of direct variable expenses (such as housekeeping) and expenses incurred due to owners choosing alternative usage options due to stronger rental demand and more effective monetization of the increased available keys, \$2 million of lower maintenance fees on unsold inventory and a \$2 million decline in subsidy expenses. This increase was partially offset by a \$7 million charge related to higher than expected costs in 2012 associated with the redemption of Marriott Rewards Points issued prior to the Spin-Off, and the \$4 million decrease in plus points revenue.

Table of Contents**Europe**

| (\$ in millions) | Fiscal Years | | |
|--------------------------------------|--------------|-------------|--------------|
| | 2013 | 2012 | 2011 |
| Revenues | | | |
| Sale of vacation ownership products | \$ 55 | \$ 32 | \$ 44 |
| Resort management and other services | 30 | 29 | 31 |
| Financing | 4 | 4 | 5 |
| Rental | 22 | 20 | 21 |
| Other | 1 | 1 | |
| Cost reimbursements | 29 | 26 | 28 |
| Total revenues | 141 | 112 | 129 |
| Expenses | | | |
| Cost of vacation ownership products | 16 | 9 | 10 |
| Marketing and sales | 26 | 29 | 33 |
| Resort management and other services | 27 | 26 | 26 |
| Rental | 17 | 18 | 19 |
| Other | 1 | 1 | 1 |
| Litigation settlement | 5 | | |
| Royalty fee | 1 | 1 | |
| Impairment | 1 | | 2 |
| Cost reimbursements | 29 | 26 | 28 |
| Total expenses | 123 | 110 | 119 |
| Segment financial results | \$ 18 | \$ 2 | \$ 10 |

Overview

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

Contract Sales*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | | |
|-----------------------------|--------------|--------------|----------------|--------------|
| | 2013 | 2012 | Change | % Change |
| Contract Sales | | | | |
| Vacation ownership | \$ 34 | \$ 48 | \$ (14) | (29%) |
| Total contract sales | \$ 34 | \$ 48 | \$ (14) | (29%) |

The decline in contract sales reflected \$11 million as we continued our strategy to sell through developer inventory and \$3 million as a result of higher rescission activity due to the extended rescission periods in this segment during the second quarter of 2013.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|----------------------|--------------|-------|--------|----------|
| | 2012 | 2011 | | |
| Contract Sales | | | | |
| Vacation ownership | \$ 48 | \$ 57 | \$ (9) | (16%) |
| Total contract sales | \$ 48 | \$ 57 | \$ (9) | (16%) |

The decline in contract sales reflected our strategy to sell through developer inventory.

Table of Contents**Development Margin***2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|---------|----------|----------|
| | 2013 | 2012 | | |
| Sale of vacation ownership products | \$ 55 | \$ 32 | \$ 23 | 73% |
| Cost of vacation ownership products | (16) | (9) | (7) | (80%) |
| Marketing and sales | (26) | (29) | 3 | 11% |
| Development margin | \$ 13 | \$ (6) | \$ 19 | NM |
| Development margin percentage | 24.2% | (19.3%) | 43.5 pts | |

The higher revenue from the sale of vacation ownership products reflected \$36 million of higher revenue reportability and \$1 million of lower vacation ownership notes receivable reserve activity, partially offset by a \$14 million decline in contract sales. The \$36 million of higher revenue reportability resulted from \$25 million of higher revenue reportability in 2013 compared to \$11 million of lower revenue reportability in the prior year. Revenue reportability was higher in the current year because the rescission period related to certain sales made in the current or prior periods expired before the end of the year, including \$21 million of revenue reportability related to the impact of the extended rescission periods in this segment. The lower reportability in the prior year reflected the fact that certain sales made during or prior to that period remained in the statutory rescission period at the end of the period.

The increase in development margin reflected \$18 million of higher revenue reportability year-over-year related to the impact of the extended rescission periods in this segment, a \$3 million increase from lower contract sales volume net of lower direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) due to a favorable mix of lower cost real estate inventory being sold, a \$1 million benefit from the lower estimated default and delinquency activity and \$1 million of severance in 2012 as a result of eliminating positions at a regional call center. These increases were partially offset by \$2 million of severance charges related to the restructuring of sales locations in early 2013, a \$1 million net impact from the higher rescission activity due to the extended rescission periods in this segment and \$1 million of favorable product cost true-ups in 2012.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|-------|------------|----------|
| | 2012 | 2011 | | |
| Sale of vacation ownership products | \$ 32 | \$ 44 | \$ (12) | (28%) |
| Cost of vacation ownership products | (9) | (10) | 1 | 19% |
| Marketing and sales | (29) | (33) | 4 | 11% |
| Development margin | \$ (6) | \$ 1 | \$ (7) | NM |
| Development margin percentage | (19.3%) | 2.1% | (21.4 pts) | |

Revenues from the sale of vacation ownership products decreased \$12 million from the prior year, driven by \$9 million of lower contract sales, \$2 million of lower revenue reportability and \$1 million of higher vacation ownership

notes receivable reserve activity. The \$2 million of lower revenue reportability resulted from \$11 million of lower revenue reportability in 2012 and \$9 million of lower revenue reportability in the prior year. Revenue reportability was impacted unfavorably in both years as certain sales made during, or prior to, each period remained in the statutory rescission period as of the end of each year, including \$9 million in 2012 and \$7 million of revenue reportability in 2011 related to the impact of the extended rescission periods in this segment.

The development margin decline is due to a \$5 million decrease in sales volume net of direct variable expenses (i.e., cost of vacation ownership products and marketing and sales), a \$3 million decrease due to lower revenue reportability related to the impact of the extended rescission periods in this segment), \$1 million of higher vacation ownership notes receivable reserve activity and \$1 million of severance in 2012 as a result of eliminating positions at a regional call center. These declines are partially offset by \$3 million of legal costs in 2011.

Table of Contents*Asia Pacific*

| (\$ in millions) | Fiscal Years | | |
|--------------------------------------|--------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Revenues | | | |
| Sale of vacation ownership products | \$ 34 | \$ 54 | \$ 67 |
| Resort management and other services | 4 | 4 | 3 |
| Financing | 5 | 4 | 4 |
| Rental | 7 | 7 | 7 |
| Cost reimbursements | 14 | 14 | 11 |
| Total revenues | 64 | 83 | 92 |
| Expenses | | | |
| Cost of vacation ownership products | 7 | 12 | 19 |
| Marketing and sales | 20 | 40 | 45 |
| Resort management and other services | 2 | 2 | 2 |
| Rental | 12 | 11 | 11 |
| Royalty fee | 1 | 1 | |
| Cost reimbursements | 14 | 14 | 11 |
| Total expenses | 56 | 80 | 88 |
| Equity in earnings | | 1 | |
| Segment financial results | \$ 8 | \$ 4 | \$ 4 |

Overview

In our Asia Pacific segment, we continue to identify opportunities for development margin improvement and, as a result, we closed our off-site sales locations in Hong Kong and Japan in the fourth quarter of 2012. Our on-site sales locations are more efficient sales channels than our off-site sales locations and we plan to focus on future inventory acquisitions with strong on-site sales distribution potential.

