

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re : Chapter 11 Case No.
: :
GENERAL GROWTH : 09 - _____ ()
PROPERTIES, INC., et al., :
: (Joint Administration Requested)
Debtors. :
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DECLARATION OF ADAM S. METZ

Adam S. Metz declares, pursuant to section 1746 of title 28 of the United States Code, as follows:

I. Introduction

1. I am the Chief Executive Officer of General Growth Properties, Inc.¹ I submit this declaration to provide the Court and interested parties with a summary of the circumstances that compelled the company to seek relief under chapter 11 and an outline of our anticipated path through the chapter 11 process. As I describe below, GGP’s core business – owning and managing about 200 shopping centers and other properties in 44 states – is performing well with stable cash flows. Unprecedented circumstances in the credit markets, however, have made it impossible for the company to refinance billions of dollars in mortgages and other debts that are now due or will soon come due. The company’s management and directors have reluctantly concluded that chapter 11 is the best process for restructuring maturing mortgage loans, reducing GGP’s corporate debt, and establishing a sustainable, long-term capital structure for the company. I want to emphasize that all of our shopping centers are open and will remain open for business as usual as we restructure our debt in chapter 11.

¹ I refer to General Growth Properties, Inc. and all of its approximately 750 subsidiaries and affiliates as “GGP.”



2. I earned my undergraduate degree from Cornell University and a Masters in Management from Northwestern University. I have spent all of my professional life in the operation and financing of commercial real estate, and specifically in the shopping center industry. From 1983 to 1987, I was a corporate lending officer in the commercial real estate lending group of The First National Bank of Chicago. From 1987 to 1993, I worked as a vice president in the Capital Markets Group of JMB Realty Corporation, a commercial real estate investor. In 1993, JMB spun off its shopping center business into a NYSE-listed real estate investment trust called Urban Shopping Centers, and I became executive vice president and chief financial officer there, later serving as Urban's president. In 2000, Urban was acquired by Rodamco, a Netherlands-based investment company, and I then worked as executive vice president and chief investment officer of Rodamco, North America. When Rodamco was sold to three major owner/operators of shopping malls (including The Rouse Company, which GGP subsequently acquired in 2004), I co-founded Polaris Capital, LLC, a real estate consulting and investment firm which owned retail real estate throughout the United States. I was elected an independent director of GGP in November 2005, and later became lead director. I became Chief Executive Officer of GGP in October 2008.

II. GGP's Business Is Strong, But the Credit Markets Are Broken

A. Our Properties Are Performing Well

3. From its roots as a single shopping center in Cedar Rapids, Iowa, in the 1950s, GGP has become one of the largest owners of shopping centers and other retail properties in the United States. Our properties have more than 200 million square feet of rentable space and are home to more than 24,000 retail stores, restaurants, movie theaters, and other businesses that depend on our continued operation. GGP went public on the New York Stock Exchange in

1993. Though both organic growth, and growth by acquisition, the company achieved an equity market capitalization of approximately \$20 billion by April 2007.

4. We employ approximately 3,700 people directly, and hundreds of thousands more indirectly when the employees of our retail tenants and outside service providers, such as security, maintenance, and cleaning services, are included. Our properties are integral parts of the communities they serve, and in some locations they are among the largest employers in town. GGP's shopping centers host many community activities and we make substantial contributions to local and state finances through our direct and indirect payment of real estate and other taxes, as well as the sales taxes paid by our many tenants.

5. While our properties have a significant economic and social impact on each of the local communities they serve, the shopping center business is a national one and many of our tenants operate nationwide. To meet their needs, we operate a highly-integrated and centrally-managed national platform of properties in major and middle markets in 44 states. GGP has close relationships with national retailers in virtually every retail category. A critical element of our business strategy is to create synergies for both GGP and its tenants by our ability to provide retailers with multiple, desirable locations for their stores and a regional or nationwide footprint.

