EL PASO CORP/DE
Form 424B3
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Registration No. 333-127797

El Paso Corporation
750,000 Shares of 4.99% Convertible Perpetual Preferred Stock
(liquidation preference $1,000 per share)
57,581,550 Shares of Common Stock
issuable upon conversion of the Preferred Stock

This prospectus relates to the offer and resale, from time to time, of up to 750,000 shares of 4.99% Convertible Perpetual Preferred Stock (liquidation preference $1,000 per share), par value $0.01 per share, and the shares of our common stock, par value $3.00 per share, issuable upon the conversion of the preferred stock. These shares are being offered to the public market by those individuals named in the section of this prospectus entitled Selling Stockholders, as described under the section of this prospectus entitled Plan of Distribution. We originally issued the preferred stock in a private placement on April 15, 2005. The selling stockholders will receive the proceeds from the sale of the preferred stock and common stock, but we will bear the costs relating to the registration of the preferred stock and common stock. For a more detailed description of the preferred stock, see Description of the Preferred Stock beginning on page 19.

Our common stock trades on the New York Stock Exchange under the symbol EP. On February 10, 2006, the closing sale price of our common stock was $12.54 per share.

The shares of preferred stock issued in the initial private placement are eligible for trading in the Portal Market of the Nasdaq Stock Market, Inc. Shares of preferred stock sold using this prospectus, however, will no longer be eligible for trading in the Portal Market. We do not intend to list the preferred stock on any national securities exchange or automated quotation system.

Investing in the preferred stock or common stock involves risks. See Risk Factors beginning on page 6.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 13, 2006.

You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell these securities. We are not making an offer of these securities in any state where such an offer is not permitted. The information in this prospectus may only be accurate on the date of this prospectus. You should not assume that the information contained in this prospectus is accurate as of any other date.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly, and other reports and other information with the SEC under the Securities Exchange Act of 1934, as amended (Exchange Act). You may read and copy any materials we file with the SEC at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public through the SEC website at http://www.sec.gov or our website at http://www.elpaso.com. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information on our website as part of this prospectus.

This prospectus is part of a registration statement that we have filed with the SEC. The registration statement contains more information than this prospectus, including exhibits and contains additional relevant information about us. You can obtain a copy of the registration statement at the address of the SEC listed above or at the SEC s website. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference information that we file with the SEC, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this document, except for any information that is superseded by information that is included directly in this document and information we file later with the SEC will automatically update and supersede this information.

Any information that we file under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, and that is deemed filed, with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below:

Annual Report on Form 10-K for the year ended December 31, 2004, and amended Annual Reports on Form 10-K/ A filed April 8, 2005, May 6, 2005 and June 16, 2005;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005, and amended Quarterly Reports on Form 10-Q/ A filed June 16, 2005 and July 8, 2005;

Current Reports on Form 8-K filed *July 1, 2005, *July 19, 2005, July 27, 2005, August 10, 2005, August 18, 2005, October 18, 2005, *November 4, 2005, November 15, 2005, December 2, 2005, December 6, 2005, December 14, 2005, December 20, 2005, *January 4, 2006, January 11, 2006, *January 18, 2006, January 31, 2006 and February 7, 2006 and Current Reports on Form 8-K/ A filed *June 21, 2005, June 24, 2005; * denotes Current Reports that also contain information that is only furnished and not filed for purposes of Section 18 of the Exchange Act; and

The description of our capital stock contained in our registration statement on Form 8-A, filed on June 19, 2002, including any amendment or report filed for the purpose of updating the description; and

Proxy Statement for the Annual Meeting of Shareholders held on May 26, 2005, filed March 31, 2005, as amended on April 15, 2005.

We also disclose information about us through current reports on Form 8-K that are furnished to the SEC to comply with Regulation FD. This information is not considered to be filed for purposes of Section 18 of the Exchange Act, is not subject to the liabilities of that section and is not incorporated by reference herein.

Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You may request a copy of any documents incorporated by reference in this prospectus by requesting them in writing or by telephoning us at the following address:

El Paso Corporation
Office of Investor Relations
El Paso Building
1001 Louisiana Street
Houston, Texas 77002
Telephone No.: (713) 420-2600

You should read this prospectus and any prospectus supplement together with the registration statement and the exhibits filed with or incorporated by reference in the registration statement. The information contained in this prospectus speaks only as of its date unless the context specifically indicates otherwise.

We have not authorized any person to give any information or to make any representation that differs from, or add to, the information discussed in this prospectus. Therefore, if anyone gives you different or additional information, you should not rely on it.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations of us and our affiliates. These statements may relate to, but are not limited to, information or assumptions about earnings per share, capital and other expenditures, dividends, financing plans, capital structure, cash flow, liquidity, pending legal and regulatory proceedings and claims, including environmental matters, future economic performance, operating income, cost savings, management s plans, goals and objectives for future operations and growth. These forward-looking statements generally are accompanied by words such as intend, anticipate, believe, estimate, exp should or similar expressions. It should be understood that these forward-looking statements are necessarily estimates reflecting the best judgment of our senior management, not guarantees of future performance. They are subject to a number of

assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements.

Undue reliance should not be placed on forward-looking statements, which speak only as of the date of this prospectus.

For a description of risks relating to us and our business, see Risk Factors beginning on page 6 of this prospectus.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless the securities laws require us to do so.

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SUMMARY

This summary highlights some basic information from this prospectus to help you understand our business, the preferred stock and the common stock issuable upon conversion thereof. It does not contain all of the information that is important to you. You should carefully read this prospectus to understand fully the terms of the preferred stock and the common stock subject to issuance upon conversion thereof, as well as the tax and other considerations that are important to you in making your investment decision. You should pay special attention to the Risk Factors beginning on page 6 of this prospectus and the section entitled Cautionary Statement Regarding Forward-Looking Statements on page ii of this prospectus to determine whether an investment in the preferred stock is appropriate for you. For purposes of this prospectus, except where we are describing the terms of the preferred stock and the common stock subject to issuance upon conversion thereof, and unless the context otherwise indicates, when we refer to El Paso, us, we, our, ours, or issuer, we are describing El Paso Corporation, together with its subsidiaries. Unless the context otherwise indicates, all references to the preferred stock are to the 4.99% Convertible Perpetual Preferred Stock described in this prospectus. With respect to any description of the terms of the preferred stock or the common stock subject to issuance upon conversion thereof, such references refer only to El Paso Corporation, and not to its subsidiaries.

Our Business

We are an energy company originally founded in 1928 in El Paso, Texas, with a stated purpose to provide natural gas and related energy products in a safe, efficient and dependable manner. We own North America s largest natural gas pipeline system and an exploration and production business that is focused primarily on domestic natural gas and oil production and related marketing activities.

The Offering and this Prospectus

Preferred stock offered by the Selling Holders	Up to 750,000 shares of 4.99% Convertible Perpetual Preferred Stock, par value $0.01 per share.
Common stock offered by the Selling Holders	Up to 57,581,550 shares, based upon an initial conversion price of $13.03 per share of common stock. The conversion price is subject to adjustment as described in Description of the Preferred Stock Adjustments to the Conversion Rate.
Liquidation preference	$1,000 per share of preferred stock.
Dividends	Holders of preferred stock are entitled to receive, when, as and if declared by our board of directors, out of funds legally available therefor, cash dividends at the rate of 4.99% per annum of the liquidation preference, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year commencing July 1, 2005. Dividends on the preferred stock will accumulate from the most recent date as to which dividends will have been paid or, if no dividends have been paid, from the date of initial issuance. Accumulated but unpaid dividends accumulate at the annual rate of 4.99%. For so long as the preferred stock remains outstanding, (1) we will not declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any junior stock or parity stock and (2) neither we nor any of our subsidiaries will, subject to certain exceptions, redeem, purchase or otherwise acquire for consideration junior stock or parity stock through a sinking fund or otherwise, in each case unless we have paid or set apart funds for the payment of all accumulated and unpaid dividends, including

liquidated damages, if any, with respect to the shares of preferred stock and any parity stock for all preceding dividend periods. See Description of the Preferred Stock Dividends.

Use of proceeds

All of the shares of preferred stock and common stock offered hereby are being sold by the selling stockholders. We will not receive any proceeds from the sale of preferred stock and common stock in this offering. See Use of Proceeds.

Conversion

The preferred stock is convertible, at the option of the holder, at any time into shares of our common stock at a conversion rate of 76.7754 shares of our common stock per $1,000 liquidation preference of preferred stock, which represents an initial conversion price of approximately $13.03 per share of common stock. The conversion rate may be adjusted for certain reasons as described under the caption Description of the Preferred Stock Adjustments to the Conversion Rate, but will not be adjusted for accumulated and unpaid dividends or for liquidated damages, if any. Upon conversion, holders will not receive any cash payment representing accumulated and unpaid dividends, if any. In addition, if a holder elects to convert its shares of preferred stock in connection with the occurrence, prior to April 5, 2015, of a fundamental change, the holder will be entitled to receive additional shares of common stock upon conversion or, in lieu thereof, we may under certain circumstances elect to adjust the conversion rate and the related conversion obligation such that the preferred stock will be convertible into shares of the acquiring or surviving company, in each case as described under Description of the Preferred Stock Make Whole Payment Upon the Occurrence of a Fundamental Change.

If we declare a distribution consisting exclusively of cash to holders of our common stock (excluding (1) dividends or distributions in connection with our liquidation, dissolution or winding up and (2) any quarterly cash dividend on our shares of common stock to the extent that the aggregate cash dividend per share amount of our common stock in any quarter does not exceed $0.04, which amount we refer to as the dividend threshold amount), the conversion rate will be adjusted by multiplying the applicable conversion rate by the following fraction:

$$\frac{\text{Market Price of Common Stock} \quad \textit{minus} \quad \text{Dividend Threshold Amount}}{\text{Market Price of Common Stock} \quad \textit{minus} \quad \text{Per Share Distribution Amount}}$$

If an adjustment is required to be made as a result of a distribution that is not a quarterly dividend, the dividend threshold amount will be deemed to be zero.

See Description of the Preferred Stock Adjustments to the Conversion Rate for additional discussion of adjustments that may be made to the conversion rate.

Mandatory conversion

On or after April 5, 2010, we may, at our option, cause the preferred stock to be automatically converted into that number of shares of common stock that are issuable at the then prevailing conversion rate. We may exercise our conversion right only if, for 20 trading days within any period of 30 consecutive trading days

	(including the last trading day of such period), the closing price of our common stock exceeds 130% of the then prevailing conversion price of the preferred stock.
Limited optional redemption	On or after April 5, 2010, we will have the option to redeem all outstanding shares of preferred stock if (1) the total number of preferred shares then outstanding is less than 10% of the total number of such shares issued in this offering and (2) the closing price of our common stock for 20 trading days within a period of 30 consecutive trading days ending on the trading day before we give notice of redemption equals or exceeds the conversion price in effect on such day. We will pay the redemption price in cash.
Fundamental change	If a fundamental change (as described under Description of the Preferred Stock Conversion Rights Fundamental Change Requires Us to Redeem Shares of Preferred Stock at the Option of the Holder) occurs prior to April 1, 2015, each holder of shares of preferred stock will, subject to legally available funds, have the right to require us to redeem any or all of its shares at a redemption price equal to 100% of the liquidation preference, plus an amount equal to any accumulated and unpaid dividends, including liquidated damages, if any, to, but excluding, the date of redemption. We will pay the redemption price in cash. Holders will have no other right to require us to redeem the preferred stock at any time. Our ability to redeem all or a portion of the preferred stock for cash is subject to our obligation to repay or repurchase any outstanding debt that may be required to be repaid or repurchased in connection with a fundamental change and to any contractual restrictions contained in the terms of any indebtedness that we have at that time. If a fundamental change occurs at a time when we are prohibited from redeeming shares of preferred stock for cash, we could seek the consent of our lenders to redeem the preferred stock or attempt to refinance the debt containing such prohibition. In addition, holders of shares of preferred stock shall not have the right to require us to repurchase shares of preferred stock upon a fundamental change unless and until our board of directors has approved such fundamental change or elected to take a neutral position with respect to such fundamental change.
Voting rights	Holders of preferred stock will not have any voting rights except as set forth below or as otherwise from time to time required by law. Whenever (1) dividends on the preferred stock or any other class or series of stock ranking on a parity with the preferred stock with respect to the payment of dividends are in arrears for dividend periods, whether or not consecutive, containing in the aggregate a number of days equivalent to six calendar quarters, or (2) we fail to pay the redemption price on the date shares of preferred stock are called for redemption (whether the redemption is pursuant to the optional redemption provisions or the redemption is in connection with a fundamental change) then, immediately prior to the next annual meeting of shareholders, the total number of directors constituting the entire board will automatically be increased by two and, in each case, the holders of preferred stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of such directors at the next annual meeting of stockholders and at each subsequent meeting until all dividends accumulated or the redemption price on the preferred stock have been fully paid or set

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	apart for payment. Directors elected by the holders of the preferred stock shall not be divided into classes of the board of directors and the term of office of all directors elected by the holders of preferred stock will terminate immediately upon the termination of the right of the holders of preferred stock to vote for directors and upon such termination the total number of directors constituting the entire board will automatically be reduced by two. Holders of shares of preferred stock will have one vote for each share of preferred stock held.
Ranking	The preferred stock will be, with respect to dividend rights and rights upon liquidation, winding up or dissolution: junior to all our existing and future debt obligations; junior to every other class or series of our capital stock other than (1) our common stock and any other class or series of our capital stock the terms of which provide that such class or series will rank junior to the preferred stock and (2) any other class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the preferred stock; on a parity with any class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the preferred stock; senior to our common stock and any other class or series of our capital stock the terms of which provide that such class or series will rank junior to the preferred stock; and effectively junior to all of our subsidiaries (1) existing and future liabilities and (2) capital stock held by others.
Trading	The shares of preferred stock issued in the initial private placement are eligible for trading in the Portal Market of the Nasdaq Stock Market, Inc. Shares of preferred stock sold using this prospectus, however, will no longer be eligible for trading in the Portal Market. We do not intend to list the preferred stock on any national securities exchange or automated quotation system.
NYSE symbol for our common stock	Our common stock is traded on the New York Stock Exchange under the symbol EP.

For further information regarding the preferred stock, including, among other things, more complete descriptions of our dividend obligations, the conversion of the preferred stock, and the anti-dilution adjustments and voting rights applicable to the preferred stock, please see Description of the Preferred Stock.

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Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

	For The Years Ended December 31,					For The Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
Ratio of earnings to combined fixed charges and preferred stock dividends[1]	1.31x						

(1) Earnings were inadequate to cover fixed charges by $393 million, $1,440 million, $1,122 million and $1,065 million for the years ended December 31, 2001, 2002, 2003 and 2004, respectively, and $769 million and $636 million for the nine months ended September 30, 2004 and 2005.

For purposes of computing these ratios, earnings means pre-tax income (loss) from continuing operations before:

- minority interests in consolidated subsidiaries;
- income or loss from equity investees, adjusted to reflect actual distributions from equity investments; and
- fixed charges;

less:

- capitalized interest; and
- preferred returns on consolidated subsidiaries.

Fixed charges means the sum of the following:

- interest costs, not including interest on rate refunds;
- amortization of debt costs;
- that portion of the rental expense which we believe represents an interest factor;
- the amount of pre-tax earnings required to cover any preferred stock dividends and preferred returns on consolidated subsidiaries.

Risk Factors

An investment in the preferred stock and the common stock subject to issuance upon conversion thereof involves certain risks that a potential investor should carefully evaluate prior to making an investment in the preferred stock. See Risk Factors beginning on page 6.

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RISK FACTORS

Before you invest in our preferred stock and common stock, you should consider the risks, uncertainties and factors that may adversely affect us that are discussed below.

Risks Relating to the Preferred Stock

The preferred stock ranks junior to all of our liabilities.

In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the preferred stock, including the purchase of your shares of the preferred stock for cash upon a fundamental change, only after all of our indebtedness and other liabilities have been paid. In addition, we are a holding company and the preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and any capital stock of our subsidiaries held by others. The rights of holders of the preferred stock to participate in the distribution of assets of our subsidiaries will rank junior to the prior claims of that subsidiary s creditors and any other equity holders. Consequently, if we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay amounts due on any or all of the preferred stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the preferred stock.

We may not be able to pay cash dividends on the preferred stock.

We are required to pay all declared dividends on the preferred stock in cash. Our existing revolving credit facilities and indentures limit, and any indentures and other financing agreements that we enter into in the future will likely limit, our ability to pay cash dividends on our capital stock. Specifically, under our existing revolving credit agreement, we may pay cash dividends and make other distributions on or in respect of our capital stock, including the preferred stock, only if certain financial tests are met. In addition, the indentures or other credit facilities of certain of our subsidiaries include limitations on the ability of such subsidiaries to pay dividends or make other distributions to us. In the event that any of our revolving credit facilities, indentures or other financing agreements in the future restrict our ability to pay cash dividends on the preferred stock, we will be unable to pay cash dividends on the preferred stock unless we can refinance amounts outstanding under those agreements. Furthermore, in the event the credit facilities, indentures or other financing agreements of our subsidiaries limit the ability of such subsidiaries to pay dividends or make distributions to us, our ability to pay dividends on the preferred stock could be adversely affected.

Under Delaware law, cash dividends on capital stock may only be paid from surplus or, if there is not surplus, from the corporation s net profits for the then current or the preceding fiscal year. Unless we continue to operate profitably, our ability to pay cash dividends on the preferred stock would require the availability of adequate surplus, which is defined as the excess, if any, of our net assets (total assets less total liabilities) over our capital. Further, even if adequate surplus is available to pay cash dividends on the preferred stock, we may not have sufficient cash to pay dividends on the preferred stock.

There is no public market for the preferred stock.

The preferred stock is eligible for trading in Portal Market. Shares of preferred stock sold using this prospectus will no longer be eligible for trading in Portal Market, and will not be listed for trading on any national securities exchange or on the National Association of Securities Dealers Automated Quotation System (Nasdaq). In addition, we cannot assure when or how many shares of preferred stock may be sold pursuant to this prospectus, which will be a factor affecting the depth and liquidity of the market, if any, for shares of our preferred stock. Accordingly, there may not be development of, or significant liquidity in, any market for shares of preferred stock sold using this prospectus. If a market for the preferred stock were to develop, the preferred stock could trade at prices that may be higher or lower than the price paid to any of the selling stockholders for shares sold pursuant to this prospectus depending upon many factors, including the price of our common stock into which the preferred stock may be converted, prevailing interest rates, our operating results and the markets for similar securities.

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We may not be able to pay the redemption price of the preferred stock in cash upon a fundamental change. We also could be prevented from paying dividends on shares of the preferred stock.

In the event of a fundamental change (as defined in the Certificate of Designations) you will have the right to require us to purchase with cash all your shares of preferred stock. However, we may not have sufficient cash to purchase your shares of preferred stock upon a fundamental change or may be otherwise unable to pay the purchase price in cash.

In addition, holders of shares of preferred stock will not have the right to require us to repurchase shares of preferred stock upon a fundamental change unless our board of directors has approved such fundamental change or elected to take a neutral position with respect to such fundamental change.

Further, because we are a holding company, our ability to purchase the preferred stock for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries.

If you convert your shares of preferred stock into shares of common stock, you may experience immediate dilution.

If you convert your shares of preferred stock into shares of common stock, you may experience immediate dilution because the per share conversion price of the preferred stock is higher than the then net tangible book value per share of our outstanding common stock. In addition, you will also experience dilution when and if we issue additional shares of common stock, which we may be required to issue pursuant to options, warrants, our stock option plan or other employee or director compensation plans.

The price of our common stock, and therefore of the preferred stock, may fluctuate significantly, which may make it difficult for you to resell the preferred stock, or common stock issuable upon conversion thereof, when you want or at prices you find attractive.

The price of our common stock on the New York Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate. Because the preferred stock is convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the preferred stock. Holders who have received common stock upon conversion will also be subject to the risk of volatility and depressed prices.

Our stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

The additional shares of our common stock payable on our preferred stock in connection with a fundamental change may not adequately compensate you for the lost option time value of your shares of our preferred stock as a result of such fundamental change.

If a fundamental change occurs, we will, in certain circumstances, increase the conversion rate of our preferred stock by a number of additional shares of common stock. The number of additional shares of our common stock will be determined based on the date on which the fundamental change becomes effective, and the price paid per share of common stock in the fundamental change transaction as described under Description of the Preferred Stock Conversion Rights Make Whole Payment Upon the Occurrence of a Fundamental Change. While the increase in the conversion rate upon conversion is designed to compensate you for the lost option time value of your shares of preferred stock as a result of the fundamental change, the increase is only an approximation of this lost value and may not adequately compensate you for your loss. If the price paid per share of common stock in the fundamental change transaction is less than the price per share of the common stock at the date of issuance of our preferred stock or above a specified price, there will be no increase in the conversion rate. In addition, in certain circumstances, upon a fundamental change arising from our acquisition by a public company, we may elect to adjust the conversion rate as described under

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Description of the Preferred Stock Conversion Rights Make Whole Payment Upon the Occurrence of a Fundamental Change and, if we so elect, holders of shares of our preferred stock will not be entitled to the increase in the conversion rate described above.

We may issue additional series of preferred stock that rank equally to the preferred stock as to dividend payments and liquidation preference.

Our amended and restated certificate of incorporation and the certificate of designation for the preferred stock do not prohibit us from issuing additional series of preferred stock that would rank equally to the preferred stock as to dividend payments and liquidation preference. Including the 750,000 shares of the preferred stock issued for sale pursuant to this prospectus our amended and restated certificate of incorporation provides that we have the authority to issue 50,000,000 shares of preferred stock. The issuances of other series of preferred stock could have the effect of reducing the amounts available to the preferred stock in the event of our liquidation. It may also reduce dividend payments on the preferred stock if we do not have sufficient funds to pay dividends on all preferred stock outstanding and outstanding parity preferred stock.