Contract Sales*2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | | |
|-----------------------------|--------------|--------------|----------------|--------------|
| | 2013 | 2012 | Change | % Change |
| Contract Sales | | | | |
| Vacation ownership | \$ 37 | \$ 57 | \$ (20) | (36%) |
| Total contract sales | \$ 37 | \$ 57 | \$ (20) | (36%) |

The decline in contract sales reflected the closure of off-site sales locations in 2012, partially offset by improvements at existing sales locations. These changes resulted in a 53 percent decrease in sales tours and an \$851 increase in VPG.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|----------------------|--------------|-------|---------|----------|
| | 2012 | 2011 | | |
| Contract Sales | | | | |
| Vacation ownership | \$ 57 | \$ 70 | \$ (13) | (19%) |
| Total contract sales | \$ 57 | \$ 70 | \$ (13) | (19%) |

The decline in contract sales reflects the impact of 23 percent fewer tours due to the closure of our off-site sales locations in Hong Kong and Japan in the fourth quarter of 2012, partially offset by a \$124 increase in VPG.

Table of Contents**Development Margin***2013 Compared to 2012*

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|-------|----------|----------|
| | 2013 | 2012 | | |
| Sale of vacation ownership products | \$ 34 | \$ 54 | \$ (20) | (38%) |
| Cost of vacation ownership products | (7) | (12) | 5 | 43% |
| Marketing and sales | (20) | (40) | 20 | 50% |
| Development margin | \$ 7 | \$ 2 | \$ 5 | NM |
| Development margin percentage | 19.1% | 2.9% | 16.2 pts | |

The increase in development margin was due to \$4 million of charges related to the closure of our off-site sales locations in the fourth quarter of 2012. The lower sales volume net of direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) was flat compared to 2012 as the lower sales volumes were offset by more efficient marketing and sales spending at our existing sales locations in 2013. There were nearly \$2 million of favorable product cost true-ups in 2013 and 2012.

2012 Compared to 2011

| (\$ in millions) | Fiscal Years | | Change | % Change |
|-------------------------------------|--------------|-------|-----------|----------|
| | 2012 | 2011 | | |
| Sale of vacation ownership products | \$ 54 | \$ 67 | \$ (13) | (20%) |
| Cost of vacation ownership products | (12) | (19) | 7 | 35% |
| Marketing and sales | (40) | (45) | 5 | 10% |
| Development margin | \$ 2 | \$ 3 | \$ (1) | (57%) |
| Development margin percentage | 2.9% | 5.4% | (2.5 pts) | |

The development margin decline was due to \$4 million of charges related to the closure of our off-site sales locations in the fourth quarter of 2012, partially offset by \$2 million of favorable product cost true-ups and \$1 million from the lower sales volume net of direct variable expenses (i.e., cost of vacation ownership products and marketing and sales) due to the closure of our less efficient off-site sales locations in Hong Kong and Japan in the fourth quarter of 2012. The favorable product cost true-up activity includes nearly \$2 million of favorable product cost true-ups in 2012 and less than \$1 million of unfavorable product cost true-ups in the prior year.

Corporate and Other

| (\$ in millions) | Fiscal Years | | |
|-------------------------------------|--------------|------|------|
| | 2013 | 2012 | 2011 |
| Cost of vacation ownership products | \$ 7 | \$ 6 | \$ 5 |

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| | | | |
|---------------------------------------|--------|--------|--------|
| Financing | 25 | 26 | 28 |
| General and administrative | 99 | 86 | 81 |
| Organizational and separation related | 12 | 15 | |
| Consumer financing interest | 31 | 41 | 47 |
| Royalty fee | 50 | 50 | 4 |
| Impairment | | | 205 |
| Total Expenses | \$ 224 | \$ 224 | \$ 370 |

Corporate and Other consists of results not specifically attributable to an individual segment, including expenses in support of our financing operations, non-capitalizable development expenses supporting overall company development, company-wide general and administrative costs, the fixed royalty fee payable under the License Agreements, as well as consumer financing interest expense.

2013 Compared to 2012

Total expenses were flat compared to the prior year. The decrease of \$10 million of lower consumer financing interest expense, \$3 million of lower organizational and separation related expenses and \$1 million of lower financing expenses due to lower foreclosure activity, was offset by \$13 million of higher general and administrative expenses and \$1 million of higher cost of vacation ownership products.

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The \$10 million decline in consumer financing interest expense was due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs (\$5 million) as well as a lower average interest rate (\$5 million). The lower average interest rate reflected the continued pay-down of older securitization transactions that carried higher overall interest rates and the benefit of lower interest rates applicable to our most recently completed securitizations of vacation ownership notes receivable.

The \$13 million of higher general and administrative expense was due to \$9 million of higher personnel related costs (including \$1 million due to the fact that 2013 had 53 weeks), \$8 million of higher legal expenses, \$2 million of higher stand-alone public company costs and \$1 million of higher audit related expenses. These increases were offset by \$4 million of savings related to organizational and separation related efforts in the human resources, information technology and finance and accounting areas, \$2 million from lower depreciation expense and \$1 million from the favorable resolution of an international non-income tax matter.

2012 Compared to 2011

Total expenses decreased \$146 million over the prior year. The \$146 million decrease was the result of \$205 million of impairment charges incurred in the prior year, \$6 million of lower consumer financing interest expense and \$2 million of lower financing expenses, partially offset by \$46 million of higher royalty fees in 2012, \$15 million of organizational and separation related costs incurred in 2012, \$5 million of higher general and administrative expenses in 2012 and \$1 million of higher cost of vacation ownership products in 2012 due to higher non-capitalizable development costs.

The \$5 million increase in general and administrative expenses was due to \$5 million of incremental stand-alone public company costs and \$4 million of higher personnel related costs (in the form of higher bonus costs and merit-based compensation), partially offset by \$4 million of cost savings).

Consumer financing interest expense decreased \$6 million (from \$47 million to \$41 million) due to lower outstanding debt balances of securitized vacation ownership notes receivable and associated interest costs, partially offset by interest expense and amortized costs associated with the Warehouse Credit Facility.

New Accounting Standards

See Footnote No. 1, Summary of Significant Accounting Policies, to our Financial Statements for information related to our adoption of new accounting standards.

Liquidity and Capital Resources

Our capital needs are supported by cash on hand (\$200 million at the end of 2013), cash generated from operations, our ability to raise capital through securitizations in the ABS market, and to the extent necessary, funds available under the Warehouse Credit Facility and the Revolving Corporate Credit Facility. We believe these sources will be adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, satisfy debt service requirements, and fulfill other cash requirements. At the end of 2013, \$674 million of the \$678 million of total debt outstanding was non-recourse debt associated with vacation ownership notes receivable securitizations. In addition, we have \$40 million of mandatorily redeemable preferred stock of a consolidated subsidiary that we are not required to redeem until October 2021; however, we may redeem the preferred stock after October 2016 at our option.

We have sufficient real estate inventory to meet expected demand for our vacation ownership products for the next several years. At the end of 2013, we had \$864 million of real estate inventory on hand, comprised of \$369 million of

finished goods, \$151 million of work-in-process, and \$344 million of land and infrastructure. As a result, we expect our real estate inventory spending (discussed below) will be less than or in line with cost of vacation ownership products for the near term. We also expect to sell excess Ritz-Carlton branded inventory and dispose of certain undeveloped and partially developed land over the next few years, and plan to sell additional Ritz-Carlton branded inventory through the MVCD program in order to generate incremental cash and reduce related carrying costs.