6. The company's senior management, based in Chicago, makes all key strategic decisions regarding GGP's properties. For example, property management functions are centralized in our Chicago headquarters, which provides accounting, business development, cash management, construction, contracting, design, finance, forecasting, human resources and employee benefits, insurance and risk management, facility services, marketing, legal, leasing, tax, treasury, and other similar functions for all of the company's properties. The details of our

integrated management structure and operations, and its benefits and efficiencies, are discussed further in the Declaration of James A. Mesterharm, our restructuring consultant.

7. GGP grew over the years through development and redevelopment of properties, as well as through acquisitions. The company's largest acquisition was its 2004 purchase of The Rouse Company and its festival marketplaces, including the South Street Seaport, Boston's Faneuil Hall, and Baltimore's Harbor Place. Since 2004, GGP's expansion occurred primarily as a result of new development, redevelopment, and improvement of its properties, financed with mortgage debt and revenues generated from business operations. Through these efforts, GGP significantly enlarged multiple properties across the United States and increased the rents and overall profitability by generating more customer traffic, raising the number of tenants, and increasing occupied rentable space.

8. The result of this strategy is a portfolio of retail centers with sound, stable and profitable operations that, on the whole, perform well even when the general economy does not. For example, in 2008 our company-wide net operating income (NOI), a common financial metric in the shopping center industry, was \$2.59 billion, an *increase* of 4.5 percent over 2007 despite the challenges of the economy.² This increase is because the shopping center business is very different from the retail business. GGP's business is far less cyclical than that of the retail industry because our revenues are insulated by long-term leases, tenant diversity, and the geographic and demographic diversity of our properties. We have weathered past recessions and after each became a stronger company. GGP continues to have occupancy rates above 90 percent – among the highest in the industry – and even now we regularly are entering into new leases with existing and new tenants.

² NOI is the operating revenues of our properties less property operating expenses, excluding interest on debt, depreciation and amortization.

9. While GGP anticipates continued difficulty in the retail sector due to the weakened economic environment, we do not expect economic weakness to have a materially negative effect on our properties over the long term. Our resilience to the economic downturn is due to several factors. GGP's shopping centers are well-located and often the leading properties in their respective markets. Our tenant base is high caliber and well diversified, with no tenant making up more than three percent of our revenues. Typically, when retailers do vacate leaseholds due to bankruptcy, it is after a period of poor performance at those locations, which creates the opportunity for GGP to place better-performing tenants in those spaces and improve sales and traffic at the shopping mall. Competition from new shopping malls is likely to be limited in the future because there is no financing available for new developments, and it is extraordinarily difficult to obtain approvals to build competing properties even when financing is available. Finally, GGP also has valuable development rights associated with many of its properties, assets which do not generate cash today but in the future have the potential to create enormous value.

10. GGP has sought bankruptcy court assistance to restructure its finances and de-leverage its balance sheet because the collapse of the credit markets has made it impossible for the company to refinance its maturing debt outside of chapter 11. GGP's capital structure and outstanding debts are described in greater detail in the Declaration of James Mesterharm. The circumstances that compelled GGP to file for chapter 11, however, can be summarized succinctly: GGP has approximately \$18.4 billion in outstanding debt obligations that have matured or will mature between now and the end of 2012, including past due maturities of \$2.0 billion, \$1.3 billion more coming due in the remainder of 2009, and \$6.4 billion in 2010.

11. Despite extensive efforts over many months to refinance or extend this debt, and attempts to sell certain properties to generate cash sufficient to satisfy mortgage debts as they mature, GGP has been unable to do so because the commercial real estate finance markets have ceased to function and effectively are closed, even for loans on quality properties generating stable income. The reasons for this are unrelated to the performance of the shopping center industry generally. Instead, the problem is that virtually every source of commercial real estate financing has dried up, leaving a vastly inadequate supply of credit to meet the demand created by current and upcoming maturities.