Future issuances of preferred stock may adversely affect the market price for our common stock.

Additional issuances and sales of preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at a time and price favorable to us.

We may not have sufficient earnings and profits in order for distributions on the preferred stock to be treated as dividends.

The dividends payable by us on the preferred stock may exceed our current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes, at the time of payment. If that occurs, it will result in the amount of the dividends that exceed such earnings and profits being treated first as a return of capital to the extent of the holder s adjusted tax basis in the preferred stock, and the excess, if any, over such adjusted tax basis as capital gain. Such treatment will generally be unfavorable for corporate holders and may also be unfavorable to certain other holders.

Our corporate documents and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company even if some stockholders might consider such a development favorable, which may adversely affect the price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated by-laws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our amended and restated certificate of incorporation authorizes our board of directors to issue shares of preferred stock to which special rights are attached, including voting and dividend rights.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an interested stockholder, we may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Upon a change in control as defined in our existing credit facilities, the lenders under such existing credit facilities will have the right to require us to repay all of our outstanding obligations under the facility. In addition, the holders of certain series of indebtedness of certain of our subsidiaries will have the right upon the occurrence of a change of control as defined in such indebtedness or the indenture relating thereto, subject to certain conditions, to require us to repurchase their notes at a price equal to 100% or 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. Because a change of control as defined in our existing credit facilities and as defined in our subsidiaries indentures provides for repurchase rights under

terms that are different from the definition of a fundamental change under the preferred stock offered hereby, holders of our other indebtedness may have the ability to require us to repay or repurchase those debt obligations before the holders of the preferred stock would have such repurchase rights.

Risks Related to Our Business

Our operations are subject to operational hazards and uninsured risks.

Our operations are subject to the inherent risks normally associated with those operations, including pipeline ruptures, explosions, pollution, release of toxic substances, fires and adverse weather conditions (such as hurricanes and flooding), and other hazards, each of which could result in damage to or destruction of our facilities or damages to persons and property. In addition, our operations face possible risks associated with acts of aggression on our domestic and foreign assets. If any of these events were to occur, we could suffer substantial losses.

While we maintain insurance against many of these risks to the extent and in amounts that we believe are reasonable, such insurance does not cover all risks and many of our insurance coverages have material deductibles and self-insurance levels, as well as caps on our maximum recovery. As a result our financial condition and operations could be adversely affected if a significant event occurs that is not fully covered by insurance.

The success of our pipeline business depends, in part, on factors beyond our control.

Most of the natural gas and natural gas liquids we transport and store are owned by third parties. As a result, the volume of natural gas and natural gas liquids involved in these activities depends on the actions of those third parties, and is beyond our control. Further, the following factors, most of which are beyond our control, may unfavorably impact our ability to maintain or increase current throughput, to renegotiate existing contracts as they expire, or to remarket unsubscribed capacity on our pipeline systems:

- service area competition;
- expiration and/or turn back of significant contracts;
- changes in regulation and action of regulatory bodies;
- future weather conditions;
- price competition;
- drilling activity and availability of natural gas supplies;
- decreased availability of conventional gas supply sources and the availability and timing of other gas supply sources, such as liquified natural gas (LNG);
- decreased natural gas demand due to various factors, including increases in prices and increased availability or popularity of alternative energy sources such as hydroelectric power;
- increased cost of capital;
- opposition to energy infrastructure development, especially in environmentally sensitive areas;
- adverse general economic conditions;
- expiration and/or renewal of existing interests in real property, including real property on Native American lands, and
- unfavorable movements in natural gas and liquids prices.

The revenues of our pipeline businesses are generated under contracts that must be renegotiated periodically.

Substantially all of our pipeline subsidiaries revenues are generated under contracts which expire periodically and must be renegotiated and extended or replaced. We cannot assure you that we will be able to

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extend or replace these contracts when they expire or that the terms of any renegotiated contracts will be as favorable as the existing contracts.

In particular, our ability to extend and/or replace contracts could be adversely affected by factors we cannot control, including:

- competition by other pipelines, including the change in rates or upstream supply of existing pipeline competitors, as well as the proposed construction by other companies of additional pipeline capacity or LNG terminals in markets served by our interstate pipelines;
- changes in state regulation of local distribution companies, which may cause them to negotiate short-term contracts or turn back their capacity when their contracts expire;
- reduced demand and market conditions in the areas we serve;
- the availability of alternative energy sources or gas supply points; and
- regulatory actions.

If we are unable to renew, extend or replace these contracts or if we renew them on less favorable terms, we may suffer a material reduction in our revenues, earnings and cash flows.

Fluctuations in energy commodity prices could adversely affect our pipeline businesses.

Revenues generated by our transmission, storage, LNG, and processing contracts depend on volumes and rates, both of which can be affected by the prices of natural gas, LNG, and natural gas liquids. Increased prices could result in a reduction of the volumes transported by our customers, such as power companies who, depending on the price of fuel, may not dispatch gas-fired power plants. Increased prices could also result from industrial plant shutdowns or load losses to competitive fuels as well as local distribution companies loss of customer base. The success of our transmission, storage, LNG, and processing operations is subject to continued development of additional oil and natural gas reserves and our ability to access additional suppliers from interconnecting pipelines or LNG facilities to offset the natural decline from existing wells connected to our systems. A decline in energy prices could precipitate a decrease in these development activities and could cause a decrease in the volume of reserves available for transmission, storage and processing through our systems or facilities. We retain a fixed percentage of natural gas transported for use as fuel and to replace lost and unaccounted for gas. Pricing volatility may in some cases impact the value of under or over recoveries of this retained gas. If natural gas prices in the supply basins connected to our pipeline systems are higher on a delivered basis to our off-system markets than delivered prices from other natural gas producing regions, our ability to compete with other transporters may be negatively impacted. Furthermore, fluctuations in pricing between supply sources and market areas could negatively impact our transportation revenues. Fluctuations in energy prices are caused by a number of factors, including:

- regional, domestic and international supply and demand;
- availability and adequacy of transportation facilities;
- energy legislation;
- federal and state taxes, if any, on the sale or transportation of natural gas and natural gas liquids;
- abundance of supplies of alternative energy sources; and
- political unrest among oil producing countries.

The expansion of our pipeline businesses by constructing new facilities subjects us to construction and other risks that may adversely affect the financial results of our pipeline businesses.

We may expand the capacity of our existing pipeline, storage or LNG facilities through the construction of additional facilities. The construction of these facilities is subject to various regulatory, development and operational risks. First, the construction of new pipeline, storage and LNG facilities is subject to various

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federal, state and local statutes and regulations. The construction of these facilities is also typically subject to the receipt of approvals and permits from various regulatory agencies. There is a risk that there may be changes in applicable statutes and regulations (including changes in environmental requirements) or that the agencies may not approve the projects or could otherwise impose restrictions or conditions on the projects that could potentially prevent a project from proceeding or increase the anticipated cost of the expansion project. Second, the construction of new facilities often requires the acquisition of new rights-of-ways or other land rights. There is a risk that we will be unable to obtain certain rights-of-way or other land rights or that such acquisition might be delayed. There is also the risk that the costs of obtaining such rights exceed our anticipated costs. Any of these risks could prevent a project from proceeding, delay its completion or increase the anticipated costs. Third, the construction of new facilities requires the expenditure of significant amounts of capital, which may exceed our estimates. The construction of new pipeline, storage or LNG facilities are subject to construction cost overruns due to inflation, costs of equipment and materials, labor cost, or other factors, which could be material. Although we typically have transportation commitments for all of the capacity of a facility prior to starting construction, this is not always the case. In some cases, this may be based on anticipated future growth in production in a region in which the growth does not materialize. As a result, there is the risk that the new facilities may not be able to achieve our expected investment return, which could adversely affect our financial position or results of operations. In addition, we may determine to cease development of certain projects due to the inability to obtain such transportation commitments which may require us to write off our development costs in the project.

Natural gas and oil prices are volatile. A substantial decrease in natural gas and oil prices could adversely affect the financial results of our exploration and production business.

Our future financial condition, revenues, results of operations, cash flows and future rate of growth depend primarily upon the prices we receive for our natural gas and oil production. Natural gas and oil prices historically have been volatile and are likely to continue to be volatile in the future, especially given current world geopolitical conditions. The prices for natural gas and oil are subject to a variety of additional factors that are beyond our control. These factors include:

- the level of consumer demand for, and the supply of, natural gas and oil;
- commodity processing, gathering and transportation availability;
- the level of imports of, and the price of, foreign natural gas and oil;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- domestic governmental regulations and taxes;
- the price and availability of alternative fuel sources;
- the availability of pipeline capacity;
- weather conditions;
- market uncertainty;
- political conditions or hostilities in natural gas and oil producing regions;
- worldwide economic conditions; and

decreased demand for the use of natural gas and oil because of market concerns about global warming or changes in governmental policies and regulations due to climate change initiatives.

Further, because the majority of our proved reserves at December 31, 2005 were natural gas reserves, we are substantially more sensitive to changes in natural gas prices than we are to changes in oil prices. Declines in natural gas and oil prices would not only reduce revenue, but could reduce the amount of natural gas and oil that we can produce economically and, as a result, could adversely affect the financial results of our

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exploration and production business. Changes in natural gas and oil prices can have a significant impact on the calculation of our full cost ceiling test. A significant decline in natural gas and oil prices could result in a downward revision of our reserves and a write-down of the carrying value of our natural gas and oil properties, which could be substantial, and would negatively impact our net income and stockholders equity.

The success of our natural gas and oil exploration and production business is dependent, in part, on factors that are beyond our control.

The performance of our exploration and production business is dependent upon a number of factors that we cannot control, including:

- the results of future drilling activity;
- our ability to identify and precisely locate prospective geologic structures and to drill and successfully complete wells in those structures in a timely manner;
- our ability to expand our leased land positions in desirable areas, which often are subject to intensely competitive conditions;
- increased competition in the search for and acquisition of reserves;
- significant increases in future drilling, production and development costs, including drilling rig rates and oil field services costs;
- future tax policies, rates, and drilling or production incentives by state, federal, or foreign governments;
- increased federal or state regulations, including environmental regulations, or adverse court decisions that limit or restrict the ability to drill natural gas or oil wells, reduce operational flexibility, or increase capital and operating costs;
- the availability of alternative sources of energy:
- declines in production volumes, including those from the Gulf of Mexico; and
- continued access to sufficient capital to fund drilling programs to develop and replace a reserve base with rapid depletion characteristics.

Our natural gas and oil drilling and producing operations involve many risks and may not be profitable.

Our operations are subject to all the risks normally incident to the operation and development of natural gas and oil properties and the drilling of natural gas and oil wells, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of natural gas, oil, brine or well fluids, release of contaminants into the environment and other environmental hazards and risks. Additionally, our offshore operations may encounter usual marine perils, including hurricanes and other adverse weather conditions, damage from collisions with vessels, governmental regulations and interruption or termination by governmental authorities based on environmental and other considerations. Each of these risks could result in damage to property, injuries to people or the shut in of existing production as damaged energy infrastructure is repaired or replaced.

We maintain insurance coverage to reduce exposure to potential losses resulting from these operating hazards. The nature of the risks is such that some liabilities could exceed our insurance policy limits, or, as in the case of environmental fines and penalties, cannot be insured which could adversely affect our future results of operations, cash flows or financial condition.

Our drilling operations are also subject to the risk that we will not encounter commercially productive reservoirs. New wells drilled by us may not be productive, or we may not recover all or any portion of our investment in those

wells. Drilling for natural gas and oil can be unprofitable, not only because of dry holes but wells that are productive may not produce sufficient net reserves to return a profit at then realized prices after deducting drilling, operating and other costs.

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Estimating our reserves, production and future net cash flow is difficult.

Estimating quantities of proved natural gas and oil reserves is a complex process that involves significant interpretations and assumptions. It requires interpretations and judgment of available technical data, including the evaluation of available geological, geophysical, and engineering data. It also requires making estimates based upon economic factors, such as future oil and gas prices, production costs, severance and excise taxes, capital expenditures and workover and remedial costs, and the assumed effect of governmental regulation. Due to a lack of substantial, if any, production data, there are greater uncertainties in estimating (i) proved undeveloped reserves, (ii) proved non-producing reserves and (iii) proved developed reserves that are early in their production life. As a result, our reserve estimates are inherently imprecise. Also, we use a 10 percent discount factor for estimating the value of our reserves, as prescribed by the SEC, which may not necessarily represent the most appropriate discount factor, given actual interest rates and risks to which our exploration and production business or the natural gas and oil industry, in general, are subject. Any significant variations from the interpretations or assumptions used in our estimates or changes of conditions could cause the estimated quantities and net present value of our reserves to differ materially.

Our reserve data represents an estimate. You should not assume that the present values referred to or incorporated by reference in this prospectus represent the current market value of our estimated natural gas and oil reserves. The timing of the production and the expenses from development and production of natural gas and oil properties will affect both the timing of actual future net cash flows from our proved reserves and their present value. Changes in the present value of these reserves could cause a write-down in the carrying value of our natural gas and oil properties, which could be substantial, and would negatively affect our net income and stockholders equity.

A portion of our estimated proved reserves are undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data assumes that we can and will make these expenditures and conduct these operations successfully, but future events, including commodity price changes, may cause these assumptions to change.

The success of our power activities depends, in part, on many factors beyond our control.

The success of our remaining domestic and international power projects could be adversely affected by factors beyond our control, including:

- alternative sources and supplies of energy becoming available due to new technologies and interest in self generation and cogeneration;
- increases in the costs of generation, including increases in fuel costs;
- uncertain regulatory conditions resulting from the ongoing deregulation of the electric industry in the United States and in foreign jurisdictions;
- our ability to negotiate successfully, and enter into advantageous power purchase and supply agreements;
- the possibility of a reduction in the projected rate of growth in electricity usage as a result of factors such as regional economic conditions, excessive reserve margins and the implementation of conservation programs;
- risks incidental to the operation and maintenance of power generation facilities;
- the inability of customers to pay amounts owed under power purchase agreements;
- the increasing price volatility due to deregulation and changes in commodity trading practices; and
- over-capacity of generation in markets served by the power plants we own or in which we have an interest.

Our use of derivative financial instruments could result in financial losses.

Some of our subsidiaries use futures, swaps and option contracts traded on the New York Mercantile Exchange, over-the-counter options and price and basis swaps with other natural gas merchants and financial institutions. To the

extent we have positions that are not designated or qualify as hedges, changes in

commodity prices, interest rates, volatility, correlation factors, the liquidity of the market could cause our revenues, net income and cash requirements to be volatile.

We could incur financial losses in the future as a result of volatility in the market values of the energy commodities we trade, or if one of our counterparties fails to perform under a contract. The valuation of these financial instruments involves estimates. Changes in the assumptions underlying these estimates can occur, changing our valuation of these instruments and potentially resulting in financial losses. To the extent we hedge our commodity price exposure and interest rate exposure, we forego the benefits we would otherwise experience if commodity prices or interest rates were to favorably change. The use of derivatives also requires the posting of cash collateral with our counterparties which can impact our working capital (current assets and liabilities) and liquidity when commodity prices or interest rates change.

Our businesses are subject to the risk of payment defaults by our counterparties.

We frequently extend credit to our counterparties following the performance of credit analysis. Despite performing this analysis, we are exposed to the risk that we may not be able to collect amounts owed to us. Although in many cases we have collateral to secure the counterparty s performance, it could be inadequate and we could suffer credit losses.

Our foreign operations and investments involve special risks.

Our activities in areas outside the United States, including material investment exposure in our power, pipeline and exploration and production projects in Brazil, are subject to the risks inherent in foreign operations, including:

- loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, wars, insurrection and other political risks;
- the effects of currency fluctuations and exchange controls, such as devaluation of foreign currencies and other economic problems; and
- changes in laws, regulations and policies of foreign governments, including those associated with changes in the governing parties.

Retained liabilities associated with businesses that we have sold could exceed our estimates.

We have sold a significant number of assets over the years, including the sale of many assets since 2001. Pursuant to various purchase and sale agreements relating to businesses and assets sold, we have either retained certain liabilities or indemnified certain purchasers against liabilities that they might incur in the future. These liabilities in many cases relate to breaches of warranties, environmental, asset maintenance, tax, litigation, personal injury and other representations that we have provided. Although we believe that we have established appropriate reserves for these liabilities, we could be required to accrue additional reserves in the future and these amounts could be material. In addition, as we exit businesses, we have experienced substantial reductions and turnover in our workforce that previously supported the ownership and operation of such assets. There is the risk that such reductions and turnover in our workforce could result in errors or mistakes in managing the businesses that we are exiting prior to closing. There is also the risk that such reductions could result in errors or mistakes in managing the retained liabilities after closing, including the lack of any historical knowledge with regard to such assets and businesses in managing the liabilities or defending any associated litigation.

Risks Related to Legal and Regulatory Matters

The outcome of pending governmental investigations could be materially adverse to us.

We are subject to numerous governmental investigations including those involving allegations of round trip trades, price reporting of transactional data to the energy trade press, natural gas and oil reserve revisions, accounting treatment of certain hedges of our anticipated natural gas production, sales of crude oil of Iraqi origin under the United Nation s Oil for Food Program and the rupture of one of our pipelines near Carlsbad, New Mexico. These investigations involve, among others, one or more of the following governmental agencies: the SEC, FERC, the U.S. Attorney, a grand jury of the U.S. District Court for the Southern District of New York, U.S. Senate Permanent Subcommittee of Investigations, the House of Representatives International

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Relations Subcommittee, the U.S. Department of Transportation Office of Pipeline Safety, the National Transportation Safety Board and the Department of Justice. We are cooperating with the governmental agency or agencies in each of these investigations. The outcome of each of these investigations is uncertain. Because of the uncertainties associated with the ultimate outcome of each of these investigations and the costs to the Company of responding and participating in these on-going investigations, no assurance can be given that the ultimate costs and sanctions, if any, that may be imposed upon us will not have a material adverse effect on our business, financial condition or results of operation.

The agencies that regulate our pipeline businesses and their customers affect our profitability.

Our pipeline businesses are regulated by the FERC, the U.S. Department of Transportation, and various state and local regulatory agencies. Regulatory actions taken by those agencies have the potential to adversely affect our profitability. In particular, the FERC regulates the rates our pipelines are permitted to charge their customers for their services. In setting authorized rates of return in a few recent FERC decisions, the FERC has utilized a proxy group of companies that includes local distribution companies that are not faced with as much competition or risks as interstate pipelines. The inclusion of these companies creates downward pressure on approved tariff rates. If our pipelines tariff rates were reduced or re-designed in a future proceeding, if our pipelines volume of business under their currently permitted rates was decreased significantly, or if our pipelines were required to substantially discount the rates for their services because of competition or because of regulatory pressure, the profitability of our pipeline businesses could be reduced.

In addition, increased regulatory requirements relating to the integrity of our pipelines requires additional spending in order to maintain compliance with these requirements. Any additional requirements that are enacted could significantly increase the amount of these expenditures.

Further, state agencies that regulate our pipelines local distribution company customers could impose requirements that could impact demand for our pipelines services.

Environmental compliance and remediation costs and the costs of environmental liabilities could exceed our estimates.

Our operations are subject to various environmental laws and regulations regarding compliance and remediation obligations. Compliance obligations can result in (i) significant costs to install and maintain pollution controls, (ii) fines and penalties resulting from any failure to comply, and (iii) potential limitations on our operations. Remediation obligations can result in significant costs associated with the investigation and remediation or clean-up of contaminated properties (some of which have been designated as Superfund sites by the EPA under the Comprehensive Environmental Response, Compensation and Liability Act), as well as damage claims arising out of the contamination of properties or impact on natural resources. It is not possible for us to estimate reliably the amount and timing of all future expenditures related to environmental matters because of:

The uncertainties in estimating pollution control and clean up costs, including for sites for which only preliminary site investigation or assessments have been completed;

The discovery of new sites or additional information at existing sites;

The uncertainty in quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties; and

the nature of environmental laws and regulations, including the interpretation and enforcement thereof.

Currently, various legislative and regulatory measures to address greenhouse gas (GHG) emissions (including carbon dioxide and methane) are in various phases of discussion or implementation. These include the Kyoto Protocol, proposed federal legislation and state actions to develop statewide or regional programs, each of which have imposed or would impose reductions in GHG emissions. These actions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities and (iii) administer and manage any GHG emissions program as well as impact the consumption of natural gas and oil impacting our pipeline and production operations.

Although we believe we have established appropriate reserves for our environmental liabilities, we could be required to set aside additional amounts due to these uncertainties which could significantly impact our future consolidated results of operations, cash flows or financial position.

Costs of litigation matters and other contingencies could exceed our estimates.

We are involved in various lawsuits in which we or our subsidiaries have been sued. We also have other contingent liabilities and exposures. Although we believe we have established appropriate reserves for these liabilities, we could be required to set aside additional reserves in the future and these amounts could be material.

Our system of internal controls is designed to provide reasonable assurance of the accuracy or completeness of our financial disclosures. A loss of public confidence in the quality of our internal controls or disclosures could have a negative impact on us.

Any system of internal controls, no matter how well designed or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that the benefits of controls must be considered relative to their costs. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Therefore, any system of internal controls is subject to inherent limitations, including the possibility that controls may be circumvented or overridden, that judgments in decision-making can be faulty, and that misstatements due to mistakes, errors or fraud may occur and may not be detected. Also, while we document our assumptions and review financial disclosures with the Audit Committee of our Board of Directors, the regulations and literature governing our disclosures are complex and reasonable persons may disagree as to their application to a particular situation or set of facts. In addition, many applicable regulations and literature are relatively new. As a result, they are potentially subject to change in the future, which could include changes in the interpretation of the existing regulations and literature as well as the issuance of more detailed rules and procedures.

Risks Related to Our Liquidity

We have significant debt and below investment grade credit ratings, which have impacted and will continue to impact our financial condition, results of operations and liquidity.

