

Marriott Vacations Worldwide Corp  
Form DEF 14A  
April 22, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**MARRIOTT VACATIONS WORLDWIDE CORPORATION**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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- No fee required.
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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

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Marriott Vacations Worldwide Corporation

6649 Westwood Boulevard

Orlando, Florida 32821

April 23, 2013

Dear Marriott Vacations Worldwide Shareholders:

We are pleased to invite you to attend the first Annual Meeting of Shareholders of Marriott Vacations Worldwide Corporation to be held at 9:00 a.m., Eastern time, on Friday, June 7, 2013 at the JW Marriott Orlando Grande Lakes, 4040 Central Florida Parkway, Orlando, Florida, 32837.

The following Notice of Annual Meeting of Shareholders and Proxy Statement includes information about the matters to be acted upon by shareholders at the Annual Meeting. We hope that you will exercise your right to vote, either by attending the Annual Meeting and voting in person or by voting through other acceptable means as promptly as possible. You may vote through the Internet, by telephone or by mailing your completed proxy card (or voting instruction form, if you hold your shares through a broker).

**Important Notice Regarding the Availability of Proxy Materials**

**for the 2013 Annual Meeting of Shareholders:**

We are mailing many of our shareholders a Notice Regarding the Availability of Proxy Materials rather than a full set of our proxy materials. The Notice contains instructions on how to access our proxy materials on the Internet, as well as instructions on how to obtain a paper copy of the full set of proxy materials if a shareholder so desires. This process is more environmentally friendly and reduces our costs to print and distribute these materials to shareholders. All shareholders who do not receive the Notice Regarding the Availability of Proxy Materials will receive a full set of our proxy materials by mail.

We appreciate your continued support and interest in Marriott Vacations Worldwide.

Sincerely,

William J. Shaw

Chairman of the Board

Stephen P. Weisz

President and Chief Executive Officer

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Marriott Vacations Worldwide Corporation

6649 Westwood Boulevard

Orlando, Florida 32821

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD FRIDAY, JUNE 7, 2013**

April 23, 2013

The 2013 Annual Meeting of Shareholders of Marriott Vacations Worldwide Corporation (the Company) will be held at 9:00 a.m., Eastern time, on Friday, June 7, 2013 at the JW Marriott Orlando Grande Lakes, 4040 Central Florida Parkway, Orlando, Florida, 32837. At the meeting, shareholders will act on the following matters:

1. Election of the three director nominees named in the Proxy Statement;
2. Approval of the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan;
3. Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2013;
4. An advisory resolution to approve executive compensation;
5. An advisory vote on the frequency of future advisory votes on executive compensation; and
6. Any other matters that may properly be presented at the meeting.

Only shareholders of the Company at the close of business on April 10, 2013, the record date, are entitled to notice of, and to vote at, the Annual Meeting. For instructions on voting, please refer to the notice you received in the mail or, if you requested a hard copy of the Proxy Statement, on your enclosed proxy card.

**INTERNET AVAILABILITY**

We are taking advantage of the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareholders through the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. On or about April 23, 2013, we mailed to shareholders as of the record date a Notice Regarding the Availability of Proxy Materials. If you received a Notice by mail, you will not receive printed copies of the proxy materials, unless you specifically request them. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and in our 2012 Annual Report, as well as how to submit your proxy over the Internet. If you received the Notice and would

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still like to receive a printed copy of our proxy materials, you may request a printed copy of the proxy materials by following the instructions in the Notice.

By order of the Board of Directors,

James H Hunter, IV

Executive Vice President and General  
Counsel and Secretary

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Marriott Vacations Worldwide Corporation

6649 Westwood Boulevard

Orlando, Florida 32821

**PROXY STATEMENT**

The Board of Directors of Marriott Vacations Worldwide Corporation ( we, us, Marriott Vacations Worldwide or the Company ) is soliciting shareholders proxies in connection with the 2013 Annual Meeting of Shareholders of the Company, and at any adjournment or postponement thereof (the Annual Meeting ). The mailing to shareholders of the Notice Regarding the Availability of Proxy Materials took place on April 23, 2013.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 7, 2013**

**The Notice of Annual Meeting and Proxy Statement and our**

**2012 annual report to shareholders are available at [www.proxyvote.com](http://www.proxyvote.com).**

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

**Why am I receiving these materials?**

Marriott Vacations Worldwide became an independent, publicly traded company in November 2011 when Marriott International, Inc. ( Marriott International ) completed the spin-off of its vacation ownership division through the distribution of the Company s outstanding common stock to the Marriott International shareholders (the Spin-Off ). We are holding our first annual meeting of shareholders as an independent, publicly traded company. The Company has made these materials available to you on the Internet or has delivered printed versions of these materials to you by mail in connection with the solicitation of proxies on behalf of the Board of Directors (the Board ) for use at our Annual Meeting. This Proxy Statement describes the matters on which you, as a shareholder, are entitled to vote. It also gives you information on these matters so that you can make an informed decision.

**Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of printed proxy materials?**

The Securities and Exchange Commission (the SEC ) permits companies to furnish proxy materials to shareholders by providing access to these documents over the Internet instead of mailing a printed copy. Accordingly, we mailed a Notice Regarding the Availability of Proxy Materials to some shareholders. These shareholders have the ability to access, view and print the proxy materials on a website referred to in the Notice Regarding the Availability of Proxy Materials and request a printed set of proxy materials.

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### **Can I get electronic access to the proxy materials if I received printed materials?**

If you received a printed copy of our proxy materials, you may choose to receive future proxy materials by email. Choosing to receive your future proxy materials by email will lower our costs of delivery and will reduce the environmental impact of our Annual Meeting. If you choose to receive our future proxy materials by email, you will receive an email next year with instructions containing a link to view those proxy materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it or for so long as the email address provided by you is valid.

### **What items will be voted on at the Annual Meeting?**

Shareholders will vote on the following items at the Annual Meeting, if each is properly presented at the meeting:

1. Election of the three director nominees named in this Proxy Statement;
2. Approval of the Marriott Vacations Worldwide Corporation Stock and Cash Incentive Plan (the Stock and Cash Incentive Plan );
3. Ratification of the appointment of Ernst & Young LLP ( Ernst & Young ) as the Company s independent registered public accounting firm for fiscal 2013;
4. An advisory resolution to approve executive compensation;
5. An advisory vote on the frequency of future advisory votes on executive compensation; and
6. Any other matters that may properly be presented at the meeting.

In addition, management will respond to questions from shareholders.

### **What are the Board s voting recommendations?**

The Board s recommendation is set forth together with the description of each Item in this Proxy Statement. In summary, the Board recommends a vote **FOR** Items 1, 2, 3 and 4 and **FOR** holding an annual vote on the compensation of the Company s named executive officers (Item 5).

### **Who is entitled to vote?**

Only shareholders of record who owned the Company s common stock at the close of business on April 10, 2013 are entitled to vote. Each holder of common stock is entitled to one vote per share. There were 35,336,901 shares of common stock outstanding on April 10, 2013.

### **What is the difference between being a record holder and a beneficial owner of shares held in street name?**

A record holder holds shares directly in his or her own name with the Company s transfer agent. Shares held in street name refer to shares that are held in the name of a bank or broker on a person s behalf. Many shareholders hold their shares in street name. For such shares, the bank or broker is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization how to vote the shares held in your account.

### **How do I vote?**



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If you received a Notice Regarding the Availability of Proxy Materials in the mail, you can either vote by Internet ([www.proxyvote.com](http://www.proxyvote.com)) or in person at the Annual Meeting. You may also vote by mail if you request a paper copy of the materials. Voting instructions are provided on the Notice Regarding the Availability of Proxy Materials.

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Record holders that received a copy of this Proxy Statement and accompanying proxy card in the mail can vote by filling out the proxy card and returning it in the postage paid return envelope. Record holders that receive these materials in the mail may also vote in person at the Annual Meeting, by telephone (800-690-6903) or by Internet (www.proxyvote.com). Voting instructions are provided on the proxy card.

If you hold shares in street name, you must vote by giving instructions to your bank or broker. You should follow the voting instructions on the form that you receive from your bank or broker. The availability of telephone or Internet voting will depend on your bank's or broker's voting process.

### **How will my proxy be voted?**

Your proxy card, when properly signed and returned to us, or processed by telephone or via the Internet, and not revoked, will be voted in accordance with your instructions. We are not aware of any other matter that may be properly presented other than those described above. If any other matter is properly presented, the persons named in the enclosed proxy card will have discretion to vote in their best judgment.

If you hold shares in street name, your bank or broker is permitted to use its own discretion and vote your shares on certain routine matters (such as Item 2) even if you have not provided voting instructions. Your bank or broker is not permitted to use its discretion and vote your shares on non-routine matters (such as Items 1, 3, 4 and 5) if it has not received instructions from you as to how to vote the shares. *Therefore, we urge you to give voting instructions to your broker on all five voting items.* Shares that are not permitted to be voted by your broker with respect to any non-routine matter are called broker non-votes. Broker non-votes are not considered votes for or against, or entitled to vote with respect to, any of the proposals to be voted on at the meeting and will have no direct impact on any such proposal.

### **What if I don't mark the boxes on my proxy?**

Unless you give other instructions on your proxy card, or unless you give other instructions when you cast your vote by telephone or the Internet, the persons named as proxies will vote in accordance with the recommendations of the Board of Directors.

### **What constitutes a quorum?**

The presence at the meeting, in person or by proxy, of the holders of a majority in voting power of the outstanding shares of common stock entitled to vote at the meeting will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

### **How many votes are needed to approve an item?**

Directors will be elected by a plurality of all the votes cast at the Annual Meeting, either in person or represented by a properly completed or authorized proxy. This means that the three nominees who receive the highest number of FOR votes cast will be elected as directors. Shareholders cannot cumulate votes in the election of directors.

The affirmative vote of shares representing a majority in voting power of the votes cast, present in person or represented by proxy and entitled to vote at the meeting is necessary for approval of Items 2, 3, 4 and 5. Proxy cards marked as abstentions on Items 2, 3, 4 and 5 will not be counted as votes cast but will count as present and entitled to vote and therefore will have the effect of a negative vote. With respect to Item 5, shareholders may vote in favor of holding the vote on named executive officer compensation every year, every two years or every three years, and they may also choose to abstain. The Board will take the voting results on such proposal into account in determining whether to hold the advisory vote on executive compensation every year, every two years or every three years. Abstentions will have no effect on the outcome of Item 5.

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### **Who can attend the Annual Meeting?**

Only shareholders as of the record date, their proxy holders and our invited guests may attend the Annual Meeting.

### **What do I need to bring to the Annual Meeting?**

Beneficial owners whose ownership is registered under another party's name and who plan to attend the Annual Meeting in person should obtain an admission ticket in advance by sending written requests, along with proof of beneficial ownership, such as a bank or brokerage firm account statement, to: Jeff Hansen, Vice President – Investor Relations, Marriott Vacations Worldwide Corporation, 6649 Westwood Boulevard, Orlando, Florida, 32821. Beneficial owners who do not present valid admission tickets at the registration counter at the Annual Meeting will be admitted at the Company's sole discretion and may be required to verify share ownership, which may be established by providing a bank or brokerage firm account statement and photo identification, at the registration counter at the Annual Meeting. Shareholders as of the record date or their proxy holders who plan to attend the Annual Meeting may also be asked to present photo identification at the registration counter at the Annual Meeting to gain admittance to the Annual Meeting.

### **Can I go to the Annual Meeting if I vote by proxy?**

Yes. Attending the Annual Meeting does not revoke your proxy.

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

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

Returning a later-dated signed proxy card;

Delivering a written notice of revocation to Marriott Vacations Worldwide Corporation, 6649 Westwood Boulevard, Orlando, Florida, Attention: Corporate Secretary;

Voting by telephone or the Internet until 11:59 PM Eastern Time on June 6, 2013;

Voting in person at the meeting.

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

## **PROPOSALS TO BE VOTED ON**

### **Item 1 Election of Directors**

The Board consists of nine members and is divided into three classes, each having three-year terms that expire in successive years. The term of the Class I directors expires at the Annual Meeting. The Board proposes that Raymond L. Gellein, Jr., Thomas J. Hutchison III and Dianna F. Morgan, each of whom is currently serving as a Class I director, be re-elected to Class I for a new term of three years expiring at the 2016 annual meeting of shareholders and until their successors are duly elected and qualified. Mr. Gellein and Mr. Hutchison joined our Board at the time of the Spin-Off from Marriott International in November 2011. Ms. Morgan was elected to the Board of Directors effective April 1, 2013 upon the recommendation of the Company's Nominating and Corporate Governance Committee. Ms. Morgan, who is the only nominee who was not elected by our former parent company in its capacity as our sole shareholder prior to the Spin-Off, was recommended to the Nominating and Corporate Governance Committee by one of our non-management directors. None of the



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nominees nor any current Class II or Class III directors have been elected by the Company's public shareholders. Proxies cannot be voted for more than the number of nominees proposed for re-election.

Each of the nominees has consented to be named as a nominee and to serve as a director if elected. If any of them should become unavailable to serve as a director (which is not now expected), the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

Information about the nominees, as well as the current Class II and Class III directors, along with their present positions, their principal occupations and directorships held with other publicly traded companies during the past five years, their ages and the year first elected as a director of the Company, are set forth below beginning on page 17.

**Our Board of Directors recommends that you vote FOR each of the three director nominees.**

## **Item 2 Approval of the Stock and Cash Incentive Plan**

### ***Overview***

Prior to the Spin-Off, our Board of Directors unanimously adopted, and Marriott International, our shareholder at that time, approved, the Stock and Cash Incentive Plan. The purpose of the Stock and Cash Incentive Plan is to promote and enhance our long-term growth by allowing employees and directors of the company and its affiliates to participate in our financial success through the ownership of our common stock and the receipt of other share-based and performance-based incentive awards. Under the Stock and Cash Incentive Plan, shares of our common stock and cash-based awards may be issued to eligible individuals pursuant to grants of stock appreciation rights, nonqualified stock options, incentive stock options, restricted stock units, and other share-based and performance-based awards (collectively, the "Awards"). In addition, certain Distribution Awards were made under the Stock and Cash Incentive Plan in 2011 in connection with the Spin-Off.

We are seeking approval of the Stock and Cash Incentive Plan solely in order to allow the Compensation Policy Committee to grant Awards that may qualify as performance-based compensation for purposes of section 162(m) of the Internal Revenue Code ( "Section 162(m)"). To the extent that Awards are performance-based, they will not be subject to the \$1 million deduction limitation on compensation paid to our covered employees, as described below.

### ***Why You Should Vote For the Stock and Cash Incentive Plan***

The Board recommends that the Company's shareholders approve the Stock and Cash Incentive Plan because such approval will permit (but not require) the Company to grant Awards that qualify as performance-based for purposes of Section 162(m) as described below, thereby allowing the Company to fully deduct Awards that so qualify in accordance with applicable tax rules. The Board believes the Company's ability to grant equity-based and performance-based Awards continues to be crucial in allowing the Company to effectively compete for and appropriately motivate and reward key talent. It is in the long-term interests of both the Company and its shareholders to strengthen the Company's ability to attract, motivate and retain employees, officers and non-employee directors and to provide additional incentive for those persons through stock ownership and other incentives to improve financial performance, increase profits and strengthen the mutuality of interest between those persons and the Company's shareholders.

