

## **CLOSING DATE NET DEBT CALCULATION**

As an integral part of the transactions under the Investment Agreements, under certain circumstances, Spinco will issue a note in favor of GGP and GGP will indemnify Spinco with respect to certain tax liabilities.

The Spinco Note calculation assumes an emergence date of November 8, 2010. The following summary briefly describes the financial covenants, calculations, rights and obligations under the Investment Agreements related to the Spinco Note and the indemnity. Refer to the Investment Agreements for a full understanding of the matters set forth below, including the precise definition of each term. The Investment Agreements are filed with the Bankruptcy Court at Docket No. 5172, and can be accessed by visiting the website of the Plan Debtors' Notice and Claims Agent at [www.kccllc.net/GeneralGrowth](http://www.kccllc.net/GeneralGrowth) and clicking on the menu item labeled "Court Documents."

### **a. Calculation of the Spinco Note**

If issued on the Effective Date, the Spinco Note will be a five year, interest bearing, unsecured promissory note payable by Spinco or one of its subsidiaries to New GGP or one of its subsidiaries. Whether a Spinco Note will be issued on the Effective Date and the amount of the Spinco Note if issued are determined based on (i) the amount of Closing Date Net Debt as compared to Target Net Debt, (ii) the Hughes Amount, and (iii) the amount of any Offering Premium.

Closing Date Net Debt is calculated as (i) Proportionally Consolidated Debt plus any accrued and unpaid interest thereon plus the New Debt, less (ii) the Reinstatement Adjustment Amount plus (iii) the Permitted Claims Amount less (iv) the amount of Proportionally Consolidated Unrestricted Cash. Target Net Debt is defined in the Investment Agreements as equal to \$22,970,800,000.

If Closing Date Net Debt is less than Target Net Debt, then a Net Debt Surplus Amount will exist, the amount of which will be calculated as Target Net Debt less Closing Date Net Debt. If Closing Date Net Debt is greater than the Target Net Debt, then a Net Debt Excess Amount will exist, the amount of which will be calculated as Closing Date Net Debt less Target Net Debt.

The Spinco Note Amount is equal to: (i) if there is a Net Debt Excess Amount, then the Net Debt Excess Amount plus the Hughes Amount, or (ii) if there is a Net Debt Surplus Amount, then the Hughes Amount less 80% of the Net Debt Surplus Amount; provided, however, that in no event will the Spinco Note Amount be less than zero.

To the extent that a Spinco Note is issued on the Effective Date, then the principal amount of the note is subject to adjustment under certain circumstances. To the extent that there is an Offering Premium, then the Spinco Note Amount will be reduced

by 80% of the Offering Premium. As Disputed Permitted Claims are resolved and paid, the New GGP Board may determine that the remaining amount of the Reserve exceeds amounts necessary to pay remaining Disputed Claims, and if so, as a result of application of the Reserve Surplus Amount (described further below), the Spinco Note will be reduced by the amount of such excess. Finally, to the extent that Spinco is obligated to pay MPC Taxes for tax year 2010 and is not eligible for indemnification from New GGP due to the Indemnity Cap (described below), then New GGP may pay the taxes and the Spinco Note Amount will be increased by the amount New GGP pays. If a Spinco Note was not issued on the Effective Date, but New GGP pays such taxes, then Spinco will issue a note at that time on the same terms as the Spinco Note.

**b. Proportionally Consolidated Debt**

The amount of Proportionally Consolidated Debt plus any accrued and unpaid interest thereon plus the amount of the New Debt is forecasted to be approximately \$28.2 billion on the Effective Date, consisting of the following:

***Property Level Secured Debt:*** Property level secured debt is comprised of the forecasted loan balance of all property level secured debt and the pro rata share of debt held at non-wholly owned entities. For the purpose of the projections, the forecasted property level secured debt balance is estimated to be \$16.4 billion for wholly owned entities and \$3.3 billion for non-foreign joint ventures.

***TopCo Unsecured Debt:*** The TopCo unsecured debt consists of the loan balance for all corporate level unsecured debt. For the purpose of the projections, the estimated total balance of \$6.4 billion includes the 2006 Bank Loan Claims (\$2.6 billion), the Rouse Notes (\$2.2 billion), and the Exchangeable Notes (\$1.6 billion).

***International Debt:*** International debt is the sum of (i) a forecasted debt balance of \$44 million related to General Growth's joint venture in Turkey and (ii) a contractually fixed amount of \$110 million related to General Growth's joint venture in Brazil per the terms of the Investment Agreements.