We have significant debt, debt service and debt maturity obligations. The rating assigned to our senior unsecured indebtedness are below investment grade, currently rated Caa1 by Moody s Investor Service (Moody s) and B- by Standard & Poor s. These ratings have increased our cost of capital and our operating costs, particularly in our trading operations, and could impede our access to capital markets. Moreover, we must retain greater liquidity levels to operate our business than if we had investment grade credit ratings. If our ability to generate or access capital becomes significantly restrained, our financial condition and future results of operations could be significantly adversely affected.

We may not achieve our targeted level of debt reduction or complete our asset sales in a timely manner or at all.

Our ability to achieve our announced targets to reduce our long term debt obligations and complete asset sales, as well as the timing of their achievement, is subject, in part, to factors beyond our control. These factors include our ability to locate potential buyers in a timely fashion and obtain a reasonable price, and our ability to preserve sufficient cash flow to service our debt and other obligations. If we fail to achieve these targets in a timely manner, our liquidity or financial position could be materially adversely affected. In addition, it is possible that our asset sales could be at prices that are below the current book value for the assets, which could result in losses that could be substantial.

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A breach of the covenants applicable to our debt and other financing obligations could affect our ability to borrow funds and could accelerate our debt and other financing obligations and those of our subsidiaries.

Our debt and other financing obligations contain restrictive covenants, which become more restrictive over time, and cross-acceleration provisions. A breach of any of these covenants could preclude us or our subsidiaries from issuing letters of credit and from borrowing under our credit agreements, and could accelerate our long-term debt and other financing obligations and those of our subsidiaries. If this were to occur, we might not be able to repay such debt and other financing obligations.

Our credit agreements are collateralized by our equity interests in Tennessee Gas Pipeline Company, ANR Pipeline Company, El Paso Natural Gas Company, Colorado Interstate Gas Company, Southern Gas Storage Company, ANR Storage Company and certain natural gas and oil production properties. A breach of the covenants under these agreements could permit the lender to exercise their rights to the collateral, and we could be required to liquidate these interests.

We are subject to financing and interest rate exposure risks.

Our future success depends on our ability to access capital markets and obtain financing at cost effective rates. This is dependent on a number of factors, many of which we cannot control, including changes in:

- our credit ratings;
- interest rates;
- the structured and commercial financial markets;
- market perceptions of us or the natural gas and energy industry;
- changes in tax rates due to new tax laws;
- our stock price; and
- changes in market prices for energy.

In addition, although we hedge a portion of our exposure to interest rate movements, our financial condition and liquidity could be adversely affected if there is a negative movement in interest rates.

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USE OF PROCEEDS

All of the shares of preferred stock and common stock offered hereby are being sold by the selling stockholders. We will not receive any proceeds from the sale of preferred stock by selling stockholders pursuant to this prospectus or shares of common stock issuable upon conversion thereof.

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DESCRIPTION OF THE PREFERRED STOCK

The terms of the preferred stock are contained in a certificate of designation that was filed with Delaware Secretary of State on April 14, 2005.

The following description is a summary of the material provisions of the preferred stock, the certificate of designation and the registration rights agreement. It does not purport to be complete. We refer you to the provisions of the certificate of designations, including the definitions of terms used in the certificate of designations, a copy of which is included as Exhibit 4.B to the registration statement of which this prospectus is a part. We urge you to read the certificate of designations because it, and not this description, defines your rights as a holder of shares of preferred stock.

As used in this Description of the Preferred Stock section, references to El Paso, we, our or us refer solely to El Paso Corporation and not to our subsidiaries.

General

Under our amended and restated certificate of incorporation, our board of directors is authorized, without further stockholder action, to issue up to 50,000,000 shares of preferred stock, par value $0.01 per share, in one or more series and with such designations, powers, preferences and rights, and qualifications, limitations or restrictions, as shall be set forth in the resolutions providing therefor and which are permitted by the General Corporation Law of the State of Delaware. We have shares of authorized preferred stock which are undesignated.

We issued 750,000 shares of our Convertible Perpetual Preferred Stock, par value $0.01 per share and $1,000 liquidation preference per share on April 15, 2005. The shares of preferred stock are validly issued, fully paid and nonassessable.

The holders of the shares of preferred stock have no preemptive rights or preferential rights to purchase or subscribe for stock, obligations, warrants or any other of our securities.

Ranking

The preferred stock, with respect to dividend rights and upon liquidation, winding up and dissolution, ranks:

- junior to all our existing and future debt obligations;
- junior to senior stock, which is all classes or series of our capital stock, other than (1) our common stock and any other class or series of our capital stock the terms of which provide that such class or series will rank junior to the preferred stock and (2) any other class or series of our capital stock the terms of which provide that such class or series will rank on a parity with the preferred stock;
- on a parity with parity stock, which is any class or series of our capital stock that has terms which provide that such class or series will rank on a parity with the preferred stock;
- senior to junior stock, which is our common stock and each class or series of our capital stock that has terms which provide that such class or series will rank junior to the preferred stock; and
- effectively junior to all of our subsidiaries (1) existing and future liabilities and (2) capital stock held by others.

The term senior stock includes warrants, rights, calls or options exercisable for or convertible into that type of stock.

Dividends

Holders of the shares of preferred stock are entitled to receive, when, as and if declared by our board of directors, out of funds legally available for payment, cumulative cash dividends on each outstanding share of preferred stock at the annual rate of 4.99% of the liquidation preference per share. The dividend rate is

equivalent to $49.90 per share annually. The right of holders of the shares of preferred stock to receive dividend payments is subject to the rights of any holders of shares of senior stock and parity stock.

Dividends are payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on July 1, 2005. If any of those dates is not a business day, then dividends will be payable on the next succeeding business day. Dividends will accumulate from the most recent date as to which dividends will have been paid or, if no dividends have been paid, from the date of original issuance of the preferred stock. Dividends are payable to holders of record as they appear in our stock records at the close of business on December 15, March 15, June 15 and September 15 of each year or on a record date that may be fixed by our board of directors and that will be not more than 60 days nor fewer than 10 days before the applicable quarterly dividend payment date. Dividends will be cumulative from each quarterly dividend payment date, whether or not we have funds legally available for the payment of those dividends.

Dividends payable on the shares of preferred stock, or amounts determined with respect thereto, for any period shorter than a full quarterly period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the shares of preferred stock will be payable in cash. Accumulated unpaid dividends cumulate at the annual rate of 4.99% and are payable in the manner provided above.

For so long as the preferred stock is outstanding, (1) we will not declare, pay or set apart funds for the payment of any dividend or other distribution with respect to any junior stock or parity stock and (2) neither we, nor any of our subsidiaries, will redeem, purchase or otherwise acquire for consideration junior stock or parity stock through a sinking fund or otherwise, in each case unless we have paid or set apart funds for the payment of all accumulated and unpaid dividends, including liquidated damages, if any, with respect to the shares of the preferred stock and any parity stock for all preceding dividend periods. As an exception to clause (2), we will be able to redeem, purchase or otherwise acquire for consideration junior stock or parity stock with junior stock or pursuant to a purchase or exchange offer made on the same terms to all holders of preferred stock and such parity stock.

Holders of the preferred stock will not have any right to receive dividends that we may declare on our common stock. The right to receive dividends declared on our common stock will be realized only after conversion of such holder s shares of preferred stock into shares of our common stock.

Conversion Rights

Holders of the preferred stock may, at any time, convert shares of preferred stock into fully paid and nonassessable shares of our common stock at a conversion rate of 76.7754 shares of common stock per $1,000 liquidation preference of preferred stock, subject to adjustments as described under Make Whole Payment Upon the Occurrence of a Fundamental Change and Adjustments to the Conversion Rate. This represents an initial conversion price of approximately $13.03 per share of common stock.

A holder of shares of the preferred stock may convert any or all of those shares by surrendering to us at our principal office or at the office of the conversion agent, as may be designated by our board of directors, the certificate or certificates for those shares of the preferred stock accompanied by a written notice stating that the holder elects to convert all or a specified whole number of those shares in accordance with the provisions described in this prospectus and specifying the name or names in which the holder wishes the certificate or certificates for shares of common stock to be issued. In case the notice specifies a name or names other than that of the holder, the notice will be accompanied by payment of all transfer taxes payable upon the issuance of shares of common stock in that name or names. Other than those taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of common stock upon conversion of shares of the preferred stock. As promptly as practicable after the surrender of that certificate or certificates and the receipt of the notice relating to the conversion and payment of all required transfer taxes, if any, or the demonstration to our satisfaction that those taxes have been paid, we will deliver or cause to be delivered (1) certificates representing the whole number of validly issued, fully paid and nonassessable full shares of our common stock to which the holder, or the holder s transferee, of shares of the preferred stock being converted will be entitled and (2) if less than the full number of shares of preferred stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of

like tenor, for the number of shares evidenced by the surrendered certificate or certificates less the number of shares being converted, along with cash payment for any fractional shares. This conversion will be deemed to have been made at the close of business on the date of giving of the notice of conversion, the receipt of payment of all required transfer taxes, if any, and of surrendering the certificate or certificates representing the shares of preferred stock to be converted so that the rights of the holder thereof as to the shares being converted will cease except for the right to receive shares of common stock, and the person entitled to receive the shares of common stock will be treated for all purposes as having become the record holder of those shares of common stock at that time.

In lieu of the foregoing procedures, if the preferred stock is held in global form, you must comply with The Depository Trust Company, or DTC, procedures to convert your beneficial interest in respect of preferred stock evidenced by a global share of preferred stock.

If a holder of shares of preferred stock exercises conversion rights, upon delivery of the preferred stock for conversion, those shares will cease to cumulate dividends as of the end of the day immediately preceding the date of conversion. Holders of shares of preferred stock who convert their shares into our common stock will not be entitled to, nor will the conversion rate be adjusted for, any accumulated and unpaid dividends or liquidated damages, if any. Accordingly, shares of preferred stock surrendered for conversion after the close of business on any record date for the payment of dividends declared and before the opening of business on the dividend payment date relating to that record date must be accompanied by a payment in cash of an amount equal to the dividend payable in respect of those shares for the dividend period in which the shares are converted. A holder of shares of preferred stock on a dividend payment record date who converts such shares into shares of our common stock on the corresponding dividend payment date will be entitled to receive the dividend payable on such shares of preferred stock on such dividend payment date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of preferred stock for conversion.

Notwithstanding the preceding paragraph, if (1) shares of preferred stock are converted during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date, and (2) we have called such shares of preferred stock for redemption during such period, then the holder who so tenders such shares for conversion will receive the dividend payable on such dividend payment date and need not include payment of the amount of such dividend upon surrender of shares of preferred stock for conversion.

In case any shares of preferred stock are to be redeemed, the right to convert those shares of the preferred stock will terminate at 5:00 p.m., New York City time, on the business day immediately preceding the date fixed for redemption unless we default in the payment of the redemption price of those shares.

In connection with the conversion of any shares of preferred stock, no fractional shares of common stock will be issued, but we will pay a cash adjustment in respect of any fractional interest in an amount equal to the fractional interest multiplied by the closing sale price of our common stock on the date the shares of preferred stock are surrendered for conversion. If more than one share of preferred stock will be surrendered for conversion by the same holder at the same time, the number of whole shares of common stock issuable on conversion of those shares will be computed on the basis of the total number of shares of preferred stock so surrendered.

We will at all times reserve and keep available, free from preemptive rights, for issuance upon the conversion of shares of preferred stock a number of our authorized but unissued shares of common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of preferred stock.

Before the delivery of any securities that we will be obligated to deliver upon conversion of the preferred stock, we will comply with all applicable federal and state laws and regulations that require action to be taken by us. All shares of common stock delivered upon conversion of the preferred stock will upon delivery be duly and validly issued, fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

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Fundamental Change Requires Us to Redeem Shares of Preferred Stock at the Option of the Holder

If a fundamental change (as defined below) occurs prior to April 1, 2015, you will have the right, exercisable at your option, subject to legally available funds and to the terms and conditions of our amended and restated certificate of incorporation, to require us to redeem any or all of your shares of preferred stock. We will redeem the preferred stock at a price equal to 100% of the liquidation preference of the preferred stock to be redeemed plus an amount equal to any accumulated and unpaid dividends, including liquidated damages, if any, to, but excluding, the fundamental change redemption date (as defined below), unless such fundamental change redemption date falls after a record date and on or prior to the corresponding dividend payment date, in which case (1) we will pay the full amount of accumulated and unpaid dividends, including liquidated damages, if any, payable on such dividend payment date only to the holder of record at the close of business on the corresponding record date and (2) the redemption price payable on the fundamental change redemption date will include only the liquidation preference, but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date. We will be required to redeem the preferred stock as of a date (which we refer to as the fundamental change redemption date) that is not more than 30 calendar days after we mail to all holders of the preferred stock a notice regarding the fundamental change as described below. If such thirtieth calendar day is not a business day, the fundamental change redemption date will be the next succeeding business day. We will pay the redemption price in cash.

A fundamental change is any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) in connection with which 90% or more of our shares of common stock are exchanged for, converted into, acquired for or constitute solely the right to receive, consideration that is not at least 90% shares of common stock that:

- are listed on, or immediately after the transaction or event will be listed on, a United States national securities exchange, or
- are approved, or immediately after the transaction or event will be approved, for quotation on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

In addition, holders of shares of preferred stock shall not have the right to require us to repurchase shares of preferred stock upon a fundamental change unless and until our board of directors has approved such fundamental change or elected to take a neutral position with respect to such fundamental change.

Within 30 calendar days after the occurrence of a fundamental change, we are obligated to mail (1) to all holders of preferred stock at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law (2) or to cause DTC to send a notice to its participants that own preferred stock (and issue a press release and publish on our website on the World Wide Web) a notice regarding the fundamental change, stating, among other things:

- the event causing a fundamental change;
- the date of such fundamental change;
- the last date on which the redemption right triggered by such fundamental change may be exercised;
- the fundamental change redemption price;
- the fundamental change redemption date;
- the name and address of the paying agent and the conversion agent;
- the conversion rate and any adjustments to the conversion rate;

that the preferred stock with respect to which a fundamental change redemption notice is given by the holder may be converted only if the fundamental change redemption notice has been withdrawn in accordance with the terms of the preferred stock; and

the procedures that holders must follow to exercise these rights.

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To exercise this right, you must deliver a written notice to the transfer agent prior to the close of business on the business day immediately before the fundamental change redemption date. The required redemption notice upon a fundamental change must state:

- if certificated shares of preferred stock have been issued, the preferred stock certificate numbers, or if not, such information as may be required under applicable DTC procedures;
- the number of preferred shares to be redeemed; and
- that we are to redeem such preferred stock pursuant to the applicable provisions of the preferred stock and our amended and restated certificate of incorporation.

You may withdraw any fundamental change redemption notice by a written notice of withdrawal delivered to the transfer agent prior to the close of business on the business day before the fundamental change redemption date. The notice of withdrawal must state:

- the number of the withdrawn shares of preferred stock;
- if certificated shares of preferred stock have been issued, the preferred stock certificate numbers, or if not, such information as may be required under applicable DTC procedures; and
- the number, if any, of shares of preferred stock that remain subject to your fundamental change redemption notice.

A holder must either effect book-entry transfer or deliver the preferred stock to be redeemed, together with necessary endorsements, to the office of the transfer agent after delivery of the fundamental change redemption notice to receive payment of the fundamental change redemption price. You will receive payment in cash on the later of the fundamental change redemption date or the time of book-entry transfer or the delivery of the preferred stock. If the transfer agent holds cash sufficient to pay the fundamental change redemption price of the preferred stock on the business day following the fundamental change redemption date, then, immediately after the fundamental change redemption date:

- the shares of preferred stock will cease to be outstanding;
- dividends will cease to accrue; and
- all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the preferred stock is made or whether or not the preferred stock is delivered to the transfer agent.

The fundamental change redemption feature of the preferred stock may in certain circumstances make more difficult or discourage a takeover of our company. The fundamental change redemption feature, however, is not the result of our knowledge of any specific effort:

- to accumulate shares of common stock;
- to obtain control of our company by means of a merger, tender offer, solicitation or otherwise; or
- by management to adopt a series of anti-takeover provisions.

Instead, the terms of the fundamental change redemption feature resulted from negotiations between the initial purchasers and us.

We could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a fundamental change with respect to the fundamental change redemption feature of the preferred stock but that would increase the amount of our (or our subsidiaries) outstanding indebtedness.

Our ability to redeem shares of preferred stock upon the occurrence of a fundamental change is subject to important limitations. Because we are a holding company, our ability to redeem the preferred stock for cash may be limited by restrictions on our ability to obtain funds for such redemption through dividends from our subsidiaries and the terms of our current and then existing borrowing agreements. Our ability to redeem the

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preferred stock is also subject to restrictions under Delaware law. If a fundamental change were to occur, we may not have sufficient legally available funds to pay the redemption price in cash for all tendered shares of preferred stock. Our current revolving credit facilities do, and any future credit agreements or other agreements relating to our indebtedness may, contain provisions prohibiting the redemption of the preferred stock under certain circumstances, or expressly prohibit our redemption of the preferred stock upon a fundamental change or may provide that a fundamental change constitutes an event of default under that agreement. If a fundamental change occurs at a time when we are prohibited from redeeming shares of preferred stock for cash, we could seek the consent of our lenders to redeem the preferred stock or attempt to refinance this debt. If we do not obtain consent, we would not be permitted to redeem the preferred stock for cash.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in connection with any offer by us to redeem the preferred stock.

Make Whole Payment Upon the Occurrence of a Fundamental Change

If you elect to convert your preferred stock upon the occurrence of a fundamental change (as defined above) that occurs prior to April 5, 2015, in certain circumstances, you will be entitled to receive, in addition to a number of shares of common stock equal to the applicable conversion rate, an additional number of shares of common stock (the additional shares) upon conversion as described below.

We must give notice to all holders and to the conversion agent at least 15 trading days prior to the anticipated effective date of such fundamental change. We must also give notice to all holders and to the conversion agent that such fundamental change has become effective. Holders may surrender preferred stock for conversion and receive the additional shares described below at any time from and after the date that is 15 days prior to the anticipated effective date of such fundamental change until and including the date that is 15 days after the actual effective date (or, if such transaction also results in holders having a right to require us to redeem their preferred stock, until the fundamental change redemption date).

The number of additional shares will be determined for the preferred stock by reference to the table below, based on the date on which the corporate transaction becomes effective (the effective date) and the average of the last reported sale prices of our common stock over the ten trading day period ending on the fifth trading day immediately preceding the effective date (the stock price). If holders of our common stock receive only cash in the transaction constituting a fundamental change, the share price shall be the cash amount paid per share. Otherwise, the share price shall be the average of the closing sale prices of our common stock on the five trading days prior to but not including the effective date of the transaction constituting a fundamental change.

The stock prices set forth in the first row of each table below (i.e., column headers) will be adjusted as of any date on which the conversion rate of the preferred stock is adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner as the conversion rate as set forth under Adjustments to the Conversion Rate.

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The following table sets forth the number of additional shares to be received per $1,000 liquidation preference per share of preferred stock:

	Stock Price on the Effective Date													
nental Change Date in Years	**$10.42**	**$11.00**	**$12.00**	**$13.00**	**$14.00**	**$15.00**	**$16.00**	**$17.00**	**$18.00**	**$19.00**	**$20.00**	**$25.00**	**$30.00**	**$35.0**
, 2005	17.59	15.72	13.16	11.10	9.41	8.01	6.96	6.00	5.17	4.48	3.90	1.88	0.81	0.24
2006	16.92	14.98	12.39	10.34	8.68	7.47	6.40	5.46	4.66	4.07	3.51	1.68	0.72	0.21
2007	16.12	14.47	11.74	9.63	8.02	6.70	5.61	4.70	3.94	3.46	2.94	1.37	0.58	0.16
2008	15.75	13.84	11.03	8.83	7.12	5.75	4.65	3.77	3.23	2.71	2.25	1.03	0.43	0.11
2009	15.51	13.31	10.35	7.96	6.04	4.51	3.33	2.44	2.10	1.61	1.23	0.52	0.21	0.04
2010	15.60	13.33	10.28	7.75	5.46	3.56	1.50	0.65	0.54	0.00	0.00	0.00	0.00	0.00
2011	15.46	13.07	10.08	7.47	5.27	3.12	1.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012	15.37	13.19	10.00	7.42	5.24	3.11	1.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013	15.22	13.32	9.85	7.31	5.15	3.06	1.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2014	15.36	13.39	10.10	7.22	5.07	3.02	1.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The exact stock prices and effective dates may not be set forth in the table above, in which case:

If the stock price is between two stock price amounts in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year.

If the stock price is equal to or in excess of $40.00 per share (subject to adjustment), no additional shares will be issued upon conversion.

If the stock price is less than $10.42 per share (subject to adjustment), no additional shares will be issued upon conversion.

Notwithstanding the foregoing, in no event will the total number of shares of common stock issuable upon conversion exceed 95.9693 per $1,000 liquidation preference per share of preferred stock, subject to adjustments in the same manner of the conversion rate as set forth under Adjustments to the Conversion Rate below.

Our obligation to deliver the additional shares could be considered a penalty under applicable law, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Notwithstanding the foregoing, in the case of a public acquirer fundamental change (as defined below), we may, in lieu of increasing the conversion rate by additional shares as described above, elect to adjust the conversion rate and the related conversion obligation such that, from and after the effective date of such public acquirer fundamental change, holders of the preferred stock who elect to convert will be entitled to convert their preferred stock into a number of shares of public acquirer common stock (as defined below) that have been registered, or the resale of which will be registered, under the Securities Act, by multiplying the conversion rate in effect immediately before the public acquirer fundamental change by a fraction:

The numerator of which will be (i) in the case of a consolidation, merger or binding share exchange, pursuant to which our common stock is converted into or exchanged for the right to receive cash, securities or other property, the value of all cash and any other consideration (as determined by our board of directors) paid or payable per share of common stock or (ii) in the case of any other public acquirer fundamental change, the average of the last closing price of our common stock for the five consecutive trading days prior to but excluding the effective date of such public acquirer fundamental change, and

The denominator of which will be the average of the last closing sale prices of the public acquirer common stock for the five consecutive trading days commencing on the trading day next succeeding the effective date of such public acquirer fundamental change.