### ***Promotion of Good Corporate Governance Practices***

The Company and the Board have designed the Stock and Cash Incentive Plan to include a number of provisions that we believe promote best practices by reinforcing the alignment between equity compensation arrangements for non-employee directors, officers and employees and shareholders' interests. These provisions include, but are not limited to:

stock options and stock appreciation rights ( "SARs" ) may not be granted with exercise prices lower than the fair market value of the underlying shares on the grant date;

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we cannot, without shareholder approval, reprice stock options or SARs by reducing the exercise price of such stock option or SAR, exchanging such stock option or SAR for a new award with a lower exercise price, or exchanging the option or SAR for cash (other than in connection with specified corporate transactions);

Awards generally are forfeited upon the employee committing any criminal offense or malicious tort relating to or against the Company, or other willful or grossly negligent acts or omissions that are or potentially are injurious to the Company's operations, financial condition or business reputation; and

change in control-related benefits under the Stock and Cash Incentive Plan are subject to a cut-back, so that no such benefits will be provided to the extent they would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provision of the Internal Revenue Code.

### ***Section 162(m) of the Internal Revenue Code***

The Board believes that it is in the best interests of the Company and its shareholders to continue to provide for an equity incentive and cash award plan under which compensation awards made to the Company's executive officers can qualify for full deductibility by the Company for federal income tax purposes. Accordingly, the Stock and Cash Incentive Plan has been structured in a manner such that Awards granted under it can, if determined by the Compensation Policy Committee, satisfy the requirements for performance-based compensation within the meaning of Section 162(m). In general, under Section 162(m), in order for the Company to be able to deduct compensation in excess of \$1 million paid in any one year to the Company's chief executive officer or any of the Company's three other most highly compensated executive officers (other than the Company's chief financial officer), such compensation must qualify as performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company's shareholders. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based, and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. Each of these aspects is discussed below, and shareholder approval of the Stock and Cash Incentive Plan will constitute approval of each of these aspects of the Stock and Cash Incentive Plan for purposes of the approval requirements of Section 162(m).

### ***Plan Summary***

The following summary of the material terms of the Stock and Cash Incentive Plan is qualified in its entirety by reference to the complete statement of the Stock and Cash Incentive Plan, which is set forth in Appendix A to this Proxy Statement.

### ***Administration***

The Stock and Cash Incentive Plan is administered by the Compensation Policy Committee or by another committee appointed by the Board, or by the Board itself unless such action would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing profit recovery provisions of Section 16 of the Securities Exchange Act of 1934, as amended. The members of the Compensation Policy Committee are appointed from time-to-time by the Board and serve at the Board's discretion. Subject to certain limitations, the Compensation Policy Committee may delegate its authority under the Stock and Cash Incentive Plan to a subcommittee of one or more officers or directors of the Company. The Compensation Policy Committee's determinations under the Stock and Cash Incentive Plan need not be uniform. All determinations and decisions made by the Committee pursuant to the provisions of the Stock and Cash Incentive Plan and all related orders and resolutions of the Board are final, conclusive and binding on all parties.

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***Participants***

All individuals who are or will become full-time, active, nonunion employees of the Company and its affiliates may participate in the Stock and Cash Incentive Plan if granted Awards by the Compensation Policy Committee or a designee as permitted by law, or by the Board when appropriate. If the Company so designates, an employee who is assigned by the Company to another employer may continue to be eligible to participate in the Stock and Cash Incentive Plan during the assignment. Non-employee directors of the Company are only eligible to receive Non-Employee Director Share Awards (as defined in the Stock and Cash Incentive Plan) and to make fee deferral elections under the Stock and Cash Incentive Plan (they may have also received Distribution Awards in connection with the Company's Spin-Off). The Compensation Policy Committee selects the eligible employees, officers and non-employee directors who will receive Awards. Nine executive officers, approximately 240 other employees and eight non-employee directors currently qualify to participate in the Stock and Cash Incentive Plan.

***Shares Subject to the Stock and Cash Incentive Plan and to Awards; Individual Limitations***

Subject to changes in the Company's capitalization, the aggregate number of shares of the Company's common stock, \$.01 par value, issuable pursuant to all Awards under the Stock and Cash Incentive Plan will not exceed 6,000,000 shares. In addition, the maximum aggregate number of shares that may be subject to any Awards granted in any one fiscal year to any single employee is 1,500,000, and the maximum aggregate number of shares that may be subject to options and SARs granted in any one fiscal year to any single employee is 1,500,000.

For purposes of determining the share limits described in the paragraph above: (i) if any Award granted under the Stock and Cash Incentive Plan is canceled, terminates, expires, or lapses for any reason, or is settled in cash, any shares subject to such Award shall again be available for the grant of an Award under the Stock and Cash Incentive Plan; (ii) with respect to shares withheld to satisfy the exercise price or tax withholding for an Award, the shares shall again be available for the grant of an Award under the Stock and Cash Incentive Plan; and (iii) with respect to previously acquired shares tendered to satisfy the exercise price or tax withholdings for an Award, the shares shall again be available for the grant of an Award under the Stock and Cash Incentive Plan.

No individual may receive a payment with respect to cash performance-based Awards under the Stock and Cash Incentive Plan in excess of \$4 million in any one-year performance period (the Annual Maximum) or, in the case of a performance period greater than one year, the Annual Maximum multiplied by the number of full years in the performance period. Cash performance-based Awards may relate to annual bonuses or long-term performance awards.

***SARs and Options***

The Compensation Policy Committee may award SARs and stock options to eligible employees. In general, a SAR is a contractual right granted to the employee to receive the appreciation in value of up to a specified number of shares of our common stock over a specified period of time, subject to certain conditions. The appreciation is measured from the value of the shares on the grant date of the SAR to the value on the date the SARs are exercised. An option is a contractual right granted to the employee to purchase up to a specified number of shares at a specified purchase price within a specified period of time, subject to certain conditions.

The Compensation Policy Committee may award options that qualify as incentive stock options (ISOs) as defined by Section 422 of the Internal Revenue Code, nonqualified stock options that do not qualify as ISOs (NQSOs), or a combination of the two. The award agreement for a SAR or option will specify the exercise price, the number of shares subject to the SAR or option, the term of the SAR or option and such other terms and conditions as the Compensation Policy Committee may determine.

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The exercise price for each share subject to a SAR or option may not be less than the fair market value of a share on the day the SAR or option is granted. No SAR or option may have a term longer than ten years. SARs and options may be exercised at the times and to the extent permitted by the vesting and exercisability provisions set forth in the award agreement. The ability of an employee to exercise a SAR or option is conditioned upon the employee not committing any criminal offense or malicious tort relating to or against the Company, or other willful or grossly negligent acts or omissions that are or potentially are injurious to the Company's operations, financial condition or business reputation. The exercise price for shares purchased upon exercise of an option must be paid in full at the time of purchase. Payment may be made in cash or its equivalent or, if permitted by the Compensation Policy Committee, by withholding of shares deliverable upon exercise or delivery of previously acquired shares, or by a combination of cash and shares. The Compensation Policy Committee also may allow cashless exercise in appropriate circumstances. Subject to certain exceptions (*e.g.*, retirement, death or disability), unless determined otherwise by the Compensation Policy Committee, any unexercised SARs and options generally expire three months following an employee's termination of service.

### ***Restricted Stock Awards***

The Compensation Policy Committee may award shares of restricted stock in such amounts, and bearing such restrictions, as the Compensation Policy Committee may determine. Each restricted stock Award is subject to certain conditions specified by the Compensation Policy Committee that must be satisfied in order for the underlying shares to be distributed to the employee. These conditions may include, for example, requirements that the employee remain in continuous employ with the Company for a period of time, requirements that the employee pay a stipulated price for each share, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit-based and/or individual), time-based restrictions on vesting following the attainment of the performance objectives, or restrictions under applicable federal or state securities laws. If the conditions are not met, the shares will be forfeited and returned to the Company for cancellation. In all events, distribution of the shares is conditioned upon the employee not committing any criminal offense or malicious tort relating to or against the Company, and not engaging (as determined by the Committee) in willful or grossly negligent acts or omissions that are or are potentially harmful to the Company's operations, financial condition or business reputation.

During the period of restriction, the employee may exercise full voting rights associated with shares of restricted stock and shall be credited with regular cash dividends paid with respect to those shares. The Compensation Policy Committee will determine whether such dividends are to be paid currently or converted into additional shares of restricted stock.

Unless otherwise determined by the Compensation Policy Committee, in the event of an employee's termination of employment with the Company because of the employee's retirement with specific approval from the Compensation Policy Committee following either twenty years of service or attainment of age fifty-five with ten years of service, the Compensation Policy Committee will have complete discretion in determining the percentage, if any, of the employee's outstanding restricted stock Award as to which the restrictions will be lifted and the shares distributed to the employee, and the Compensation Policy Committee may refuse or revoke retirement status for any employee who terminates employment for serious misconduct. If the employee dies or becomes permanently and totally disabled, the restrictions on the employee's Award will be lifted and the shares distributed to the employee or, if applicable, to the employee's designated beneficiary(ies). Except as otherwise approved by the Compensation Policy Committee, if the employee's termination of employment with the Company is for any other reason, the employee's restricted stock Award will be immediately forfeited to the Company without payment. Shares of restricted stock may not be sold, transferred, pledged, assigned or otherwise disposed of until the end of the period of restriction, or upon earlier satisfaction of any other conditions, as specified by the Compensation Policy Committee in its sole discretion.

### ***Restricted Stock Unit Awards***

The Compensation Policy Committee may grant restricted stock units ( RSUs ) to eligible employees in amounts that it determines. RSUs give the employee a contractual right to be transferred shares in accordance



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with a specified vesting schedule, provided the employee satisfies certain other conditions. The shares will be transferred to the employee when they become vested, provided that the employee has been continuously employed by the Company and has not committed any criminal offense or malicious tort relating to or against the Company or, as determined by the Compensation Policy Committee in its discretion, engaged in willful or grossly negligent acts that are or potentially could be harmful to the Company's operations, financial condition or reputation.

Notwithstanding the vesting conditions, if an employee terminates employment as an approved retiree, the RSUs shall continue to vest over the vesting period specified in the RSU award agreement as if the employee continued employment, provided the other conditions described above continue to be met. However, if an employee terminates employment as an approved retiree less than one year following the grant of RSUs, the RSUs shall not continue to vest, except with respect to the number of RSUs that is equal to the number of RSUs multiplied by the ratio of (1) the number of days between the grant date and the retirement date (inclusive), over (2) the number of days in the twelve month period following the grant date. In addition, if an employee dies with unvested RSUs, the RSUs shall become immediately vested and inure to the benefit of the employee's beneficiaries. If an employee terminates employment other than as an approved retiree or due to death or disability, the employee's RSUs will be immediately forfeited to the Company without payment.

The holder of an RSU Award has no right to vote the shares subject to the RSUs or to receive dividends on such shares until and unless he or she is transferred the shares upon meeting the vesting and other conditions of the Award.

### ***Share-Based Awards***

The Compensation Policy Committee may grant other share-based Awards to eligible employees in such number, and upon such terms and conditions, as the Compensation Policy Committee may determine. Share-based Awards may be denominated in cash, shares, share-equivalent units, share appreciation units, securities or debentures convertible into shares or in a combination of the foregoing and may be paid in cash or in shares, all as determined by the Compensation Policy Committee. Share-based Awards will be evidenced by an award agreement that will specify the terms and conditions of the Award.

### ***Cash Performance-Based Awards***

The Compensation Policy Committee may grant cash performance-based Awards to eligible employees that are based on performance measures (set forth below under the heading "Performance Measures for Awards") upon such terms as the Compensation Policy Committee may determine. Each cash performance-based Award will be evidenced by an award agreement that will specify the terms and conditions of the Award. A cash performance-based Award not providing for the issuance of shares will not decrease the number of shares available under the Stock and Cash Incentive Plan that may be issued pursuant to other Awards.

### ***Substitute Awards***

Awards may be granted under the Stock and Cash Incentive Plan from time to time in substitution for Awards held by employees or directors of entities who become or are about to become employees or directors of the Company or a subsidiary as the result of a merger, consolidation or other acquisition of the employing entity or the acquisition by the Company or a subsidiary of the assets or stock of the employing entity. The terms and conditions of any substitute Awards so granted may vary from the terms and conditions set forth herein to the extent that the Compensation Policy Committee deems appropriate at the time of grant to conform the substitute Awards to the provisions of the Awards for which they are substituted.

### ***Distribution Awards***

As part of the Spin-Off the Company agreed to grant certain Distribution Awards denominated in shares to all employees and non-employee directors of Marriott International who held outstanding awards covering

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Marriott International common stock under the Marriott International, Inc. Stock and Cash Incentive Plan (the **Marriott Plan**) as of the record date of the Spin-Off. All Distribution Awards are subject to substantially similar terms and conditions as provided in the recipient's corresponding awards under the Marriott Plan.

### ***Performance Measures for Awards***

In order to comply with the requirements for exclusion from the limit on the tax deductibility of executive compensation under Section 162(m), the Compensation Policy Committee may condition the degree of payout and/or vesting with respect to Awards granted to covered employees (within the meaning of Section 162(m)) on the attainment of certain performance measures. Unless and until the Compensation Policy Committee proposes for shareholder vote and shareholders approve a change in the general performance measures set forth below, the performance measure(s) to be used for purposes of such Awards will be chosen from among any one or more of the following performance criteria or derivations of such performance criteria: stock price; market share; sales revenue; organic sales growth; cash flows; cash flow efficiency; financial reported earnings; economic earnings; earnings per share; appreciation in the fair market value of shares of our common stock; return on equity; return on invested capital; total shareholder return; operating total shareholder return; operating margins; operating income; earnings before interest, taxes, depreciation and amortization (**EBITDA**); earnings before or after taxes; volume per guest; customer satisfaction; associate engagement; owner/franchisee satisfaction; timeshare sales volume; timeshare cost; and marketing and sales corporate overhead, each of which may be used either individually, alternatively or in any combination and established at a subsidiary or business unit level or at a consolidated Company level, in each case as specified by the Compensation Policy Committee. Achievement of the performance criteria may be measured annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to the performance of a designated group of companies, as specified by the Compensation Policy Committee.

The Compensation Policy Committee has discretion to adjust the determinations of the degree of attainment of the pre-established performance objectives. However, Awards which are designed to qualify for the performance-based exception from the tax deductibility limitations of Section 162(m), and which are held by covered employees, may not be adjusted upward (the Compensation Policy Committee retains the discretion to adjust such Awards downward).

### ***Amendment and Termination***

The Board may alter, amend, suspend or terminate the Stock and Cash Incentive Plan, in whole or in part, at any time and from time to time. However, without the approval of the shareholders, the Board may not increase the number of shares to be issued pursuant to the Stock and Cash Incentive Plan other than with respect to the permissible adjustments described herein. The Board may condition the adoption of any other amendment of the Stock and Cash Incentive Plan on the approval of the shareholders. Shareholder approval also shall be obtained as required by New York Stock Exchange rules.