Our vacation ownership product offerings also allow us to utilize our real estate inventory efficiently. The majority of our sales are of a points-based product, 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 have fewer resorts under construction at any given time and can better leverage successful sales locations at completed resorts than in periods before we launched the MVCD program. This allows us to maintain long-term sales locations and reduces the need to develop and staff on-site sales locations at smaller projects in the future. We believe our points-based programs better position us to align our construction of real estate inventory with the pace of sale of vacation ownership products by slowing down or accelerating construction, as demand across our portfolio and market conditions dictate.

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We intend to selectively pursue growth opportunities in North America and Asia by targeting high-quality inventory sources that allow us to add desirable new locations to our system, as well as new sales locations, through transactions that 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.

In 2012, we completed the sale of the golf course, clubhouse and spa formerly known as The Ritz-Carlton Golf Club and Spa, Jupiter, which was classified within our North America segment, for \$34 million, including \$5 million of cash and the assumption by the purchaser of liabilities with a book value of \$29 million. We also recorded a net gain of \$8 million related to this disposition.

On October 8, 2013, our Board of Directors authorized a share repurchase program under which we may purchase up to 3,500,000 shares of our common stock prior to March 28, 2015. The specific timing, amount and other terms of the repurchases will depend on market conditions, corporate and regulatory requirements and other factors. In connection with the repurchase program, we are authorized to adopt one or more plans pursuant to the provisions of Rule 10b5-1 under the Exchange Act. During 2013 we repurchased 505,023 shares for \$26 million, at an average price per share of \$50.76. See Footnote No. 13, Shareholders Equity, to our Financial Statements for further information related to the share repurchase program.

During 2013, 2012 and 2011, we had net changes in cash and cash equivalents of \$97 million, (\$7) million and \$84 million, respectively, including distributions to Marriott International of \$64 million in 2011. The following table summarizes these changes:

| <i>(\$ in millions)</i> | Fiscal Years | | |
|-----------------------------------------------------------------|---------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Cash provided by (used in): | | | |
| Operating activities | \$ 162 | \$ 163 | \$ 321 |
| Investing activities | (36) | 3 | 9 |
| Financing activities | | | |
| Net distribution to Marriott International | | | (64) |
| Other financing activities | (29) | (172) | (182) |
| Effect of change in exchange rates on cash and cash equivalents | | (1) | |
| Net change in cash and cash equivalents | \$ 97 | \$ (7) | \$ 84 |

Cash from Operating Activities

In 2013, we generated \$162 million of cash flows from operating activities, compared to \$163 million in 2012 and \$321 million in 2011. Our primary sources of funds from operations are (1) cash sales and down payments on financed sales, (2) cash from our financing operations, including principal and interest payments received on outstanding vacation ownership notes receivable 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 or turnkey purchases of new inventory as well as funding our working capital needs.

Cash from operating activities in 2013 and 2012 was also impacted by items in connection with the Spin-Off. We paid approximately \$29 million in 2013 and \$68 million in 2012 for cash taxes to taxing authorities, nearly \$61 million in 2013 and just over \$48 million in 2012 for royalty fees under the Licensing Agreements, \$20 million in 2012 for

expenses associated with the Spin-Off, nearly \$45 million in 2013 and \$20 million in 2012 of higher net cash payments for Marriott Rewards Points and approximately \$21 million in 2013 and \$15 million in 2012 for costs associated with our organizational and separation related efforts. As a result of the increase in deferred tax liabilities associated with deferred sales of vacation ownership interests, we expect cash taxes to be less than our income tax expense in the near term.

We minimize working capital needs through cash management, strict credit-granting policies, and disciplined collection efforts. Our working capital needs fluctuate throughout the 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 vacation ownership notes receivable, the closing of sales contracts for vacation ownership products, the rate at which owners finance their vacation ownership purchase with us and cash outlays for real estate inventory acquisition and development.

We recorded \$15 million of residential contract sales in 2013, as we continue to execute our strategy to dispose of excess inventory, including \$5 million associated with three units at the RCC San Francisco, which we bought back as part of a legal settlement at the end of 2012. We expect to dispose of the remainder of these units in 2014, which should generate approximately \$13 million of net cash proceeds.

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

Real estate inventory spending less than cost of sales

| (\$ in millions) | Fiscal Years | | |
|--------------------------------------------------------|--------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Real estate inventory spending | \$ (165) | \$ (120) | \$ (114) |
| Real estate inventory costs | 199 | 187 | 224 |
| Real estate inventory spending less than cost of sales | \$ 34 | \$ 67 | \$ 110 |

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 on our Statements of Operations related to sale 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 MVCD program, our spending for real estate inventory remained below the amount of real estate inventory costs in each of 2013, 2012 and 2011. We expect our real estate inventory spending to remain in line with or below real estate inventory costs in the near term.

Our real estate inventory spending in 2012 included \$7 million required under a commitment to purchase vacation ownership units in our Asia Pacific segment upon completion of construction.

Through our existing vacation ownership interest repurchase program, we proactively buy back previously sold vacation ownership interests at lower costs than would be required to develop new inventory. By repurchasing inventory in desirable locations, we expect to be able to stabilize the future cost of vacation ownership products for the next several years.

Notes receivable collections in excess of new mortgages

| (\$ in millions) | Fiscal Years | | |
|----------------------------------------------------------------------------|--------------|--------|--------|
| | 2013 | 2012 | 2011 |
| Vacation ownership notes receivable collections non-securitized | \$ 113 | \$ 107 | \$ 103 |
| Vacation ownership notes receivable collections securitized | 197 | 204 | 219 |
| New vacation ownership notes receivable | (260) | (262) | (256) |
| Vacation ownership notes receivable collections in excess of new mortgages | \$ 50 | \$ 49 | \$ 66 |

Vacation ownership notes receivable collections include principal from non-securitized and securitized vacation ownership notes receivable for all periods reported. Collections declined slightly in 2013 compared to 2012 due to the

declining vacation ownership notes receivable balance. New vacation ownership notes receivable decreased slightly in 2013 compared to 2012 due to a slight decrease in financing propensity to 42 percent in 2013 from 43 percent in 2012, offset partially by an increase in vacation ownership product sales volumes. We expect financing propensity to remain at or near these levels in the future.

During 2013, and as of January 3, 2014, no securitized vacation ownership notes receivable pools were out of compliance with established performance parameters. For 2012 and 2011, approximately \$1 million and \$3 million of cash flows, respectively, were redirected as a result of receivable pools failing to meet established performance parameters during those years. See Footnote No. 10, Debt, to our Financial Statements for additional information regarding the failure of certain securitization pools to perform within established parameters and the resulting redirection of cash flows. At January 3, 2014, we had seven securitized vacation ownership notes receivable pools outstanding.

Cash from Investing Activities

| (\$ in millions) | Fiscal Years | | |
|-----------------------------------------------------------------------|--------------|---------|---------|
| | 2013 | 2012 | 2011 |
| Capital expenditures for property and equipment (excluding inventory) | \$ (22) | \$ (17) | \$ (15) |
| Note collections | | | 20 |
| (Increase) decrease in restricted cash | (17) | 12 | (15) |
| Dispositions | 3 | 8 | 19 |
| Net cash (used in) provided by investing activities | \$ (36) | \$ 3 | \$ 9 |

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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, such as food and beverage offerings at locations where these are provided.