A public acquirer fundamental change means any fundamental change that would otherwise obligate us to increase the conversion rate as described above where the acquirer has a class of common stock traded on a national securities exchange or quoted on the Nasdaq National Market or which will be so traded or quoted when issued or exchanged in connection with such fundamental change (the public acquirer common stock). If an acquirer does not itself have a class of common stock satisfying the foregoing requirement, it will be deemed to have public acquirer common stock if a corporation that directly or indirectly owns at least a majority of the acquirer, has a class of common stock satisfying the foregoing requirement and all references to public acquirer common stock will refer to such class of common stock. Majority owned for these purposes means having the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of more than 50% of the total voting power of all shares of the respective entity s capital stock that are entitled to vote generally in the election of directors.

Upon our decision to adjust the conversion rate and related conversion obligation upon a public acquirer fundamental change, holders may convert their preferred stock at the adjusted conversion rate described in the preceding paragraph but will not be entitled to the additional shares as described above. The registered shares of public acquirer common stock, or the shares of public acquirer common stock registered for resale, as the case may be, shall be listed, or approved for listing subject only to the official notice of issuance, on a national securities exchange or the Nasdaq National Market.

Adjustments to the Conversion Rate

The conversion rate is subject to adjustment from time to time if any of the following events occur:

- the issuance of our common stock as a dividend or distribution on our common stock;

- certain subdivisions and combinations of our common stock;

- the issuance to all holders of our common stock of certain rights or warrants to purchase our common stock (or securities convertible into our common stock) at less than (or having a conversion price per share less than) the current market price of our common stock, provided that no such adjustment shall be made for the rights of holders of our common stock to participate in any dividend reinvestment plan in existence on the date hereof and made available to all holders of our common stock or the employee stock purchase plan effective in July 2005, or the purchase of shares pursuant to any such plan;

- the dividend or other distribution to all holders of our common stock of shares of our capital stock (other than common stock) or evidences of indebtedness or assets (including securities, but excluding (1) those rights and warrants referred to above or (2) dividends or distributions paid exclusively in cash);

  In the event that we make a dividend or distribution to all or substantially all holders of our common stock consisting of capital stock of, or similar equity interest in, a subsidiary or other business unit of ours, unless we distribute such capital stock or equity interests to holders of the preferred stock in such distribution on the same basis as they would have received had they converted their shares of preferred stock into shares of our common stock immediately prior to such distributions, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted;

- distributions consisting exclusively of cash to all holders of shares of our common stock (excluding (1) any dividend or distribution in connection with our liquidation, dissolution or winding up and (2) any quarterly cash dividend on our shares of common stock to the extent that the aggregate cash dividend per share of our common stock in any quarter does not exceed $0.04 (such amount being the dividend threshold amount); if there is a dividend or distribution to which this bullet point applies, the conversion rate will be adjusted by multiplying the applicable conversion rate by a fraction,

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the numerator of which will be the current market price of our common stock minus the dividend threshold amount; and

the denominator of which will be the current market price of our common stock minus the amount per share of such dividend or distribution; if an adjustment is required to be made as a result of a distribution that is not a quarterly dividend, the dividend threshold amount will be deemed to be zero; and

we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock (other than payments made under our odd-lot stock sales program in existence on the date hereof) to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the closing sale price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer.

No adjustment in the conversion rate will be required (except in the case of the fifth bullet point under Adjustments to the Conversion Rate) unless such adjustment would require a change of at least 1% in the conversion rate then in effect at such time. Any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. Except as stated above, the conversion rate will not be adjusted for the issuance of our common stock or any securities convertible into or exchangeable for our common stock or carrying the right to purchase any of the foregoing.

Trading day means a day during which trading in securities generally occurs on the New York Stock Exchange or, if our common stock is not listed on the New York Stock Exchange, on the principal other national or regional securities exchange on which our common stock is then listed or, if our common stock is not listed on a national or regional securities exchange, on the Nasdaq or, if our common stock is not quoted on Nasdaq, on the principal other market on which our common stock is then traded or, if our common stock is not so traded on a principal other market, on the New York Stock Exchange.

The closing sale price of our common stock or other capital stock or similar equity interests on any date means the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported on the New York Stock Exchange or such other national or regional exchange or market on which our common stock or such other capital stock or equity interests are then listed or quoted. In the absence of such a quotation, we will determine the closing sale price on the basis we consider appropriate. The closing sale price shall be determined without reference to any extended or after-hours trading.

Current market price of our common stock on any day means the average of the closing price per common stock for each of the ten consecutive trading days ending on the earlier of the day in question and the day before the ex-date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, ex-date means the first date on which the shares of common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

We may adopt a rights agreement following consummation of this offering, pursuant to which certain rights would be issued with respect to our shares of common stock. In such event, you would receive, upon conversion of your preferred stock, in addition to the common stock, the rights under any such rights agreement or any other rights plan then in effect unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from the common stock. In the case of such separation, the conversion rate would be adjusted at the time of separation as if we had distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness or assets as described in the fourth bullet point under Adjustments to the Conversion Rate (provided that no such adjustment to the conversion rate shall be made if at the time of such separation, (1) we set aside for issuance upon conversion of the preferred stock a number of rights equal to the rights the holders of preferred stock would have received if conversion had occurred immediately prior to such separation and (2) the rights so set aside

are perpetual in duration), subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

- any reclassification of our common stock;
- a consolidation, merger or combination involving us; or
- a sale or conveyance to another person or entity of all or substantially all of our property and assets;

in which holders of our common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, upon conversion of your preferred stock, you will be entitled to receive the same type of consideration that you would have been entitled to receive if you had converted the preferred stock into our common stock immediately prior to any of these events. However, if we elect to adjust the conversion rate and the related conversion obligation so that the preferred stock will be convertible into shares of the acquiring or surviving company after a public acquirer fundamental change, then the previous sentence will not be applicable.

We may not become a party to any such transaction unless its terms are consistent with the foregoing.

You may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment.

We may, from time to time, increase the conversion rate if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board of directors will be conclusive. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock or rights distribution.

Mandatory Conversion

At any time on or after April 5, 2010, we may at our option cause the preferred stock to be automatically converted into that number of shares of common stock at the then prevailing conversion rate. We may exercise this right only if the closing sale price of our common stock equals or exceeds 130% of the then prevailing conversion price for at least 20 trading days in a period of 30 consecutive trading days, including the last trading day of such 30-day period, ending on the trading day prior to our issuance of a press release announcing the mandatory conversion as described below.

To exercise the mandatory conversion right described above, we must issue a press release for publication on the Dow Jones News Service prior to the opening of business on the first trading day following any date on which the conditions described in the preceding paragraph are met, announcing such a mandatory conversion. We will also give notice by mail or by publication (with subsequent prompt notice by mail) to the holders of the preferred stock, or cause DTC to send notice to its participants that own preferred stock (which notice or publication shall be given not more than four business days after the date of the press release), of the mandatory conversion announcing our intention to convert the preferred stock. The conversion date will be a date selected by us, which we will refer to as the Mandatory Conversion Date, and will be the earlier of (1) no more than five days after the date on which we issue such press release, or (2) the date that such notice is sent by DTC to its participants that own preferred stock as described above. In addition to any information required by applicable law or regulation, the press release and notice of a mandatory conversion shall state, as appropriate:

- the Mandatory Conversion Date;
- the number of shares of common stock to be issued upon conversion of each share of preferred stock;
- the number of shares of preferred stock to be converted; and

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that dividends on the preferred stock to be converted will cease to accrue on the Mandatory Conversion Date.

On and after the Mandatory Conversion Date, dividends will cease to accrue on the preferred stock called for a mandatory conversion and all rights of holders of such preferred stock will terminate except for the right to receive the shares of common stock issuable upon conversion thereof. The dividend payment with respect to the preferred stock called for a mandatory conversion on a date during the period between the close of business on any record date for the payment of dividends to the close of business on the corresponding dividend payment date will be payable on such dividend payment date to the record holder of such share on such record date if such share has been converted after such record date and prior to such dividend payment date. Except as provided in the immediately preceding sentence with respect to a mandatory conversion, no payment or adjustment will be made upon conversion of preferred stock for accumulated and unpaid dividends or for dividends with respect to the common stock issued upon such conversion.

We may not authorize, issue a press release or give notice of any mandatory conversion unless, prior to giving the conversion notice, all accumulated and unpaid dividends on the preferred stock for dividend payment dates ending prior to the date of such conversion notice shall have been paid in cash.

Limited Optional Redemption

If on or after April 5, 2010, (1) the total number of shares of preferred stock outstanding is less than 10% of the total number of shares of the preferred stock outstanding after this offering and (2) the closing sale price of our common stock for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date that we give the redemption notice equals or exceeds the conversion price in effect on each such day, we will have the option to redeem the shares of outstanding preferred stock, in whole but not in part, at a redemption price of 100% of the liquidation preference, plus an amount equal to any accumulated and unpaid dividends, including liquidated damages, if any, to the redemption date. If full cumulative dividends on the preferred stock have not been paid to the most recent quarterly dividend payment date occurring before notice is given, the preferred stock may not be redeemed. We will pay the redemption price in cash.

In the event of an optional redemption pursuant to this provision, we will (1) send a written notice by first class mail to each holder of record of the preferred stock at such holder s registered address, not fewer than 10 nor more than 30 days prior to the redemption date and (2) if the preferred shares are held by DTC or its nominee, request that DTC send a copy of such notice to its participants. The notice will include, among other things, a statement that the holders of preferred stock may elect to convert their shares into our common stock prior to the redemption date. In addition, we will (1) publish such information once in a daily newspaper printed in the English language and of general circulation in the Borough of Manhattan, City of New York, (2) issue a press release containing such information and (3) publish such information on our web site on the World Wide Web.

If we give notice of redemption, then, by 12:00 p.m., New York City time, on the redemption date, to the extent funds are legally available, we shall, with respect to:

shares of preferred stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC, cash sufficient to pay the redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to holders of such shares of preferred stock; and

shares of preferred stock held in certificated form, deposit or cause to be deposited, irrevocably with the paying agent, cash sufficient to pay the redemption price and will give the paying agent irrevocable instructions and authority to pay the redemption price to holders of such shares of preferred stock upon surrender of their certificates evidencing their shares of preferred stock.

If on the redemption date DTC and the paying agent hold cash sufficient to pay the redemption price for the shares of preferred stock delivered for redemption in accordance with the terms of the certificate of

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designations, dividends will cease to accumulate on all outstanding shares of preferred stock and all rights of holders of such shares will terminate except for the right to receive the redemption price.

Payment of the redemption price for the shares of preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates representing the preferred stock, together with necessary endorsements, to the paying agent, SUP STYLE="vertical-align:baseline; position:relative; bottom:.8ex">(1)
as of the Fiscal
Year-End

		Market Capitalization[1] as of December 31, 2014	Enterprise Value[1] as of December 31, 2014	Number of Employees
Lodging Companies				
Hilton Worldwide Holdings	$10,502	$25,689	$36,777	157,000
Hyatt Hotels	4,415	8,976	9,555	45,000
Starwood Hotels & Resorts	5,983	14,000	16,012	180,400
Wyndham	5,281	10,382	15,254	34,400
Travel Industry Related Companies				
Carnival	15,884	34,282	43,039	91,300
Las Vegas Sands	14,584	46,427	54,720	48,500
Hertz Global				

10,777 10,347 26,232 30,400

MGM Resorts International

10,082 10,504 25,917 46,000

Royal Caribbean Cruises

8,074 18,077 26,331 63,400

Wynn Resorts

5,434 14,036 18,716 16,500

Other Consumer or Brand Focus Companies

Campbell Soup

8,268 13,134 16,905 19,400

Colgate-Palmolive

17,277 63,060 68,359 37,700

Darden Restaurants

6,286 6,556 9,213 206,000

Estee Lauder

10,969 28,433 28,162 42,400

General Mills

17,910 32,948 41,337 43,000

Kellogg

14,580 23,311 30,300 29,790

Nike

27,799 66,912 63,143 48,000

Nordstrom

13,506 14,486 16,790 62,500

Starbucks

17,012 69,611 70,089 191,000

Yum! Brands

	13,279	31,743	34,575	69,810
Marriott International [2]	13,796	21,840	25,518	123,500
Percentile Rank	*64th*	*51st*	*36th*	*81st*

Source: Bloomberg

(1) Amounts are reported in millions. Enterprise Value is the sum of market capitalization, debt and preferred stock, less cash and cash equivalents.

(2) Revenue amount for the Company is shown as reflected in our financial statements. However, system-wide revenues, including revenues of our franchisees, are much higher. Similarly, the number of employees is shown as reflected in our annual report. Including employees working at franchised and certain third-party owned hotels, our system has about 325,000 employees.

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The Committee reviews the comparator group annually for potential changes (e.g. due to mergers and acquisition activity or changes in company size and business mix), but does not anticipate making significant changes every year, in order to allow for consistency and comparability of market data from year-to-year. However, for 2014, Hilton Worldwide Holdings was added because it is a direct competitor in the lodging industry which recently became publicly-traded.

2014 Compensation in Detail

Base Salary

The Committee reviews individual base salaries for the NEOs each February for the current fiscal year. As a part of this review, the Committee considers whether base salary levels are commensurate with the executives responsibilities, the external market and the Company s and executive s performance. For 2014, the Human Resources Department presented to the Committee market data on base salary levels at approximately the 50th percentile for each position and recommended base salary increases of 3% for each NEO except for Mr. Grissen. This was consistent with salary increases in the marketplace for NEOs and for management associates at the Company for the same period. For Mr. Grissen, management recommended a 23.6% salary increase after it reviewed market data and took into account the expansion of his responsibilities in 2014 to include The Ritz-Carlton and Global Operations Services organizations. The Compensation Consultant reviewed and supported the recommendation which was approved by the Committee and, with respect to Messrs. Marriott and Sorenson, by the independent members of the Board.

	2014 Base Salary ($)	2013 Base Salary ($)	2013 to 2014 Increase (%)
J.W. Marriott, Jr .	3,000,000	3,000,000	0
Arne M. Sorenson	1,236,000	1,200,000	3
Anthony G. Capuano	663,063	643,750	3
David J. Grissen	700,000	566,566	23.6
Carl T. Berquist	742,630	721,000	3

Annual Incentives

To promote growth and profitability, the Company s annual cash incentive program is based on actual performance measured against pre-established financial and business operational targets. The annual cash incentive design rewards executives for achieving annual corporate and individual performance objectives that support long-term financial and operational success.

At its February 2014 meeting, the Committee approved specific performance objectives and targets under the annual cash incentive program for 2014. In February 2015, after the release of the 2014 fiscal year audited financial results and taking into account the Company s performance relative to lodging and other comparator companies, the Committee reviewed each NEO s performance against the pre-established performance objectives to determine the actual cash incentive payments, as discussed below. All of the Committee s decisions regarding annual cash incentives for Mr. Sorenson were subject to and received Board approval.

As reflected in the following table, target awards under the annual cash incentive program range from 150% of salary for Mr. Sorenson to 60% for Mr. Grissen. The Committee determined the differences in the target award percentages between NEOs primarily by considering internal factors, including pay equity with other executives, differences in responsibilities, significant promotions and

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future potential. The Committee also reviewed market data for each position and determined that the incentive amounts payable upon achievement of target performance levels would result in total cash compensation (base salary plus annual incentive) that would be at or near the 50th percentile.

Name	Target Award as a % of Salary
J.W. Marriott, Jr.	n/a
Arne M. Sorenson	150
Anthony G. Capuano	75
David J. Grissen	60
Carl T. Berquist	75

The annual cash incentive plan performance factors are intended to establish high standards consistent with the Company s quality goals, which are achievable, but not certain to be met. The Company believes that these factors are critical to achieving success within the hospitality and service industry. The weighting of each performance factor varies slightly among the NEOs by position due to differences in responsibility. The table below displays the respective weightings of the relevant performance measures and the aggregate actual performance for 2014 under the annual cash incentive program.

	Annual Cash Incentive Plan Program Components (1)							Actual Payout
Name	Earnings Per Share	Operating Profit - Americas	Individual Achievement	Room Growth (2)	RevPAR Index (2)	Associate Engagement (2)	Total	Percent of Target(3)
J.W. Marriott, Jr.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Arne M. Sorenson	60	n/a	10	10	10	10	100	192
Anthony G. Capuano	10	n/a	5	75	5	5	100	195
David J. Grissen	25	25	10	15	15	10	100	191
Carl T. Berquist	60	n/a	10	10	10	10	100	149(4)

(1) The guest satisfaction factor used in prior years was removed for 2014 and will be reintroduced in 2015 after the Company launches a new guest feedback program.
(2) Each of these factors is measured against Company-wide results except that Mr. Grissen s components are measured against the Americas division, his primary area of responsibility.
(3) We report the potential awards under the annual cash incentive program for 2014 in dollars in the Grants of Plan-Based Awards for Fiscal Year 2014 table, and the actual award amounts earned under the annual cash incentive program for 2014 in dollars in the Summary Compensation Table following the CD&A.
(4) The maximum pay opportunity for Mr. Berquist was 153% of target whereas the other NEOs had a maximum pay opportunity of approximately 200%.

The performance factors for each NEO under the annual cash incentive program for 2014 were:

EPS and Operating Profit: The Company places a heavy emphasis on EPS as a performance measure because EPS is an important indicator of Company profitability and aligns the interests of management with those of shareholders. The Company uses EPS as reported under U.S. GAAP, as may be modified during the target-setting process for items that are not expected to have a direct impact on the business going forward, although no such adjustments were made for 2014 EPS targets.

For 2014, the Company established the EPS target primarily through an extensive annual budgeting process whereby each hotel and individual corporate unit developed and submitted a budget. The Company then developed a consolidated Company budget considering external market factors such as global and domestic economic forecasts, lodging industry outlook, and projections for the Company compared with certain individual lodging companies, as well as internal factors such as current revenue from group bookings, expected unit growth for the year, and expected capital needs. The Board reviewed and approved the budget in February 2014. Considering these factors, the Committee set the EPS target for 2014 at a level that the

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Committee believed was achievable but not certain to be met, which was $2.31. This target was approximately 15% higher than the Company s reported U.S. GAAP diluted EPS for 2013 of $2.00. For 2014, the Committee established the following payout scale for EPS performance:

EPS

Achievement vs. Target	Incentive Award	Payout as % of Target*
Below 87%	No Payment	0%
87%	Threshold Payment	25%
100%	Target Payment	100%
107% and Above	Maximum Payment	150 to 200%

* If the achievement falls between two of the stated performance levels, the incentive payment is interpolated between the corresponding incentive levels

The Company s diluted EPS as reported under U.S. GAAP for 2014 was $2.54, which resulted in maximum achievement level and payout.

For Mr. Grissen, in addition to EPS, his financial performance objectives included operating profit from the Americas division, his primary area of responsibility. The Americas operating profit target was $1.065 billion and the results were $1.161 billion, corresponding with a maximum achievement level and payout.

Room Growth: Assessment of room growth is based on a net present value estimate/calculation utilized by our management and Board in evaluating the potential performance of completed development projects. The room growth target was reviewed and approved by the Board in February 2014 at a level that is significantly above 2013 targets. This target level is based on an extensive annual budgeting process whereby a budget was developed for each geographic region that was identified for potential growth and consolidated and finalized by the Company s Lodging Development Department after consideration of external market factors such as global and domestic economic forecasts and lodging industry outlook. For Mr. Grissen, this same process is followed to establish the room growth target for the Americas division.

For each NEO except Mr. Capuano, achievement of less than the target results in no component payout, and for Mr. Capuano achievement of 59% of the target results in a threshold component payout. Maximum payout is achieved at 118% of the room growth target for each NEO other than Mr. Capuano and Mr. Grissen, for whom maximum is 176% and 200% of target, respectively. The Committee established wider performance and payout ranges for Mr. Capuano and Mr. Grissen to more accurately measure and incentivize them for achieving growth goals. For 2014, the net present value of rooms approved for development exceeded the 2013 growth by approximately 42% and exceeded each NEO s maximum performance target, except for Mr. Grissen for whom the results were above target but below maximum.

Associate Engagement: Assessment of associate engagement is measured by the results of the Company s annual associate engagement survey (conducted by a third party) as compared against external benchmark results provided by the third party company. For 2014, the Company exceeded the Best Employer benchmark, which resulted in a maximum achievement level and payout. The Americas division was slightly below the Best Employer benchmark, which resulted in an above target but below maximum achievement level and payout.

RevPAR Index: The Company retains a third party to collect and compile the data used to calculate a worldwide RevPAR Index, or Americas RevPAR Index for Mr. Grissen. RevPAR

Index measures each hotel s RevPAR against the aggregate RevPAR of a group of comparable hotels generally in the same market and lodging segment, stated as a percentage. RevPAR Index is an industry-specific measure of relative performance. Worldwide RevPAR Index is a weighted average of the RevPAR Index of all our hotels (or all hotels in the Americas for Mr. Grissen). In order for any payout to occur, the Company s worldwide (or Americas) RevPAR Index score must exceed 100, which indicates the Company has a premium RevPAR relative to its competitors, and must reflect an increase over prior year RevPAR Index results to exceed target component payout, reflecting that the Company s historical positioning relative to competitors has been strong, so that year-over-year increases in RevPAR index indicate additional improvements in relative performance. For 2014, the Company achieved an overall RevPAR Index score above 100 and a year-over-year increase of 0.1 percentage points resulting in an above target but below maximum payout. For the Americas, the Company achieved a RevPAR Index score above 100 and a year-over-year decrease of 0.1 percentage points resulting in a below target but above threshold payout.

