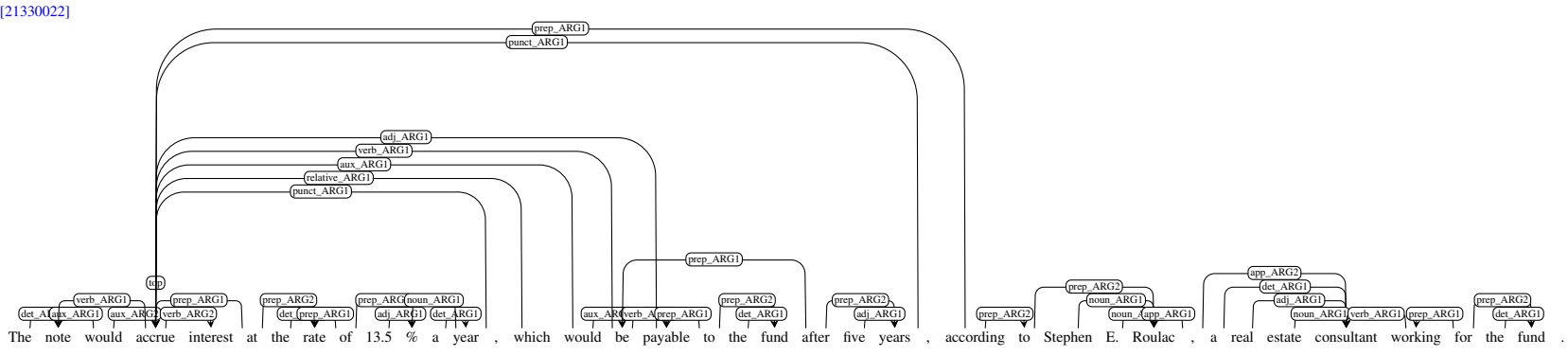
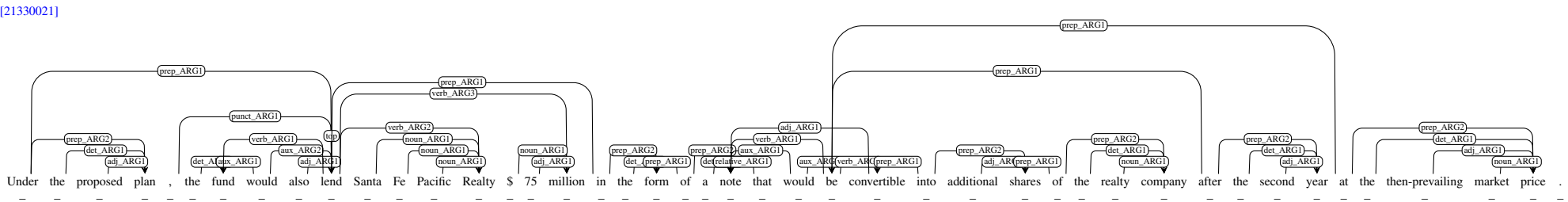
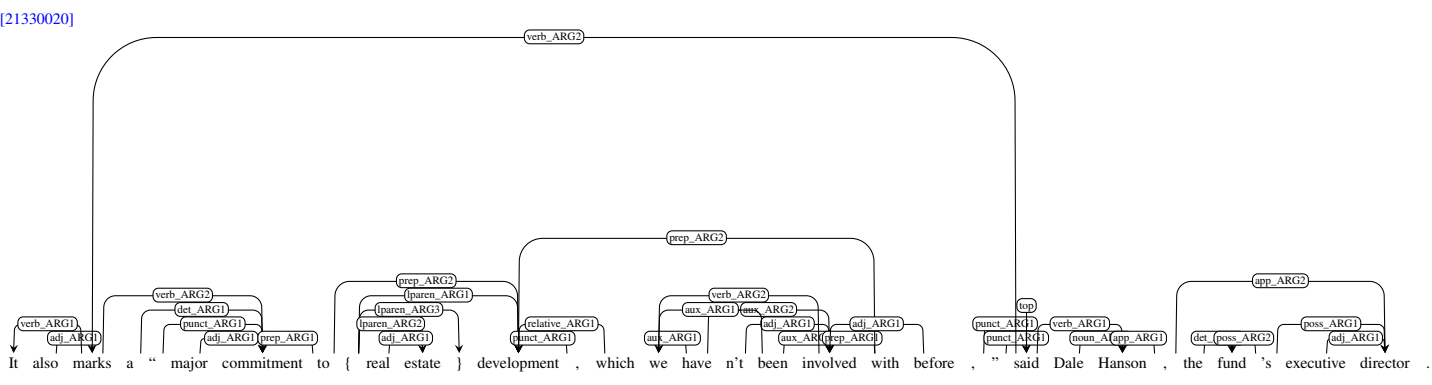
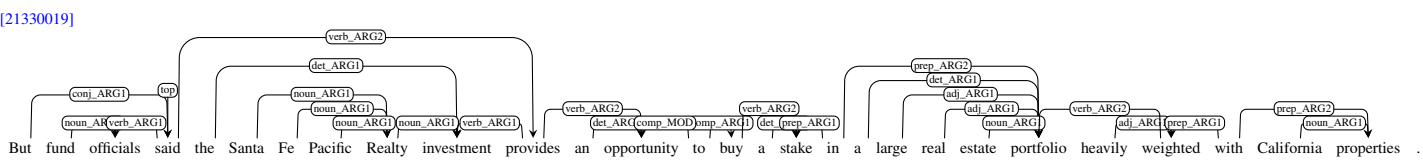