In 2013, capital expenditures for property and equipment of \$22 million included \$14 million of spending to support business operations (including \$11 million for ancillary and operations assets and \$3 million for sales locations) and \$8 million for technology spending (including \$7 million for Spin-Off related initiatives).

In 2012, capital expenditures for property and equipment of \$17 million included \$12 million spent to support business operations (including \$9 million for ancillary and operations assets and \$3 million for sales locations) and \$5 million for technology spending (including \$2 million for Spin-Off related initiatives).

In 2011, capital expenditures for property and equipment of \$15 million included \$10 million for technology spending (including \$7 million related to systems enhancements supporting the MVCD program and \$2 million for Spin-Off related initiatives) and \$5 million to support business operations (including \$3 million for ancillary and operations assets and \$2 million for sales locations).

Note collections

Note collections in 2011 relate to monies collected from a related party.

(Increase) decrease in restricted cash

Restricted cash primarily consists of cash held in reserve accounts related to vacation ownership 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 expired, depending on legal requirements.

The 2013 increase in restricted cash mainly reflects \$14 million of higher cash collections for maintenance fees to be remitted to certain property owners' associations subsequent to the end of 2013 and \$3 million of higher cash collected mainly in connection with securitized vacation ownership notes receivable that was distributed to investors subsequent to the end of 2013.

The 2012 decrease in restricted cash mainly reflects \$11 million of lower cash collected in connection with securitized vacation ownership notes receivable that was distributed to investors subsequent to the end of 2012 (due to four fewer securitized pools outstanding in 2012 as compared to 2011) and, to a lesser extent, lower cash collections for maintenance fees to be remitted to certain property owners' associations.

The 2011 increase in restricted cash reflects higher cash collections for maintenance fees to be remitted to certain property owners' associations.

Dispositions

Dispositions of property and assets generated cash proceeds of \$3 million in 2013, \$8 million in 2012 and \$19 million in 2011. The 2013 dispositions related to the sale of a multi-family parcel and several lots in St. Thomas, U.S. Virgin Islands. The 2012 dispositions primarily related to a disposition of a golf course and related assets at one of our luxury

projects (which were classified as property and equipment and other liabilities within our North America segment) for cash of \$5 million which generated a net gain of \$8 million. The \$19 million of dispositions in 2011 primarily related to the bulk sale of excess land and developed inventory (which were classified as inventory within our North America segment).

Table of ContentsCash from Financing Activities

| <i>(\$ in millions)</i> | Fiscal Years | | |
|-------------------------------------------------------------------|---------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Borrowings from securitization transactions | | | |
| Bonds payable on securitized vacation ownership notes receivable | \$ 250 | \$ 238 | \$ |
| Warehouse Credit Facility | 111 | | 125 |
| Subtotal | 361 | 238 | 125 |
| Repayment of debt related to securitization transactions | | | |
| Bonds payable on securitized vacation ownership notes receivable | (250) | (293) | (287) |
| Warehouse Credit Facility | (111) | (118) | (8) |
| Subtotal | (361) | (411) | (295) |
| Borrowings on Revolving Corporate Credit Facility | 25 | 15 | 1 |
| Repayment on Revolving Corporate Credit Facility | (25) | (15) | (1) |
| Debt issuance costs | (5) | (7) | (10) |
| Repayment of third party debt | | | (2) |
| Purchase of treasury stock | (26) | | |
| Proceeds from stock option exercises | 4 | 9 | |
| Excess tax benefits from share-based compensation | 3 | 3 | |
| Payment of withholding taxes on vesting of restricted stock units | (5) | (4) | |
| Net distribution to Marriott International | | | (64) |
| Net cash used in financing activities | \$ (29) | \$ (172) | \$ (246) |

Renewal of Warehouse Credit Facility

During 2013, we entered into an amendment (the Amendment) to certain of the agreements associated with the Warehouse Credit Facility. As a result of the Amendment, the revolving period was extended to September 5, 2015, and borrowings under the Warehouse Credit Facility bear interest at a rate based on a blend of the one-month LIBOR and bank conduit commercial paper rates plus 1.2 percent per annum and are generally limited at any point to the sum of the products of the applicable advance rates and the eligible vacation ownership notes receivable at such time. The Amendment also expands the eligibility for certain collateral by permitting some vacation ownership notes receivable from domestic borrowers with low or no credit scores to be securitized through the Warehouse Credit Facility. Other terms of the Warehouse Credit Facility are substantially similar to those in effect prior to the Amendment. In addition to the amendments described above, the Amendment also includes certain modifications intended to comply with provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and A Global Regulatory Framework for More Resilient Banks and Banking Systems developed by the Basel Committee on Banking Supervision, initially published in December 2010 and generally referred to as Basel III.

At January 3, 2014, no amounts were outstanding under the Warehouse Credit Facility and \$78 million of gross vacation ownership notes receivable were eligible for securitization.

Revolving Corporate Credit Facility

During 2013, we entered into a First Amendment (the *Credit Agreement Amendment*) to the Revolving Corporate Credit Facility. Pursuant to the Revolving Corporate Credit Facility, the maximum ratio of consolidated total debt to consolidated adjusted EBITDA (as defined in the Revolving Corporate Credit Facility) that we are required to maintain was 6 to 1 through the end of the first quarter of 2013, decreasing to 5.75 to 1 through the end of the first quarter of 2014, and to 5.25 to 1 thereafter. Prior to the Credit Agreement Amendment, the ratio we were required to maintain was 6 to 1 through the end of the first quarter of 2013, then 5.25 to 1 through the end of the 2014 fiscal year, and 4.75 to 1 thereafter. In addition, the Credit Agreement Amendment provides for certain amendments to the definitions of *Consolidated Adjusted EBITDA* and *Consolidated Total Debt* that will provide us with additional flexibility.

In addition to the changes described above, the Credit Agreement Amendment also includes modifications intended to comply with certain provisions of the Dodd-Frank Act regarding the guarantee of foreign exchange and interest rate swap transactions by certain of our subsidiaries that guarantee our obligations under the Revolving Corporate Credit Facility. On June 12, 2013, we also entered into a First Amendment to our November 2012 amended and restated guarantee and collateral agreement (the *Guarantee and Collateral Agreement*), which modified the Guarantee and Collateral Agreement to comply with the provisions of the Dodd-Frank Act described above.

At January 3, 2014, no amounts were outstanding under the Revolving Corporate Credit Facility, however we had \$1 million of letters of credit outstanding.

Table of Contents*Issuance / repayments of debt related to securitizations*

We reflect proceeds from securitizations of vacation ownership notes receivable, including draw downs on the Warehouse Credit Facility, as Borrowings from securitization transactions, and we reflect repayment of bonds associated with vacation ownership notes receivable securitizations and on the Warehouse Credit Facility (including vacation ownership notes receivable repurchases) as Repayment of debt related to securitization transactions. We account for our securitizations of vacation ownership notes receivable as secured borrowings and therefore do not recognize a gain or loss as a result of the transaction. The results of operations for the securitization entities are consolidated within our results of operations as these entities are variable interest entities for which we are the primary beneficiary.