If the Compensation Policy Committee determines that adjustments in the terms and conditions of, or the criteria included in, Awards are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Stock and Cash Incentive Plan, the Committee may make such adjustments to recognize (a) unusual or nonrecurring events affecting the Company or the financial statements of the Company or (b) changes in applicable laws, regulations, or accounting principles. However, any such adjustments are subject to the restriction set herein (under the heading **Performance Measures For Awards**) on the exercise of upward discretion with respect to Awards that have been designed to comply with the performance-based exception from the tax deductibility limitations of Section 162(m).

No termination, amendment, or modification of the Stock and Cash Incentive Plan or any Award may adversely affect in any material way any Award previously granted under the Stock and Cash Incentive Plan, without the written consent of the holder of the Award.

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### ***Change in Control***

Upon a change in control of the Company resulting from certain acquisition, merger, sale, liquidation or similar events or a change in a majority of Board members as defined under the Stock and Cash Incentive Plan, a Stock and Cash Incentive Plan participant who is involuntarily terminated by the Company other than for his or her misconduct on or during the twelve months following the change in control will immediately upon termination vest in all unvested equity Awards and cash performance-based Awards. In those circumstances, all options and SARs will be exercisable until the earlier of the original expiration date of the Awards or twelve months (or in the case of an approved retiree, five years) following the termination of employment, and all other stock Awards, and the subject shares, or equity interests that are substituted for the subject shares as a result of the change in control, shall be immediately distributed. In addition, all other cash performance-based Awards and other share-based Awards subject to performance-based vesting shall be fully vested as of the participant's termination and be paid out immediately thereafter based on a target level of performance, prorated for the days of such performance period through the date of the termination. However, in the event that no substitute Awards, shares or other equity interests are available as of the change of control, the participant will become fully vested in his or her Awards as of the change in control date, and all Awards will be immediately distributed or paid, or, in the case of options and SARs, fully exercisable. In the Compensation Policy Committee's discretion, distributions may be made in the form of a cash payment equal in amount to the shares distributed or, in the case of options or SARs, the intrinsic value of such Awards. The benefits described in this paragraph are subject to a cut-back, so that no such benefits will be provided to the extent they would result in the loss of a deduction or imposition of excise taxes under the golden parachute excess parachute payment provision of the Internal Revenue Code.

### ***Adjustments***

If there is any change in corporate capitalization, such as a stock split, reverse stock split, stock dividend, share combination, recapitalization, or similar event affecting the equity capital structure of the Company, or a corporate transaction, such as any merger, consolidation, separation, acquisition of property or shares, stock rights offering, spin-off, or other distribution of stock or property of the Company, any reorganization or any partial or complete liquidation of the Company, the Compensation Policy Committee will adjust the number and class of shares subject to the Stock and Cash Incentive Plan and the maximum Award limits as the Compensation Policy Committee, in its sole discretion, determines to be appropriate and equitable to prevent dilution or enlargement of rights. In addition to making such adjustments, the Compensation Policy Committee or the board of directors, compensation committee or similar body of any legal entity assuming the obligations of the Company under the Stock and Cash Incentive Plan will either (a) except for certain Distribution Awards replacing Awards of deferred stock held by former employees or directors, make appropriate provision for the protection of outstanding Awards by the substitution on an equitable basis of appropriate equity interests or awards similar to the Awards (or, in the event no such similar equity interests may be identified, a nonqualified deferred compensation account allocation of equivalent value), provided that the substitution neither enlarges nor diminishes the value and rights under the Awards; or (b) except for certain Distribution Awards replacing Awards of deferred stock held by active employees or directors, upon written notice to the participants, provide that Awards will be exercised, distributed, cashed out or exchanged for value pursuant to such terms and conditions (including the waiver of any existing terms or conditions) as shall be specified in the notice. Any such adjustment of an incentive stock option Award will be made in a manner that satisfies the requirements for treatment as an incentive stock option for federal income tax purposes.

### ***Transferability***

Unless otherwise specified in the award agreement, no Awards are transferable or assignable by the employee except by will or by the laws of descent and distribution. Likewise, unless otherwise specified in the award agreement, during the life of an employee, options are exercisable only by the employee.

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### ***Effective Date and Termination of the Stock and Cash Incentive Plan***

The Stock and Cash Incentive Plan was adopted by the Board and approved by the Company's shareholder on October 25, 2011. The Stock and Cash Incentive Plan will remain available for the grant of Awards until October 25, 2021.

### ***Federal Income Tax Treatment***

The following tax discussion is a general summary as of the date of this Proxy Statement of the U.S. federal income tax consequences to the Company and the participants in the Stock and Cash Incentive Plan. The discussion is intended solely for general information and does not make specific representations to any participant. The discussion does not address state, local or foreign income tax rules or other U.S. tax provisions, such as estate or gift taxes. A recipient's particular situation may be such that some variation of the basic rules is applicable to him or her. In addition, the federal income tax laws and regulations frequently have been revised and may be changed again at any time. Therefore, each recipient is urged to consult a tax advisor before exercising any Award or before disposing of any shares acquired under the Stock and Cash Incentive Plan both with respect to federal income tax consequences as well as any foreign, state or local tax consequences.

### ***Stock Options***

ISOs and NQSOs are treated differently for federal income tax purposes. ISOs are intended to comply with the requirements of Section 422 of the Internal Revenue Code. NQSOs do not comply with such requirements.

An optionee is not taxed on the grant or exercise of an ISO. The difference between the exercise price and the fair market value of the shares on the exercise date will, however, be a preference item for purposes of the alternative minimum tax. If an optionee holds the shares acquired upon exercise of an ISO until the later of two years following the option grant date and one year following exercise, the optionee's gain, if any, upon a subsequent disposition of such shares is long term capital gain. The measure of the gain is the difference between the proceeds received on disposition and the optionee's basis in the shares (which generally equals the exercise price). If an optionee disposes of stock acquired pursuant to exercise of an ISO before satisfying these holding periods, the optionee will recognize ordinary income in the year of disposition an amount equal to the excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares), over the exercise price paid for the shares, and capital gain or loss for any other difference between the sale price and the exercise price. The Company is not entitled to an income tax deduction on the grant or exercise of an ISO or on the optionee's disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, the Company will be entitled to a deduction in the year the optionee disposes of the shares in an amount equal to the ordinary income recognized by the optionee.

In order for an option to qualify for ISO tax treatment, the grant of the option must satisfy various other conditions more fully described in the Internal Revenue Code. The Company does not guarantee that any option will qualify for ISO tax treatment even if the option is intended to qualify for such treatment. In the event an option intended to be an ISO fails to so qualify, it will be taxed as an NQSO described below.

An optionee is not taxed on the grant of an NQSO. On exercise, the optionee recognizes ordinary income equal to the difference between the exercise price and the fair market value of the shares acquired on the date of exercise. The Company is entitled to an income tax deduction in the year of exercise in the amount recognized by the optionee as ordinary income. The optionee's gain (or loss) on subsequent disposition of the shares is long-term capital gain (or loss) if the shares are held for at least one year following exercise, and otherwise is short-term capital gain (or loss). The Company does not receive a deduction for any such capital gain.

### ***SARs***

Generally, the recipient of a SAR will not recognize any taxable income at the time the SAR is granted. If the SAR is settled in cash, the cash will be taxable as ordinary income to the recipient at the time that it is

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received. If the SAR is settled in shares, the recipient will recognize ordinary income equal to the excess of the fair market value of the shares on the day they are received over any amounts paid by the recipient for the shares. The Company generally is entitled to a deduction with respect to a SAR at the same time the recipient recognizes ordinary income with respect thereto.

### *Restricted Stock and RSUs*

Grantees of restricted stock or RSUs do not recognize income at the time of the grant. When the Award vests or is paid, grantees generally recognize ordinary income in an amount equal to the fair market value of the stock or units at such time, and the Company will receive a corresponding deduction. However, no later than 30 days after a participant receives an Award of restricted stock, pursuant to Section 83(b) of the Internal Revenue Code, the participant may elect to recognize taxable ordinary income in an amount equal to the fair market value of the shares at the time of receipt. Provided that the election is made in a timely manner, when the restrictions on the shares lapse, the participant will not recognize any additional income. If the participant forfeits the shares to the Company (e.g., upon the participant's termination prior to vesting), the participant may not claim a deduction with respect to the income recognized as a result of the election. Dividends (if any) paid with respect to unvested shares of restricted stock generally will be taxable as ordinary income to the participant at the time the dividends are received. Subject to Section 162(m), the Company generally will be entitled to a deduction with respect to restricted stock and RSUs at the same time the recipient recognizes ordinary income with respect thereto.

### *Share-Based Awards*

Grantees of share-based Awards generally are required to recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date the shares are granted over the purchase price (if any) paid for the shares. Subject to Section 162(m), the Company generally will be entitled to a deduction with respect to stock awards at the same time the recipient recognizes ordinary income with respect thereto.

### *Cash Performance-Based Awards*

A participant will have taxable income at the time a cash performance-based Award is paid or, if the participant has timely elected deferral to a later date, such later date. At that time, the participant will recognize ordinary income equal to the value of the amount then payable and, subject to Section 162(m), the Company will be entitled to a corresponding deduction.

### *Company Deduction and Section 162(m)*

The Company generally will be entitled to a deduction for federal income tax purposes as described above with respect to each type of Award. For the individual serving as the chief executive officer of the Company at the end of the taxable year and for the individuals serving as officers of the Company or a subsidiary at the end of such year who are among the three highest compensated officers (other than the chief executive officer and chief financial officer) for proxy reporting purposes, Section 162(m) limits the amount of compensation otherwise deductible by the Company and its subsidiaries for such year to \$1 million for each such individual except to the extent that such compensation is performance-based compensation. The Company expects that NQSOs, ISOs and SARs should qualify as performance-based compensation. The Committee may establish performance conditions and other terms with respect to grants of other types of Awards in order to qualify such grants as performance-based compensation for purposes of Section 162(m).

### *New Plan Benefits*

The benefits that will be awarded or paid under the Stock and Cash Incentive Plan are not currently determinable. Awards granted under the Stock and Cash Incentive Plan are within the discretion of the Compensation Policy Committee, and the Compensation Policy Committee has not determined future Awards or

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who might receive them. Information about Awards granted in fiscal year 2012 under the Stock and Cash Incentive Plan to the Company's named executive officers can be found in the table under the heading "Grants of Plan-Based Awards for Fiscal Year 2012" on page 43 of this Proxy Statement. As of April 1, 2013, the closing price of a share of our common stock on the New York Stock Exchange ( NYSE ) was \$42.50.

**Our Board of Directors recommends that you vote FOR the approval of the Stock and Cash Incentive Plan.**

### **Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm**

The Audit Committee of the Board has appointed Ernst & Young as the Company's independent registered public accounting firm for fiscal 2013. Ernst & Young, a firm of registered public accountants, has served as the Company's independent registered public accounting firm since the Spin-Off. Ernst & Young will examine and report to shareholders on the consolidated financial statements of the Company and its subsidiaries.

Representatives of Ernst & Young are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions. You can find information on pre-approval of independent auditor fees and Ernst & Young's 2012 and 2011 fees on page 27.

Although the Audit Committee has discretionary authority to appoint the independent auditors, the Board is seeking shareholder ratification of the appointment of the independent auditors as a matter of good corporate governance. If the appointment of Ernst & Young is not ratified by shareholders, the Audit Committee will take that into consideration when determining whether to continue the firm's engagement. Even if the appointment is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company.

**Our Board of Directors recommends that you vote FOR ratification of the appointment of Ernst & Young as the Company's independent registered public accounting firm for fiscal 2013.**

### **Item 4 Advisory Resolution to Approve Executive Compensation**

We are asking shareholders to approve an advisory resolution on the Company's executive compensation as reported in this Proxy Statement. As described below in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Policy Committee has structured our executive compensation program to achieve the following key objectives:

Executive officers should be paid in a manner that contributes to shareholder value.

Compensation should be designed to motivate executive officers to perform their duties in ways that would help achieve current year as well as longer-term objectives.

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

Our executive compensation programs have a number of features designed to promote these objectives:

Performance-based equity compensation is a significant component of total pay opportunity for our executive officers.

Annual cash compensation awards are designed to reward the achievement of pre-established financial, operational and associate objectives, as well as customer/guest satisfaction, associate satisfaction and individual achievement.

## Edgar Filing: Marriott Vacations Worldwide Corp - Form DEF 14A

We have a long-term incentive plan with share-based payouts at the end of a three-year performance period which rewards executives for meeting key financial objectives.

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We do not provide for a gross-up of excise taxes on any parachute payments that could become payable in connection with a change in control.

Executive officers are provided only limited perquisites and are not provided with tax gross-ups with respect to such perquisites.

The Stock and Cash Incentive Plan includes a clawback provision that applies to all equity awards issued to all of our executive officers.

The Stock and Cash Incentive Plan does not include an evergreen provision.

We cannot, without shareholder approval, reprice stock options or SARs by reducing the exercise price of such stock option or SAR, exchanging such stock option or SAR for a new award with a lower exercise price, or exchanging the option or SAR for cash (other than in connection with specified corporate transactions).

We do not provide single trigger change in control benefits.

We have share ownership guidelines that require our Chief Executive Officer to own shares of our common stock with a market value equal to five times base salary and other executive officers to own Marriott Vacations Worldwide Corporation common stock with a market value equal to two to three times annual base salary. Executive officers who served in such capacity at the time of the Spin-Off are expected to achieve compliance with these guidelines by the end of 2016; other executive officers are expected to achieve compliance by the end of their fifth full year of service.

Equity grants are made on a consistent schedule and are not made in anticipation of significant developments that may impact the price of our common shares. Similarly, we do not time the release of material, non-public information based on equity grant dates.

Our associates, officers and directors may not at any time engage in any form of derivative transactions (such as short sales or option puts or calls) in our securities.

We do not have employment agreements with any of our executive officers.

None of our executive officers are eligible for guaranteed bonuses.

We urge shareholders to read the Compensation Discussion and Analysis beginning on page 28 of this Proxy Statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative, appearing on pages 40 through 52, which provide detailed information on the compensation of our named executive officers. The Compensation Policy Committee and the Board of Directors believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of our named executive officers reported in this Proxy Statement reflects and supports these compensation policies and procedures.

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, we are asking shareholders to approve the following advisory resolution at the Annual Meeting:



## Edgar Filing: Marriott Vacations Worldwide Corp - Form DEF 14A

RESOLVED, that the shareholders of Marriott Vacations Worldwide Corporation (the Company ) approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2013 Annual Meeting of Shareholders.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Board of Directors. Although non-binding, the Board and the Compensation Policy Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

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**Our Board of Directors recommends that you vote FOR the approval of the advisory resolution to approve executive compensation.**

### **Item 5 Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation**

We are asking shareholders to vote on whether future advisory votes on executive compensation like Item 4 above should occur every year, every two years or every three years. This vote is not binding on the Board of Directors. After careful consideration, the Board has determined that holding an advisory vote on executive compensation every year is most appropriate for the Company at this time, and recommends that shareholders vote to hold such future advisory votes every year. While our executive compensation program is designed to motivate executive officers to perform their duties in ways that would help achieve current year as well as longer-term objectives, the Board recognizes that executive compensation disclosures are made annually. Given that advisory votes on executive compensation are relatively new, holding an annual advisory vote provides us with more direct and immediate feedback on our compensation.

In the event the Board decides to make changes to our executive compensation program following a shareholder advisory vote, you should note that because the advisory vote occurs well after the beginning of the compensation year, and because the different elements of our executive compensation program are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to implement such changes by the time of the following year's annual meeting of shareholders.