Individual Achievement: Each year the Company sets specific, individual management objectives for the NEOs. Each NEO has a different set of objectives that is aligned to his unique responsibilities and role within the Company. The objectives are developed by the Chief Executive Officer and members of his executive team, and reviewed, modified as necessary and approved by the Committee (or the Board in the case of Mr. Sorenson s management objectives). The management objectives generally are difficult to accomplish and relate to key duties of the positions. Examples of the types of management objectives are: execute brand distinction strategy; win with the next generation travelers; execute agreements in support of continued growth; and optimize the benefits of the Company s major infrastructure initiatives.

The Committee applies a rigorous and largely subjective assessment of each NEO s qualitative performance relative to the management objectives. The management objectives are not assigned specific weightings and may be modified by the Committee during the performance period if a change in business circumstances warrants. The actual payments relating to management objectives are determined by the Committee based on its subjective assessment of each NEO s job performance for the year. Maximum or above target payouts typically occur if the Committee views the NEO s overall performance to have been superior after its review of the achievement levels for each of the objectives. No payments are made if performance is below threshold expectations. For each of the five years preceding 2014, the NEOs received award levels varying from zero (in 2009 when the Committee and the Board decided not to pay the portion of annual incentives relating to individual performance, notwithstanding strong individual performance) to a maximum payout for individual achievement. For 2014, each NEO achieved key individual objectives, including operational objectives such as the initiatives identified above, resulting in an above target to maximum payout under this criteria.

Long-Term Incentive Awards

Annual Stock Awards

The Company grants equity compensation awards to the NEOs under the Marriott International, Inc. Stock and Cash Incentive Plan (the Stock Plan) on an annual basis to help link NEO pay to long-term Company performance and to align the interests of NEOs with those of shareholders. Historically, most of our NEOs annual stock awards were granted in an equal mix (based on grant date fair value) of RSUs and SARs. In 2014, we evaluated ways to further align our executive compensation program with shareholders interests consistent with our compensation philosophy. As a result, the Committee began to include three-year performance vesting PSUs as an element of each NEO s annual stock awards.

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The Committee approved 2014 annual equity awards with values at approximately the same level as in 2013 for each of the NEOs, except that Mr. Grissen s grant value was larger due to his increased scope of responsibilities as discussed above, his individual performance, and internal pay equity considerations.

	2014 Target Grant Date Fair Value of Annual Stock Awards ($)	2013 Target Grant Date Fair Value of Annual Stock Awards ($)	2013 to 2014 Increase (%)
J.W. Marriott, Jr .	n/a	n/a	n/a
Arne M. Sorenson	5,741,022	5,859,507	-2
Anthony G. Capuano	2,410,146	2,434,922	-1
David J. Grissen	2,129,036	1,709,118	25
Carl T. Berquist	1,722,327	1,709,118	1

The Committee granted one-third of the 2014 annual equity awards as PSUs, so that the NEOs stock awards for 2014 were granted on February 24, 2014, in an equal mix (based on the grant date fair value) of RSUs vesting over three years, SARs vesting over three years and PSUs vesting after three years, with the exception of Mr. Capuano. Mr. Capuano s annual stock award for 2014 consisted of a grant of PSUs, RSUs and SARs in the same form and manner as the other NEOs as well as a separate grant of RSUs which remain unvested until the third anniversary of the grant date, at which time they vest in full assuming Mr. Capuano remains continuously employed during that period. This separate RSU award had a grant value approximately the same as the annual cash incentive that Mr. Capuano earned for fiscal year 2013. The Committee established the separate RSU award based on Mr. Capuano s most recent annual cash incentive in order to further the objective of compensating Mr. Capuano primarily in recognition of his development activities and performance. By also imposing three-year cliff vesting, this grant offers additional retention value and further links Mr. Capuano s pay with the long-term interests of shareholders.

PSUs

PSUs are restricted stock units that may be earned after three years based on achievement of pre-established targets for RevPAR Index, gross room openings, and net administrative expenses over a three-year period, with one-third of the target number of shares subject to each performance measure. These three financial and operating metrics were selected by the Committee because they reflect management efforts that are directly tied to the long-term strength of our brands, as opposed to other performance measures that are more prone to be impacted by economic or other factors beyond our executives control. We believe these are key drivers of long-term value creation. For the 2014-2016 PSU performance period, the performance measures are:

RevPAR Index: Although RevPAR Index is a component under the annual cash incentive program as described above, the Committee determined that longer-term goals for RevPAR Index, which measures performance relative to the Company s competitors, should be included to reflect our executives longer term accomplishments in both driving traffic to and maintaining quality at our hotels.

Gross Room Openings: Gross room openings includes the total number of system-wide, managed, franchised and owned/leased rooms added to our system, excluding rooms added through merger and acquisition activity, and reflects our executives achievements in attracting financing and owner/franchisee interest in our brands over those of our competitors.

Net Administrative Expense Growth: Net administrative expense measures our operating efficiency through our ability to control certain expenses, including direct and indirect expenses, unrecovered expenses, development expenses, and architecture and construction expenses, but excluding costs for mergers and acquisitions.

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For each of the three metrics, NEOs can receive 50% of the target PSU award level if performance is at least threshold and up to 150% of the target PSU award level if performance is above target. PSUs do not accrue dividend equivalents or pay dividends until they vest and shares are issued. The Committee approved the performance goals, which are competitively sensitive, at levels that are consistent with our strong historical performance and with internal forecasts at the time of grant, which indicated that target performance would be difficult, but attainable. It is also reasonably possible that awards could fall to zero or rise to maximum achievement levels.

Supplemental Stock Awards

Supplemental stock awards tend to be infrequent. Supplemental awards may be presented for consideration at quarterly Board meetings in recognition of special performance, promotions, assumption of additional responsibilities, to retain key talent or as a sign-on employment inducement. In December 2014, the Committee granted Mr. Sorenson a supplemental PSU with a board-approved value of $5 million. This grant recognizes Mr. Sorenson s accomplishments since becoming CEO, including the Company s strong 2014 performance, and vests based on the extent to which the Company achieves gross room opening performance for 2015 2017. The number of shares issuable under this grant is capped at 100% for gross room opening performance that meets or exceeds the pre-established target set by the Committee, and any shares earned will not vest until February 15, 2018 subject to continued service. In addition, Mr. Sorenson is required to hold the shares (net of tax withholdings) for two years following vesting of the shares. Based on its review of market data, the Committee determined that the supplemental PSU award would result in CEO compensation opportunity that is well-aligned with the Company s pay-for-performance philosophy and strong 2014 performance. Although the supplemental PSUs are conditioned on performance for 2015 2017, they are not intended to replace or alter the Company s compensation programs for Mr. Sorenson.

Grant Timing and Pricing

The Company typically grants annual stock awards in February each year on the second business day following the release of its prior fiscal year annual earnings. This timing is designed to avoid the possibility that the Company could grant stock awards prior to the release of material, non-public information that may result in an increase or decrease in its stock price. Similarly, supplemental stock awards may be granted throughout the year, but not during Company-imposed black-out periods.

Executives derive value from their Options (granted prior to 2006) and SARs based on the appreciation in the value of the underlying shares of Company stock. For purposes of measuring this appreciation, the Company sets the exercise or base price as the average of the high and low quoted prices of the Company stock on the date the awards are granted. This average price valuation is common practice and offers no inherent pricing advantage to the executive or the Company.

Other Compensation

Perquisites

The Company offers limited perquisites to its executives that make up a very small portion of total compensation for NEOs. One benefit that is consistent with practices within the hospitality industry is complimentary rooms, food and beverages at Company-owned, operated or franchised hotels and the use of hotel-related services such as Marriott-managed golf and spa facilities while on personal travel. These benefits are offered to encourage executive officers to visit and personally evaluate our

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properties. In addition, to enhance their efficiency and maximize the time that they can devote to Company business, NEOs are permitted to use the Company jet for personal travel in limited circumstances. The value of these benefits is included in the executives wages for tax purposes, and the Company does not provide tax gross-ups to the executives with respect to these benefits.

Other Benefits

Executives also may participate in the same Company-wide plans and programs offered to all eligible employees. Some of these benefits are paid for by the executives such as 401(k) plan elective deferrals, vision coverage, long- and short-term disability, group life and accidental death and dismemberment insurance, and health care and dependent care spending accounts. Other benefits are paid for or subsidized by the Company for all eligible employees such as the 401(k) Company match, certain group medical and dental benefits, $50,000 free life insurance, business travel accident insurance and tuition reimbursement.

Nonqualified Deferred Compensation Plan

In addition to a tax-qualified 401(k) plan, the Company offers the NEOs and other senior management the opportunity to supplement their retirement and other tax-deferred savings under the Marriott International, Inc. Executive Deferred Compensation Plan (EDC). The Committee believes that offering this plan to executives is critical to achieve the objectives of attracting and retaining talent, particularly because the Company does not offer a defined benefit pension plan.

Under the EDC, NEOs may defer payment and income taxation of a portion of their salary and annual cash incentive. The plan also provides participants the opportunity for long-term capital appreciation by crediting their accounts with notional earnings (at a fixed annual rate of return of 5.2% for 2014), which is explained in the discussion of Nonqualified Deferred Compensation for Fiscal Year 2014 below.

The Company also may make a discretionary matching contribution to participants (including the NEOs) EDC accounts for each fiscal year. The match is intended to make NEOs (and other highly-paid associates) whole for the approximate amount of matching contributions that would have been made under the Company s tax-qualified section 401(k) plan but for the application of certain nondiscrimination testing and annual compensation limitations under the Internal Revenue Code. For 2014, the Board approved a match, in two parts. The first part is a basic match equal to 25% of the first 2% of eligible compensation (as defined in the EDC up to $260,000) deferred by the NEO under the EDC for 2014. The second part is a supplemental match equal to 50% up to the first 6% of eligible compensation deferred for 2014. The Board has discretion to adjust the actual match allocation based on fiscal year financial results, but did not make an adjustment for 2014.

The Company also may make an additional discretionary contribution to the NEOs EDC accounts based on subjective factors such as individual performance, key contributions and retention needs. There have been no additional discretionary contributions for the NEOs in several years, including 2014.

Change in Control

The Company provides limited, double trigger change in control benefits under the Stock Plan and the EDC. The Committee believes that, with these carefully structured benefits, the NEOs would be better able to perform their duties with respect to any potential proposed corporate transaction

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without the influence of or distraction by concerns about their employment or financial status. In addition, the Committee believes that shareholder interests are protected and enhanced by providing greater certainty regarding executive pay obligations in the context of planning and negotiating any potential corporate transactions.

Under these arrangements, if an NEO is terminated by the Company (other than for the executive s misconduct) or the executive resigns for good reason (as defined under the Stock Plan) during the period beginning three months before and ending 12 months following a change in control (as defined under the Stock Plan) of the Company, the NEO will immediately vest in all unvested equity awards (including at the target performance level for PSUs) and EDC balances. In those circumstances, all Options and SARs will remain exercisable until the earlier of the original expiration date of the awards or twelve months (or in the case of an approved retiree, five years) following the termination of employment, and all other stock awards shall be immediately distributed following the later of the termination of employment or the change in control event, subject in certain cases to a six-month delay under Section 409A of the Internal Revenue Code. In addition, any cash incentive payments under the annual cash incentive program will be made immediately based on the target performance level, pro-rated based on the days worked during the year until the NEO s date of termination in connection with or following a change in control.

The Company does not provide for tax gross-ups on these benefits, but instead limits the benefits to avoid adverse tax consequences to the Company. Specifically, each of these benefits is subject to a cut-back, so that the benefit will not be provided to the extent it would result in the loss of a tax deduction by the Company or imposition of excise taxes under the golden parachute excess parachute payment provisions of the Internal Revenue Code. The discussion of Payments Upon Termination or Change in Control below includes a table that reflects the year-end intrinsic value of unvested stock awards, unvested EDC accounts and cash incentive payments that each NEO would receive if subject to an involuntary termination of employment in connection with a change in control.

Stock Ownership Policies

The Company reinforces its performance-based and long-term philosophy through its stock ownership policy which requires, within five years of becoming subject to the policy, that each NEO own Company stock with a total value equal to a multiple of between three to six times his individual salary grade midpoint. Each NEO met or exceeded this requirement in 2014. Mr. Marriott is not included in the table below because he beneficially owns over 14% of the Company s outstanding shares and thus significantly exceeds his ownership requirement.

We have adopted a number of related policies that further reflect alignment with long-term shareholder value.

Executive officers and directors are required to retain 50% of the net after-tax shares received under any equity awards until they satisfy the applicable stock ownership levels.

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The Company prohibits all associates and directors from engaging in short sale transactions or entering into any other hedging or derivative transaction related to Marriott stock or securities.

PSUs and RSUs do not provide for accelerated distribution of shares upon retirement to ensure that executives have a continuing stake in the Company s performance beyond the end of their employment, thereby strengthening their interest in the Company s long-term success.

Clawbacks

In addition to the clawback provisions of the Sarbanes-Oxley Act that apply to the Chief Executive Officer and Chief Financial Officer, the Company s Stock Plan includes a separate clawback provision that applies to all equity awards issued to all of the NEOs. Under the Stock Plan, the Company has the authority to limit or eliminate the ability of any executive to exercise Options and SARs or to receive a distribution of Company stock under PSUs, RSUs or other stock awards if the executive engages in criminal or tortious conduct that is injurious to the Company or engages in competition with the Company.

The Committee has discretion to require reimbursement of any annual cash incentive payment awarded to an NEO if the amount of such incentive payment is calculated based upon the achievement of certain financial results that are required to be restated, provided that such discretion may only be exercised if the NEO has engaged in intentional misconduct that caused or partially caused the need for the restatement. The amount of the reimbursement would be the difference in the amount determined before and after the restatement. The Company continues to monitor the SEC s rulemaking with respect to the clawback requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act and will modify its executive compensation program accordingly when final rules go into effect.

Tax Considerations

Internal Revenue Code Section 162(m) limits the Company s federal income tax deduction for compensation in excess of one million dollars paid annually to any NEO except for the Chief Financial Officer. However, performance-based compensation can be excluded from the limitation so long as it meets certain requirements. The Committee has taken steps that are designed to conform with the requirements under Section 162(m) so that payments under the annual cash incentive program and compensation attributable to PSUs, RSUs and SARs granted in 2014 may qualify as deductible compensation under Section 162(m). For these purposes, payments under certain components of the annual cash incentive program and the vesting of RSUs granted in 2014 are conditioned on achieving earnings before interest, taxes, depreciation and amortization (*EBITDA*) of $1.163 billion for 2014, a threshold established to support our compensation objectives with a meaningful level of cash flow. Actual EBITDA of $1.524 billion exceeded the threshold. (See the section of the Company s Annual Report for fiscal year 2014 entitled *Non-GAAP Financial Measures Reconciliations* for a reconciliation of 2014 EBITDA.) Although the Committee designed certain awards to satisfy those requirements, because deductibility under Section 162(m) is determined under a set of standards which may be subject to different interpretations in application, we cannot be certain that compensation intended by the Committee to satisfy the deductibility requirements under Section 162(m) will in fact be deductible.

We also provide other elements of compensation for 2014 that are not intended to satisfy the requirements under Section 162(m), and we preserve the ability to manage our compensation programs to meet the objectives of our executive compensation philosophy and a variety of other corporate

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objectives, such as equity dilution management, workforce planning, and customer satisfaction. For this reason, the Committee has discretion to make awards of compensation which will not qualify for the performance-based exception when appropriate.

Risk Considerations

The Committee considered risk in determining 2014 NEO compensation and believes that the following aspects of NEO pay discourage unreasonable or excessive risk-taking by executives:

Base salary levels are commensurate with the executives responsibilities (and the external market) so that the executives are not motivated to take excessive risks to achieve an appropriate level of financial security.

Annual cash incentive plans include a diverse mix of corporate and individual performance metrics.

Annual cash incentive opportunities are capped so that no payout exceeds a specified percentage of salary, thereby moderating the impact of short-term incentives.

The Committee and the Board have discretion to decrease annual cash incentive payouts, for example, if they believe the operational or financial results giving rise to those payouts are unsustainable or if they believe the payout would unfairly reward the NEOs for events that are unrelated to their performance.

The mix of short- and long-term incentives is balanced so that at least 50% of total pay opportunity is in the form of long-term equity awards.

PSUs are subject to relative and absolute performance measures that are directly tied to executives individual performance and the strength of our brands over a three-year period, which balances the annual cash incentive focus on near-term results.

Annual stock awards are generally granted as an equal mix of PSUs, RSUs, and SARs that generally vest over at least 3 years which together encourage the NEOs to focus on sustained stock price performance.

The Committee reviews and compares total compensation and each element of compensation to external market data to confirm that compensation is within an acceptable range relative to the external market also taking into consideration the Company s relative performance.

The NEOs are subject to clawback provisions (as discussed above).

Stock ownership requirements align the long-term interests of NEOs with the interests of shareholders.

All associates and directors are prohibited from engaging in hedging or derivative transactions related to Marriott stock or securities.

The NEOs are prohibited from holding Company stock in margin accounts or pledging such stock as collateral for loans.

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Executive Compensation Tables and Discussion

Summary Compensation Table

The following Summary Compensation Table presents the compensation we paid in fiscal years 2012, 2013, and 2014 to our Chief Executive Officer, our Chief Financial Officer and our other three most highly compensated executive officers.

Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)(3)	Option/ SAR Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
J.W. Marriott, Jr.	2014	3,000,000		0	0	0	320,816	201,750	3,522,566
Executive Chairman	2013	3,000,000		0	0	0	399,276	245,108	3,644,384
	2012	2,576,319		0	0	0	459,119	248,598	3,284,036
Arne M. Sorenson	2014	1,236,000		7,936,137	2,000,046	3,553,500	49,179	117,974	14,892,836
President and Chief	2013	1,200,000		2,859,502	3,000,005	1,910,400	56,052	132,661	9,158,620
Executive Officer	2012	1,151,958		2,634,217	2,750,034	1,947,618	59,915	92,659	8,636,401
Anthony G. Capuano	2014	663,062		1,876,794	533,352	967,275	9,976	40,083	4,090,542
Executive Vice President	2013	643,750		1,634,879	800,043	896,035	11,959	41,545	4,028,211
	2012	625,000		1,563,413	800,048	924,375	13,383	37,311	3,963,530
and Global Chief									
Development Officer									
David J. Grissen	2014	700,003		1,387,328	741,707	802,764	59,501	46,347	3,737,650
Group President	2013	566,545		834,090	875,028	519,768	69,453	45,023	2,909,928
	2012	550,064		1,436,930	450,010	616,072	76,593	37,395	3,167,064
Carl T. Berquist	2014	742,630		1,122,293	600,034	829,294	38,305	52,820	3,385,376
Executive Vice	2013	721,000		834,090	875,028	686,968	41,640	54,020	3,212,746
	2012	700,000		838,220	875,017	761,740	41,285	53,432	3,269,694
President and Chief									
Financial Officer									

(1) This column reports all amounts earned as salary during the fiscal year, whether paid or deferred under certain Company employee benefit plans.

(2) The value reported for Stock Awards and Option/SAR awards is the aggregate grant date fair value of the awards granted in the fiscal year as determined in accordance with accounting guidance for share-based payments, although the Company recognizes the value of the awards for financial reporting purposes over the service period of the awards. The assumptions for making the valuation determinations are set forth in the footnotes captioned Share-Based Compensation to our financial statements in each of the Company s Forms 10-Ks for fiscal years 2012 through 2014. For additional information on 2014 awards, see the Grants of Plan-Based Awards for Fiscal Year 2014 table, below.

(3) Approximately three-fourths of the value reported in this column for Mr. Sorenson in 2014, and one-half of the amount reported for the other NEOs (disregarding Mr. Capuano s separate RSU described in the CD&A), represents the value of PSUs at the grant date based upon target performance. Assuming that the highest level of performance conditions will be achieved for all PSUs, the grant date fair values of the 2014 Stock Awards for Messrs. Sorenson, Capuano, Grissen and Berquist would be $7,049,346, $761,192, $1,058,465 and $856,255 respectively.

(4) This column reports all amounts earned under the Company s annual cash incentive program during the fiscal year, which were paid in February of the following fiscal year unless deferred under certain Company employee benefit plans.

(5)

The values reported equal the earnings credited to accounts in the EDC to the extent they were credited at a rate of interest exceeding 120% of the applicable federal long-term rate, as discussed below under Nonqualified Deferred Compensation for Fiscal year 2014.

(6) All Other Compensation consists of Company contributions to the Company s qualified 401(k) plan, Company contributions to the Company s non-qualified Executive Deferred Compensation Plan and perquisites and personal benefits including personal use of the Company jet, spousal accompaniment while on business travel and rooms, food and beverages at Company-owned, operated or franchised hotels while on personal travel and use of other hotel-related services such as golf and spa facilities at Company-managed properties. The values in this column do not include perquisites and personal benefits that were less than $10,000 in aggregate for each NEO for the fiscal year. The following table identifies the total amount the Company contributed to each NEO s qualified 401(k) plan and non-qualified EDC for fiscal year 2014. It also specifies values for perquisites and personal benefits for each NEO that comprise more than the greater of 10% of his aggregate perquisites or personal benefits or $25,000.