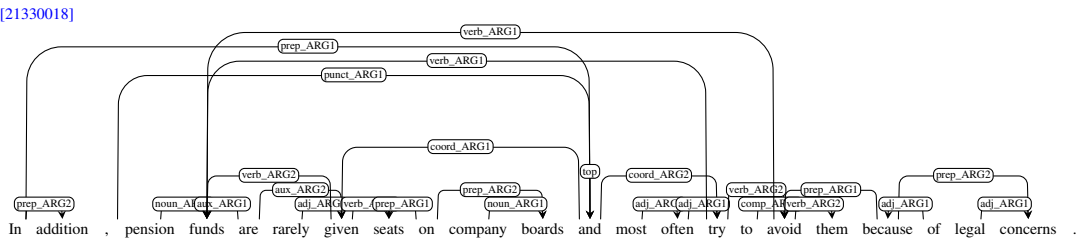
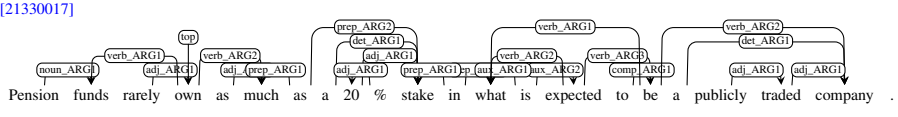
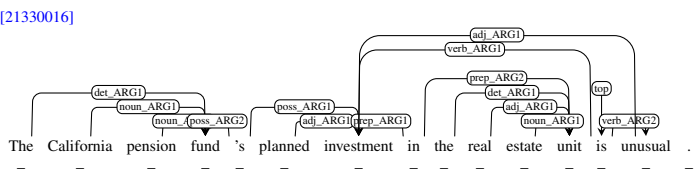
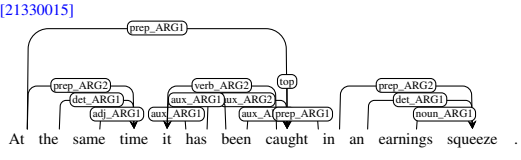