***Other Debt Facilities:*** For the purpose of the projections, other debt is estimated to be \$1.3 billion and includes debt for the Bridgelands and General Growth's share of the Woodlands master planned communities, the DIP Facility, the GGP/Homart II, L.L.C. Partner Note Claim, the GGP/Ivanhoe, Inc. Affiliate Partner Note Claim, the TRUPS Claim, and preferred stock.

***Accrued and Unpaid Interest:*** Forecasted accrued interest on the above debt facilities is estimated to be \$672 million as of the Effective Date and includes forecasted unpaid interest for property level secured debt, TopCo unsecured debt, the DIP Facility, the GGP/Homart II, L.L.C. Partner Note Claim, the GGP/Ivanhoe, Inc. Affiliate Partner Note Claim, the TRUPS Claim, and preferred stock. Accrued interest on the 2006 Bank Loan Claims is calculated using the contract base once the existing LIBOR contracts expired in the post petition period, and the interest is accrued and compounded

on a month to month basis from the last payment date prior to the Plan Debtors' chapter 11 filing. Accrued interest on the Rouse Notes, the Exchangeable Notes and the TRUPS Claim is calculated at the contract non-default rate and is accrued and compounded on a month to month basis from the last payment date prior to the Plan Debtors' chapter 11 filing. The accrued and unpaid interest on property level secured debt, DIP Facility, the GGP/Homart II, L.L.C. Partner Note Claim, the GGP/Ivanhoe, Inc. Affiliate Partner Note Claim, and preferred stock is accrued as of the last payment date during or prior to the Plan Debtors' chapter 11 filing as applicable. Default interest on the 2006 Bank Loan Claim, as well as potential make whole obligations owed on the Rouse Note Claims and Exchangeable Notes Claims, are in dispute, and therefore these amounts have been excluded from the Closing Date Net Debt calculation. If the above disputes regarding default interest and make whole obligations have been ruled on by the Bankruptcy Court or settled prior to the Effective Date, then any such amounts allowed by the Bankruptcy Court or settled will be included in the Closing Date Net Debt calculation. To the extent that any of these disputes have not been settled or ruled on by the Bankruptcy Court prior to the Effective Date, then estimated amounts for any such unresolved disputes will be included in the Closing Date Net Debt calculation. Moreover, to the extent that one or more of these disputed amounts remain unresolved as of the Effective Date, then it is possible that a Spinco Note would be issued on the Effective Date. The amount of any such Spinco Note could range from \$100 to \$175 million, which may be subject to subsequent adjustment.

***New Debt:*** The new corporate debt to be raised upon the Effective Date is assumed to consist of an unfunded revolving credit facility. Therefore, for the purposes of the forecasted calculation the new debt amount is assumed to equal zero.

c. **Forecasted Closing Date Net Debt**

As noted above, Closing Date Net Debt is calculated as (i) Proportionally Consolidated Debt plus any accrued and unpaid interest thereon plus the amount of the drawn portion of the New Debt, less (ii) the Reinstatement Adjustment Amount plus (iii) the Permitted Claims Amount less (iv) the amount of Proportionally Consolidated Unrestricted Cash. Based on the projections, Closing Date Net Debt is estimated to be \$22.3 billion.

***Reinstatement Adjustment Amount:*** The Reinstatement Adjustment Amount is calculated as the total amount of Corporate Level Debt less the total amount of Corporate Level Debt to be reinstated on the Effective Date. Corporate Level Debt consists of the sum of TopCo unsecured debt, the DIP Facility and other debt (in each case, including any accrued and unpaid interest thereon). The forecast contemplates that the Plan Debtors will repay certain classes of TopCo unsecured debt and the DIP Facility in cash on the Effective Date. The TRUPS Claim, the GGP/Homart II, L.L.C. Partner Note Claim, the GGP Ivanhoe, Inc. Affiliate Partner Note Claim, GGP TRS Retained Debt Claim, as well as the GGPLP LLC Preferred Equity Units and GGP LP Preferred Equity Units are assumed to be reinstated. In addition, the Unmatured Rouse Notes are assumed to be reinstated (elections by holders of these notes to receive the New Rouse

Note as contemplated by the Plan, will not change the quantum of debt). The forecast assumes that the Investors exercise their options under the Investment Agreements to satisfy the purchase price of New GGP Common Stock using allowed claims against the Debtors, including claims under the Reinstated Rouse Notes. The Investors will receive New GGP Common Stock in full satisfaction of amounts of the reinstated Rouse Notes surrendered pursuant to this election and, therefore, these amounts will not remain outstanding after the Effective Date. The Exchangeable Notes Claims are assumed to be paid in full as it is assumed that the holders of such Claims elect the cash distribution option afforded to them in the Plan.