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Name	Company Contributions to the 401(k) Plan ($)	Company Contributions to the Executive Deferred Compensation Plan ($)	Personal Use of the Company Jet ($)	Other ($)
Mr. Marriott	7,800	94,761	99,189	
Mr. Sorenson	7,800	97,076		13,098
Mr. Capuano	7,800	11,164		21,119
Mr. Grissen	7,800	38,547		
Mr. Berquist	7,800	45,020		

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

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

Grants of Plan-Based Awards for Fiscal 2014

The following table presents the plan-based awards granted to the NEOs in 2014.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Possible Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards: (Number of Shares of Stock or Units)	All Other Option/ SAR Awards: (Number of Securities Underlying Options/ SARs)	Exercise or Base Price	Grant Date Fair Value of Stock/ Option/ SAR Awards
Name	Grant Date(1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/sh)	($)(4)
Mr. Marriott		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr. Sorenson											
Cash Incentive		417,150	1,854,000	3,708,000							
PSU	12/17/14				32,744	65,488	65,488				4,195,161
PSU	2/24/14				18,780	37,560	56,340				1,902,790
RSU	2/24/14							37,560			1,838,186
SAR	2/24/14								118,416	53.25	2,000,046
Mr. Capuano											
Cash Incentive		279,729	497,297	994,594							
PSU	2/24/14				5,010	10,017	15,027				507,461
RSU	2/24/14							10,017			516,877
RSU	2/24/14(5)							16,827			852,456
SAR	2/24/14								31,578	53.25	533,352

Mr. Grissen											
Cash Incentive		89,250	420,002	875,004							
PSU	2/24/14				6,966	13,929	20,895				705,643
RSU	2/24/14							13,929			681,685
SAR	2/24/14								43,914	53.25	741,707
Mr. Berquist											
Cash Incentive		125,319	556,973	854,025							
PSU	2/24/14				5,634	11,268	16,902				570,837
RSU	2/24/14							11,268			551,456
SAR	2/24/14								35,526	53.25	600,034

(1) Grant Date applies to equity awards reported in the All Other Stock Awards and All Other Option/SAR Awards columns. The Board approved the annual stock awards at its February 12, 2014 meeting. Pursuant to the Company s equity compensation grant procedures described in the CD&A, the grant date of these awards was February 24, 2014, the second trading day following the release of the Company s 2013 earnings.

(2) The amounts reported in these columns include potential payouts corresponding to achievement of the threshold, target and maximum performance objectives under the Company s annual cash incentive plans.

(3) The columns report the number of shares issuable under PSUs granted to the NEOs for the 2014-2016 period. Vesting of Mr. Sorenson s December 2014 supplemental PSU is conditioned upon gross room openings performance for the 2015 2017

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period. The number of shares issuable under this grant is capped at 100% for gross room opening performance that meets or exceeds the pre-established target set by the Committee, and any shares that are earned will not vest until February 15, 2018, subject to continued service. Mr. Sorenson is required to hold any shares that vest (net of tax withholdings) for two years following the vesting date. Each other PSU reported in these columns is conditioned on the achievement over a three-year performance period of RevPAR Index, Gross Room Openings or Net Administrative Expense goals respectively, with threshold representing 50% of the target number of shares and maximum representing 150% of target. For these PSUs, each NEO received one award for an equal number of shares for each performance objective, with otherwise identical terms.

(4) The value reported for Stock Awards and Option/SAR awards is the aggregate grant date fair value of the awards granted in 2014 as determined in accordance with accounting standards for share-based payments, although the Company recognizes the value of the awards for financial reporting purposes over the service period of the awards. The assumptions for making the valuation determinations are set forth in the footnotes captioned Share-Based Compensation to our financial statements in the Company s Form 10-K for the fiscal year 2014.

(5) This award vests in full following the completion of three years of service or upon death or disability.

The Grants of Plan-Based Awards table reports the dollar value of cash-based annual incentive program awards (at their threshold, target and maximum achievement levels) and the number and grant date fair value of PSUs, RSUs and SARs granted under the Stock Plan to each NEO during the 2014 fiscal year. With regard to cash incentives, this table reports the range of potential amounts that could have been earned by the executive under the annual cash incentive program for 2014, whereas the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table reports the actual value earned by the executive for 2014 under both plans.

Annual SAR and RSU grants under the Stock Plan typically vest 33% on each of the first 3 anniversaries of their grant date, contingent on continued employment with the Company. Annual PSU grants under the Stock Plan typically vest following the end of a 3-year performance period based on the achievement of pre-established performance measures. As described in the discussion of Stock Awards in the CD&A, Mr. Sorenson received an additional PSU award and Mr. Capuano received an additional grant of RSUs. Even when vested, an executive may lose the right to exercise or receive a distribution of any outstanding stock awards if the executive terminates employment due to serious misconduct as defined in the Stock Plan, or if the Committee determines that the executive has engaged in competition with the Company or has engaged in criminal conduct or other behavior that is actually or potentially harmful to the Company. In addition, under the terms of their RSU awards, NEOs do not receive an accelerated distribution of shares upon retirement from the Company, but must continue to wait for the scheduled distribution dates following retirement as specified in their awards. The Company believes that these provisions serve its objectives of retention and aligning the executives long-term interests to those of the Company. These awards do not offer dividend or voting rights until they vest (in the case of PSUs and RSUs) or are exercised (in the case of SARs) and shares are issued to the grantee.

Outstanding Equity Awards at 2014 Fiscal Year-End

The following table shows information about outstanding Company options, SARs, RSUs and PSUs at December 31, 2014, our fiscal year-end. This table also includes Marriott Vacations Worldwide (*MVW*) stock awards resulting from adjustments to the Company stock awards for the spin-off of the Company s timeshare business in 2011, and reflects adjustments to the Exercise Price of options and SARs resulting from the spin-off. The Intrinsic Value and Market Value figures for the Company stock awards are based on the closing price as of December 31, 2014 of the Company s Class A common stock, which was $78.03. The Intrinsic Value and Market Value figures for the MVW stock awards are based on the closing price of MVW s common stock (traded on the New York Stock Exchange under ticker symbol VAC) as of December 31, 2014, which was $74.54. The reported Grant Dates for the MVW stock awards are the same as the grant dates for the related Company stock awards, as explained in the CD&A above.

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			Option/SAR Awards							Stock Awards	
Name	Grant Date	Award Type	Number of Securities Underlying Unexercised Options/SARs: Exercisable/ Unexercisable (#)		Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Option/SAR Intrinsic Value: ($) Exercisable/ Unexercisable		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Mr. Marriott	2/19/08	MAR SARs	447,304		33.4986	2/19/18	19,919,073			
	2/19/08	MVW SARs	44,730		20.4142	2/19/18	2,421,047			
	2/16/10	MAR SARs	278,588		25.4397	2/16/20	14,651,026			
	2/16/10	MVW SARs	27,858		15.5031	2/16/20	1,644,650			
	2/17/11	MAR SARs	142,677	47,559(1)	38.4942	2/17/21	5,640,849	1,880,283		
	2/17/11	MVW SARs	14,265	4,758(1)	23.4585	2/17/21	728,678	243,046		
		MAR RSUs							18,365(2)	1,433,021
		MVW RSUs							1,836.5(2)	136,893
Mr. Sorenson	2/13/06	MAR SARs	133,600		32.4853	2/13/16	6,084,772			
	2/13/06	MVW SARs	13,360		19.7967	2/13/16	731,370			
	2/12/07	MAR SARs	88,400		46.2137	2/12/17	2,812,561			
	2/12/07	MVW SARs	8,840		28.1628	2/12/17	409,974			
	2/19/08	MAR SARs	143,916		33.4986	2/19/18	6,408,781			
	2/19/08	MVW SARs	14,391		20.4142	2/19/18	778,924			
	2/17/09	MAR SARs	187,008		13.8085	2/17/19	12,009,934			
	2/17/09	MVW SARs	18,700		8.415	2/17/19	1,236,538			
	2/16/10	MAR SARs	155,040		25.4397	2/16/20	8,153,600			
	2/16/10	MVW SARs	15,504		15.5031	2/16/20	915,308			
	2/17/11	MAR SARs	95,118	31,706(1)	38.4942	2/17/21	3,760,566	1,253,522		
	2/17/11	MVW SARs	9,510	3,172(1)	23.4585	2/17/21	485,785	162,031		
	2/21/12	MAR SARs	112,614	112,614(1)	34.67	2/21/22	4,882,943	4,882,943		
	2/22/13	MAR SARs	57,252	171,756(1)	39.27	2/22/23	2,219,088	6,657,263		
	2/24/14	MAR SARs		118,416(1)	53.25	2/24/24		2,934,348		
		MAR RSUs							146,760(3)	11,451,683
		MVW RSUs							1,224.3(3)	91,259
		MAR PSUs							37,560(4)	2,930,807
		MAR PSUs							65,488(5)	5,110,029
Mr. Capuano	2/17/11	MAR SARs		9,909(1)	38.4942	2/17/21		391,760		
	2/17/11	MVW SARs	990	993(1)	23.4585	2/17/21	50,571	50,724		
	2/21/12	MAR SARs		32,762(1)	34.67	2/21/22		1,420,560		
	2/22/13	MAR SARs		45,804(1)	39.27	2/22/23		1,775,363		
	2/24/14	MAR SARs		31,578(1)	53.25	2/24/24		782,503		
		MAR RSUs							105,238(6)	8,211,721
		MVW RSUs							382.6(6)	28,519
		MAR PSUs							10,017(4)	781,627
Mr. Grissen	2/10/05	MVW Options	984		18.4727	2/10/15	55,170			
	4/27/00	MVW Options	1,600		9.1426	4/27/15	104,636			
	2/12/07	MAR SARs	14,640		46.2137	2/12/17	465,791			
	2/12/07	MVW SARs	1,464		28.1628	2/12/17	67,896			
	2/19/08	MAR SARs	23,360		33.4986	2/19/18	1,040,254			
	2/19/08	MVW SARs	2,336		20.4142	2/19/18	126,438			
	8/7/08	MAR SARs	28,912		25.8827	8/7/18	1,507,683			
	8/7/08	MVW SARs	2,891		15.773	8/7/18	169,895			
	2/16/10	MAR SARs	96,900		25.4397	2/16/20	5,096,000			
	2/16/10	MVW SARs	9,690		15.5031	2/16/20	572,068			
	2/17/11	MAR SARs	29,727	9,909(1)	38.4942	2/17/21	1,175,281	391,760		
	2/17/11	MVW SARs	2,970	993(1)	23.4585	2/17/21	151,712	50,724		
	2/21/12	MAR SARs		35,972(7)	34.67	2/21/22		1,559,746		
	2/22/13	MAR SARs	16,699	50,097(1)	39.27	2/22/23	647,253	1,941,760		
	2/24/14	MAR SARs		43,914(1)	53.25	2/24/24		1,088,189		

		MAR RSUs						56,102(8)	4,377,639
		MVW RSUs						382.6(8)	28,519
		MAR PSUs						13,929(4)	1,086,880
Mr. Berquist	2/13/06	MVW SARs	1,811		19.7967	2/13/16	99,140		
	2/12/07	MVW SARs	1,197		28.1628	2/12/17	55,514		
	2/19/08	MVW SARs	3,500		20.4142	2/19/18	189,440		
	3/3/08	MVW SARs	1,418		19.5928	3/3/18	77,915		
	8/7/08	MAR SARs	30,232		25.8827	8/7/18	1,576,517		
	8/7/08	MVW SARs	6,023		15.773	8/7/18	353,954		

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Name	Grant Date	Award Type	Option/SAR Awards: Number of Securities Underlying Unexercised Options/SARs: Exercisable/	Unexercisable (#)	Option/SAR Exercise Price ($)	Option/SAR Expiration Date	Option/SAR Intrinsic Value: ($) Exercisable/	Unexercisable	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
	2/16/10	MAR SARs	72,676		25.4397	2/16/20	3,822,053			
	2/16/10	MVW SARs	7,267		15.5031	2/16/20	429,021			
	2/17/11	MAR SARs	41,616	13,872(1)	38.4942	2/17/21	1,645,322	548,441		
	2/17/11	MVW SARs	4,161	1,387(1)	23.4585	2/17/21	212,550	70,850		
	2/21/12	MAR SARs	35,832	35,832(1)	34.67	2/21/22	1,553,676	1,553,676		
	2/22/13	MAR SARs	16,699	50,097(1)	39.27	2/22/23	647,253	1,941,760		
	2/24/14	MAR SARs		35,526(1)	53.25	2/24/24		880,334		
		MAR RSUs							45,958(9)	3,586,103
		MVW RSUs							535.7(9)	39,931
		MAR PSUs							11,268(4)	879,242

(1) SARs granted prior to 2014 are exercisable in 25% annual increments beginning one year from the grant date; beginning in 2014, grants are exercisable in 33% increments.

(2) These RSUs are scheduled to vest on February 15, 2015.

(3) These RSUs are scheduled to vest as follows:

63,692 MAR and 1,224.3 MVW on February 15, 2015.

51,449 MAR on February 15, 2016.

31,619 MAR on February 15, 2017.

(4) PSUs vest on February 15, 2017, pending performance results and continued service.

(5) PSUs vest on February 15, 2018, pending performance results and continued service.

(6) These RSUs are scheduled to vest as follows:

42,239 MAR and 382.6 MVW on February 15, 2015.

37,740 MAR on February 15, 2016.

25,259 MAR on February 15, 2017.

(7) The SARs become 100% exercisable on February 21, 2015.

(8) These RSUs are scheduled to vest as follows:

24,857 MAR and 382.6 MVW on February 15, 2015.
21,031 MAR on February 15, 2016.
10,214 MAR on February 15, 2017.

(9) These RSUs are scheduled to vest as follows:

20,994 MAR and 535.7 MVW on February 15, 2015.
15,637 MAR on February 15, 2016.
9,327 MAR on February 15, 2017.

PSUs, RSUs and SARs are described above in the discussion of Grants of Plan-Based Awards for Fiscal 2014. Option awards were last granted to NEOs in 2005, and executives derive value from their options based on the appreciation in the value of the underlying shares of Company stock from the grant date until exercise.

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Option and SAR Exercises and Stock Vested During Fiscal 2014

The following table shows information about Option and SAR exercises and vesting of RSU awards during fiscal year 2014. MVW options and SARs resulted from adjustments to the Company options to reflect the spin-off of the timeshare business.

	Option/SAR Awards				Stock Awards			
Name	**Award Type**	**Exercise Date**	**Number of Shares Acquired on Exercise (#)(1)**	**Value Realized on Exercise ($)(2)**	**Award Type**	**Vesting Date**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)(3)**
Mr. Marriott	MAR Option	5/12/14	150,000	6,538,440	MAR RSU	2/15/14	44,996	2,313,244
	MAR Option	5/13/14	52,957	2,300,494	MVW RSU	2/15/14	4,499.6	226,915
	MVW Option	5/13/14	25,220	1,200,154				
	MAR Option	5/22/14	68,048	2,957,659				
	MAR Option	5/23/14	28,995	1,260,481				
	MAR Option	6/19/14	100,000	4,749,540				
	MAR Option	6/20/14	100,000	4,819,020				
	MAR Option	6/23/14	100,000	4,803,040				
	MVW Option	8/13/14	10,780	541,731				
	MVW Option	8/14/14	12,000	599,203				
	MVW Option	8/15/14	12,000	596,958				
	MAR Option	9/19/14	25,333	1,069,813				
	MAR Option	9/26/14	99,667	4,030,723				
	MAR Option	10/31/14	121,000	5,497,240				
	MVW Option	10/31/14	3,462	177,283				
	MVW Option	11/3/14	21,138	1,082,870				
Mr. Sorenson	MAR Option	1/16/14	497,640	13,909,975	MAR RSU	2/15/14	65,993	3,392,700
	MAR Option	7/2/14	150,000	7,406,115	MVW RSU	2/15/14	2,706.4	136,484
	MAR Option	10/31/14	147,600	6,702,852				
Mr. Capuano	MAR SAR	12/22/14	107,149	4,546,973	MAR RSU	2/15/14	45,249	2,326,251
					MVW RSU	2/15/14	3,438.7	173,414
Mr. Grissen	MAR Option	3/7/14	22,400	880,741	MAR RSU	2/15/14	20,214	1,039,202
	MAR Option	9/11/14	25,840	1,299,611	MVW RSU	2/15/14	382.6	19,295
Mr. Berquist	MAR Option	3/7/14	40,240	988,514	MAR RSU	2/15/14	24,186	1,243,402
	MVW Option	4/2/14	4,024	155,034	MVW RSU	2/15/14	1,230.5	62,054
	MAR SAR	11/21/14	79,284	3,319,364				
	MAR SAR	12/31/14	30,000	1,598,619				

(1) For SARs that were exercised, the number of shares in this column reflects the nominal number of shares that were subject to SARs. The number of shares actually delivered under the SARs was lower and represented the value realized on exercise divided by the stock price on the day of exercise.
(2) The value realized upon exercise is based on the current trading price at the time of exercise.
(3) The value realized upon vesting is based on the average of the high and low stock price on the vesting date.

The following tables include additional information regarding the value realized by the NEOs in 2014 on the exercise or vesting of Marriott stock awards reported in the table above.

2014 Option/SAR Exercises

	Grant Date	Grant Term	Exercise Date	Number of Shares Exercised	Exercise Price ($)	Average Market Value at Exercise ($)	Stock Price Increase from Grant to Exercise Date (%)	Value Realized Upon Exercise ($)
Mr. Marriott	11/4/99	15 years	5/12/14	150,000	15.63	59.22	279	6,538,440
	11/4/99	15 years	5/13/14	52,957	15.63	59.07	278	2,300,494
	11/4/99	15 years	5/22/14	68,048	15.63	59.09	278	2,957,659
	11/4/99	15 years	5/23/14	28,995	15.63	59.10	278	1,260,481
	11/4/99	15 years	6/19/14	100,000	15.63	63.12	304	4,749,540
	11/4/99	15 years	6/20/14	100,000	15.63	63.82	308	4,819,020
	11/4/99	15 years	6/23/14	100,000	15.63	63.66	307	4,803,040
	2/10/05	10 years	9/19/14	25,333	30.31	72.54	139	1,069,813
	2/10/05	10 years	9/26/14	99,667	30.31	70.75	133	4,030,723
	2/10/05	10 years	10/31/14	121,000	30.31	75.74	150	5,497,240

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2014 Option/SAR Exercises

	Grant Date	Grant Term	Exercise Date	Number of Shares Exercised	Exercise Price ($)	Average Market Value at Exercise ($)	Stock Price Increase from Grant to Exercise Date (%)	Value Realized Upon Exercise ($)
Mr. Sorenson	2/5/04	10 years	1/16/14	197,640	21.50	50.01	133	5,634,835
	4/29/04	10 years	1/16/14	300,000	22.43	50.02	123	8,275,140
	11/4/99	15 years	7/2/14	150,000	15.63	65.00	316	7,406,115
	2/10/05	10 years	10/31/14	147,600	30.31	75.72	150	6,702,852
Mr. Capuano	2/19/08	10 years	12/22/14	25,300	33.50	78.23	134	1,131,704
	8/7/08	10 years	12/22/14	4,092	25.88	78.24	202	214,246
	2/17/11	10 years	12/22/14	29,727	38.49	78.20	103	1,180,334
	2/21/12	10 years	12/22/14	32,762	34.67	78.21	126	1,426,458
	2/22/13	10 years	12/22/14	15,268	39.27	78.19	99	594,231
Mr. Grissen	11/4/99	15 years	3/7/14	22,400	15.63	54.94	252	880,741
	4/27/00	15 years	9/11/14	16,000	15.00	71.09	374	897,449
	2/10/05	10 years	9/11/14	9,840	30.31	71.18	135	402,162
Mr. Berquist	2/10/05	10 years	3/7/14	40,240	30.31	54.88	81	988,514
	2/13/06	10 years	11/21/14	18,112	32.49	76.81	136	802,809
	2/12/07	10 years	11/21/14	11,976	46.21	76.82	66	366,541
	2/19/08	10 years	11/21/14	35,008	33.50	76.81	129	1,516,246
	3/3/08	10 years	11/21/14	14,188	32.15	76.82	139	633,768
	8/7/08	10 years	12/31/14	30,000	25.88	79.17	206	1,598,619

2014 Restricted Stock and Restricted Stock Unit Award Vesting

	Grant Date	Vesting Date	Number of Shares Vested	Average Market Value at Grant ($)	Average Market Value at Vesting ($)	Stock Price Increase/Decrease from Grant to Vesting Date (%)	Value Realized Upon Vesting ($)
Mr. Marriott	2/16/10	2/15/14	26,631	26.99	51.41	90	1,369,100
	2/17/11	2/15/14	18,365	40.84	51.41	26	944,145
Mr. Sorenson	2/16/10	2/15/14	14,821	26.99	51.41	90	761,948
	2/17/11	2/15/14	12,243	40.84	51.41	26	629,413
	2/21/12	2/15/14	19,830	34.67	51.41	48	1,019,460
	2/22/13	2/19/14	19,099	39.27	51.41	31	981,880
Mr. Capuano	2/16/10	2/15/14	11,579	26.99	51.41	90	595,276
	2/17/11	2/15/14	3,826	40.84	51.41	26	196,695
	2/17/11	2/15/14	18,982	40.84	51.41	26	975,865
	2/21/12	2/15/14	5,769	34.67	51.41	48	296,584
	2/22/13	2/15/14	5,093	39.27	51.41	31	261,831
Mr. Grissen	2/17/11	2/15/14	3,826	40.84	51.41	26	196,695
	2/21/12	2/15/14	10,817	34.67	51.41	48	556,102
	2/22/13	2/19/14	5,571	39.27	51.41	31	286,405
Mr. Berquist	2/16/10	2/15/14	6,948	26.99	51.41	90	357,197
	2/17/11	2/15/14	5,357	40.84	51.41	26	275,403
	2/21/12	2/15/14	6,310	34.67	51.41	48	324,397
	2/22/13	2/19/14	5,571	39.27	51.41	31	286,405

Nonqualified Deferred Compensation for Fiscal Year 2014

The following table presents contributions, earnings, distributions and balances under the EDC for the 2014 fiscal year.