We understand that our shareholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation. Although this advisory vote is not binding on the Board, we will carefully review the voting results on this proposal. Notwithstanding the Board's recommendation and the outcome of the shareholder vote, the Board may in the future decide to conduct advisory votes on a less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to compensation programs.

You may specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. You are not voting to approve or disapprove the Board's recommendation.

**Our Board of Directors recommends that you vote to conduct future advisory votes on executive compensation EVERY YEAR.**

## **CORPORATE GOVERNANCE**

### **Summary of our Corporate Governance Practices**

The following are some highlights of our corporate governance practices.

A majority of our Board members are independent.

All members of our Audit Committee, Compensation Policy Committee and Nominating and Corporate Governance Committee are independent.

We have a Lead Independent Director who presides at executive sessions of our non-management directors and independent directors and has other responsibilities.

Our Board has adopted Governance Principles that meet or exceed the NYSE Listing Standards.

No director attended fewer than 75 percent of the meetings of the Board or any Committee on which such director served.

## Edgar Filing: Marriott Vacations Worldwide Corp - Form DEF 14A

Our Board is divided into three classes of directors that are of equal size to the extent possible, with the directors in each class elected every three years.

All shareholders may vote on the election of all directors who are nominated for election.

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There are no family relationships between any of our directors or executive officers.

Only one member of our Board is a current employee of the Company.

Our Corporate Governance Principles limit the number of boards of publicly traded companies on which our directors may serve, and none of our directors serve on the boards of more than three such companies in addition to the Company.

None of our executive officers serve on the board of directors of any publicly traded company.

The Company does not have a rights plan, or poison pill.

**Our Board of Directors**

The biography of each of our directors, as well as the qualifications and experiences each director brings to our Board, in addition to the general qualifications discussed above, is set forth below. The age shown below for each director is as of June 7, 2013, which is the date of the Annual Meeting.

***Nominees for Director Whose Terms Would Expire at the 2016 Annual Meeting of Shareholders***

The Board has nominated three directors to be elected at the Annual Meeting to serve for a three-year term ending with the 2016 annual meeting of shareholders, or until a successor is elected and has qualified, or his or her earlier death, resignation or removal. Each nominee is currently a director of the Company and has agreed to serve if elected.

<b>Name and Title</b>	<b>Age</b>	<b>Business Experience and Director Qualifications</b>
Raymond L. Gellein, Jr. Director	65	<p>Mr. Gellein has served as a director of the Company since November 2011. He has served as Chairman of the Board, Chief Executive Officer and President of Strategic Hotels and Resorts, Inc., a publicly traded REIT with a portfolio of luxury hotels, since November 2012, from August 2010 to November 2012 as its non-executive Chairman, and as a director since August 2009. He served as President of the Global Development Group of Starwood Hotels and Resorts Worldwide, Inc. from July 2006 through March 2008, and as Chairman and Chief Executive Officer of Starwood Vacation Ownership, Inc. from October 1999 to July 2006. Mr. Gellein also serves as a member of the board of trustees of the American Resort Development Association and as Vice Chairman of the Mind and Life Institute.</p> <p>Based on his current role with Strategic Hotels and Resorts and his past roles at Starwood, Mr. Gellein brings to the Board vast leadership experience in the hospitality and lodging industries with a particular expertise in the vacation ownership sector. As a result of these roles, Mr. Gellein also has experience as an executive officer and Board member of publicly traded companies. As a past Chairman and current trustee of the American Resort Development Association, he also has extensive knowledge of the legislative and regulatory issues related to the vacation ownership business.</p>

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Thomas J. Hutchison III  
Director

71 Mr. Hutchison has served as a director of the Company since November 2011. Since October 2008, Mr. Hutchison has served as Chairman of Legacy Hotel Advisors, LLC and Legacy Healthcare Advisors, LLC, industry consulting firms of which he is the principal founder. From January 2000 through 2007, he served in various executive positions at CNL Financial Group, Inc., including as Chief Executive Officer of CNL Hotels & Resorts, a publicly traded REIT, and CNL Retirement, a REIT with investments in medical real estate. Mr. Hutchison is also a director of Hersha Hospitality Trust, a publicly traded REIT, and Target Healthcare REIT Ltd., a company traded on the London Stock Exchange. He also serves on the board of ClubCorp, Inc., a privately held owner and operator of private clubs, and the U.S. Chamber of Commerce.

Mr. Hutchison brings to the Board his over 40 years of senior leadership experience in the lodging, hospitality, travel, and real estate development and finance industries. Mr. Hutchison also has extensive business development experience and experience as a Board member of publicly traded companies.

Dianna F. Morgan  
Director

61 Ms. Morgan has served as a director of the Company since April 2013. She previously served as Senior Vice President of Public Affairs and Senior Vice President of Human Resources for Walt Disney World Company. During her tenure at Walt Disney World Company, she oversaw the Disney Institute, a recognized leader in experiential training, leadership development, benchmarking and cultural change for business professionals around the world. She is the past Chair of the Board of Trustees for the University of Florida. She currently serves on the Board of Directors of CNL Bancshares, Inc. and Chesapeake Utilities Corporation and the Board of Trustees for Hersha Hospitality Trust, a publicly traded REIT. Ms. Morgan is also Chair of the Board of Directors of Orlando Health and Past Chair of the national board for the Children's Miracle Network. Ms. Morgan previously served on the Board of Directors of CNL Hotels & Resorts, Inc.

Ms. Morgan's previous experience overseeing the Disney Institute, which provides leading professional development programs, and serving as Senior Vice President of Human Resources for Walt Disney World Company have provided extensive knowledge of leadership development programs and organizational culture. In addition, Ms. Morgan's experience as Senior Vice President of Public Affairs for Walt Disney World Company has provided her with a solid foundation in media relations and government relations. As an accomplished senior manager at Walt Disney World Company in these various areas, Ms. Morgan brings best practice expertise in human capital and the customer experience. She also has extensive experience as a Board member of publicly traded and private companies.

**Table of Contents****Directors Whose Terms Expire at the 2014 Annual Meeting of Shareholders**

<b>Name and Title</b>	<b>Age</b>	<b>Business Experience and Director Qualifications</b>
William J. Shaw Chairman	67	<p>William J. Shaw has served as a director of the Company since inception and as Chairman of our Board since November 2011. He served as Vice Chairman of Marriott International, a publicly traded international lodging and hospitality company, from May 2009 to March 2011. He previously served as President and Chief Operating Officer of Marriott International from 1997 until May 2009. He joined Marriott International in 1974 and was named Corporate Controller in 1979 and a Corporate Vice President in 1982. In 1986, Mr. Shaw was named Senior Vice President-Finance and Treasurer of Marriott International. He became Chief Financial Officer and Executive Vice President of Marriott International in 1988. In 1992, he was named President of the Marriott Service Group. Mr. Shaw serves on the Board of Directors of Carlyle Group Management L.L.C, the general partner of The Carlyle Group, L.P. He also serves on the Board of Trustees of three funds in the American Family of Mutual Funds, the Board of Trustees of the University of Notre Dame and the Board of Trustees of Suburban Hospital. Mr. Shaw served as a Director of Marriott International from March 1997 through February 11, 2011.</p> <p>Mr. Shaw brings to the Board extensive management experience with Marriott International, his prominent status in the hospitality industry and a wealth of knowledge in dealing with financial and accounting matters as a result of his prior service in financial and accounting positions at Marriott International, including as its Chief Financial Officer. Mr. Shaw also has experience as a Board member of publicly traded companies.</p>
William W. McCarten Director	64	<p>Mr. McCarten has served as a director of the Company since November 2011. He has served as non-executive Chairman of the Board of DiamondRock Hospitality Company, a publicly traded lodging REIT, since January 2010. He was Executive Chairman of DiamondRock from September 2008 to December 2009. Prior to that, he was Chairman and Chief Executive Officer of DiamondRock from its inception in 2004 until September 2008. From 1979 through 2003, Mr. McCarten worked at Marriott International and companies that operated businesses that were previously part of Marriott International or its predecessors, where he held a number of executive positions, including President of the Services Group and President and Chief Executive Officer of HMSHost Corporation, a publicly traded company, and he served as a consultant to Marriott International from January 2004 to June 2004. Mr. McCarten is also a director of Cracker Barrel Old Country Store, Inc., a publicly traded company.</p> <p>Mr. McCarten provides the Board with the benefit of his extensive experience in the hospitality industry and capital markets, including his service as Chief Executive Officer of two publicly traded companies and as a board member of publicly traded companies. He is a former certified public accountant who has strong familiarity with accounting and financial reporting matters.</p>

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C.E. Andrews  
Director

61 Mr. Andrews has served as a director of the Company since April 2013. From June 2009 until February 2012, Mr. Andrews was the president of RSM McGladrey Business Services, Inc. Prior to that, Mr. Andrews served as the president of SLM Corporation (Sallie Mae). He joined Sallie Mae in 2003 as the executive vice president of accounting and risk management, and held the title of chief financial officer from 2006 to 2007. Prior to joining Sallie Mae, Mr. Andrews spent approximately 30 years at Arthur Andersen. He served as managing partner for Arthur Andersen's mid-Atlantic region, and was promoted to global managing partner for audit and advisory services in 2002. Mr. Andrews serves on the boards of WashingtonFirst Bankshares, Inc., Washington Mutual Investors Fund, and NVR, Inc., the publicly traded parent company of home construction companies Ryan Homes, NVHomes and Fox Ridge Homes. He also serves on the Boards of Junior Achievement and Inova Health Foundation. Within the last five years, Mr. Andrews was also a member of the Board of Directors of U-Store-It Trust (now CubeSmart) and Six Flags, Inc.

Mr. Andrews brings to the Board the extensive financial and accounting expertise that he obtained over his thirty year career in public accounting. Mr. Andrews also has experience as a Board member of publicly traded companies.

*Directors Whose Terms Expire at the 2015 Annual Meeting of Shareholders*

<b>Name and Title</b>	<b>Age</b>	<b>Business Experience and Director Qualifications</b>
Deborah Marriott Harrison Director	56	Deborah Marriott Harrison has served as a director of the Company since November 2011. She has served as Senior Vice President of Government Affairs for Marriott International since June 2007. From May 2006 to June 2007, she served as Vice President of Government Affairs for Marriott International. As the daughter of Marriott International's Chairman and Chief Executive Officer and granddaughter of Marriott International's founders, she has extensive knowledge of Marriott International, its history, its culture and its mission. She has held several positions within Marriott since 1975, including accounting positions at Marriott headquarters and operations positions at the Key Bridge and Dallas Marriott hotels. She has been actively involved in serving the community through participation on various committees and boards, including the Mayo Clinic Leadership Council for the District of Columbia and the boards of the Bullis School, the D.C. College Access Program, and the J. Willard and Alice S. Marriott Foundation. Ms. Harrison has also served on the boards of several mental health organizations, including The National Institute of Mental Health Advisory Board, Depression and Related Affective Disorders Association, and the Center for the Advancement of Children's Mental Health in association with Columbia University.

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Given her extensive involvement in the hospitality industry and particularly in governmental affairs, Ms. Harrison provides very valuable counsel to the Board and senior management of the company, which operates in a heavily regulated industry at both the federal and state level. In addition, as the company continues to uphold the legacy of the Marriott name, we benefit from her deep understanding of the founding principles and culture of Marriott International.

Melquiades R. Martinez  
Director

- 66 Mr. Martinez has served as a director of the Company since November 2011. He has served as Chairman of the Southeast and Latin America of JPMorgan Chase & Co., an investment and financial services company, since July 2010. Prior to that, he was a partner in the law firm DLA Piper, LLC from September 2009. Mr. Martinez served as the U.S. Senator from Florida from January 2005 through September 2009. He also served as Chairman of the Republican Party from November 2006 through October 2007, as Secretary of the U.S. Department of Housing and Urban Development from 2001 to 2004, and as Mayor of Orange County, Florida from November 1998 to January 2001. In addition, Mr. Martinez is a director of NVR, Inc., the publicly traded parent company of home construction companies Ryan Homes, NVHomes and Fox Ridge Homes, and serves on the board of Habitat for Humanity International. Mr. Martinez formerly served as a director of Progress Energy, Inc.

Mr. Martinez provides our Board with the benefit of his vast experience in the public and private sector and his in-depth knowledge of and relationships within the Florida community, where our headquarters are located. The Board also benefits from his legal experience and knowledge of the legislative and regulatory processes.

Stephen P. Weisz  
President, Chief  
Executive Officer and Director

- 62 Mr. Weisz has served as a director of the Company since November 2011, as our President since 1996 and as our Chief Executive Officer since 2011. Mr. Weisz joined Marriott International in 1972. Over his 39-year career with Marriott International, he held a number of leadership positions in the Lodging division, including Regional Vice President of the Mid-Atlantic Region, Senior Vice President of Rooms Operations, and Vice President of the Revenue Management Group. Mr. Weisz became Senior Vice President of Sales and Marketing for Marriott Hotels, Resorts & Suites in 1992 and Executive Vice President-Lodging Brands in 1994 before being named to lead the Company in 1996. He currently serves as a Trustee of the American Resort Development Association and is on the Board of Trustees of Children's Miracle Network.

Mr. Weisz brings to the Board the extensive lodging and vacation ownership industry expertise he developed during his 39-year career with Marriott International, as well as corporate leadership experience from his service as our President since 1996 and his position as Trustee of the American Resort Development Association.



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### **Board Leadership Structure**

Mr. Shaw serves as the Chairman of the Board. Our Corporate Governance Principles provide that when the position of Chairman is held by a non-independent director, such as Mr. Shaw, an independent director will serve as Lead Independent Director. Mr. Martinez currently serves as Lead Independent Director. During 2012, Mr. Gellein served as Lead Independent Director until he resigned from the position in April 2013. The Lead Independent Director's responsibilities include: (1) setting the agenda for and presiding over the executive sessions of the independent directors; (2) reviewing agendas and schedules for Board meetings; (3) chairing Board meetings in the Chairman's absence; (4) acting as a liaison between the independent directors and the Chairman; and (5) being available for consultation and communication with shareholders as appropriate. The Lead Independent Director also has the authority to call additional executive sessions as appropriate.

Six of our nine directors are independent, and the Audit Committee, Compensation Policy Committee and Nominating and Corporate Governance Committee are comprised solely of independent directors. Consequently, the independent directors directly oversee such critical items as the Company's financial statements, executive compensation, the selection and evaluation of directors and the development and implementation of our corporate governance programs. We believe that this leadership structure is the optimal structure for the Company and our shareholders at this time, because the separation of the roles of Chairman and Chief Executive Officer allows our Chief Executive Officer to focus on his duties while benefitting from the experiences of the Chairman's significant experience at Marriott International and in the hospitality industry.

### **Selection of Director Nominees**

The Nominating and Corporate Governance Committee selects and recommends to the Board director candidates based on character, judgment, personal and professional ethics, integrity, values and familiarity with national and international issues affecting our business. Although we do not have a formal policy regarding diversity, our Board views diversity as a priority and seeks diverse representation among its members. The Nominating and Corporate Governance Committee identifies and recruits candidates for election to the Board and evaluates all director candidates, regardless of source, in light of the Board-approved criteria. The Nominating and Corporate Governance Committee recommends to the Board the company's candidates for election or reelection to the Board at each annual shareholders' meeting and candidates to be elected by the Board as necessary to fill vacancies and newly created directorships.