12. GGP's problems are the result of a series of unprecedented circumstances in the real estate finance markets. Beginning in 2007, the U.S. capital markets deteriorated significantly due to rising subprime residential mortgage defaults and the deterioration in value of certain complex residential mortgage-backed securities. The failures of Fannie Mae and Freddie Mac last summer, followed by the government rescue of AIG, and finally the bankruptcy of Lehman Brothers on September 15, 2008, brought the commercial real estate finance markets to a virtual shutdown.

13. In sum, GGP did not commence these chapter 11 cases because its operational model is flawed or because its properties are undesirable or performing poorly. Rather, it was the unprecedented disruption in the real estate finance markets specifically, as well as the credit crisis generally, coinciding with GGP's need to refinance or extend the maturity of billions of dollars in mortgage loans over the next several years and to reduce the overall amount of its debt, that led the company's management and directors to conclude reluctantly that a chapter 11 filing was necessary. I describe below the specific circumstances of GGP's financing

needs that led it to the conclusion that a court-supervised restructuring is the best means of preserving the value of the company.

B. The Commercial Real Estate Finance Markets Are Broken

14. GGP, like many other participants in the real estate business, is highly dependent on a functioning market for asset-backed real estate lending. Historically, GGP raised most of its capital through mortgage loans from banks, insurance companies, and in more recent years, the commercial mortgage backed securities (CMBS) market. Consistent with industry practice, and the expectations of the lenders themselves, GGP's approach was to borrow through mortgage loans with low amortizing three- to seven-year terms, improve the NOI for the property through our operational and management expertise, and refinance those loans at maturity, a model used successfully in the commercial real industry for decades. Indeed, for many years it has been rare to see commercial real estate financed with longer-term mortgages that would fully amortize.

15. Over many years, GGP regularly was able to obtain mortgage financing from dozens of sources to refinance its debts. For example, in 2006, \$9.4 billion of GGP debt came due and the company successfully refinanced all of it. Similarly, in 2007, \$2.7 billion in debt came due and the company not only refinanced all of it, but also obtained \$1.8 billion in additional financing. Last year, however, \$4.2 billion in debt matured and GGP was able to obtain new financing of only \$3.7 billion. The continuing lack of available credit has exacerbated the problem in 2009. From January 1, 2009 through the date of the chapter 11 filing, \$1.1 billion of additional debt has matured which the company is unable to refinance. GGP's inability to refinance debt as it matured triggered acceleration of \$4.1 billion in debt that otherwise was not currently due. In total, as of the chapter 11 filing GGP had approximately

\$2.0 billion of past-due indebtedness and an additional \$5.9 billion that has been or is subject to acceleration. Another \$1.3 billion will mature by its own terms later in 2009. GGP has virtually no hope of refinancing either its past-due debts or its upcoming maturities in the current credit markets.

16. For many years, GGP relied heavily on the the CMBS market to provide a steady stream of funds for financing and refinancing commercial mortgages. In 2008, however, the CMBS market collapsed. Investors stopped buying CMBS bonds, even ones backed by performing mortgages on stable, income-producing properties like GGP's. When investors lost confidence in these securities, underwriters stopped issuing them and lenders stopped financing commercial real estate, ending what for many years had been a robust source of lending to the commercial real estate industry.

17. Commercial property owners needing to refinance, such as GGP, are in jeopardy. Even properties that have been performing well with strong credit quality are unable to attract refinancing. In the absence of any effective means to refinance, GGP has attempted to negotiate extensions of its maturing CMBS loans, but the structure of the CMBS process impeded those efforts. Master servicers and special servicers – not a single lender or syndicate of lenders – are responsible for renegotiation of CMBS loans. Those servicers have constraints on whether and when they can agree to modification of loan terms. In light of these constraints, GGP faces steep logistical challenges in attempting to negotiate permanent extensions of its CMBS debt, or in many cases even to get the loan servicers to begin negotiations. While some servicers have been willing to consider short extensions of maturities, GGP has not been able to negotiate extensions of sufficient duration, on acceptable terms, to achieve a comprehensive, long-term resolution of its financing needs.