Name	Executive Contributions in Last FY ($)(1)	Company Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last FYE ($)(3)
Mr. Marriott	180,000	94,761	1,093,307		22,279,483
Mr. Sorenson	238,224	97,076	166,167		3,519,243
Mr. Capuano	19,892	11,164	33,878		703,784
Mr. Grissen	269,943	38,547	201,548		4,205,618
Mr. Berquist	285,920	45,020	129,099		2,752,144

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(1) The amounts in this column consist of elective deferrals by the NEOs of salary for the 2014 fiscal year and non-equity incentive plan compensation for 2013 (otherwise payable in 2014) under the EDC. The following table indicates the portion of each executive s 2013 elective contributions that was attributable to 2014 salary that is reported in the Summary Compensation Table.

Name	Amounts that relate to the contribution of Salary ($)
Mr. Marriott	180,000
Mr. Sorenson	123,600
Mr. Capuano	19,892
Mr. Grissen	140,001
Mr. Berquist	148,526

(2) The amounts in this column reflect aggregate notional earnings during 2014 of each NEO s account in the EDC. Such earnings are reported in the Summary Compensation Table only to the extent that they were credited at a rate of interest in excess of 120% of the applicable federal long-term rate. The following table indicates the portion of each executive s aggregate earnings during 2014 that is reported in the Summary Compensation Table.

Name	Amounts Included in the Summary Compensation Table for 2014 ($)
Mr. Marriott	320,816
Mr. Sorenson	49,179
Mr. Capuano	9,976
Mr. Grissen	59,501
Mr. Berquist	38,305

(3) This column includes amounts in each NEO s total EDC account balance as of the last day of the 2014 fiscal year. The following table presents the portion of the Aggregate Balance that was reported as compensation in the Summary Compensation Table in the Company s prior-year proxy statements since we became a public company on March 27, 1998.

Name	Amounts that were reported as compensation in prior year proxy statements ($)
Mr. Marriott	12,879,873
Mr. Sorenson	2,312,634
Mr. Capuano	88,049
Mr. Grissen	460,068
Mr. Berquist	1,063,555

Under the EDC, participants are eligible to defer the receipt of up to 80% of their salary, bonus, non-equity incentive plan compensation and/or commissions. Such amounts are immediately vested. In addition, the NEOs may receive a discretionary Company match which is vested when made. For 2014, the NEOs will receive a discretionary match which is described in the discussion of Nonqualified Deferred Compensation Plan in the CD&A. No additional discretionary Company contribution was made for 2014.

For 2014, the Company credited participant plan accounts with a rate of return determined by the Company. The rate of return was determined largely by reference to the Company s estimated long-term cost of borrowing and was set at 5.2% for 2014. To the extent that this rate exceeds 120% of the applicable federal long-term rate, the excess is reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table.

Executives may receive a distribution of the vested portion of their EDC accounts upon termination of employment or, in the case of deferrals by the executive (and related earnings), upon a specified future date while still employed (an *in-service distribution*), as elected by the executive. Each year s deferrals may have a separate distribution election. Distributions payable upon termination of employment may be elected as (i) a lump sum cash payment; (ii) a series of annual cash installments

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payable over a designated term not to exceed twenty years; or (iii) five annual cash payments beginning on the sixth January following termination of employment. In-service distributions may be elected by the executive as a single lump sum cash payment or annual cash payments over a term of one to five years, in either case beginning not earlier than the third calendar year following the calendar year of the deferral. However, in the case of amounts of $10,000 or less, or when no election regarding the form of distribution is made, the distribution will be made in a lump sum. When the executive is a key employee for purposes of Section 409A of the Internal Revenue Code, any distribution payable on account of termination of employment will not occur until after six months following termination of employment. Typically, the NEOs are key employees.

Potential Payments Upon Termination or Change in Control

The Company does not have employment agreements or severance agreements with any of the NEOs.

Upon retirement or permanent disability (as defined in the pertinent plan), a NEO may continue to vest in and receive distributions under outstanding stock awards (with the exception of certain supplemental RSU awards granted after 2005) for the remainder of their vesting period; may exercise options and SARs for up to five years subject to the awards original terms; and immediately vests in the unvested portion of his EDC account. However, annual stock awards granted after 2005 provide that if the executive retires within one year after the grant date, the executive forfeits a portion of the stock award proportional to the number of days remaining within that one-year period. For these purposes, retirement means a termination of employment with retirement approval of the Committee by an executive who has attained age 55 with 10 years of service with the Company, or, for the EDC and for Stock Plan annual stock awards granted before 2006, has attained 20 years of service with the Company. In all cases, however, the Committee or its designee has the authority to revoke approved retiree status if an executive terminates employment for serious misconduct or is subsequently found to have engaged in competition with the Company or engaged in criminal conduct or other behavior that is actually or potentially harmful to the Company. A NEO who dies as an employee or approved retiree immediately vests in his EDC account, options/SARs and other stock awards. These provisions were developed based on an analysis of external market data. As of December 31, 2014, Messrs. Marriott, Sorenson, Berquist and Grissen met the age and service conditions for retirement eligibility. Mr. Capuano will meet those conditions if he remains employed until December 17, 2020.

Under the Stock Plan, in the event of certain transactions involving a capital restructuring, reorganization or liquidation of the Company or similar event as defined in the plan, the Company or its successor may in its discretion provide substitute equity awards under the Stock Plan or, if no similar equity awards are available, an equivalent value as determined at that time will be credited to each NEO s account in the EDC, provided that such action does not enlarge or diminish the value and rights under the awards. If the Company or its successor does not substitute equity awards or credit the EDC accounts, the Company or its successor will provide for the awards to be exercised, distributed, canceled or exchanged for value. The intrinsic values of the vested and unvested options/SARs and unvested stock awards as of the last day of the fiscal year are indicated for each NEO in the Outstanding Equity Awards at 2014 Fiscal Year-End table.

In addition, if any NEO s employment is terminated by the Company other than for the executive s misconduct or the executive resigns for good reason (as defined under the Stock Plan) beginning three months before and ending twelve months following a change in control of the

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Company, the NEO will become fully vested in all unvested equity awards under the Stock Plan (including at the target performance level for PSUs) and unvested balances in the EDC. In those circumstances, all options and SARs will be exercisable until the earlier of the original expiration date of the awards or 12 months (or five years for an approved retiree) following the termination of employment, and all other stock awards shall be immediately distributed following the later of the termination of employment or the change in control event, except that certain stock awards subject to the requirements of Section 409A of the Internal Revenue Code may not be distributable for six months following termination of employment if the NEO is a specified employee under Section 409A, which is typical. In addition, any cash incentive payments under the annual cash incentive program will be made immediately based on the target performance level, pro-rated based on the days worked during the year until the NEO s termination of employment. The Company does not provide any tax gross-ups on these benefits, but instead limits the benefits to avoid adverse tax consequences to the Company. Specifically, each of these benefits is subject to a cut-back, so that the benefit will not be provided to the extent it would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provisions of the Internal Revenue Code. Similar rules apply to the NEOs outstanding MVW stock awards.

The table below reflects the intrinsic value of unvested stock awards and cash incentive payments that each NEO would receive upon retirement, disability, death, or involuntary termination of employment in connection with a change in control as of December 31, 2014, the end of our fiscal-year (based on the Company s and MVW s closing stock prices of $78.03 and $74.54, respectively). Each of the NEOs was fully vested in their EDC accounts as of December 31, 2014.

Name	Plan	Retirement ($)	Disability ($)	Death ($)	Change in Control and Termination ($)
Mr. Marriott	Stock Plan	3,693,243	3,693,243	3,693,243	3,693,243
	Total Cash Incentive				
Mr. Sorenson	Stock Plan	26,549,258	26,549,258	35,473,884	35,473,884
	Total Cash Incentive		1,854,000	1,854,000	1,854,000
Mr. Capuano	Stock Plan		12,425,460	13,442,777	13,442,777
	Total Cash Incentive		497,297	497,297	497,297
Mr. Grissen	Stock Plan	7,550,841	7,550,841	10,525,217	10,525,217
	Total Cash Incentive		420,002	420,002	420,002
Mr. Berquist	Stock Plan	8,355,952	8,355,952	9,500,336	9,500,336
	Total Cash Incentive		556,973	556,973	556,973

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

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Director Compensation

For 2014, we paid non-employee directors compensation in the form of annual cash retainer fees and Non-Employee Director Share Awards under the Stock Plan, as follows:

Type of Fee (all fees below are annual)	Amount of Fee ($)
Board Retainer Fee	75,000
Share Award	125,000
Audit Committee Chair Fee	20,000
Other (Non-Audit) Committee Chair Fee	10,000
Audit Committee Member Retainer	10,000
Vice Chairman Fee(1)	93,750
Vice Chairman Share Award(1)	156,250

(1) The Vice Chairman of the Board receives these fees/awards instead of the other Board fees/awards. The Vice Chairman of the Board position was eliminated on June 16, 2014.

We pay a retainer and chair fees on a quarterly basis. However, in accordance with established Company procedures, a director may elect to defer payment of all or a portion of his or her director fees pursuant to the Stock Plan and/or the EDC. Annual retainer and chair fees that are deferred pursuant to the Stock Plan may be replaced with Director SARs having equivalent grant-date value, or credited to the director s stock unit account in the plan, at the election of the director. We grant director SARs at fair market value, with a 10-year term, which immediately vest but cannot be exercised until one year following grant. As elected by the director, retainer and chair fees that are credited to the director s stock unit account may be distributed in a lump sum or in one to 10 annual installments following termination of service as a Board member. Amounts deferred under the Stock Plan accrue dividend equivalents but do not provide voting rights until the stock is distributed.

The Company grants the Non-Employee Director Share Awards following the Company s annual meeting of shareholders. A Director Share Award is a grant of stock that the director may choose to have distributed in a lump sum on the one-year anniversary of the grant or in a lump sum or one to 10 annual installments following termination of service as a Board member. Directors make their elections in the year prior to grant of the award. The annual Non-Employee Director Share Awards neither accrue dividend equivalents nor provide voting rights until the stock is distributed. The pricing practices for executive stock awards discussed in the CD&A above are followed for director stock awards.

The Company reimburses directors for travel expenses, other out-of-pocket costs they incur when attending meetings and, for one meeting per year, attendance by spouses. To encourage our directors to visit and personally evaluate our properties, the directors also receive complimentary rooms, food and beverages at Company-owned, operated or franchised hotels, as well as the use of hotel-related services such as Marriott-managed golf and spa facilities, when on personal travel. We report the value of these benefits to the directors as taxable compensation and do not provide the directors any gross-up to cover such taxes.

The Board of Directors believes that stock ownership by non-employee directors is essential for aligning their interests with those of shareholders. To emphasize this principle, Board stock ownership guidelines require that non-employee directors own Company stock or stock units valued at three times the combined directors annual cash and stock retainers, or roughly eight times the annual cash retainer. All non-employee directors who have served as directors of the Company for five years or more have met this goal.

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Director Compensation for Fiscal Year 2014

The following Director Compensation Table presents the compensation we paid in 2014 to our non-employee directors. As officers, Deborah Marriott Harrison, J.W. Marriott, Jr. and Arne M. Sorenson are not paid for their service as directors.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)(6)	Total ($)
Mary K. Bush	85,000	125,004		10,254	220,258
Frederick A. Henderson	91,667	125,004			216,671
Lawrence W. Kellner	95,000	125,004		13,479	233,483
Debra L. Lee	85,000	125,004	1,095	18,454	229,553
John W. Marriott III (resigned effective June 16, 2014)	42,969	156,285			199,254
George Muñoz	75,421	125,004	1,679	2,263	204,367
Harry J. Pearce	75,000	125,004	2,494	2,250	204,748
Steven S Reinemund	85,000	125,004	811	2,550	213,365
W. Mitt Romney	81,667	125,004		13,989	220,660
Lawrence M. Small (retired effective May 9, 2014)	35,417		2,308	26,581	64,306

(1) This column includes any cash retainer fees that the directors elected to be deferred to their stock unit accounts in the Stock Plan, fees that the directors elected to receive as Director SARs, and fees that were deferred pursuant to the EDC, as follows:

Name	Fees Credited to Stock Unit Account in the Stock Plan ($)	Fees Elected as a Director SAR Award ($)	Fees Deferred Pursuant to the EDC ($)
Ms. Lee			5,100
Mr. Muñoz		70,521	4,900
Mr. Pearce	70,500		4,500
Mr. Reinemund			58,367
Mr. Small			2,125

Because cash retainers otherwise are paid quarterly, fees were credited to the directors stock unit accounts in the Stock Plan on April 10, 2014, July 10, 2014, October 10, 2014, and January 9, 2015. The number of shares credited to each director s stock unit account was determined by dividing the dollar amount that the director elected to defer by the average of the high and low trading prices of the Company s Class A common stock on the respective credit dates, which were $56.23, $65.18, $63.93, and $78.54, respectively. In addition, as he had elected, Mr. Muñoz received a grant of SARs on May 12, 2014, in lieu of cash payment of a portion of his annual cash retainer.

(2) In 2014, each non-employee director was granted a Director Share Award on May 12, 2014, for 2,118 shares, except that the Vice Chairman of the Board received 2,648 shares. In accordance with the Company s equity compensation grant procedures, the awards were determined by dividing the value of the Director Share Award by the average of the high and low prices of a share of the Company s Class A common stock on the date the awards were granted, which was $59.02 per share. The amounts reported in the Stock Awards column reflect the grant-date fair value of the award, determined in accordance with accounting guidance for share-based payments.

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(3) The following table indicates the number of outstanding Company Director Options, SARs and deferred stock (DS) held by each director at the end of 2014. This table also includes MVW stock awards and reflects adjustments made to the Company stock awards for the timeshare business spin-off.

Name	Award Type	Number of Securities Underlying Unexercised Director Options/ SARs		Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Have Vested (#)
		Exercisable (#)	Unexercisable (#)		
Ms. Bush	MAR DS				19,528
	MVW DS				1,175
Mr. Henderson	MAR DS				4,974
Mr. Kellner	MAR DS				15,186
	MVW DS				1,021
Ms. Lee	MAR DS				24,822
	MVW DS				1,704
Mr. Marriott III	MAR DS				6,850
	MVW DS				420
Mr. Muñoz	MAR SARs	11,818	3,277		
	MAR DS				42,998
	MVW DS				3,326
Mr. Pearce	MAR DS				92,662
	MVW DS				7,816
Mr. Reinemund	MAR DS				3,848
	MVW DS				173
Mr. Romney	MAR DS				4,974
Mr. Small	MAR SARs	17,514			
	MVW SARs	1,750			
	MAR DS				52,099
	MVW DS				5,141

(4) The values reported equal the earnings credited to accounts in the EDC to the extent they were credited at a rate of interest exceeding 120% of the applicable federal long-term rate, as discussed for the NEOs under Nonqualified Deferred Compensation for Fiscal Year 2014 above.
(5) This column includes Company allocations made by the Company under the Executive Deferred Compensation Plan for fiscal year 2014.
(6) The directors receive complimentary rooms, food and beverages at Company-owned, operated or franchised hotels, as well as the use of hotel-related services such as Marriott-managed golf and spa facilities, when on personal travel. The values in this column do not include perquisites and personal benefits that were less than $10,000 in aggregate for each director for the fiscal year.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information about the securities authorized for issuance under the Company s equity compensation plans as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities

			reflected in the first column)
Equity compensation plans approved by shareholders	13,499,025(1)	$ 35.92	23,229,198(2)
Equity compensation plans not approved by shareholders(3)			
Total	13,499,025		23,229,198

(1) Includes 7,034,597 shares of outstanding PSU, RSU, and deferred stock bonus awards, as well as DS awards to directors in the Stock Plan, that are not included in the calculation of the Weighted-Average Exercise Price column. Includes 251,422 shares issuable at target under outstanding PSUs.

(2) Consists of 13,019,464 securities available for issuance under the Stock Plan and 10,209,734 securities available for issuance under the Employee Stock Purchase Plan.

(3) All of the Company s equity compensation plans have been approved by shareholders.

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STOCK OWNERSHIP

Stock Ownership of our Directors, Executive Officers and Certain Beneficial Owners

The table below sets forth the beneficial ownership of Class A common stock by our directors, director nominees and executive officers as of January 31, 2015 (unless otherwise noted), as well as additional information about beneficial owners of more than 5 percent of the Company s Class A common stock. Ownership consists of sole voting and sole investment power, except as indicated in the notes below, and except for shares registered in the name of children sharing the same household or subject to any community property laws. Unless otherwise noted, the address for all greater than five percent beneficial owners is Marriott International, Inc., 10400 Fernwood Road, Bethesda, Maryland 20817.

Note on Various Marriott Family Holdings: SEC rules require reporting of beneficial ownership of certain shares by multiple parties, resulting in multiple counting of some shares. After eliminating double-counting of shares beneficially owned, J.W. Marriott, Jr. and Deborah M. Harrison together have an aggregate beneficial ownership of 14.9% of Marriott s outstanding shares. The aggregate total beneficial ownership of J.W. Marriott, Jr., Deborah M. Harrison, and each of the Other 5% Beneficial Owners shown below, except for The Vanguard Group, is 24.6% of outstanding shares after removing the shares counted multiple times. These individuals and entities each disclaim beneficial ownership over shares owned by other members of the Marriott family and the entities named below except as specifically disclosed in the footnotes following the table below.

Name	Shares Beneficially Owned		Percent of Class(1)	Total Equity Interest(2)
Directors and Director Nominees:				
J.W. Marriott, Jr.	40,417,134	(3)(4)(5)(6)	14.5%	40,417,134
Mary K. Bush	19,803	(8)	*	19,803
Frederick A. Henderson	4,974	(8)	*	4,974
Deborah M. Harrison	29,087,101	(4)(5)(7)	10.5%	29,087,101
Lawrence W. Kellner	17,186	(8)	*	17,186
Debra L. Lee	27,482	(8)	*	27,482
George Muñoz	17,204	(9)	*	17,204
Harry J. Pearce	94,691	(8)	*	101,833
Steven S Reinemund	25,183	(8)	*	27,301
W. Mitt Romney	13,048	(8)(9)	*	13,048
Arne M. Sorenson	1,157,216	(9)	*	1,157,216
Susan C. Schwab	0		*	0
Other Named Executive Officers:				
Carl T. Berquist	294,873	(9)	*	294,873
Anthony G. Capuano	129,992	(9)	*	129,992
David J. Grissen	240,846	(9)	*	240,846
All Directors and Executive Officers as a Group:				
(21 persons)	44,417,178	(10)	15.84%	44,469,436
Other 5% Beneficial Owners:				
Richard E. Marriott	36,698,803	(3)(12)	13.2%	36,698,803
John W. Marriott III	29,201,462	(5)(11)	10.5%	29,204,110
Juliana B. Marriott	25,269,334	(5)(13)	9.1%	25,269,334
Stephen Blake Marriott	24,386,049	(5)(14)	8.8%	24,386,049

David S. Marriott	26,419,079	(5)(15)	9.5%	26,419,079
JWM Family Enterprises, Inc.	24,227,118	(5)	8.7%	24,227,118
JWM Family Enterprises, L.P.	24,227,118	(5)	8.7%	24,227,118
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	15,668,249	(16)	5.63%	15,668,249

* Less than 1 percent.

(1) Based on the number of shares outstanding (278,080,350) on January 31, 2015, plus the number of shares acquirable by the specified person(s) within 60 days of January 31, 2015, as described below.

(2) Under our Stock Plan, non-employee directors may defer their annual share awards and defer director fees into stock units. Shares in this column reflect all shares beneficially owned plus the combined numbers of shares (a) subject to non-employee director deferred share awards, and (b) in stock unit accounts of non-employee directors, and that were not beneficially owned as of January 31, 2015. Share awards and stock units do not carry voting rights and are not transferable. Share awards and stock units are distributed at the election of the director either after the first anniversary of the grant or following retirement as a director.

(3) Includes the following 12,287,779 shares that both J.W. Marriott, Jr. and his brother Richard E. Marriott report as beneficially owned: (a) 3,917,932 shares held by trusts for the benefit of their children and grandchildren, for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees; (b) 3,244,403 shares owned by The J. Willard & Alice S. Marriott Foundation, a charitable foundation, for which J.W. Marriott, Jr., Richard E. Marriott, John W. Marriott III, and Deborah M. Harrison serve as co-trustees; and (c) 5,125,444 shares held by a charitable annuity trust created by the will of J. Willard Marriott, Sr., and for which J.W. Marriott, Jr. and Richard E. Marriott serve as co-trustees.

(4) Includes 240,000 shares owned by The JWM Generations Trust, for which J.W. Marriott, Jr. s spouse and each of his children serve as co-trustees, that both J.W. Marriott, Jr. and his daughter Deborah M. Harrison report as beneficially owned.

(5) Includes the following 24,227,118 shares that J.W. Marriott, Jr., his children John W. Marriott III, Deborah M. Harrison, and David S. Marriott, his grandson Stephen B. Marriott, his daughter-in-law Juliana B. Marriott, and JWM Family Enterprises, Inc. and JWM Family Enterprises, L.P. each report as beneficially owned: (a) 9,199,999 shares owned by Thomas Point Ventures, L.P.; (b) 4,200,000 shares owned by Anchorage Partners, L.P.; (c) 2,904,028 shares owned by Terrapin Limited Holdings, LLC; and (d) 7,923,091 shares owned by JWM Family Enterprises, L.P. JWM Family Enterprises, Inc., a corporation in which J.W. Marriott, Jr. each of his children and his grandson, Stephen Blake Marriott, is a director, is the sole general partner of JWM Family Enterprises, L.P., a limited partnership, which in turn is the sole general partner of Thomas Point Ventures, L.P. and Anchorage Partners, L.P., which also are limited partnerships, and the sole member of Terrapin Limited Holdings, LLC. The address for the corporation, the three limited partnerships and the limited liability company is 6106 MacArthur Boulevard, Suite 110, Bethesda, Maryland 20816.