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

### **Governance Principles**

Our Board has adopted Governance Principles that meet or exceed the NYSE Listing Standards. The full text of the Governance Principles can be found in the Investor Relations section of our website ([www.marriottvacationsworldwide.com](http://www.marriottvacationsworldwide.com)) by clicking on Corporate Governance. A copy may also be obtained upon request from our Corporate Secretary. Our Governance Principles establish the limit on the number of board of publicly-traded companies on which the Company's directors may serve at three, including our Board, for directors who are chief executive officers of publicly traded companies, and six for other directors.

### **Director Independence**

Our Corporate Governance Principles provide that at least a majority of the Board will consist of independent directors. An independent director is a director who meets the New York Stock Exchange

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definition of independence, as determined by the Board. To be considered independent, the Board must determine that a director has no direct or indirect material relationship with the Company. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating and Corporate Governance Committee. The Board undertook its annual review of director independence in February 2013, and reviewed additional matters related to director independence in April 2013 when Mr. Andrews and Ms. Morgan were elected to the Board.

As a result of this review, the Board affirmatively determined that six of our nine directors are independent: Mr. Andrews, Mr. Gellein, Mr. Hutchison, Mr. Martinez, Mr. McCarten and Ms. Morgan. Mr. Weisz is not independent as a result of his employment with the Company. Ms. Harrison and Mr. Shaw are not independent as a result of their current or prior recent employment with Marriott International. Although the Board determined that Mr. Gellein is independent, it further determined that if the Company enters into a definitive agreement regarding a proposed transaction pursuant to which the Company would purchase certain assets from Strategic Hotels and Resorts, Inc., the company for which Mr. Gellein serves as Chairman, Chief Executive Officer and President, Mr. Gellein would no longer be treated as independent.

In assessing director independence, the Board considered post-Spin-Off relationships with the Company, as well as pre-Spin-Off relationships with Marriott International since the beginning of 2010 because the NYSE Listing Standards look back three years when evaluating a director's independence. Specifically, the Board considered that Mr. Hutchison, Mr. McCarten and Ms. Morgan each serves, or recently served, as executive officers or directors of companies that do business in the ordinary course with the Company (or with Marriott International prior to the Spin-Off) and that in each case the payments to and from the Company (or to and from Marriott International prior to the Spin-Off) were less than one percent of the consolidated gross annual revenues of the Company (or Marriott International prior to the Spin-Off) and the director's company in each of the last three fiscal years. The Board further considered that Mr. Martinez is an employee of JP Morgan Chase & Co. (JPMorgan), a company that provides various financial and banking services to us (and to Marriott International prior to the Spin-Off), including acting as the lead bank in the syndicate of banks in our Revolving Corporate Credit Facility. Mr. Martinez is not an executive officer of JPMorgan and does not work in the business units of JPMorgan that provide services to us (or to Marriott International prior to the Spin-Off). In addition, payments that we (and Marriott International prior to the Spin-Off) made to or received from JPMorgan were less than two percent of JPMorgan's consolidated gross annual revenues in each of the last three fiscal years. The Board also considered that Mr. Andrews' son is employed as an audit manager with Ernst & Young, the Company's independent registered public accounting firm. Mr. Andrews' son does not, and has not previously, worked on the Company's or Marriott International's audit. Both the Company's engagement of Ernst & Young and Ernst & Young's employment of Mr. Andrews' son began before Mr. Andrews joined our Board.

The Board further considered that Mr. Hutchison, Mr. Martinez and Ms. Morgan are directors of charitable organizations that received contributions from us (or from Marriott International prior to the Spin-Off) and that, in each case, the contribution amounts were significantly less than two percent of the organization's consolidated gross annual revenues in each of the last three fiscal years.

### **Board and Committee Meetings and Attendance**

Our Board met nine times in 2012. No director attended fewer than 75 percent of the meetings of the Board or any Committee on which such director served. Directors are expected to attend annual meetings of shareholders.

### **Committees of the Board**

The Board has three standing committees: the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. The Board has adopted a written charter for each

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committee, and those charters are available in the Investor Relations section of our website ([www.marriottvacationsworldwide.com](http://www.marriottvacationsworldwide.com)) by clicking on Corporate Governance. Copies of the committee charters also may be obtained upon request from our Corporate Secretary. Other committees may also be established by our Board from time to time.

### ***Audit Committee***

The members of the Audit Committee are Mr. Andrews, Mr. Hutchison and Mr. McCarten; Mr. McCarten is the Chair. During 2012, Mr. Gellein also served on the Audit Committee until he resigned from the committee in April 2013. The Board has determined that each of the members of the Audit Committee is independent as defined under our Corporate Governance Principles, the NYSE Listing Standards and applicable SEC rules. The Audit Committee met nine times in 2012. There is unrestricted access between the Audit Committee and the independent auditor and internal auditors. The Board has determined that all members of the Audit Committee are financially literate, and that Mr. Andrews and Mr. McCarten each possesses accounting or related financial management expertise within the meaning of the NYSE Listing Standards and qualifies as an audit committee financial expert as defined under the applicable SEC rules.

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

appointing, retaining, overseeing and determining the compensation of our independent auditors;

approving all terms and fees associated with any audit engagement of independent auditor;

overseeing our accounting, reporting, and financial practices;

overseeing our internal control environment and compliance with legal and regulatory requirements;

overseeing our independent auditors' qualifications and independence; and

overseeing the performance of our internal audit function and the independent auditor.

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

### ***Compensation Policy Committee***

The members of the Compensation Policy Committee are Mr. Hutchison, Mr. McCarten and Ms. Morgan; Mr. Hutchison is the Chair. During 2012, Mr. Gellein also served on the Compensation Policy Committee until he resigned from the committee in February 2013. The Board has determined that each of the members of the Compensation Policy Committee is independent as defined under our Corporate Governance Principles and the NYSE Listing Standards. The Compensation Policy Committee met six times in 2012.

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

carrying out the Board's responsibilities relating to executive compensation;

overseeing our overall compensation structure, policies and programs;

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

overseeing the evaluation and setting the compensation of our other executive officers; and

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

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### ***Nominating and Corporate Governance Committee***

The members of the Nominating and Corporate Governance Committee are Mr. Andrews, Mr. Hutchison, Mr. Martinez, Mr. McCarten and Ms. Morgan; Mr. Martinez is the Chair. During 2012, Mr. Gellein also served on the Nominating and Corporate Governance Committee until he resigned from the committee in April 2013. The Board has determined that each of the members of the Nominating and Corporate Governance Committee is independent as defined under our Corporate Governance Principles and the NYSE Listing Standards. The Nominating and Corporate Governance Committee met four times in 2012.

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

identifying and evaluating director candidates;

recommending to the Board director candidates for election;

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

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

performing a leadership role in shaping our corporate governance.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Policy Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related party.

### **Meetings of Independent Directors**

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

### **Risk Oversight**

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

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

In addition, the Compensation Policy Committee evaluates any incentives and risks arising from or related to our compensation programs and plans and assesses whether the incentives and risks are appropriate. As discussed in the Compensation Discussion and Analysis below, the Compensation Policy Committee believes that our compensation programs do not present risks that are reasonably likely to have a material adverse effect on the Company.



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### **Communications with the Board**

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

### **Code of Conduct**

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

## **AUDIT COMMITTEE REPORT AND INDEPENDENT AUDITOR FEES**

### **Report of the Audit Committee**

Mr. Gellein, Mr. Hutchison and Mr. McCarten served as members of the Audit Committee during the fiscal year ended December 28, 2012. The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal controls over financial reporting. The Company's independent auditors are engaged to audit and express opinions on the conformity of the Company's financial statements to accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed the audited financial statements, together with the results of management's assessment of the internal controls over financial reporting, with management and the Company's independent auditor. The Audit Committee also discussed with the independent auditors those matters required to be discussed by the independent auditors with the Audit Committee under the rules adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has received the written disclosures and the letter from the independent auditors required by applicable requirements of the PCAOB, regarding the independent auditors' communications with the audit committee concerning independence, and has discussed with the independent auditors the independent auditors' independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 28, 2012, for filing with the Securities and Exchange Commission.

Members of the Audit Committee:

William W. McCarten, Chair

Raymond L. Gellein, Jr.\*

Thomas J. Hutchison

\* Mr. Gellein resigned from the Audit Committee effective April 1, 2013.



**Table of Contents****Pre-Approval of Independent Auditor Fees and Services Policy**

The Audit Committee's Pre-Approval of Independent Auditor Fees and Services Policy provides for pre-approval of all audit, audit related, tax and other permissible non-audit services provided by our principal independent auditor on an annual basis and additional services as needed. The Audit Committee has delegated authority to the Audit Committee Chair to pre-approve principal independent auditor services where we deem it necessary or advisable that such service commence prior to the next regularly scheduled meeting (provided that the Audit Committee Chair informs the Audit Committee of any such services and the estimated fees that were pre-approved at the next scheduled in-person meeting). During 2012, all such services were pre-approved by the Audit Committee.

**Independent Registered Public Accounting Firm Fee Disclosure**

The following table presents aggregate fees billed for professional services rendered by our independent registered public accounting firm, Ernst & Young, for the audit of our annual financial statements for fiscal 2012 and fiscal 2011 and aggregate fees billed in fiscal 2012 and fiscal 2011 for audit-related services, tax services and all other services rendered by our independent registered public accounting firm. The Audit Committee approved all of the fees presented in the table below.

	2012	2011
Audit Fees <sup>(1)</sup>	\$ 2,526,015	\$ 4,073,087
Audit-Related Fees <sup>(2)</sup>	148,134	81,698
Tax Fees <sup>(3)</sup>	37,379	6,800
All Other Fees <sup>(4)</sup>	34,051	
<b>Total Fees</b>	<b>\$ 2,745,579</b>	<b>\$ 4,161,585</b>

- (1) Principally fees for audits of our financial statements, reviews of our quarterly financial statements and related reports, reviews of registration statements and certain periodic reports filed with the SEC and fees for statutory audits of our international subsidiaries. Of such audit fees, approximately \$986,400 in 2011 represents an allocation of fees paid by our former parent company, Marriott International, to Ernst & Young for periods prior to the Spin-Off. In addition, \$1,400,000 of the 2011 fees relates to Ernst & Young's audit of our stand-alone financial statements for the three years ended December 31, 2010. Such services were performed during 2011 in conjunction with the Spin-Off.
- (2) Audit-Related Fees principally consist of fees paid in connection with special projects and agreed upon procedures.
- (3) Tax Fees principally consist of fees paid in connection with tax compliance services related to our international entities.
- (4) All Other Fees principally consist of fees paid in connection with consulting services related to potential development opportunities, federal employment tax credits and other matters.

**EXECUTIVE AND DIRECTOR COMPENSATION****Report of the Compensation Policy Committee**

The Compensation Policy Committee (the "Compensation Policy Committee"), which is composed solely of independent members of the Board, assists the Board in fulfilling its responsibilities relating to executive compensation. Mr. Hutchison and Mr. McCarten served as members of the Compensation Policy Committee during the entire fiscal year ended December 28, 2012. Mr. Gellein also served as a member of the Compensation Policy Committee during the entire fiscal year ended December 28, 2012, and resigned as a member effective February 1, 2013. The Compensation Policy Committee is responsible for overseeing compensation programs that enable the Company to attract, retain and motivate executives capable of establishing and implementing business plans in the best interests of the shareholders. The Compensation Policy Committee, on behalf of and in certain instances subject to the approval of the Board, reviews and approves compensation programs for certain senior officer positions. In this context, the Compensation Policy Committee reviewed and discussed with management the Company's Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation

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S-K. Following the reviews and discussions referred to above, the Compensation Policy Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Policy Committee:

Thomas J. Hutchison III (Chair)

William W. McCarten

## **Compensation Discussion and Analysis**

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

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

### **Executive Summary**

Our seasoned management team is led by Stephen P. Weisz, our President and Chief Executive Officer, who has served as President of the Company since 1996 and has over 40 years of combined experience at Marriott International and Marriott Vacations Worldwide. Our nine executive officers have an average of nearly 21 years of total combined experience at Marriott International and Marriott Vacations Worldwide, with approximately half of those years spent leading our business. We believe our management team's extensive public company and vacation ownership industry experience has enabled us to achieve solid performance in our first full year as an independent publicly traded company, and will enable us to continue to respond quickly and effectively to changing market conditions and consumer trends.

Our executive compensation program is designed to embody our compensation principles, and includes the following key elements:

base salary, which provides our named executive officers a fixed level of compensation;

annual bonus, which encourages the achievement of current year objectives; and

stock based awards, which align the long-term interests of our named executive officers with the interests of our shareholders and encourage the achievement of longer-term objectives.

### *Company Performance in 2012*

We have been a pioneer in the vacation ownership industry since 1984, when Marriott International became the first company to introduce a lodging-branded vacation ownership product. Conditions for our vacation ownership business were strong throughout 2012 compared to 2011. In the year ended December 28, 2012:

We generated \$1.6 billion of total revenues, including \$627 million from the sale of vacation ownership products, and \$163 million of cash flows from operating activities.

North America contract sales increased 12 percent to \$578 million; volume per guest increased 18 percent year-over-year to \$2,963.

Total company development margin was 14.8 percent, and North America development margin was 19.3 percent, an increase of 6.8 percentage points and 9.8 percentage points, respectively, year-over-year.

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We consider contract sales, which represent the total amount of vacation ownership product sales from purchase agreements signed during a period where we have received a down payment of at least 10 percent of the contract price, reduced by actual rescissions during the period, to be an important operating measure because it reflects the pace of sales in our business. We believe volume per guest is valuable in evaluating the effectiveness of the sales process as it combines the impact of average contract price with the number of touring guests who make a purchase. We calculate this metric by dividing contract sales, excluding telesales and other sales that are not attributed to a tour at a sales location, by the number of sales tours in a given period. We refer to revenues from the sale of vacation ownership products less the cost of vacation ownership products and marketing and sales costs, divided by revenues from the sale of vacation ownership products as Development Margin.

### *Compensation Actions in 2012*

As indicated above, we achieved solid performance in 2012. In light of this performance, the Compensation Policy Committee made the following key compensation decisions for 2012:

**Base Salary.** The Committee made salary adjustments for our named executive officers in November 2011 following the Spin-Off from Marriott International to reflect the executives' expanded responsibilities resulting from the Company having become an independent, publicly traded company, and did not make additional adjustments during 2012.

**Annual Bonus.** For 2012, the named executive officers participated in a management bonus plan (the Bonus Plan) intended to reward executives for achievement of pre-established financial, operational and associate objectives. The financial objectives included Adjusted EBITDA and Development Margin, which were selected because they are important indicators of the Company's profitability and sustainability. Because the actual results exceeded the target levels, each of the named executive officers received a bonus payout that was above the target level but below the maximum level.

**Equity Compensation.** In December 2011, the Compensation Policy Committee approved aggregate values of certain awards under the Stock and Cash Incentive Plan in connection with the Spin-Off for a group of employees, including the named executive officers, which were also intended to serve as the annual equity awards for 2012 for our executive officers. The awards were a mixture of RSUs, SARs and performance-based stock units (Performance Units). The RSUs and SARs were granted in 2011 and the Performance Units were granted in 2012.