During 2013, we completed the securitization of a pool of \$263 million of vacation ownership notes receivable, including \$116 million of vacation ownership notes receivable that were previously securitized in the Warehouse Credit Facility. In connection with the securitization, investors purchased \$250 million in vacation ownership loan backed notes from the MVW Owner Trust 2013-1 (the 2013-1 Trust) in a private placement. Two classes of vacation ownership loan backed notes were issued by the 2013-1 Trust: \$224 million of Class A Notes and \$26 million of Class B Notes. The Class A Notes have an interest rate of 2.15 percent and the Class B Notes have an interest rate of 2.74 percent, for an overall weighted average interest rate of 2.21 percent. As consideration for the securitization of the vacation ownership notes receivable, we received initial gross cash proceeds (before transaction expenses and required reserves) of approximately \$250 million (\$246 million after transaction expenses and required reserves), and a subordinated residual interest in the 2013-1 Trust through which we expect to realize the remaining value of the vacation ownership notes receivable over time. Of this amount, approximately \$98 million was used to repay amounts previously drawn under the Warehouse Credit Facility, and the remainder will be used for general corporate purposes.

During 2012, we completed the securitization of a pool of \$250 million of vacation ownership notes receivable, including \$122 million of vacation ownership notes receivable that were previously securitized in the Warehouse Credit Facility. In connection with the securitization, investors purchased \$238 million in vacation ownership loan backed notes from the Marriott Vacation Club Owner Trust 2012-1 (the 2012-1 Trust) in a private placement. Two classes of vacation ownership loan backed notes were issued by the 2012-1 Trust: \$210 million of Class A Notes and \$28 million of Class B Notes. The Class A Notes have an interest rate of 2.51 percent and the Class B Notes have an interest rate of 3.50 percent, for an overall weighted average interest rate of 2.625 percent. As consideration for the securitization of the vacation ownership notes receivable, we received initial gross cash proceeds (before transaction expenses and required reserves) of approximately \$238 million (\$233 million after transaction expenses and required reserves), and a subordinated residual interest in the 2012-1 Trust through which we expect to realize the remaining value of the vacation ownership notes receivable over time. Of this amount, approximately \$101 million was used to repay amounts previously drawn under the Warehouse Credit Facility, and the remainder will be used for general corporate purposes.

Debt issuance costs

Debt issuance costs in 2013 included \$4 million associated with the 2013 vacation ownership notes receivable securitization and a combined \$1 million related to the renewal of the Warehouse Credit Facility and the amendment of the Revolving Corporate Credit Facility during the year. Debt issuance costs in 2012 included \$4 million associated with the 2012 vacation ownership notes receivable securitization and \$3 million associated with the amendment and restatement of both the Warehouse Credit Facility and the Revolving Corporate Credit Facility during 2012. Debt issuance costs in 2011 include costs for 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. We have no further obligations as of the end of 2011, 2012 or 2013.

Share Repurchase Program

As discussed above, in conjunction with our share repurchase program, we repurchased 505,023 shares of our common stock for \$26 million, at an average price per share of \$50.76 during 2013. See Footnote No. 13, Shareholders' Equity, to our Financial Statements for further information related to the share repurchase program.

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. See Footnote No. 1, Summary of Significant Accounting Policies, to our Financial Statements for further information related to cash management activities prior to Spin-Off.

Table of Contents**Contractual Obligations and Off-Balance Sheet Arrangements**

The following table summarizes our contractual obligations as of the end of 2013:

| (\$ in millions) | Total | Payments Due by Period | | | |
|----------------------------------------------------------------------------------|----------|------------------------|-----------|-----------|----------------------|
| | | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Contractual Obligations | | | | | |
| Debt ⁽¹⁾ | \$ 770 | \$ 136 | \$ 256 | \$ 151 | \$ 227 |
| Mandatorily redeemable preferred stock of consolidated subsidiary ⁽¹⁾ | 79 | 5 | 10 | 10 | 54 |
| Liability for Marriott Rewards customer loyalty program ⁽²⁾ | 129 | 37 | 92 | | |
| Operating leases | 97 | 13 | 19 | 15 | 50 |
| Purchase obligations ⁽³⁾ | 46 | 15 | 22 | 8 | 1 |
| Other long-term obligations | 8 | 8 | | | |
| Total contractual obligations | \$ 1,129 | \$ 214 | \$ 399 | \$ 184 | \$ 332 |

(1) Includes principal as well as interest payments and is paid with proceeds from the collection of vacation ownership notes receivable.

(2) Includes interest accretion.

(3) Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure, and approximate timing of the transaction. Amounts reflected herein represent expected funding under such contracts. Amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.

We have joined in the Marriott International U.S. Federal tax consolidated filing for periods up to the date of the Spin-Off. Although we do not anticipate that a significant impact to our unrecognized tax benefit balance will occur during the next fiscal year as a result of audits by other tax jurisdictions, the amount of our liability for unrecognized tax benefits could change as a result of these audits. See Footnote No. 2, *Income Taxes*, to our Financial Statements for additional information.

We have historically issued guarantees to certain lenders in connection with the provision of third-party financing for our sales of vacation ownership products, which guarantees generally have a stated maximum amount of funding and a term of five to ten years. The terms of the guarantees to lenders generally require us to fund if the purchaser fails to pay under the terms of its note payable. We are entitled to recover any funding to third-party lenders related to these guarantees through reacquisition and resale of the vacation ownership product. Our commitments under these guarantees expire as notes mature or are repaid. Our exposure under such guarantees as of January 3, 2014 in the Asia Pacific and North America segments was \$13 million and \$3 million, respectively, and the underlying debt to third-party lenders will mature between 2014 and 2022.

For additional information on these guarantees and the circumstances under which they were entered into, see the *Guarantees* caption within Footnote No. 9, *Contingencies and Commitments*, to our Financial Statements.

In the normal course of our resort management business, we enter into purchase commitments with property owners associations to manage the daily operating needs of our resorts. Since we are reimbursed for these commitments from the cash flows of the resorts, these obligations have minimal impact on our net income and cash flow.

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 are 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*, 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;

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Marriott Rewards customer loyalty program, including how we determine our redemption obligation for Marriott Rewards Points issued prior to 2012;

Inventories and cost of vacation ownership products, which requires estimation of future revenues, including incremental revenues from future price increases or from the sale of reacquired inventory resulting from defaulted vacation ownership notes receivable, and development costs to apply a relative sales value method specific to the vacation ownership industry and 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; and

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.

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 by entering into derivative arrangements. 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 primarily in support of our North American business into that facility. We may 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 vacation ownership 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 vacation ownership 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.

From time to time, we may use derivative instruments to reduce market risks due to changes in interest rates and currency exchange rates, including interest rate derivatives that we may be required to enter into as a condition of the Warehouse Credit Facility. As of January 3, 2014, we were not party to any material derivative interest rates or hedges.