(6) Includes the following 3,662,238 shares that J.W. Marriott, Jr. reports as beneficially owned, in addition to the shares referred to in footnotes (3), (4) and (5): (a) 465,358 shares directly held; (b) 539,937 shares subject to Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2015; (c) 282,524 shares owned by J.W. Marriott, Jr. s spouse (Mr. Marriott disclaims beneficial ownership of such shares); (d) 1,759,775 shares owned by separate trusts for the benefit of J.W. Marriott, Jr. s children and grandchildren, in which his spouse serves as a co-trustee; (e) 41,635 shares owned by three trusts for the benefit of J.W. Marriott, Jr. s grandchildren, for which Juliana B. Marriott (the widow of Stephen G. Marriott) and the spouse of J.W. Marriott, Jr. serve as co-trustees; (f) 199,513 shares owned by three trusts for the benefit of J.W. Marriott, Jr. s grandchildren, for which Juliana B. Marriott and the spouse of J.W. Marriott, Jr. serve as co-trustees; (g) 50,000 shares owned by the J. Willard Marriott, Jr. Foundation, for which J.W. Marriott, Jr. and his spouse serve as trustees; and (h) 323,496 shares owned by JWM Associates Limited Partnership, in which J.W. Marriott, Jr. is a general partner.

(7) Includes the following 4,619,983 shares that Deborah M. Harrison reports as beneficially owned in addition to the shares referred to in footnotes (4) and (5): (a) 200,154 shares directly held; (b) 6,420 shares held in two trusts for the benefit of Deborah M. Harrison s grandchildren, for which Deborah M. Harrison serves as trustee; (c) 307,344 shares held in four trusts for the benefit of Deborah M. Harrison s children, for which Deborah M. Harrison serves as trustee; (d) 209,210 shares held in a trust for the benefit of Deborah M. Harrison s descendants, for which Deborah M. Harrison serves as trustee; (e) 179,166 shares held by three trusts for the benefit of John W. Marriott III s children, for which John W. Marriott III and Deborah M. Harrison serve as co-trustees; (f) 251,000 shares held by a life insurance trust for the benefit of J.W. Marriott, Jr., for which each of his children serve as co-trustees; (g) 54,920 shares held in a limited liability company of which Deborah M. Harrison is a manager; (h) 110,561 shares held in a limited liability company of which Deborah M. Harrison is a manager; (i) 2,836 shares subject to RSUs held by Deborah M. Harrison currently exercisable or exercisable within 60 days after January 31, 2015; (j) 53,969 shares subject to SARs and RSUs held by Deborah M. Harrison s spouse currently exercisable or exercisable within 60 days after January 31, 2015 (Mrs. Harrison disclaims beneficial ownership of such shares) and (k) 3,244,403 shares owned by The J. Willard & Alice S. Marriott Foundation, a charitable foundation, for which J.W. Marriott, Jr., Richard E. Marriott, John W. Marriott III, and Deborah M. Harrison serve as co-trustees (referenced in footnote 3(b) above).

(8) Includes the combined numbers of shares (a) subject to non-employee director deferred share awards, and (b) in stock unit accounts of non-employee directors, and that were beneficially owned as of January 31, 2015, as follows: Ms. Bush: 19,528 shares; Mr. Henderson: 4,974 shares; Mr. Kellner: 15,186 shares; Ms. Lee: 24,822 shares; Mr. Pearce: 85,744 shares; Mr. Reinemund: 1,730 shares; and Mr. Romney: 4,974 shares.

(9) Includes shares subject to Options, SARs and RSUs currently exercisable or exercisable within 60 days after January 31, 2015, as follows: Mr. Berquist: 163,303 shares; Mr. Capuano: 66,007 shares; Mr. Grissen: 184,304 shares; Mr. Muñoz: 5,254 shares; Mr. Romney: 3,294 shares; and Mr. Sorenson: 723,255 shares.

(10) The 3,244,403 shares described in footnote 3(b), the 240,000 shares described in footnote (4) and the 24,227,118 shares described in footnote (5) are reported as beneficially owned by each of J.W. Marriott, Jr. and Deborah M. Harrison, but

are included only once in reporting the number of shares owned by all directors, nominees and executive officers as a group. All directors and executive officers as a group held 2,104,858 Options, SARs, RSUs and non-employee director deferred share awards and deferred stock units currently exercisable or exercisable within 60 days after January 31, 2015. All directors and executive officers as a group, other than J.W. Marriott, Jr. and Deborah M. Harrison, beneficially owned an aggregate of 2,624,464 shares (including 1,665,074 Options, SARs, RSUs and non-employee director deferred share awards and deferred stock units currently exercisable or exercisable within 60 days after January 31, 2015), or 0.9 percent of our Class A common stock outstanding as of January 31, 2015.

(11) Includes the following 4,974,344 shares that John W. Marriott III reports as beneficially owned, in addition to the shares referred to in footnote (5): (a) 665,228 shares directly held; (b) 31,550 shares owned by John W. Marriott III s spouse (Mr. Marriott disclaims beneficial ownership of such shares); (c) 179,166 shares held by three trusts for the benefit of John W. Marriott III s children, for which John W. Marriott III, his spouse and Deborah M. Harrison serve as co-trustees (referenced in footnote 7(e) above); (d) 49,575 shares held by three trusts for the benefit of John W. Marriott III s children, for which the spouses of J.W. Marriott, Jr. and John. W. Marriott III serve as co-trustees; (e) 75,000 shares owned by a trust for the benefit of John W. Marriott III s descendants, for which John W. Marriott III and David S. Marriott serve as co-trustees; (f) 75,252 shares owned by four trusts for the benefit of David S. Marriott s children, for which David S. Marriott and the spouse of John W. Marriott III serve as trustees; (g) 142,565 shares owned by a trust for the benefit of David S. Marriott s descendants, for which David S. Marriott, his spouse, and the spouse of John W. Marriott III serve as trustees; (h) 20,605 shares owned by an immediate family member of John W. Marriott III; (i) 251,000 shares held by a life insurance trust for the benefit of J.W. Marriott, Jr., for which each of his children serve as co-trustees (referenced in footnote 7(f) above) ; (j) 240,000 shares owned by The JWM Generations Trust, for which J.W. Marriott, Jr. s spouse and each of his children serve as co-trustees (referenced in footnote 4 above); and (k) 3,244,403 shares owned by The J. Willard & Alice S. Marriott Foundation, a charitable foundation, for which John W. Marriott III serves as co-trustee with J.W. Marriott, Jr., Richard E. Marriott and Deborah M. Harrison (referenced in footnote 3(b) above).

(12) Includes the following 21,054,661 shares that Richard E. Marriott reports as beneficially owned, in addition to the 12,287,779 shares referred to in footnote (3): (a) 18,111,363 shares directly held; (b) 285,787 shares owned by Richard E. Marriott s spouse (Mr. Marriott disclaims beneficial ownership of these shares); (c) 1,119,239 shares owned by three trusts for the benefit of Richard E. Marriott s children, for which his spouse serves as a co-trustee; (d) 3,356,363 shares owned by First Media, L.P., a limited partnership whose general partner is a corporation in which Richard E. Marriott is the controlling voting shareholder; (e) 1,521,272 shares held in a charitable annuity trust created by Richard E. Marriott, for which he serves as co-trustee; and (f) 17,000 shares held by a trust established for the benefit of J.W. Marriott, Jr., for which Richard E. Marriott serves as trustee. Richard E. Marriott is the brother of J.W. Marriott, Jr. and is a former director and officer of the Company. His address is Host Hotels & Resorts, Inc., 10400 Fernwood Road, Bethesda, Maryland 20817.

(13) Includes the following 1,042,217 shares that Juliana B. Marriott reports as beneficially owned in addition to the shares referred to in footnote (5): (a) 42,000 shares directly held; (b) 41,635 shares owned by three trusts for the benefit of Stephen G. Marriott s children, for which Juliana B. Marriott and the spouse of J.W. Marriott, Jr. serve as co-trustees (referenced in footnote 6(e) above); (c) 199,513 shares owned by three trusts for the benefit of Stephen G. Marriott s children, for which Juliana B. Marriott and the spouse of J.W. Marriott, Jr. serve as co-trustees (referenced in footnote 6(f) above); and (d) 290,000 shares owned by a trust for the benefit of Stephen G. Marriott s descendants, for which David S. Marriott and Juliana B. Marriott serve as co-trustees; and (e) 469,069 shares owned by a trust for the benefit of Juliana B. Marriott, for which David S. Marriott and Juliana B. Marriott are co-trustees.

(14) Includes the following 158,931shares that Stephen Blake Marriott reports as beneficially owned in addition to the shares referred to in footnote (5): (a) 153,834 shares directly held; and (b) 5,097 shares held by two trusts for the benefit of his nephews for which Stephen Blake Marriott serves as a trustee.

(15) Includes the following 2,191,961 shares that David S. Marriott reports as beneficially owned in addition to the shares referred to in footnote (5): (a) 590,954 shares directly held; (b) 15,418 shares held by David S. Marriott s spouse (Mr. Marriott disclaims beneficial ownership of such shares); (c) 75,252 shares held by four trusts for the benefit of David S. Marriott s children, for which David S. Marriott and the spouse of John W. Marriott III serve as trustees (referenced in footnote 11(f) above); (d) 142,565 shares owned by a trust for the benefit of David S. Marriott s descendants, for which David S. Marriott and the spouse of John W. Marriott III serve as trustees (referenced in footnote 11(g) above); (e) 75,000 shares owned by a trust for the benefit of John W. Marriott III s descendants, for which John W. Marriott III and David S. Marriott serve as co-trustees; (referenced in footnote 11(e) above); (f) 290,000 shares owned by a trust for the benefit of Stephen G. Marriott s descendants, for which David S. Marriott and Juliana B. Marriott serve as trustees (referenced in footnote (13)(d) above) ; (g) 469,069 shares owned by a trust for the benefit of Juliana B. Marriott, for which David S. Marriott and Juliana B. Marriott are co-trustees (referenced in footnote (13)(e) above); (h) 240,000 shares owned by The JWM Generations Trust, for which J.W. Marriott, Jr. s spouse and each of his children serve as co-trustees (referenced in footnote 4 above); (i) 251,000 shares held by a life insurance trust for the benefit of J.W. Marriott, Jr., for which each of his children serve as co-trustees (referenced in footnote 7(f) above); and (j) 42,703 shares subject to Options and RSUs currently exercisable or exercisable within 60 days after January 31, 2015.

(16) Based on a review of a Schedule 13G report filed on February 11, 2015, The Vanguard Group beneficially owned 15,668,249 shares as of December 31, 2014, with sole voting power as to 377,542 shares, sole dispositive power as to 15,308,438 shares and shared dispositive power as to 359,811 shares.

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Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely upon a review of SEC filings furnished to the Company and written representations that no other reports were required, we believe that all Reporting Persons complied with these reporting requirements during fiscal year 2014 except for (i) a late filing by Edward A. Ryan to report a sale of 292 shares; (ii) a late filing by each of J.W. Marriott, Jr. and Richard E. Marriott to report a sale of 26,063 shares by a trust for which they are co-trustees and, in the case of Richard E. Marriott, a sale of 65,156 shares by a trust for which his spouse is a trustee, and (iii) a late filing by JWM Family Enterprises Inc. to report a gift of 500 shares in 2013. Each untimely report was the result of an administrative error.

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TRANSACTIONS WITH RELATED PERSONS

JWM Family Enterprises, L.P. (*Family Enterprises*) is a Delaware limited partnership which is beneficially owned and controlled by members of the family of J.W. Marriott, Jr., the Company s Executive Chairman and Chairman of the Board, including Deborah M. Harrison (daughter of J.W. Marriott, Jr.), a member of the Company s Board of Directors and an officer of the Company, John W. Marriott III (son of J.W. Marriott, Jr.), who served as Vice Chairman of the Board until June 2014 and serves on the board of Family Enterprises, and J.W. Marriott, Jr. himself. Family Enterprises indirectly holds varying percentages of ownership in the following 16 hotels:

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

Our subsidiaries operate each of these properties pursuant to management agreements with entities controlled by Family Enterprises, and provide procurement and/or renovation services for some of these properties pursuant to contracts entered into with the ownership entities. We expect such arrangements to continue in 2015. In fiscal year 2014, we received management fees of approximately $12.1 million plus reimbursement of certain expenses, and procurement and renovation services fees of approximately $148,200 from our operation of and provision of services for these hotels. The Company has no financial involvement beyond the foregoing roles in either the hotels listed above or in Family Enterprises.

Our Company was founded by J.W. Marriott, Jr. s father, and the Board believes that the involvement of a number of Marriott family members in responsible positions of the Company makes a significant long-term contribution to the value of our corporate name and identity and to the maintenance of Marriott s reputation for providing quality products and services. In addition to J.W. Marriott, Jr. s service as Executive Chairman and Chairman of the Board, John W. Marriott III s recent service as Vice Chairman of the Board, and Deborah M. Harrison s membership on the Board of Directors and position as Global Officer, Marriott Culture and Business Councils, the Company employs a number of members of the Marriott family in management positions, including J.W. Marriott, Jr. s son, David S. Marriott, and his son-

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in-law (and Mrs. Harrison s husband) Ronald T. Harrison. The Company also employs family members of other executive officers (under SEC rules, family members include children, stepchildren, parents, stepparents, spouses, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and other persons sharing the household with a director or executive officer, other than as a tenant or employee). The compensation levels of family members of our directors and executive officers are set based on reference to external market practice of similar positions and/or internal pay equity when compared to the compensation paid to non-family members in similar positions.

Employed family members with total compensation for 2014 in excess of $120,000, which includes base salary, bonus, the value of stock-based awards, and other compensation, are shown in the table below.

Director / Executive Officer	Family Member	Family Member Position	Total Compensation for 2014
J.W. Marriott, Jr. and Deborah M. Harrison	David S. Marriott	Chief Operations Officer, Americas East	$ 1,103,770
	Ronald T. Harrison	Global Officer, Architecture and Construction	$ 978,383
	Deborah M. Harrison	Global Officer, Marriott Culture and Business Councils	$ 489,326

J.W. Marriott, Jr. reimbursed the Company for the cost of non-business related services provided by Company employees in the amount of $399,426 for 2014.

Policy on Transactions and Arrangements with Related Persons

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

The policy provides that the Nominating and Corporate Governance Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the committee takes into account, among other things, whether the transaction is on terms that are no less favorable to the Company than terms generally available to an unaffiliated third-party under similar circumstances and the materiality of the related person s interest in the transaction. The policy also provides that the Company s Corporate Growth Committee, an internal management committee whose members include each of the Company s continental Presidents, the Company s Chief Financial Officer, Executive Vice President and General Counsel, and other executive officers responsible for lodging development and lodging operations, reviews all such transactions that involve the management, operation, ownership, purchase, sale, or lease of a hotel, timeshare property, land and/or improvements.

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

- certain lodging transactions with specified maximum dollar thresholds where the Corporate Growth Committee has both approved the transaction and determined that its terms are no less favorable to the Company than those of similar contemporaneous transactions with unrelated third parties and, in some cases, where the transaction is the result of an open auction process involving at least three unrelated third-party bidders;

- certain other lodging transactions with specified maximum dollar thresholds that are consistent with general terms and conditions that the Nominating and Corporate Governance Committee has previously approved;

- employment and compensation relationships that are subject to Compensation Policy Committee or other specified internal management approvals and which, in the case of executive officers, are subject to required proxy statement disclosure;

- certain transactions with other companies and certain charitable contributions that satisfy the independence criteria under both the Company s Corporate Governance Policies and the NASDAQ corporate governance listing standards; and

- non-lodging transactions involving less than $500,000 that are approved by at least two members of the Corporate Growth Committee for whom the transactions pose no conflict of interest.

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HOUSEHOLDING

The SEC allows us to deliver a single proxy statement and annual report to an address shared by two or more of our shareholders. This delivery method, referred to as householding, can result in significant cost savings for us. In order to take advantage of this opportunity, the Company and banks and brokerage firms that hold your shares have delivered only one proxy statement and annual report to multiple shareholders who share an address unless one or more of the shareholders has provided contrary instructions. The Company will deliver promptly, upon written or oral request, a separate copy of the proxy statement and annual report to a shareholder at a shared address to which a single copy of the documents was delivered. A shareholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, may obtain one, without charge, by addressing a request to the Corporate Secretary, Marriott International, Inc., Dept. 52/862, 10400 Fernwood Road, Bethesda, Maryland 20817 or by calling (301) 380-6601. You may also obtain a copy of the proxy statement and annual report from the Company s website (www.marriott.com/investor) by clicking on SEC Filings. Shareholders of record sharing an address who are receiving multiple copies of proxy materials and annual reports and wish to receive a single copy of such materials in the future should submit their request by contacting us in the same manner. If you are the beneficial owner, but not the record holder, of the Company s shares and wish to receive only one copy of the proxy statement and annual report in the future, you will need to contact your broker, bank or other nominee to request that only a single copy of each document be mailed to all shareholders at the shared address in the future.

OTHER MATTERS

The Company s management knows of no other matters that may be presented for consideration at the 2015 annual meeting. However, if any other matters properly come before the annual meeting, the persons named in the proxy intend to vote such proxy in accordance with their judgment on such matters.

Any shareholder who would like a copy of our 2014 Annual Report on Form 10-K may obtain one, without charge, by addressing a request to the Corporate Secretary, Marriott International, Inc., Dept. 52/862, 10400 Fernwood Road, Bethesda, Maryland 20817. The Company s copying costs will be charged if copies of exhibits to the Form 10-K are requested. You may also obtain a copy of the Form 10-K, including exhibits, from the investor relations portion of our website (www.marriott.com/ investor) by clicking on SEC Filings.

BY ORDER OF THE BOARD OF DIRECTORS,
Bancroft S. Gordon
Secretary

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2015 ANNUAL MEETING INFORMATION

Time and Location. The 2015 annual meeting of shareholders will begin at 10:30 a.m. on Friday, May 8, 2015 at the JW Marriott Hotel at 1331 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

Parking. Due to anticipated needs of other hotel guests on May 8, 2015, we expect that minimal parking will be available to shareholders in the parking garage adjacent to the hotel. Several public lots are located within three blocks of the hotel.

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

Lodging. A local Marriott hotel will offer a Shareholder Annual Meeting rate for Thursday, May 7, 2015, the night before the meeting. To receive this rate, call the number shown below and ask for the shareholder annual meeting rate for May 7, 2015. *Please note that a limited number of rooms are offered at this rate and you must call by Thursday, April 23.* Applicable taxes and gratuities are extra and advance reservations are required. This discount may not be used in conjunction with other discounts, coupons, or group rates.

JW Marriott Hotel $345 single/double

1331 Pennsylvania Avenue, N.W.

Washington, D.C. 20004

202-393-2000

Near Metro Center Metro Station

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PROXY **PROXY**

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

MARRIOTT INTERNATIONAL, INC.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED SHAREHOLDER(S), OR IF NO DIRECTION IS INDICATED, FOR EACH DIRECTOR NOMINEE IN PROPOSAL 1, FOR PROPOSALS 2, AND 3, AND AGAINST PROPOSAL 4, AND IT WILL BE VOTED IN ACCORDANCE WITH THE DISCRETION OF THE PROXIES AS TO ANY OTHER MATTER THAT IS PROPERLY PRESENTED.

The undersigned acknowledge(s) receipt of a Notice of Annual Meeting of Shareholders, the accompanying Proxy Statement and the Annual Report for the fiscal year ended December 31, 2014. The undersigned further hereby appoint(s) J.W. Marriott, Jr. and Arne M. Sorenson, and each of them, with power to act without the other and with full power of substitution in each, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of Marriott International, Inc. (the Company) Class A Common Stock which the undersigned is entitled to vote, and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders of the Company to be held May 8, 2015 or any adjournment or postponement thereof, with all powers which the undersigned would possess if present at the Meeting.

If the undersigned has voting rights with respect to shares of Company common stock under the Company s 401(k) savings plan, the undersigned hereby direct(s) the trustee of the 401(k) savings plan to vote shares equal to the number of share equivalents allocated to the undersigned s accounts under the plan in accordance with the instructions given herein. The trustee will vote shares for which it does not receive instructions by 11:59 p.m. Eastern Time, Tuesday, May 5, 2015, in the same proportion that it votes the shares for which it received timely instructions from other participants in the plan.

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

Address Change/Comments (Mark the corresponding box on the reverse side)

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ITEM 1 ELECTION OF 11 DIRECTORS

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

Nominee	FOR	AGAINST	ABSTAIN	Nominee	FOR	AGAINST	ABSTAIN	Nominee	FOR	AGAINST	ABSTAIN
01 J.W. Marriott, Jr.	..	..	..	05 Lawrence W. Kellner	..	..	..	09 W. Mitt Romney	..	..	..
02 Mary K. Bush	..	..	..	06 Debra L. Lee	..	..	..	10 Arne M. Sorenson	..	..	..
03 Deborah M. Harrison	..	..	..	07 George Muñoz	..	..	..	11 Susan C. Schwab	..	..	..
04 Frederick A. Henderson	..	..	..	08 Steven S Reinemund	..	..	..				

ITEM 2 RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015

	FOR	AGAINST	ABSTAIN
(The Board of Directors recommends a vote FOR Item 2)	..	..	..

ITEM 3 ADVISORY RESOLUTION TO APPROVE EXECUTIVE COMPENSATION

	FOR	AGAINST	ABSTAIN
(The Board of Directors recommends a vote FOR Item 3)	..	..	..

ITEM 4 SHAREHOLDER RESOLUTION RECOMMENDING SIMPLE MAJORITY VOTING STANDARD

	FOR	AGAINST	ABSTAIN
(The Board of Directors recommends a vote AGAINST Item 4)	..	..	..

Signature	**Signature**	**Date**

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

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WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,

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

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

on Thursday, May 7, 2015 the day before the meeting.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner

as if you marked, signed and returned your proxy card.

INTERNET

http://www.envisionreports.com/Mar

Use the Internet to vote. Have this card in hand when you access the website.

OR

TELEPHONE

1-800-652-VOTE (8683)

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

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

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

Your Internet and telephone vote authorizes the named proxies to vote your shares

in the same manner as if you mark, signed and returned your proxy card.