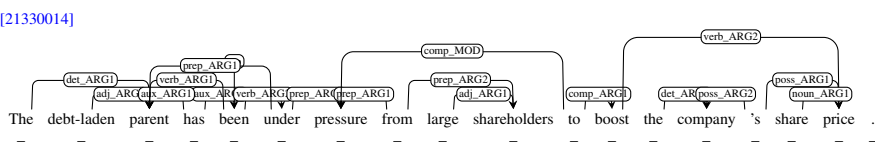
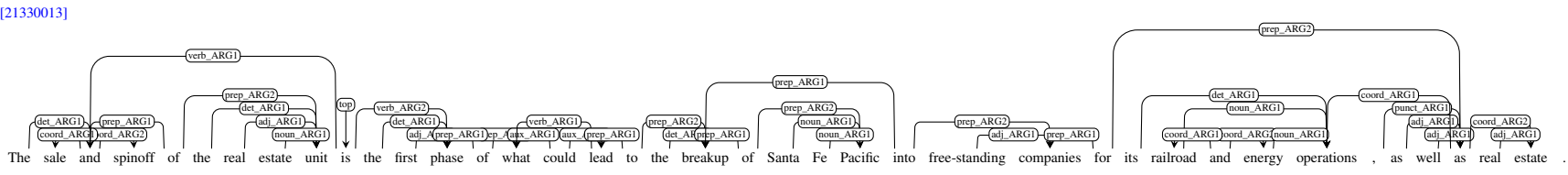
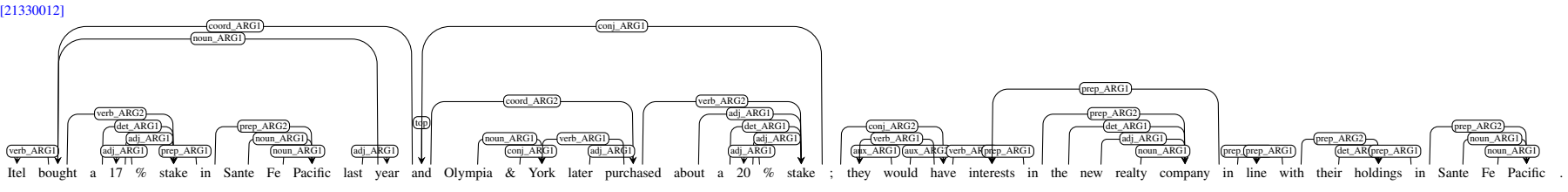
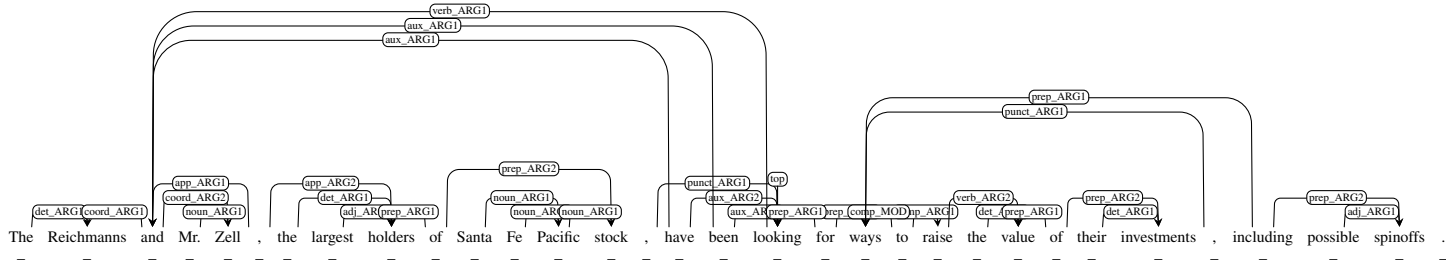