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

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The following table sets forth the scheduled maturities and the total fair value as of the end of 2013 for our financial instruments that are impacted by market risks:

| (\$ in millions) | Average Interest Rate | Maturities by Period | | | | | | Total Carrying Value | Total Fair Value |
|-------------------------------------------------------------------------------------------------|-----------------------|----------------------|----------|----------|---------|---------|------------|----------------------|------------------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | | |
| Assets Maturities represent expected principal receipts, fair values represent assets | | | | | | | | | |
| Vacation ownership notes receivable non-securitized | 11.5% | \$ 60 | \$ 34 | \$ 27 | \$ 22 | \$ 20 | \$ 88 | \$ 251 | \$ 267 |
| Vacation ownership notes receivable securitized | 12.9% | \$ 107 | \$ 108 | \$ 105 | \$ 96 | \$ 77 | \$ 226 | \$ 719 | \$ 865 |
| Liabilities Maturities represent expected principal payments, fair values represent liabilities | | | | | | | | | |
| Non-recourse debt associated with vacation ownership notes receivable securitizations | 3.5% | \$ (112) | \$ (113) | \$ (109) | \$ (77) | \$ (58) | \$ (205) | \$ (674) | \$ (695) |
| Mandatorily redeemable preferred stock of consolidated subsidiary | 12.0% | \$ | \$ | \$ | \$ | \$ | \$ (40) | \$ (40) | \$ (44) |
| Other debt | 8.35% | \$ | \$ | \$ | \$ | \$ | \$ (4) | \$ (4) | \$ (4) |

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Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are contained on pages F-1 through F-45 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 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. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving the desired control objectives. However, 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.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management's annual report on internal control over financial reporting and the independent registered public accounting firm's report on the effectiveness of our internal control over financial reporting are incorporated by reference to pages F-2 and F-3 of this Annual Report.

Changes in Internal Control Over Financial Reporting

In the fourth quarter of 2013, we ceased using Marriott International as our primary wide area network and directory services provider. We deployed new hardware and software to create our own separate network and directory services to facilitate end user and application authentication and we implemented new internal controls over financial reporting related to the operation and security of the new network.

Other than those noted above, there were no changes in our internal control over financial reporting during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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As described below, we incorporate certain information appearing in the Proxy Statement we will furnish to our shareholders in connection with our 2014 Annual Meeting of Shareholders by reference in this Annual Report.

Item 10. Directors, Executive Officers and Corporate Governance

We incorporate this information by reference to Our Board of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, Committees of our Board, Transactions with Related Persons and Selection of Director Nominees sections of our Proxy Statement. We have included information regarding our executive officers and our Code of Conduct below.

Executive Officers

Set forth below is certain information with respect to our executive officers. The information set forth below is as of February 14, 2014, except where indicated.

| Name and Title | Age | Business Experience |
|------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stephen P. Weisz President and Chief Executive Officer | 63 | 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. |
| R. Lee Cunningham Executive Vice President and Chief Operating Officer | 54 | R. Lee Cunningham has served as our Executive Vice President and Chief Operating Officer since December 2012. From 2007 to December 2012, he served as our Executive Vice President and Chief Operating Officer North America and Caribbean. 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. |
| Clifford M. Delorey Executive Vice President and | 53 | Clifford M. Delorey has served as our Executive Vice President and Chief Resort Experience Officer since October 2012. From May 2011 to October 2012, Mr. Delorey served as Vice President of |

| | |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Resort Experience Officer | Operations for the Middle East and Africa region for Marriott International. From April 2006 to May 2011, he served as our Vice President of Operations for the East region. Mr. Delorey joined Marriott International in 1981 and served in a number of operational roles, including Director of International Operations. |
| John E. Geller, Jr. Executive Vice President and Chief Financial Officer | 46 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 Operations 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. |

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| Name and Title | Age | Business Experience |
|-------------------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| James H Hunter, IV Executive Vice President and General Counsel | 51 | 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 | 47 | 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. |
| Brian E. Miller Executive Vice President and Chief Sales and Marketing Officer | 50 | 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. |
| Dwight D. Smith Executive Vice President and Chief Information Officer | 53 | 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 | 55 | 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. |

Chief Human Resources Officer

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 Sodexo 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.

Code of Conduct

Our Board of Directors 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.

Item 11. Executive Compensation

We incorporate this information by reference to the Executive and Director Compensation and Compensation Committee Interlocks and Insider Participation sections of our Proxy Statement.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We incorporate this information by reference to the Securities Authorized for Issuance Under Equity Compensation Plans and the Stock Ownership sections of our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

We incorporate this information by reference to the Transactions with Related Persons, and Director Independence sections of our Proxy Statement.

Item 14. Principal Accounting Fees and Services

We incorporate this information by reference to the Independent Registered Public Accounting Firm Fee Disclosure and the Pre-Approval of Independent Auditor Fees and Services Policy sections of our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1)-(2) Financial Statements and Schedules

The financial statements and schedules listed in the accompanying Index to Consolidated Financial Statements on page F-1 are filed as part of this Report. We include the financial statement schedules required by the applicable accounting regulations of the SEC in the notes to our consolidated financial statements and incorporate that information in that information in this Item 15 by reference.

(a)(3) Exhibits

See Index to Exhibits beginning on page 70, which is incorporated by reference herein. The Index to Exhibits lists all exhibits filed with this Report and identifies which of those exhibits are management contracts and compensation plans.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, on this 27th day of February, 2014.

MARRIOTT VACATIONS WORLDWIDE
CORPORATION

By: /s/ Stephen P. Weisz
Stephen P. Weisz
President and Chief Executive Officer

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POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Stephen P. Weisz, John E. Geller, Jr. and James H Hunter, IV, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on our behalf in the capacities indicated and on the date indicated above.

Principal Executive Officer:

/s/ Stephen P. Weisz

Stephen P. Weisz President, Chief Executive Officer and Director

Principal Financial Officer:

/s/ John E. Geller, Jr.

John E. Geller, Jr. Executive Vice President and Chief Financial Officer

Principal Accounting Officer:

/s/ Laurie A. Sullivan

Laurie A. Sullivan Senior Vice President, Corporate Controller and Chief Accounting Officer

Directors:

/s/ William J. Shaw

William J. Shaw, Chairman

/s/ Melquiades R. Martinez

Melquiades R. Martinez, Director

/s/ C.E. Andrews

C.E. Andrews, Director

/s/ William W. McCarten

William W. McCarten, Director

/s/ Raymond L. Gellein, Jr.

Raymond L. Gellein, Jr., Director

/s/ Dianna F. Morgan

Dianna F. Morgan, Director

/s/ Thomas J. Hutchison III

Table of Contents**INDEX TO EXHIBITS**

The Registrant will furnish you, without charge, a copy of any exhibit, upon written request. Written requests to obtain any exhibit should be sent to Marriott Vacations Worldwide Corporation, 6649 Westwood Blvd., Orlando, FL 32821, Attention: Corporate Secretary.

Exhibit

| No. | Description |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1 | Separation and Distribution Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., Marriott Resorts Hospitality Corporation, MSCI Asia Pacific Pte. Ltd. and MVCO Series LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 3.1 | Restated Certificate of Incorporation of Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 3.2 | Restated Bylaws of Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 4.1 | Form of certificate representing shares of common stock, par value \$0.01 per share, of Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 filed on October 14, 2011). |
| 10.1 | License, Services, and Development Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Worldwide Corporation, Marriott Vacations Worldwide Corporation and the other signatories thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 10.2 | Letter Agreement, dated as of February 21, 2013, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation, supplementing the License, Services, and Development Agreement filed as Exhibit 10.2 hereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on April 25, 2013). |
| 10.3 | License, Services, and Development Agreement, entered into on November 17, 2011, among The Ritz-Carlton Hotel Company, L.L.C., Marriott Vacations Worldwide Corporation and the other signatories thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 10.4 | Employee Benefits and Other Employment Matters Allocation Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 10.5 | Tax Sharing and Indemnification Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on November 22, 2011). |
| 10.6 | Amendment, dated August 2, 2012, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation, to the Tax Sharing and Indemnification Agreement filed as Exhibit 10.5 hereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on |

October 18, 2012).