18. Nor are other sources of mortgage financing available beyond the CMBS market. Many banks and other traditional real estate lenders are not able to finance real estate assets due to problems with their own balance sheets. Other sources of capital likewise are not lending. Even though GGP's properties continue to perform well overall and its operational business model remains sound, the company cannot refinance its debts because the credit markets are not functioning. Since the breakdown of the credit markets in the last quarter of 2008, the company has been unable to obtain new financing to refinance debts due and coming due. This turn of events was unimaginable twelve months ago.

C. Restructuring Outside Chapter 11 Proved Unworkable

19. Since mid-2008, GGP undertook extensive efforts to modify or refinance its debt, focus on its core business, and restructure the company's finances outside of chapter 11. We tried aggressively to raise funds from numerous sources and retained leading investment banks to undertake a global search for sources of capital at the corporate level. Our efforts to raise both debt and equity capital have been unsuccessful. We also made a concerted and sustained effort to refinance our mortgage debt in 2008, contacting dozens of major banks, life insurance companies, and pension funds, but none were willing to refinance the loans.³ Indeed, most made no lending proposal at all. GGP also reached out to national and regional lending brokers, but invariably learned that borrowers seeking more than \$20 million – an amount far less than necessary to refinance most of GGP's properties – had not been successful in locating financing. Financing conditions have only continued to deteriorate in 2009.

³ The only success GGP had in the debt financing markets in the second half of 2008 was the refinancing of seven mortgage loans with the Teachers Insurance and Annuity Association in December, and placement of one new loan with this same lender in a complex transaction which is described in greater detail in the Declaration of James Mesterharm.

20. To obtain the time necessary to determine whether a long-term restructuring could be concluded out of court, beginning in November 2008, GGP entered into a number of short-term extensions and forbearance agreements with various lender groups. In March 2009, we launched a solicitation process to obtain consents from holders of more than \$2 billion in bonds issued by The Rouse Company LP, one of GGP's subsidiaries, to a forbearance through December 31, 2009, and payment in kind of interest during the forbearance period. Unfortunately, that solicitation process failed to obtain consents at a sufficient level. We also attempted in March 2009 to negotiate a forbearance with the lenders under our 2006 credit facility. However, we could not achieve a critical condition to the forbearance under the 2006 credit facility, which was the successful completion of the Rouse bond solicitation process. In summary, despite all these efforts directed toward an out-of-court restructuring, GGP could not obtain creditor consent to forbearances and extensions sufficient to allow it to navigate a course through existing and upcoming maturities.

21. GGP replaced its senior management in the fall of 2008 and took numerous measures to increase short-term liquidity. These included suspension of our dividend, deferral of property development and redevelopment projects, employee head-count and compensation reductions, controls on travel and other discretionary spending, and elimination of corporate aircraft contracts. We reduced our planned spending for development and redevelopment of properties from \$1.5 billion to \$224 million for 2009, and from \$1.3 billion to \$108 million for 2010. These reductions were for capital expenditures relating to expansion and redevelopment of shopping malls and do not affect the company's ability to maintain its properties.

22. GGP's ability to divest assets is severely limited because prospective buyers also have limited or no ability to finance acquisitions. Over the last five months, the company has undertaken a broad and deep marketing process, utilizing top third-party sales professionals, in an attempt to divest billions of dollars worth of core and non-core assets, including some of its most highly-valued properties. Although the company was able to sell one parcel of land, two office parks, and three office buildings in 2008, all but one of these sales closed prior to the fourth quarter of 2008, when the economic crisis dramatically worsened, leaving a number of core and other non-core assets on the market with no viable offers. Although we have expressions of interest from prospective buyers for certain properties, most of those buyers have no sources of financing and cannot proceed with the transactions. The increasing perception in the marketplace that GGP would file for chapter 11 also chilled interest among potential purchasers of properties.