**Other Compensation.** We have eliminated most of the limited perquisites that were previously available to our executive officers, and in 2012, we offered only a limited number of compensatory room nights and a minimal executive physical benefit. The charts below show the percentage of total compensation represented by each of base salary, annual bonus, equity compensation and other compensation for 2012 for the named executive officers who are currently executive officers. The percentages do not reflect the value of equity awards shown in the Summary Compensation Table for 2012, but instead reflect the value of the portion of awards approved by the Compensation Policy Committee in December 2011 that was intended to serve as the annual equity awards for 2012 as discussed above. The portions of the awards approved in December 2011 that consisted of RSUs and

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SARs were granted in December 2011 and the portions that consisted of Performance Units were granted in March 2012. The charts below reflect the aggregate value of all such awards, reduced by the portion of such awards that were made in connection with the Spin-Off.

*Corporate Governance and Best Practices*

Our executive compensation programs contain features that are intended to embody our compensation principles and promote good executive compensation corporation governance.

Performance-based equity compensation is a significant component of total pay opportunity for our executive officers. In 2012 (on an annualized basis), the performance-based elements of total compensation (annual bonus and the portion of the equity compensation that consists of SARs and Performance Units) represented the following percentages of each named executive officer's total compensation: Mr. Weisz, 59.0 percent; Mr. Geller, 55.4 percent; Mr. Cunningham, 53.8 percent; Mr. Hunter, 54.4 percent; and Mr. Brian Miller, 50.5 percent.

Annual cash compensation awards are designed to reward the achievement of pre-established financial operational objectives, as well as customer/guest satisfaction, associate satisfaction and individual achievement.

We have a long-term incentive plan with share-based payouts at the end of a three-year performance period which rewards executives for meeting key financial objectives.

We do not provide for a gross-up of excise taxes on any parachute payments that could become payable in connection with a change in control.

Executive officers are provided only limited perquisites and are not provided with tax gross-ups with respect to such perquisites.

The Stock and Cash Incentive Plan includes a clawback provision that applies to all equity awards issued to all of our executive officers.

The Stock and Cash Incentive Plan does not include an evergreen provision.

We cannot, without shareholder approval, reprice stock options or SARs by reducing the exercise price of such stock option or SAR, exchanging such stock option or SAR for a new award with a lower

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exercise price, or exchanging the option or SAR for cash (other than in connection with specified corporate transactions).

We do not provide single trigger change in control benefits.

We have share ownership guidelines that require our Chief Executive Officer to own shares of our common stock with a market value equal to five times base salary and other executive officers to own Marriott Vacations Worldwide Corporation shares equal to two to three times annual base salary. Executive officers who served in such capacity at the time of the Spin-Off are expected to achieve compliance with these guidelines by the end of 2016; other executive officers are expected to achieve compliance by the end of their fifth full year of service.

Equity grants are made on a consistent schedule and are not made in anticipation of significant developments that may impact the price of our common shares. Similarly, we do not time the release of material, non-public information based on equity grant dates.

Our associates, officers and directors may not at any time engage in any form of derivative transactions (such as short sales or option puts or calls ) in our securities.

We do not have employment agreements with any of our executive officers.

None of our executive officers are eligible for guaranteed bonuses.

## **Philosophy**

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

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

Compensation should be designed to motivate executive officers to perform their duties in ways that would help achieve current year as well as longer-term objectives. This has been achieved by offering a mix of short-term cash-based and long-term equity based incentives.

The compensation program must be competitive in order to attract key talent from within and outside of the Company's industry and retain key talent at costs consistent with market practice. We work to achieve this, in part, through our review of the market data and internal pay equity considerations described below in making compensation decisions. The Compensation Policy Committee seeks to establish compensation consistent with the median in total direct compensation, while also considering performance and scope of job.

## **Role of Management, the Compensation Policy Committee and the Compensation Consultant**

Our Chairman, William J. Shaw, made recommendations to the Compensation Policy Committee with respect to Mr. Weisz's compensation. With input from our human resources department, Mr. Weisz recommended the compensation of the other named executive officers. The Compensation Policy Committee approved the total compensation packages for each of the named executive officers, including base salary, annual bonus targets, actual bonuses earned, and equity awards. In designing and implementing compensation programs applicable to the named

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executive officers, our Compensation Policy Committee considered the advice and recommendations of its compensation consultant, Exequity LLP. Additional information regarding Exequity LLP is provided below.

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### **2012 Compensation**

The elements and levels of our named executive officers' compensation were not determined through rigid, categorical guidelines or formulae. Rather, they reflect internal factors such as job level and internal pay equity as well as subjective factors such as leadership ability, individual performance, retention needs and future potential as part of the management development and succession planning process. The Compensation Policy Committee also considered market data (as described below) in determining the compensation of the named executive officers.

#### ***Base Salary***

The base salaries that our named executive officers received in 2012 were set in November 2011, and reflected the executives' expanded responsibilities resulting from the Company having become an independent, publicly traded company. The Compensation Policy Committee expects to review base salaries for the named executive officers annually to determine whether base salary levels are commensurate with the officers' responsibilities and the competitive market. In February 2013, the Compensation Policy Committee approved the following base salaries, effective as of January 1, 2013: Mr. Weisz, \$750,000; Mr. Geller, \$420,000; Mr. Cunningham, \$380,000; Mr. Hunter, \$350,000; and Mr. Brian Miller, \$590,000.

#### ***Bonuses and Incentives***

##### ***Annual Bonuses***

For 2012, the named executive officers participated in the Bonus Plan, which was intended to reward executives for achievement of pre-established financial, operational and associate objectives. The potential awards under the Bonus Plan are reported in dollars in the Grants of Plan-Based Awards for Fiscal Year 2012 table, and the actual award amounts earned under the Bonus Plan are reported in dollars in the Summary Compensation Table following this Compensation Discussion and Analysis.

For the named executive officers, target awards as a percentage of base salary for 2012 were as follows: Mr. Weisz, 80 percent; Mr. Geller, 60 percent; Mr. Cunningham, 60 percent; Mr. Hunter, 60 percent; Mr. Brian Miller, 50 percent; and Mr. Robert Miller, 60 percent. The differences in the target award percentages were determined primarily by considering market data (as described below) and internal factors, including pay equity with other officers, differences in responsibilities, future potential and, with respect to Mr. Brian Miller, the fact that he participates in the sales incentive plan described below. The maximum awards were 200 percent of the target awards.

For executives who were named executive officers as of the close of the taxable year, awards under the Bonus Plan also were contingent upon a compensation formula based on Adjusted EBITDA. Under the formula used to establish the award pool, the maximum amount that could be paid to executive officers covered by the compensation formula as a group was five percent of Adjusted EBITDA for the fiscal year ended December 28, 2012. The maximum award for Mr. Weisz, as the Chief Executive Officer, was 40 percent of this pool, and the maximum amount that could be paid to each of the remaining named executive officers was 15 percent of the pool. In addition, individual annual award amounts are limited to \$4 million as provided in the Stock and Cash Incentive Plan. These limits establish the maximum annual incentive awards that could be paid.

The Bonus Plan rewarded executives for achievement of pre-established financial, operational and associate objectives. The financial objectives were Adjusted EBITDA and Development Margin. These performance measures were selected because they are important indicators of the Company's profitability and sustainability. The specific performance level percentages for the Adjusted EBITDA and Development Margin objectives were set by the Compensation Policy Committee in consultation with its compensation consultant and with input from Mr. Weisz and Mr. Geller.



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For all named executive officers, Adjusted EBITDA was the most heavily weighted performance criteria, because it is reflective of the financial viability and success of the Company in the performance year. For purposes of the Bonus Plan, Adjusted EBITDA means earnings (as reported in our financial statements) for the 2012 fiscal year, excluding the impact of non-consumer financing interest expense, provision for income taxes, depreciation and amortization and restructuring charges. Adjusted EBITDA includes the impact of consumer financing interest expense, which is interest expense associated with our debt from the securitization of our notes receivable including the utilization of our Warehouse Credit Facility. The Adjusted EBITDA target was set at \$124.88 million, a level we believed to be achievable but not certain to be met. For 2012, named executive officers were eligible to receive the Adjusted EBITDA portion of the bonus based on the following achievement levels:

<b>Adjusted EBITDA Achievement vs. Target</b>	<b>Payout as a Percent of Target</b>
Below 90%	0%
100%	100%
115% and Above	200%

An additional financial performance measure was Development Margin. The Development Margin target for 2012 was set at 12.5 percent, which we believed to be achievable but not certain to be met. For 2012, the named executive officers were eligible to receive the Development Margin portion of the bonus based on the following achievement levels:

<b>Development Margin Achievement vs. Target</b>	<b>Payout as a Percent of Target</b>
Below 90%	0%
100%	100%
110% and Above	200%

For both Adjusted EBITDA and Development Margin, achievement falling between two of the stated performance achievement levels resulted in the payment for that portion of the bonus being interpolated between the corresponding bonus levels. For 2012, we reported Adjusted EBITDA in our Form 10-K of \$82 million and Development Margin of 14.8 percent. Adjusted EBITDA, as disclosed in our Form 10-K, reflects \$16 million of net income, excludes the impact of \$58 million of interest expense, \$21 million of provision for income taxes, \$30 million of depreciation and amortization, and \$2 million of impairment reversals on equity investment, and includes \$41 million of consumer financing interest expense. The Compensation Policy Committee approved adjustments to Adjusted EBITDA and Development Margin so that such results would be more closely aligned with and reflective of the results of our on-going core operations. The adjustments to Adjusted EBITDA included excluding \$41 million related to litigation settlements at the Company's Luxury project in San Francisco, \$16 million of charges related to organizational and separation related efforts, \$8 million of the gain from the sale of the Company's Luxury golf course, clubhouse, and spa formerly known as The Ritz-Carlton Golf Club & Spa, Jupiter that was sold in 2012 (the Jupiter Property), \$4 million of operating losses at the Jupiter Property, \$1 million of severance in our Luxury segment, \$1 million of severance in our Europe segment and \$1 million of costs associated with removing the Ritz-Carlton brand from one of our properties in the Luxury segment. The adjustments to Development Margin included excluding \$1 million of severance in our Luxury segment and \$1 million of severance in our Europe segment. As a result, bonus payouts were based on Adjusted EBITDA of approximately \$138.2 million and Development Margin of 15.1 percent. This performance was at 110.67 percent of the target achievement level but was below the maximum achievement level for Adjusted EBITDA, and 120.80 percent of the target achievement level and in excess of the maximum achievement level for Development Margin (see the table below for the weightings for each metric and the actual amount earned in respect thereof for each named executive officer).

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

**Individual Achievement:** The Compensation Policy Committee approved a specific set of management objectives for each of the named executive officers that was aligned to his responsibilities and role within the Company. The management objectives generally were expected to be challenging and are among the core duties of the positions. Examples of the types of management objectives are:

Pursue organizational structures and information systems that better align to mid-market stand-alone company;

Ensure continued superior associate engagement; and

Institutionalize stand-alone company capabilities.

**Customer/Guest Satisfaction:** Customer satisfaction was based on the results of our internally developed customer and guest satisfaction surveys. Different surveys were used for different aspects of our business, such as Guest Satisfaction for Resort Operations, Sales and Marketing Satisfaction and Owner Services Satisfaction. These surveys address topics such as overall satisfaction, quality of service, cleanliness of properties and knowledgeable staff. Numerical ratings are assigned with the objective of assessing customers and guests overall satisfaction compared to the goal that is established at the beginning of each year. The named executive officers were evaluated based on survey responses for the business operations that they support. The achievement levels of all named executive officers, with the exception of the Executive Vice President and Chief Sales and Marketing Officer, were based on a composite score of the three satisfaction surveys for the business they support. The composite is a weighted average of the three surveys, based on number of responses. The achievement of the Executive Vice President and Chief Sales and Marketing Officer was based upon the weighted average of the Sales and Marketing Satisfaction survey and the Owner Services Satisfaction survey, weighted based on the number of responses.

**Associate Engagement:** Assessment of our associate engagement for the executive officers was based on our engagement assessment for their areas of responsibility compared to the Aon Hewitt benchmarks of Consumer Services and Best Employer, adjusted for geographic differentials.

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The respective weightings of the relevant performance measures and the aggregate target and actual payments under the Bonus Plan are displayed in the table below.

Name		Adjusted EBITDA	Development Margin	Individual Achievement	Customer Satisfaction	Associate Engagement	Total
Stephen P. Weisz	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	32.00	16.00	16.00	8.00	8.00	80.00
	Actual Payout as % of Salary	54.77	32.00	28.80	6.04	16.00	137.61
John E. Geller, Jr.	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00	12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	41.08	24.00	22.32	4.53	12.00	103.93
R. Lee Cunningham	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00	12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	41.08	24.00	21.60	5.87	12.00	104.54
James H Hunter, IV	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00	12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	41.08	24.00	23.42	4.53	12.00	105.03
Brian E. Miller	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	20.00	10.00	10.00	5.00	5.00	50.00
	Actual Payout as % of Salary	34.23	20.00	19.66	3.64	10.00	87.53
Robert A. Miller	Weight of Total Award (%)	40.00	20.00	20.00	10.00	10.00	100.00
	Target Award as % of Salary	24.00	12.00	12.00	6.00	6.00	60.00
	Actual Payout as % of Salary	41.08	24.00	12.00	2.09	12.00	91.17

The total amount of payout for each named executive officers was as follows: Mr. Weisz, \$933,010; Mr. Geller, \$418,834; Mr. Cunningham, \$358,588; Mr. Hunter, \$355,012; Mr. Brian Miller, \$501,533; and Mr. Robert Miller, \$423,416.

In February 2013, the Compensation Policy Committee approved a bonus plan for 2013 with substantially similar financial, operational and associate objectives to those of the Bonus Plan for 2012, except that an additional financial objective, net income, was included. For the named executive officers, target awards as a percentage of base salary for 2013 are as follows: Mr. Weisz, 100 percent; Mr. Geller, 75 percent; Mr. Cunningham, 60 percent; Mr. Hunter, 60 percent; and Mr. Brian Miller, 50 percent. The maximum awards are 200 percent of the target awards.

*Sales Incentive*

Reflecting the significance of customer relations and sales functions to our business and industry practice, Mr. Brian Miller also has been compensated through a sales incentive arrangement ( Incentive Plan ) under which he was compensated based on our achievement of pre-established goals with respect to sales volume, cash marketing and selling costs, and marketing and sales corporate overhead costs. The Incentive Plan was recommended by Mr. Weisz and approved by the Compensation Policy Committee and was established based upon an assessment of competitive pay practices in the timeshare industry and marketing and sales functions.

Payouts under the Incentive Plan could have been zero, at target or maximum award levels or interpolated between zero, target and maximum. We report the potential payments under the Incentive Plan for 2012 in the Grants of Plan-Based Awards for Fiscal Year 2012 table, and we include the actual amount paid to Mr. Brian Miller under the Incentive Plan for 2012 in the non-equity incentive plan compensation column in the

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Summary Compensation Table following this Compensation Discussion and Analysis. The cash flow measures used for determining payouts under the Incentive Plan related to contract sales volume, marketing and selling costs, and corporate overhead. We do not disclose the specific goals and objectives within, or the relative weighting of, the above categories because we believe they constitute confidential business information and their disclosure could impair the ability of the Company to compete effectively. However, the Company believes the performance goals were challenging but reasonably attainable at the time the goals were established.

