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General Growth to Emerge from Bankruptcy as Two Entities

General Growth Properties, the company that owns most of the regional malls in central Maryland is set to emerge from Chapter 11 bankruptcy this fall. In its new form, the company will be divided into two separate companies with each one owning key properties in the state.

One of the two new companies will also be called General Growth Properties will take over most of the regional malls while the other company, tentatively named Spinco will contain the master-planned communities like Columbia, Md. and Summerlin, Nev. and specialty marketplaces like South Street Seaport in New York.

The new company, General Growth Properties will have in its portfolio Maryland developments such as Harborplace, the Gallery, the Village of Cross Keys, Towson Town Center and several malls namely Mondowmin Mall, Owing Mills Mall and White Marsh Mall. Several other properties under the new General Growth company include the Mall in Columbia, the big box Gateway Overlook center on Route 175 and a series of older office buildings south of Columbia's mall. But Merriweather Post Pavillion, General Growth's regional headquarters on Little Patuxent Parkway together with several other properties along the lake front will be under

Spinco.

General Growth has been actively planning with Howard County and other parties to develop housing, commercial areas and public amenities on undeveloped parcels it controls in Columbia.

15 months ago, General Growth Properties filed the country's largest real estate bankruptcy when it was the second largest owner of regional malls and specialist centers after Simon Property Group. It owned 200 such malls and specialist centers nationwide.

It has been largely believed that General Growth's financial problems that led to its bankruptcy stemmed primarily from their acquisition of Rouse Co. and its portfolio for some \$11.3 billion in 2004. Rouse Co. was the company that developed most of General Growth's Maryland properties.

Since filing for bankruptcy, the company has restructured its debts and expects to emerge from bankruptcy with a 'significantly improved balance sheet and substantially less debt'. It has so far successfully restructured nearly \$15 billion in debts at project level. The company also plans to pay off creditors in full and substantially satisfy shareholders. In doing so, it aims to raise between \$7 billion and \$8.5 billion in new funds.

It is expected that a judge will decide on confirmation of General Growth's reorganization plan in August. When it exits from bankruptcy, the shareholders will own shares in both General Growth Properties and Spinco. On Monday, the company confirmed that the Teachers' Retirement System of Texas will invest \$500 million into the company and in return receive shares worth \$10.25 in the new company.

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