[21330001]





[21330023]

The purpose of the note is to provide added capital for the spun-off company in a form that will save it spending cash on immediate interest payments, Mr. Roulae said.

[21330024]

The spun-off concern "clearly will be one of the dominant real estate development companies with a prime portfolio," he said.

[21330025]

For the last year, Santa Fe Pacific has redirected its real estate operations toward longer-term development of its properties, hurting profits that the parent had generated in the past from periodic sales from its portfolio.

[21330026]

Real estate operating income for the first nine months fell to \$ 71.9 million from \$ 143 million a year earlier, the company said.

[21330027]

In a statement late yesterday, Santa Fe Pacific's chairman, Robert D. Krebs, said that Santa Fe Pacific Realty would repay more than \$ 500 million in debt owed to the parent before the planned spinoff.

[21330028]

That would help reduce Santa Fe Pacific's remaining debt to about \$ 600 million from a high of \$ 3.7 billion in early 1988.

[21330029]

It was n't clear where Santa Fe Pacific expected to obtain the payment of more than \$ 500 million, which would be well above the \$ 400 million that California pension fund officials say they plan to provide.

[21330030]

The realty unit might take on new debt or obtain additional investors, among other possibilities.

[21330031]

The Santa Fe Pacific spokesman declined to comment on that aspect, saying the deal was still under negotiation.

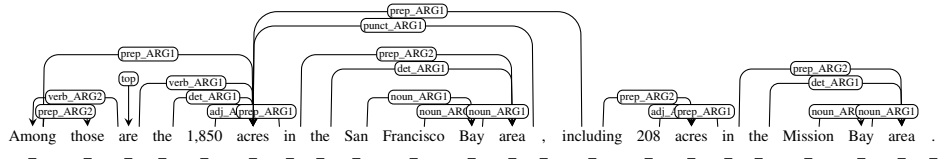
[21330032]

Santa Fe Pacific Realty owns 2.8 million acres of property, including 219 buildings with more than 11 million square feet of space.

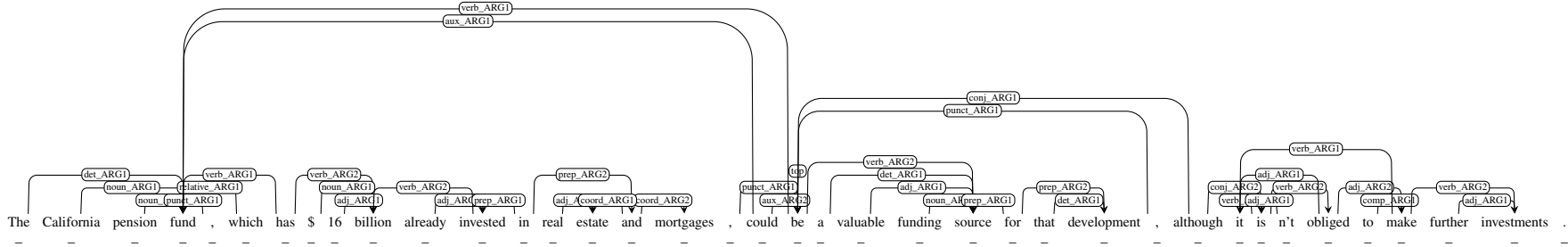
[21330033]

It also holds nearly 40,000 acres of raw land with development potential, but under a previously announced strategy, the company has targeted building on 5,400 acres in California, Arizona and the Chicago area.

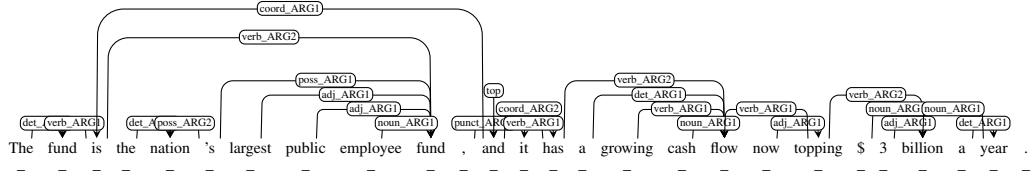
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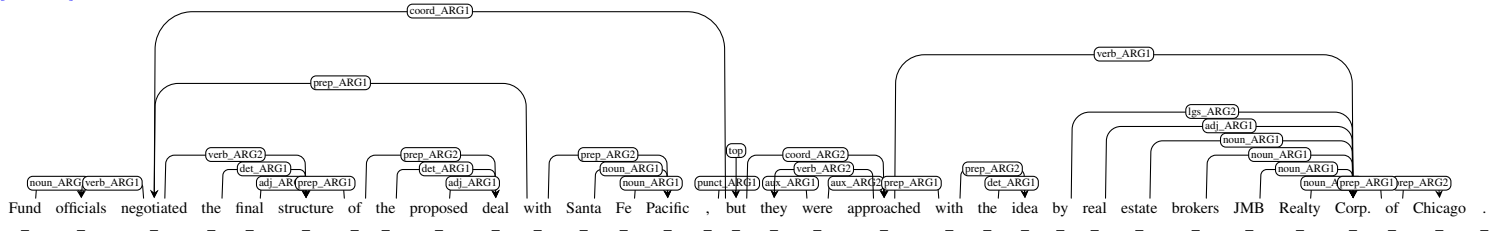
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[21330036]



[21330037]



[21330038]