### ***Stock Awards***

We expect that equity compensation awards will be granted to the named executive officers under the Stock and Cash Incentive Plan on an annual basis. With multi-year and, in some cases, performance-based vesting conditions and the opportunity for long-term capital appreciation, the annual stock awards help us achieve our objectives of attracting and retaining key executive talent, linking named executive officer pay to long-term Company performance and aligning the interests of named executive officers with those of shareholders.

In December 2011, the Compensation Policy Committee approved aggregate values of certain awards under the Stock and Cash Incentive Plan in connection with the Spin-Off for a group of employees, including the named executive officers, which were also intended to include the annual equity awards for 2012 for our executive officers. The differences in the target award percentages were determined primarily by considering market data (as described below) and internal factors, including pay equity with other officers, differences in responsibilities and future potential. For the named executive officers, the approved value of the awards was as follows: Mr. Weisz, \$3,100,000; Mr. Geller, \$1,300,000; Mr. Cunningham, \$550,000; Mr. Hunter, \$700,000; Mr. Brian Miller, \$475,000; and Mr. Robert Miller, \$550,000. The value of the awards was allocated as follows: 40 percent of the value of the awards for the named executive officers as RSUs; 30 percent as SARs; and 30 percent as Performance Units. The allocations were set so as to advance the executives' alignment with shareholders by increasing their equity ownership, while tying a majority of the awards to future stock price performance and achievement of financial performance goals. The RSUs and the SARs were granted in December 2011 and were reflected in the Summary Compensation Table for 2011 and the Grants of Plan-Based Awards for Fiscal Year 2011 table in our Annual Report on Form 10-K for the fiscal year ended December 30, 2011. The Performance Units were approved on March 12, 2012 and granted on March 16, 2012 and are reflected in the Summary Compensation Table for 2012 and the Grants of Plan-Based Awards for Fiscal Year 2012.

The Performance Units represent the right to receive shares of our common stock at the end of the performance period beginning December 31, 2011 and ending January 2, 2015 (the Performance Period), in an amount determined based on the Company's cumulative achievement over the Performance Period with respect to two performance objectives: Adjusted EBITDA (as defined above) and return on invested capital, each weighted equally. Performance Units will not vest if the named executive officer does not continue to be an active employee of the Company during the entire period from the grant date through the Performance Period (unless the named executive officer retires during such period as an approved retiree) or engages in competition or acts that are or potentially are injurious to the Company's operations, financial condition or business reputation; the named executive officers are also prohibited from soliciting any of our employees to leave our employment during the period from the grant date until the first anniversary of the termination of the officer's employment for any reason. If a named executive officer retires as an approved retiree during the Performance Period, a pro rata portion of the Performance Units will continue to vest on the same terms. The number of Performance Units actually earned will be determined following the end of the Performance Period and shall be equal to 50 percent of the granted number of Performance Units multiplied by a percentage corresponding to the achievement level of the Adjusted EBITDA performance objective plus 50 percent of the granted number of Performance Units multiplied by a percentage corresponding to the achievement level of the return on invested capital performance objective. The number of shares that will be received can range from zero to two times the number of Performance Units granted.

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### ***Other Compensation***

#### ***Perquisites***

Following the Spin-Off, we eliminated most of the limited perquisites that prior to that time made up a very small portion of total compensation for named executive officers. In 2012, we offered only a limited number of compensatory room nights and a minimal executive physical benefit. The value of these benefits was included in the executives' wages for tax purposes, and we did not provide tax gross-ups to the executives with respect to these benefits.

#### ***Other Benefits***

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

#### ***Deferred Compensation***

We do not currently offer a nonqualified deferred compensation plan. Prior to the Spin-Off, however, our named executive officers and other senior management were able to participate in the Marriott International, Inc. Executive Deferred Compensation Plan (Marriott Deferred Compensation Plan), and our named executive officers have balances under that plan.

#### ***Change in Control Arrangements***

Our named executive officers are participants in the Marriott Vacations Worldwide Corporation Change in Control Severance Plan that was adopted by our Board in March 2012 (the Change in Control Plan). Adoption of the Change in Control Plan was intended to maximize shareholder value by retaining key executives through the closing of a Change in Control (as defined below), and to motivate executives to drive business success independent of the possible occurrence of a Change in Control. All of our executive officers are eligible to participate in the Change in Control Plan. Under the Change in Control Plan, the receipt of benefits is subject to a double trigger, under which benefits, including the acceleration of vesting and/or settlement of equity and cash awards, is available only if the participant's employment is terminated in connection with the change in control unless the awards are not assumed in connection with the change in control, in which case a single trigger applies. A change in control occurs if there is a consummation of certain acquisition, merger, sale, liquidation or similar events or there is a change in a majority of Board members as described in the Change in Control Plan (a Change in Control).

Under the terms of the Change in Control Plan, and subject to the conditions thereof, an executive officer who participates in the Change in Control Plan will receive severance benefits if his or her employment is terminated involuntarily by the Company or any of its affiliates, other than due to Cause, Total Disability (as those terms are defined in the Change in Control Plan), or death, or is terminated by the executive officer for Good Reason (as defined in the Change in Control Plan), in each case, within two years following a Change in Control of the Company (a Termination). Provided that the executive officer executes a waiver and release of claims in favor of the Company, he or she will be entitled to the following severance benefits: (1) a cash severance payment, payable in a lump sum, equal to two times (or three times, in the case of the President and Chief Executive Officer of the Company) the sum of his or her Base Salary and Target Bonus (as those terms are defined in the Change in Control Plan); (2) twenty-four months (or thirty-six months, in the case of the President and Chief Executive Officer of the Company) of company-subsidized medical, dental and life-insurance.

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coverage for such executive officer and his or her spouse and dependents, at the same benefit level as provided to the executive immediately prior to the Change in Control, or the cash equivalent of the present value of such coverage; (3) any unpaid Base Salary through the Termination date; (4) any unpaid bonus as of the Termination date for any previously-completed fiscal year; (5) a pro-rata bonus for the fiscal year in which the executive officer's employment is terminated; and (6) reimbursement of any unreimbursed expenses properly incurred.

In addition to receipt of the severance benefits described above, upon Termination, an executive officer's stock options and other equity-related compensation shall be treated as follows: (1) all restricted stock, RSUs or other share-based awards in a form substantially similar to restricted stock or RSUs shall become fully vested as of the Termination date; (2) all unvested or unexercisable options, SARs or other share-based awards in a form substantially similar to options or SARs shall become fully vested and exercisable until the earlier of the end of (a) their original term or (b) 12 months (or in the case of certain approved retirees, five years) following the Termination date; and (3) all of the executive officer's other cash performance-based awards or other share-based awards subject to performance-based vesting criteria shall be deemed to be fully vested as of the Termination date, and shall be paid immediately thereafter based on a presumed achievement of target levels of performance. However, in the event that no substitute awards, shares or other equity interests are available as of the change of control, the participant will become fully vested in his or her awards as of the change in control date, and all awards will be immediately distributed or paid, or, in the case of options and SARs, fully exercisable. In the discretion of the Compensation Policy Committee, distributions may be made in the form of a cash payment equal in amount to the shares distributed or, in the case of options or SARs, the intrinsic value of such awards.

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

## **Clawbacks**

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

## **Stock Ownership Guidelines**

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

**Table of Contents****Compensation Consultant**

The Compensation Policy Committee has the sole discretion and adequate funding to retain the services of a compensation consultant, independent legal counsel or other adviser. Exequity LLP serves as the independent compensation consultant to the Compensation Policy Committee and advises it on developing director and executive compensation programs. During 2012, Exequity did not perform any services for the Company other than in connection with providing advice and recommendations on executive and director compensation. The Compensation Policy Committee has reviewed an assessment of any potential conflicts of interest raised by Exequity's work for the Compensation Policy Committee by considering the following six factors: (i) the provision of other services to the company by Exequity; (ii) the amount of fees received from the company by Exequity, as a percentage of Exequity's total revenue; (iii) the policies and procedures of Exequity that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Exequity consultant with a member of the Compensation Policy Committee; (v) any company stock owned by the Exequity consultants; and (vi) any business or personal relationship of the Exequity consultant or Exequity with any of the company's executive officers, and concluded that there are no such conflicts of interest. Using the same six factors, the Compensation Policy Committee has concluded that Exequity is independent.

**Market Data**

The Compensation Policy Committee considered the external market pay practices of various companies for purposes of the decisions made with respect to the compensation of our executive officers for 2012. The Compensation Policy Committee considered the following as the basis for selecting the companies for 2012: similarity to the Company's industry and shared emphasis on customer service and brand image, participation of the company in the Equilar Top 25 database, the companies' annual revenue and market capitalization, and whether the companies' headquarters are located in Orlando, Florida. The objective was to establish a peer group consisting of approximately 15 companies with median revenues approximating the Company's revenues. The peer group of companies consisted of Apartment Investment and Management Company, Bluegreen Corporation, Corporate Office Properties Trust, Darden Restaurants, Inc., Doral Financial Corporation, Duke Realty Corporation, Host Hotels & Resorts, Inc., Hyatt Hotels Corporation, Interval Leisure Group, Inc., Las Vegas Sands Corp., Pinnacle Entertainment, Inc., Starwood Hotels & Resorts Worldwide, Inc., Ventas, Inc., and Wyndham Worldwide Corporation. In reviewing and establishing compensation for 2012, the Compensation Policy Committee used the peer group 25<sup>th</sup> percentile and median as reference points for the named executive officers.

With respect to developing compensation recommendations for 2013 executive pay decisions, the Compensation Policy Committee worked with Exequity in 2012 to develop a new group of companies for assessing external market pay practices. Considerations for developing the peer group included company size as measured by revenues (generally  $\frac{1}{2}$  to 2 times the Company's revenues) and market capitalization (companies with very low or very high market capitalizations relative to the Company were excluded), industry and business model similarities, and trading on a major exchange. The objective was to develop a peer group consisting of 15 to 20 companies with median revenues approximating the Company's revenues. The companies in the peer group consist of Ashford Hospitality Trust, Inc., Boyd Gaming Corporation, Brookdale Senior Living Inc., Choice Hotels International, Inc., Emeritus Corporation, Gaylord Entertainment Company, Hyatt Hotels Corporation, Interval Leisure Group, Inc., Isle of Capri Casinos, Inc., Pinnacle Entertainment, Inc., PulteGroup, Inc., Starwood Hotels & Resorts Worldwide, Inc., Strategic Hotels & Resorts, Inc., Sunrise Senior Living, Inc., Sunstone Hotel Investors, Inc., Toll Brothers, Inc., Vail Resorts, Inc., and Wyndham Worldwide Corporation.

In addition, in part due to the fact that there are very few public company direct competitors, the Compensation Policy Committee determined that it was appropriate to consider the compensation practices of a general industry peer group as an additional reference point for its 2013 executive pay decisions. Two objective criteria were established as the basis for selection: forty companies in the consumer products industry that participated in Equilar's Top 25 database and company revenues (i.e., 20 consumer products companies above

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and 20 consumer products companies below the Company's revenues). Company names were not a material factor in selecting the companies for participation. The companies that met these objective criteria with revenues below the Company's are: Brookfield Residential Properties Inc., Callaway Golf Company, Deckers Outdoor Corporation, DineEquity, Inc., The Finish Line, Inc., Fifth & Pacific Companies, Inc., Furniture Brands International, Inc., Hovnanian Enterprises, Inc., KB Home, lululemon athletica inc., Meritage Homes Corporation, Pacific Sunwear of California Inc., Papa John's International, Inc., Pier 1 Imports, Inc., The Ryland Group, Inc., Scientific Games Corporation, Stage Stores, Inc., Tempur-Pedic International Inc., The Talbots, Inc. and Under Armour, Inc. The companies that met these objective criteria with revenues above the Company's are: Aéropostale, Inc., ANN INC., Bob Evans Farms, Inc., Carter's, Inc., The Cheesecake Factory Incorporated, Chipotle Mexican Grill, Inc., Coinstar, Inc., Constellation Brands, Inc., Cott Corporation, Domino's Pizza, Inc., Fossil, Inc., GNC Holdings, Inc., International Game Technology, J.Crew Group, Inc., Spartan Stores, Inc., Tower International, Inc., Tupperware Brands Corporation, Ulta Salon, Cosmetics & Fragrance, Inc., The Warnaco Group, Inc. and The Wendy's Company.

## **Tax Considerations**

Internal Revenue Code Section 162(m) limits a public company's federal income tax deduction for compensation in excess of one million dollars paid to its Chief Executive Officer and the next three highest-paid executive officers (except for the Chief Financial Officer). However, compensation that satisfies conditions set forth under Section 162(m) to qualify as performance-based compensation is not subject to the limitation. SARs and some other forms of compensation granted under the Stock and Cash Incentive Plan can be designed to qualify as performance-based compensation. We intend to consider the application of the Section 162(m) limits when structuring and granting various elements of compensation. However, we may determine that the value of preserving the ability to structure compensation programs to meet a variety of corporate objectives, such as equity dilution management, workforce planning, customer satisfaction and other non-financial business requirements, justifies the cost of potentially being unable to deduct a portion of the executives' compensation. In addition, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations, and the fact that such regulations and interpretations may change from time to time (with potentially retroactive effect), no assurance can be given that compensation intended to satisfy the requirements for deductibility under Section 162(m) will in fact do so.

## **Risk Considerations**

The Compensation Policy Committee reviewed a risk assessment to determine whether the amount and components of compensation for our employees and the design of compensation programs might create incentives for excessive risk-taking by our employees. The Compensation Policy Committee concluded that our compensation programs do not present risks that are reasonably likely to have a material adverse effect on the Company.

## **Employment Agreements**

We do not have employment agreements with any of our executive officers.

## **Executive Compensation Tables and Discussion**

The following tables contain compensation information for the named executive officers, who are our Chief Executive Officer and certain other executive officers who were the most highly compensated executive officers for 2012.



**Table of Contents****Summary Compensation Table**

The following Summary Compensation Table shows the compensation we paid in fiscal years 2012, 2011 and 2010 to our Chief Executive Officer, our Chief Financial Officer, and our other three most highly compensated executive officers as of December 28, 2012. Mr. Robert Miller retired effective December 14, 2012; SEC rules require the inclusion of Mr. Robert Miller in the Summary Compensation Table.