23. GGP's inability to refinance or repay a number of existing loans with 2008 or early-2009 maturities triggered certain cross-default provisions in other financing arrangements. With substantial maturities coming up on its mortgage and bond debt, GGP's need for access to the credit markets will only increase. With no foreseeable way to refinance or pay off its maturing debts, and facing the risk of serial foreclosures as billions of dollars in debt mature in 2009 and beyond, GGP determined it had no choice other than a court-supervised reorganization process. We believe the chapter 11 process will provide a forum for negotiations with a diverse constituency of secured and unsecured lenders, the protections necessary for the company to preserve and enhance value by continuing its operations uninterrupted, and the tools necessary to achieve a sustainable, long-term capital structure.

III. GGP's Chapter 11 Goals

24. GGP's retail centers will be open for business as usual as the company restructures its debt. Our restructuring efforts will be invisible to the tens of thousands of customers who visit our properties every day; they will see no change in the services and amenities we provide and GGP will continue to use its national platform to provide the best possible mix of retailers at our shopping centers. Customers will continue to enjoy the products and services offered by our valued tenants and the convenience and service offered by GGP's properties. Notwithstanding the filing of these chapter 11 cases, GGP's shopping center business is expected to remain profitable. While we will continue to search for areas where we can reduce costs without adversely affecting property maintenance or the quality of the service we provide to shopping mall tenants and patrons. The basic purpose of the chapter 11 filing is to reduce and restructure GGP's debt.

25. GGP intends to proceed through the chapter 11 process as quickly as possible. To this end, GGP intends to present its business plan to its key constituencies in the next few months and then promptly engage these constituencies in negotiations regarding the terms of a chapter 11 plan of reorganization. The company will seek a consensual plan of reorganization with its mortgage lenders, bondholders, and other corporate-level creditors. During the chapter 11 cases, GGP will continue to explore strategic alternatives, including sales of assets, and will continue to search the markets for available sources of capital. I am confident that our various creditor constituencies will conclude, as have I, that GGP's properties remain valuable and profitable despite the turmoil in the credit markets. I am hopeful they will agree to a restructuring plan that allows the company to recapitalize, by reducing its overall debt and extending mortgage maturities, and emerge quickly from chapter 11. It is possible, however, that

the financing markets will remain closed and we may not be able to achieve a consensual restructuring of our debt, either because of the same complexities we encountered in our efforts to restructure our debt out of court or for other reasons. In that event, GGP may have to rely on the provisions of the Bankruptcy Code to enable the company to reduce its corporate debt and extend the maturities, adjust rates, or otherwise restructure the company's mortgage debt.

26. As discussed in the declaration of James Mesterharm, GGP has requested the Court approve \$375 million in debtor-in-possession financing and permit the company to use the cash it generates from leasing and other business activities to fund its continued operations. As adequate protection for the use of cash collateral, GGP has proposed to pay its mortgage lenders amounts equal to contract-rate interest payments during the chapter 11 cases. We believe our proposal to remain current on interest payments on secured debt during the chapter 11 process demonstrates our confidence in the strength of the cash flow from our shopping centers and other operations. We also will pay our real estate taxes during the chapter 11 cases.

27. GGP intends to pursue a plan of reorganization that extends mortgage maturities and reduces its corporate debt and its overall leverage. This will establish a sustainable, long-term capital structure for the company that preserves the benefits of its integrated, national platform for tenants and all other constituencies. GGP is committed to these goals and has sought the assistance of the Court and the protection of chapter 11 to achieve them.

I declare under penalty of perjury that the foregoing is true and correct. Executed at New York, New York, on April 15, 2009.

/s/ Adam S. Metz
Adam S. Metz