almost one year subsequent to the time the original estimates were prepared ($30 million); and (2) a lower discount rate (17 percent) and capitalization rate reflecting changes in market conditions versus the date at which the estimates in the solicitations were prepared ($79 million). The Company assessed its potential investment and any potential loss on settlement based on post-acquisition cash flows. The purchase accounting was based on pre-acquisition cash flows and capital structure. As a result, the factors giving rise to the differences outlined above did not materially impact the Company's previous assessment of any expense related to litigation. The post-settlement equity of the Joint Venture is considerably lower then the pre-acquisition equity due to additional indebtedness post-acquisition and the impact of changes to the management agreements made contemporaneously with the transaction.

Fluctuations in the values of hotel real estate generally have little impact on the overall results of our Lodging businesses because (1) we own less than 1 percent of the total number of hotels that we operate or franchise; (2) management and franchise fees are generally based upon hotel revenues and profits versus hotel sales values; and (3) our management agreements generally do not terminate upon hotel sale.

We have made loans to owners of hotels and senior living communities that we operate or franchise. Loans outstanding under this program, excluding timeshare notes, totaled $860 million at December 28, 2001, $592 million at December 29, 2000, and $295 million at December 31, 1999. The balance at December 28, 2001, is stated net of the reserve arising from the $43 million charge discussed in the restructuring costs and other charges note. Unfunded commitments aggregating $669 million were outstanding at December 28, 2001, of which $187 million are expected to be funded in 2002 and $334 million are expected to be funded in total. We participate in a program with an unaffiliated lender in which we may partially guarantee loans made to facilitate third-party ownership of hotels and senior living services communities that we operate or franchise.

Synthetic Fuel. In October 2001, we acquired four coal-based synthetic fuel production facilities (the Facilities) for $46 million in cash. The synthetic fuel produced at the Facilities qualifies for tax credits based on Section 29 of the Internal Revenue Code. Under Section 29, tax credits are not available for synthetic fuel produced after 2007. We currently plan to commence operation of the Facilities in 2002. We anticipate that the operation of the Facilities, together with the benefit arising from the tax credits will be significantly accretive to our net income. The operations of the Facilities are expected to produce significant operating losses, although we anticipate that these will be offset by the tax credits generated under Section 29, which we expect to reduce our income tax expense. We expect that the Facilities will be disclosed as a separate segment in our consolidated financial statements while operating in 2002 through 2007, and at that point we do not expect to report the Facilities as a separate segment as we do not expect it to be material.

Cash from Financing Activities

Long-term debt, including convertible debt, increased by $799 million in 2001 and $340 million in 2000, primarily due to borrowings to finance our capital expenditure and share repurchase programs, and to maintain excess cash reserves totaling $645 million in the aftermath of the September 11, 2001 terrorist attacks on New York and Washington.

Our financial objectives include diversifying our financing sources, optimizing the mix and maturity of our long-term debt and reducing our working capital. At year-end 2001, our long-term debt, excluding convertible debt, had an average interest rate of 5.2 percent and an average maturity of approximately 5.2 years. The ratio of fixed rate long-term debt to total long-term debt was .58 as of December 28, 2001.

In April 1999, January 2000 and January 2001, we filed "universal shelf" registration statements with the Securities and Exchange Commission in the amounts of $500 million, $300 million and $300 million, respectively. As of January 31, 2002, we had offered and sold to the public under these registration statements, $300 million of debt securities at 7⅞%, due 2009 and $300 million at 8⅛%, due 2005, leaving a balance of $500 million available for future offerings.

In January 2001, we issued, through a private placement, $300 million of 7 percent senior unsecured notes due 2008, and received net proceeds of $297 million. We agreed to make and complete a registered exchange offer for these notes, and completed that exchange offer on January 15, 2002.

We are a party to revolving credit agreements that provide for borrowings of $1.5 billion expiring in July 2006, and $500 million expiring in February 2004, which support our commercial paper program and letters of credit. Loans of $923 million were outstanding at December 28, 2001, under these facilities. The large balance under these facilities at year-end was due in part to our decision to draw down funds due to our desire to maintain excess cash reserves in the aftermath of the September 11, 2001 terrorist attacks. Such fluctuations in the availability of the commercial paper market do not affect our liquidity because of the flexibility provided by our credit facilities. Borrowings under these facilities bear interest at LIBOR plus a spread, based on our public debt rating.

In 1999 we called for mandatory redemption of Liquid Yield Option Notes (LYONs) that were issued in 1996. Approximately 64 percent of LYONs holders elected to convert their notes to common stock, for which we issued 6.1 million shares. The other 36 percent of LYONs holders received cash totaling $120 million, which reduced by 3.4 million common shares the dilutive impact of these convertible debt securities issued by a predecessor company in 1996. Nine percent of the cash redemption price was reimbursed to us by our predecessor company (Sodexho Marriott Services, Inc.).

On May 8, 2001, we issued zero-coupon convertible senior notes due 2021, also known as LYONs, and received cash proceeds of $405 million. The LYONs are convertible into approximately 6.4 million shares of our Class A Common Stock and carry a yield to maturity of 0.75 percent. Holders of the LYONs have the option to redeem them on May 8 of each of 2002, 2004, 2011 and 2016 at their then accreted value. We have adequate credit facilities committed to satisfy this obligation if it occurs in 2002. We may choose to pay the purchase price for redemptions or repurchases in cash and/or shares of our Class A Common Stock.