Name and Principal Position	Fiscal Year	Salary <sup>(1)</sup>	Bonus	Stock Awards <sup>(2)</sup>	Option/SAR Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3)</sup>	Change in Pension Value and Nonqualified Deferred Compensation <sup>(4)</sup>	All Other Compensation <sup>(5)</sup>	Total
<b>Executive Officers</b>									
Stephen P. Weisz	2012	\$ 678,000		\$ 929,989	\$	\$ 933,010	\$ 35,989	\$ 7,500	\$ 2,584,488
President and Chief Executive Officer	2011	585,941	100,000	1,990,156	929,998	229,134	17,106	20,065	3,872,400
	2010	551,144		375,053	375,064	436,231	11,737	14,700	1,763,929
John E. Geller, Jr.	2012	403,000		389,988		418,834	4,103	7,500	1,223,425
Executive Vice President and Chief	2011	351,566	100,000	920,073	390,004	133,131	1,813	23,294	1,919,881
	2010	329,375		325,068		222,987	1,055	12,499	890,984
<b>Financial Officer</b>									
R. Lee Cunningham <sup>(6)</sup>	2012	343,000		165,011		358,588	13,130	7,500	887,229
Executive Vice President and Chief	2011	310,616	50,000	360,162	305,035	80,640	6,214	15,063	1,127,730
	2010	292,637		112,602	112,540	182,664	4,229	11,700	716,372
<b>Operating Officer</b>									
James H Hunter IV	2012	338,000		210,006		355,012	1,847	7,500	912,365
Executive Vice President and	2011	304,380	100,000	417,553	347,515	163,533	817	13,164	1,346,962
	2010	284,888		250,057		169,736	493	10,330	715,504
<b>General Counsel</b>									
Brian E. Miller	2012	573,000		142,513		530,183	13,340	7,500	1,266,536
Executive Vice President and Chief	2011	526,976	50,000	470,159	142,500	134,770	6,120	38,118	1,368,643
	2010	566,033		215,056		585,026	3,834	12,232	1,382,181
<b>Sales and Marketing Officer</b>									
Robert A. Miller <sup>(7)</sup>	2012	464,423		165,011		423,416	145,500		1,198,350
Former Executive Vice President and Chief	2011	465,085	50,000	520,091	164,997	186,732	76,992	7,963	1,417,860
	2010	447,043		250,035		306,090	53,593	11,025	1,067,786
<b>Operating Officer</b>									
<b>International</b>									

<sup>(1)</sup> This column reports all amounts earned as salary during the fiscal year, whether paid or deferred under other employee benefit plans. For periods prior to 2012, Mr. Brian Miller's salary includes a fixed incentive component that is payable in accordance with regular payroll

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practices. For 2010, Mr. Brian Miller should have received a fixed incentive of \$279,335 but due to administrative error he instead received \$300,000. The amount of the overpayment of \$20,665 was withheld from his 2011 incentive payment of \$25,676.

- (2) The value reported for Stock Awards and Option/SAR awards is the aggregate grant date fair value of the awards granted in the fiscal year as determined in accordance with accounting guidance for share-based payments, although we recognize the expense of the awards for financial reporting purposes over the service period of the awards. The assumptions for making the valuation determinations are set forth in Footnote No. 14, Share-Based Compensation, of the Notes to our Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012. For additional information on these awards, see the Grants of Plan-Based Awards for Fiscal Year 2012 table below. The Distribution Awards (as defined below), which were granted in 2011, did not result in any increase in aggregate fair value of the underlying Marriott International awards, and as a result are not reflected in this table except to the extent the underlying Marriott International award was granted during 2011. The value reported for the Performance Units is the grant date value based on the probable outcome of the performance conditions as of the grant date. The values of the Performance Units at the grant date assuming that the maximum level of performance conditions is achieved are: Mr. Weisz, \$1,859,978; Mr. Geller, \$779,976; Mr. Cunningham, \$330,022; Mr. Hunter, \$420,012; Mr. Brian Miller, \$285,026; and Mr. Robert Miller, \$330,022.
- (3) This column reports all amounts earned under the Bonus Plan during the fiscal year, whether paid or deferred under other employee benefit plans. Amounts earned under the Bonus Plan during a fiscal year were paid in the first quarter of the

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following fiscal year. For Mr. Brian Miller, for 2012 this column also includes \$28,650 paid to him under his sales incentive plan, and for 2011, \$5,011 paid to him under his sales incentive plan, which reflects the \$25,676 he earned under that plan, less the \$20,665 we withheld as a result of an overpayment to him in 2010.

- (4) The values reported equal the excess of the return on amounts credited to accounts in the Marriott Deferred Compensation Plan at the annually designated rate of return over 120 percent of the applicable federal long-term rate, as discussed below under Nonqualified Deferred Compensation for Fiscal Year 2012.
- (5) All Other Compensation for 2012 consists of company contributions to the 401(k) Plan. All Other Compensation for 2011 consists of company contributions to Marriott International's 401(k) plan of \$7,963 for each named executive officer other than Mr. Hunter and \$6,737 for Mr. Hunter, and company contributions to the Marriott Deferred Compensation Plan in the following amounts: Mr. Weisz, \$12,102; Mr. Geller, \$15,331; Mr. Cunningham, \$7,100; Mr. Hunter, \$6,427; and Mr. Brian Miller, \$30,155. All Other Compensation for 2010 consists of company contributions to Marriott International's 401(k) plan of \$11,025 for each named executive officer, and company contributions to the Marriott Deferred Compensation Plan in the following amounts: Mr. Weisz, \$3,675; Mr. Geller, \$3,675; Mr. Cunningham, \$5,795; Mr. Hunter, \$2,980; and Mr. Brian Miller, \$3,675. The values in this column do not include perquisites and personal benefits that were less than \$10,000 in aggregate for each named executive officer.
- (6) Following the retirement of Mr. Robert Miller as our Executive Vice President and Chief Operating Officer International, Mr. Cunningham, who had been serving as our Executive Vice President and Chief Operating Officer North America and Caribbean, became our Executive Vice President and Chief Operating Officer effective December 15, 2012.
- (7) Mr. Robert Miller retired effective December 14, 2012.

***Arrangements with Robert Miller***

Mr. Robert Miller, who had been serving as our Executive Vice President and Chief Operating Officer International, retired effective December 14, 2012. The Compensation Policy Committee approved Mr. Miller's retirement, which will allow him to be considered an approved retiree as contemplated by the Stock and Cash Incentive Plan, and as a further condition to such status Mr. Miller entered into an agreement pursuant to which he agreed not to compete with the Company for a period ending on December 15, 2015 on the terms contemplated by the Stock and Cash Incentive Plan. The Compensation Policy Committee also determined that Mr. Miller would be eligible to receive a pro-rated bonus for 2012 under the Bonus Plan, and Mr. Miller received a bonus of \$423,416. In addition, Mr. Miller will continue to vest in and receive distributions under outstanding Marriott Vacations Worldwide and Marriott International stock awards and he may exercise Marriott Vacations Worldwide and Marriott International SARs for up to five years in accordance with the awards' original terms; the value of his unvested Marriott Vacations Worldwide and Marriott International equity awards that will continue to vest was \$1,007,662 and \$427,863, respectively, as of December 14, 2012. In January 2013, our subsidiary Marriott Ownership Resorts, Inc. entered into an Independent Contractor Agreement with a consulting firm affiliated with Mr. Miller, pursuant to which such firm will provide certain services, including among other things, providing strategic advice and other services relating to regulatory agencies and industry organizations. We will pay such firm a fee of \$420,000 per year during the term of the agreement, which ends on December 15, 2015. Either party to the agreement may terminate the agreement on 30 business days' prior notice.

**Table of Contents****Grants of Plan-Based Awards for Fiscal Year 2012**

The following table shows the plan-based awards granted to the named executive officers in 2012.

Name	Award Type <sup>(1)</sup>	Grant Date <sup>(2)</sup>	Approval Date <sup>(2)</sup>	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(3)</sup>			Estimated Possible Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock and Option/SAR Awards <sup>(4)</sup>
				Threshold \$	Target \$	Maximum \$	Threshold #	Target #	Maximum #	
S. Weisz	Bonus			\$	\$ 542,400	\$ 1,084,800				\$
	Performance	03/16/2012	03/12/2012				17,052	34,103	68,206	929,989
J. Geller	Bonus				241,800	483,600				
	Performance	03/16/2012	03/12/2012				7,151	14,301	28,602	389,988
R. Cunningham	Bonus				205,800	411,600				
	Performance	03/16/2012	03/12/2012				3,026	6,051	12,102	165,011
J. Hunter	Bonus				202,800	405,600				
	Performance	03/16/2012	03/12/2012				3,851	7,701	15,402	210,006
B. Miller	Bonus				286,500	573,000				
	Incentive					286,500				
	Performance	03/16/2012	03/12/2012				2,613	5,226	10,452	142,513
R. Miller	Bonus				278,474	556,948				
	Performance	03/16/2012	03/12/2012				3,026	6,051	12,102	165,011

(1) Bonus refers to our Bonus Plan in which our named executive officers participated. Performance refers to the Performance Units. Incentive refers to the sales incentive plan in which Mr. Brian Miller participated.

(2) Grant Date applies to equity awards reported in the Estimated Possible Payouts Under Equity Incentive Plan Awards column. As discussed in the Compensation Discussion and Analysis, our board approved grants of Performance Units for the named executive officers on March 12, 2012, and the grant date of these awards was March 16, 2012.

(3) The amounts reported in these columns include potential payouts corresponding to the achievement of the target and maximum performance objectives under the Bonus Plan and Incentive Plan.

(4) The value reported for Stock Awards is the aggregate grant date fair value of the awards granted in 2012 as determined in accordance with accounting standards for share-based payments, although the expense of the awards is recognized for financial reporting purposes over the service period of the awards based on the probable outcome of the performance conditions. The assumptions for making the valuation determinations are set forth in Footnote No. 14, Share-Based Compensation, of the Notes to our annual Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012.

The Grants of Plan-Based Awards table reports the potential dollar value of cash incentive awards under the Bonus Plan and/or Incentive Plan at their threshold, target and maximum achievement levels, and the number and grant date fair value of Performance Units granted under the Stock and Cash Incentive Plan to each named executive officer during the 2012 fiscal year. For cash incentives, this table reports the range of potential amounts that could have been earned by the executive under the Bonus Plan and/or Incentive Plan for 2012, whereas the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table reports the actual value earned by the executive for 2012.

Annual SAR and RSU grants under the Stock and Cash Incentive Plan and the Marriott International Stock Plan typically vest 25 percent on each of the first four anniversaries of their grant date, contingent on continued employment. Even when vested, an executive could lose the right to exercise or receive a distribution of any outstanding stock awards if the executive terminated employment due to serious misconduct as defined in the Stock and Cash Incentive Plan or the Marriott International Stock Plan, or if it is determined that the executive has engaged in competition or has engaged in criminal conduct or other behavior that was actually or potentially harmful. RSU award vesting is not accelerated upon retirement. These awards do not accrue or pay cash dividends and do not bear voting rights until they vest (in the case of RSUs) or are exercised (in the case of SARs) and shares are issued to the grantee. Although a portion of awards approved in December 2011 were intended to serve as the annual equity awards for 2012 for our named executive officers, the portions of these awards approved in December 2011 that consisted of RSUs and SARs were granted in December 2011 and the portions that consisted of Performance Units were granted in March 2012; the awards granted in 2011 are not reflected in the Grants of Plan-Based Awards table for 2012.



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Performance Units represent the right to receive shares of our common stock at the end of a performance period, which with respect to the Performance Units granted in 2012 began December 31, 2011 and will end on January 2, 2015. The number of shares that will be received following the end of the performance period will be based on the Company's cumulative achievement over the period with respect to specified performance objectives and can range from zero to two times the number of Performance Units granted. Performance Units generally will not vest if the named executive officer does not continue to be an active employee of the Company during the entire period from the grant date through the performance period or engages in competition or acts that are or potentially are injurious to the Company's operations, financial condition or business reputation; the named executive officers are also prohibited from soliciting any of our employees to leave our employment during the period from the grant date until the first anniversary of the termination of the officer's employment for any reason.

**Outstanding Equity Awards at 2012 Fiscal Year-End**

The following table shows information about outstanding options, SARs, RSUs and Performance Units of our common stock and Marriott International common stock as of December 28, 2012, our fiscal year-end. The market values are based on the closing price of our common stock or Marriott International's common stock, as

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the case may be, on the NYSE on December 28, 2012, the last trading day of the fiscal year, which was \$40.83 and \$36.48, respectively.

Name	Grant Date <sup>(1)</sup>	Award Type <sup>(2)</sup>	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
			Number of Securities Underlying Unexercised Options/SARs Exercisable/Unexercisable <sup>(3)</sup>	Option/ SAR Exercise Price	Option/ SAR Expiration Date	Number of Shares or Units Of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Units or Other Rights That Have Not Vested (#)		
S. Weisz		MAR RSUs <sup>(4)</sup>		\$		23,797.0	\$ 868,115			
		VAC RSUs <sup>(4)</sup>				52,596.7	2,147,523			
	2/5/2004	MAR Options	62,600	21.50	2/5/2014					
	2/10/2005	MAR Options	24,600	30.31	2/10/2015					
	2/19/2008	MAR SARs	21,396	33.50	2/19/2018					
	8/7/2008	MAR SARs	24,393	8,131	25.88	8/7/2018				
	2/16/2010	MAR SARs	18,170	18,170	25.44	2/16/2020				
	2/19/2008	VAC SARs	2,139	20.41	2/19/2018					
	8/7/2008	VAC SARs	2,439	813	15.77	8/7/2018				
	2/16/2010	VAC SARs	1,816	1,818	15.50	2/16/2020				
12/15/2011	VAC SARs	26,632	79,897	18.52	12/15/2021					
03/16/2012	Performance <sup>(4)</sup>							34,103.0 <sup>(5)</sup>	1,392,425 <sup>(6)</sup>	
J. Geller		MAR RSUs <sup>(7)</sup>				15,190.0	554,131			
		VAC RSUs <sup>(7)</sup>				22,578.0	921,860			
	12/15/2011	VAC SARs	11,168	33,506	18.52	12/15/2021				
3/16/2012	Performance <sup>(7)</sup>						14,301.0 <sup>(5)</sup>	583,910 <sup>(6)</sup>		
R. Cunningham		MAR RSUs <sup>(8)</sup>				5,571.0	203,230			
		VAC RSUs <sup>(8)</sup>				9,467.1	386,542			
	2/6/2003	VAC Options	1,350	8.68	2/6/2013					
	2/19/2008	MAR SARs	15,580	33.50	2/19/2018					
	8/7/2008	MAR SARs	7,230	2,410	25.88	8/7/2018				
	2/16/2010	MAR SARs	5,452	5,452	25.44	2/16/2020				
	2/17/2011	MAR SARs	2,220	6,660	38.49	2/17/2021				
	2/19/2008	VAC SARs	1,558	20.41	2/19/2018					
	8/7/2008	VAC SARs	723	241	15.77	8/7/2018				
	2/16/2010	VAC SARs	544	546	15.50	2/16/2020				
2/17/2011	VAC SARs	222	666	23.46	2/17/2021					
12/15/2011	VAC SARs	4,725	14,175	18.52	12/15/2021					
03/16/2012	Performance <sup>(8)</sup>							6,051.0 <sup>(5)</sup>	247,062 <sup>(6)</sup>	
J. Hunter		MAR RSUs <sup>(9)</sup>				2,526.0	92,148			
		VAC RSUs <sup>(9)</sup>				11,592.6	473,326			
	11/5/1998	MAR Options	16,080	13.30	11/5/2013					
	11/4/1999	MAR Options	11,000	15.63	11/4/2014					
	2/12/2007	MAR SARs	3,992	46.21	2/12/2017					
	2/19/2008	MAR SARs	19,460	33.50	2/19/2018					
	8/7/2008	MAR SARs	18,069	6,023	25.88	8/7/2018				
	2/16/2010	MAR SARs	12,114	12,114	25.44	2/16/2020				
	2/17/2011	MAR SARs	2,180	6,540	38.49	2/17/2021				