- 10.7 Marriott Rewards Affiliation Agreement, entered into on November 17, 2011, among Marriott International, Inc., Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and the other signatories thereto (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on November 22, 2011).
- 10.8 Non-Competition Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on November 22, 2011).
- 10.9 Omnibus Transition Services Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on November 22, 2011).
- 10.10 First Amendment to Services Exhibit, dated as of October 10, 2012, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation to the Omnibus Transition Services Agreement filed as Exhibit 10.9 hereto (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on February 22, 2013).
- 10.11 Information Resources Transition Services Agreement, entered into on November 17, 2011, between Marriott International, Inc. and Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed on November 22, 2011).

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| No. | Description |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.12 | Marriott Vacations Worldwide Corporation Amended and Restated Stock and Cash Incentive Plan.* |
| 10.13 | Form of Restricted Stock Unit Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on December 9, 2011).* |
| 10.14 | Form of Stock Appreciation Right Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on December 9, 2011).* |
| 10.15 | Form of Performance Unit Award Agreement – Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on March 16, 2012).* |
| 10.16 | Form of Non-Employee Director Share Award Confirmation (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed on December 9, 2011).* |
| 10.17 | Form of Non-Employee Director Stock Appreciation Right Award Agreement (incorporated by reference to Exhibit 10.16 to the Company’s Annual Report on Form 10-K filed on March 21, 2012).* |
| 10.18 | Marriott Vacations Worldwide Corporation Change in Control Severance Plan (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on March 16, 2012).* |
| 10.19 | Form of Participation Agreement for Change in Control Severance Plan – Marriott Vacations Worldwide Corporation Change in Control Severance Plan (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed on March 16, 2012).* |
| 10.20 | Marriott Vacations Worldwide Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K filed on June 13, 2013).* |
| 10.21 | Non-Competition Agreement for Approved Retirees dated as of December 6, 2012 made by Robert A. Miller in favor of Marriott Vacations Worldwide Corporation (incorporated by reference to Exhibit 10.23 to the Company’s Annual Report on Form 10-K filed on February 22, 2013).* |
| 10.22 | Independent Contractor Agreement dated as of January 2, 2013 between Marriott Ownership Resorts, Inc. and RAMCO Advisors, LLC (incorporated by reference to Exhibit 10.24 to the Company’s Annual Report on Form 10-K filed on February 22, 2013).* |
| 10.23 | Second Amended and Restated Indenture and Servicing Agreement, entered into September 11, 2012 and dated as of September 1, 2012, among Marriott Vacations Worldwide Owner Trust 2011-1, Marriott Ownership Resorts, Inc., and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on September 13, 2012). |
| 10.24 | Amended and Restated Sale Agreement, entered into September 11, 2012 and dated as of September 1, 2012, between MORI SPC Series Corp. and Marriott Vacations Worldwide Owner Trust 2011-1 (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on September 13, 2012). |
| 10.25 | Omnibus Amendment No. 1, dated January 15, 2013, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and the other parties named therein to, among other agreements, the Second Amended and Restated Indenture and Servicing Agreement filed as Exhibit 10.23 hereto and the |

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Amended and Restated Sale Agreement filed as Exhibit 10.24 hereto (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on February 22, 2013).

- 10.26 Omnibus Amendment No. 2, dated September 6, 2013, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and the other parties named therein to, among other agreements, the Second Amended and Restated Indenture and Servicing Agreement filed as Exhibit 10.23 hereto and the Amended and Restated Sale Agreement filed as Exhibit 10.24 hereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 9, 2013).
- 10.27 Amendment and Restatement Agreement, dated as of November 30, 2012, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., certain subsidiaries of Marriott Vacations Worldwide Corporation, JPMorgan Chase Bank, N.A., and the several banks and other financial institutions or entities from time to time parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 30, 2012).
- 10.28 Amended and Restated Credit Agreement, dated as of November 30, 2012, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the several banks and other financial institutions or entities from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Deutsche Bank Securities Inc., as co-documentation agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as co-syndication agents (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 30, 2012).

Table of Contents**Exhibit**

| No. | Description |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.29 | First Amendment, dated June 12, 2013, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the several banks and other financial institutions or entities from time to time party thereto, Bank of America, N.A. and Deutsche Bank Securities Inc., as co-documentation agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as co-syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent, to the Amended and Restated Credit Agreement filed as Exhibit 10.28 hereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 13, 2013). |
| 10.30 | Second Amendment, dated October 4, 2013, among Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., the several banks and other financial institutions or entities from time to time party thereto, Bank of America, N.A. and Deutsche Bank Securities Inc., as co-documentation agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as co-syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent, to the Amended and Restated Credit Agreement filed as Exhibit 10.28 hereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on October 10, 2013). |
| 10.31 | Amended and Restated Guarantee and Collateral Agreement, dated as of November 30, 2012, made by Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc. and certain subsidiaries of Marriott Vacations Worldwide Corporation in favor of JPMorgan Chase Bank, N.A., as administrative agent for the banks and other financial institutions or entities from time to time parties to the Amended and Restated Credit Agreement filed as Exhibit 10.33 hereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 30, 2012). |
| 10.32 | First Amendment, dated June 12, 2013, made by Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., and certain subsidiaries of Marriott Vacations Worldwide Corporation in favor of JPMorgan Chase Bank, N.A., as administrative agent, to the Amended and Restated Guarantee and Collateral Agreement filed as Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on June 13, 2013). |
| 21.1 | Subsidiaries of Marriott Vacations Worldwide Corporation. |
| 23.1 | Consent of Ernst & Young, LLP. |
| 24.1 | Powers of Attorney (included on the signature pages hereto). |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |

| | |
|---------|-------------------------------------------------------|
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document. |

* Management contract or compensatory plan or arrangement.

We have attached the following documents formatted in XBRL (Extensible Business Reporting Language) as Exhibit 101 to this report: (i) Consolidated Statements of Operations for the fiscal years ended January 3, 2014, December 28, 2012 and December 30, 2011; (ii) the Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended January 3, 2014, December 28, 2012 and December 30, 2011; (iii) the Consolidated Balance Sheets at January 3, 2014 and December 28, 2012; (iv) the Consolidated Statements of Cash Flows for the fiscal years ended January 3, 2014, December 28, 2012 and December 30, 2011; and (v) the Consolidated Statements of Shareholders Equity for the fiscal years ended January 3, 2014, December 28, 2012 and December 30, 2011.

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**MANAGEMENT'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of Marriott Vacations Worldwide Corporation (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance on prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of January 3, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria).

Based on this assessment, management has concluded that, applying the COSO criteria, as of January 3, 2014, the Company's internal control over financial reporting was effective to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this report, has issued a report on the effectiveness of the Company's internal control over financial reporting, a copy of which appears on the next page of this Annual Report on Form 10-K.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Marriott Vacations Worldwide Corporation:

We have audited Marriott Vacations Worldwide Corporation's internal control over financial reporting as of January 3, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Marriott Vacations Worldwide Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Marriott Vacations Worldwide Corporation maintained, in all material respects, effective internal control over financial reporting as of January 3, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Marriott Vacations Worldwide Corporation as of January 3, 2014 and December 28, 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders equity, and cash flows for each of the three fiscal years in the period ended January 3, 2014 and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Certified Public Accountants

Miami, Florida

February 27, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Marriott Vacations Worldwide Corporation:

We have audited the accompanying consolidated balance sheets of Marriott Vacations Worldwide Corporation as of January 3, 2014 and December 28, 2012, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 3, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marriott Vacations Worldwide Corporation at January 3, 2014 and December 28, 2012 and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended January 3, 2014 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Marriott Vacations Worldwide Corporation's internal control over financial reporting as of January 3, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Certified Public Accountants

Miami, Florida

February 27, 2014

Table of Contents**MARRIOTT VACATIONS WORLDWIDE CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****Fiscal Years 2013, 2012 and 2011**

(In millions, except per share amounts)

| | 2013 | 2012 | 2011 |
|-----------------------------------------------------|--------------|--------------|-----------------|
| REVENUES | | | |
| Sale of vacation ownership products | \$ 672 | \$ 618 | \$ 627 |
| Resort management and other services | 260 | 253 | 238 |
| Financing | 141 | 151 | 169 |
| Rental | 262 | 225 | 212 |
| Other | 30 | 30 | 29 |
| Cost reimbursements | 385 | 362 | 349 |
| TOTAL REVENUES | 1,750 | 1,639 | 1,624 |
| EXPENSES | | | |
| Cost of vacation ownership products | 214 | 203 | 239 |
| Marketing and sales | 316 | 329 | 341 |
| Resort management and other services | 190 | 199 | 198 |
| Financing | 25 | 26 | 28 |
| Rental | 251 | 225 | 220 |
| Other | 16 | 14 | 13 |
| General and administrative | 99 | 86 | 81 |
| Litigation settlement | 4 | 41 | 3 |
| Organizational and separation related | 12 | 16 | |
| Consumer financing interest | 31 | 41 | 47 |
| Royalty fee | 62 | 61 | 4 |
| Impairment | 1 | | 324 |
| Cost reimbursements | 385 | 362 | 349 |
| TOTAL EXPENSES | 1,606 | 1,603 | 1,847 |
| Gains and other income | 1 | 9 | 2 |
| Interest expense | (13) | (17) | |
| Equity in earnings | | 1 | |
| Impairment (charges) reversals on equity investment | (1) | 2 | 4 |
| INCOME (LOSS) BEFORE INCOME TAXES | 131 | 31 | (217) |
| (Provision) benefit for income taxes | (51) | (24) | 45 |
| NET INCOME (LOSS) | \$ 80 | \$ 7 | \$ (172) |

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| | | | |
|------------------------------------------------------------|---------|---------|-----------|
| Basic earnings (loss) per share | \$ 2.25 | \$ 0.19 | \$ (5.12) |
| Shares used in computing basic earnings (loss) per share | 35.4 | 34.4 | 33.7 |
| Diluted earnings (loss) per share | \$ 2.18 | \$ 0.18 | \$ (5.12) |
| Shares used in computing diluted earnings (loss) per share | 36.6 | 36.2 | 33.7 |

See Notes to Consolidated Financial Statements

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MARRIOTT VACATIONS WORLDWIDE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Fiscal Years 2013, 2012 and 2011

(In millions)

| | 2013 | 2012 | 2011 |
|-----------------------------------------------------|--------------|-------------|----------------|
| Net income (loss) | \$ 80 | \$ 7 | \$(172) |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | 2 | 2 | (9) |
| Total other comprehensive income (loss), net of tax | 2 | 2 | (9) |
| COMPREHENSIVE INCOME (LOSS) | \$ 82 | \$ 9 | \$(181) |

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Table of Contents**MARRIOTT VACATIONS WORLDWIDE CORPORATION****CONSOLIDATED BALANCE SHEETS****Fiscal Year-End 2013 and 2012**

(In millions, except share and per share data)

| | 2013 | 2012 |
|---------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 200 | \$ 103 |
| Restricted cash (including \$34 and \$31 from VIEs, respectively) | 86 | 68 |
| Accounts and contracts receivable (including \$5 and \$5 from VIEs, respectively) | 109 | 100 |
| Vacation ownership notes receivable (including \$719 and \$727 from VIEs, respectively) | 970 | 1,056 |
| Inventory | 870 | 888 |
| Property and equipment | 254 | 261 |
| Other | 143 | 137 |
| Total Assets | \$ 2,632 | \$ 2,613 |
| LIABILITIES AND EQUITY | | |
| Accounts payable | \$ 129 | \$ 113 |
| Advance deposits | 48 | 64 |
| Accrued liabilities (including \$1 and \$1 from VIEs, respectively) | 185 | 181 |
| Deferred revenue | 19 | 32 |
| Payroll and benefits liability | 82 | 82 |
| Liability for Marriott Rewards customer loyalty program | 114 | 159 |
| Deferred compensation liability | 37 | 45 |
| Mandatorily redeemable preferred stock of consolidated subsidiary | 40 | 40 |
| Debt (including \$674 and \$674 from VIEs, respectively) | 678 | 678 |
| Other | 31 | 38 |
| Deferred taxes | 60 | 42 |
| Total Liabilities | 1,423 | 1,474 |
| Contingencies and Commitments (Note 9) | | |
| Preferred stock \$.01 par value; 2,000,000 shares authorized; none issued or outstanding | | |
| Common stock \$.01 par value; 100,000,000 shares authorized; 35,637,765 and 35,026,533 shares issued, respectively | | |
| Treasury stock at cost; 505,023 and 0 shares, respectively | (26) | |
| Additional paid-in capital | 1,130 | 1,116 |
| Accumulated other comprehensive income | 23 | 21 |
| Retained earnings | 82 | 2 |
| Total Equity | 1,209 | 1,139 |

| | | |
|------------------------------|----------|----------|
| Total Liabilities and Equity | \$ 2,632 | \$ 2,613 |
|------------------------------|----------|----------|

The abbreviation VIEs above means Variable Interest Entities.

See Notes to Consolidated Financial Statements

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Table of Contents**MARRIOTT VACATIONS WORLDWIDE CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****Fiscal Years 2013, 2012 and 2011**

(In millions)

| | 2013 | 2012 | 2011 |
|------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ 80 | \$ 7 | \$ (172) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 23 | 30 | 33 |
| Amortization of debt issuance costs | 6 | 7 | 4 |
| Provision for loan losses | 36 | 42 | 37 |
| Share-based compensation | 12 | 12 | 11 |
| Gain on disposal of property and equipment, net | (1) | (8) | (2) |
| Deferred income taxes | 18 | (47) | (63) |
| Equity method income | | (1) | |
| Impairment charges | 1 | | 324 |
| Impairment charges (reversals) on equity investment | 1 | (2) | (4) |
| Net change in assets and liabilities: | | | |
| Accounts and contracts receivable | (8) | (3) | (3) |
| Notes receivable originations | (260) | (262) | (256) |
| Notes receivable collections | 310 | 311 | 322 |
| Inventory | 34 | 66 | 110 |
| Other assets | (7) | 23 | (25) |
| Accounts payable, advance deposits and accrued liabilities | (16) | 27 | 52 |
| Liability for Marriott Rewards customer loyalty program | (45) | (64) | 5 |
| Deferred revenue | (13) | 4 | (28) |
| Payroll and benefit liabilities | | 27 | (25) |
| Deferred compensation liability | (8) | (2) | 1 |
| Other liabilities | (3) | (5) | |
| Other, net | 2 | 1 | |
| Net cash provided by operating activities | 162 | 163 | 321 |