***Permitted Claims Amount:*** The Permitted Claims Amount is based on the sum of (i) allowed but unpaid Permitted Claims of the Debtors plus (ii) estimated Permitted Claims of the Debtors plus the Spinco Setup Costs, which include an adjustment related to debt paydowns for certain properties transferred to Spinco on the Effective Date.

***Permitted Claims:*** Permitted Claims include Administrative Expense, Priority Non-Tax, Priority Tax, Secured Tax, Other Secured and General Unsecured Claims against the Debtors, any surety bond claims related thereto, and Administrative Expense Claims of Indenture Trustees and administrative agents, but excluding any of the Excluded Claims.

***Excluded Claims:*** Excluded Claims are all Mechanics' Lien Claims and similar claims, ordinary course payables unrelated to Spinco, litigation claims unrelated to Spinco, cure claims unrelated to Spinco, MPC Taxes, and any liabilities assumed by Spinco.

***Proportionally Consolidated Unrestricted Cash:*** For the purpose of the projections and any estimates contained in this summary of the Spinco Note provisions, Proportionally Consolidated Unrestricted Cash consists of an estimated \$607 million of available cash at General Growth's wholly owned subsidiaries excluding proceeds from asset sales, \$142 million of cash calculated on a pro rata basis based on General Growth's ownership of its consolidated and unconsolidated joint ventures, and a contractually fixed amount of \$82 million of cash held by General Growth's Brazilian joint venture.

d. **Estimation of Spinco Note**

As described above, the determination of Net Debt Surplus Amount or Net Debt Excess Amount is based on a comparison of (i) Closing Date Net Debt and (ii) Target Net Debt for the Plan Debtors. A calculation based on the assumptions outlined above results in a Net Debt Surplus Amount of \$688 million. Therefore, the amount of the Spinco Note is equal to the Hughes Amount less 80% of the Net Debt Surplus Amount; provided that in no event will the Spinco Note Amount be less than zero. Pursuant to the Plan, the Hughes Heirs will receive \$10 million in cash and, at the Plan Debtors' option, \$220 million in New GGP Common Stock and/or cash. Based on the above, the amount of the Spinco Note is estimated to be zero.

e. **GGP MPC Tax Indemnity**

Per the Investment Agreements, New GGP will indemnify Spinco from and against 93.75% of any and all losses, claims, damages, liabilities and reasonable expenses to which Spinco and its subsidiaries become subject, in each case solely to the extent directly attributable to MPC Taxes in an amount up to the Indemnity Cap. The Indemnity Cap is calculated as the lesser of (i) \$303,750,000 and (ii) the Excess Surplus Amount. The Excess Surplus Amount is determined using a complicated formula that includes varying percentages of any Reserve Surplus Amount, Net Debt Surplus Amount and Offering Premium.

***Reserve Surplus Amount:*** The Reserve Surplus Amount, which is calculated on a quarterly basis, is equal to the Reserve less (i) the amount of Permitted Claims originally included in the Reserve, but, as of the time of calculation, resolved and paid less (ii) the amount of Reserve the New GGP Board elects to retain with respect to any remaining disputed Permitted Claims. Any amounts applied to adjust the Spinco Note Amount in a prior quarter cannot be applied in subsequent quarters to further reduce the note. For the purpose of the projections and the estimates contained in this summary, the Reserve Surplus Amount is assumed to be zero.

***Net Debt Surplus Amount:*** The Net Debt Surplus Amount is calculated on 80% of the excess of the Net Debt Surplus Amount over the Hughes Amount.

***Offering Premium:*** Per the Investment Agreements, the Offering Premium is the per share offering price of New GGP Common Stock less the per share purchase price paid by the Investors multiplied by the number of shares sold. For the purpose of the projections, the aggregate Offering Premium is assumed to be zero.

***Estimation of the Tax Indemnification Obligation:*** After taking into account the Indemnity Cap, the estimated indemnification of MPC Taxes is equal to \$303,750,000. For the purpose of the projections, it is assumed that the Investors own \$305 million of Rouse Note Claims. To the extent that, on the Effective Date, the Investors hold less than \$305 million of Rouse Note Claims, then the Net Debt Surplus would decrease. A decrease in the Net Debt Surplus could cause a reduction in the Indemnity Cap, which would reduce New GGP's estimated MPC Taxes indemnity obligation to Spinco.

# Net Debt Target Calculation (\$000s)

	<u>Nov 8, 2010 P</u>
Property Level Secured Debt	\$19,709,142
TopCo Unsecured Debt	6,372,500
International Debt	154,877
Other Debt Facilities	1,296,656
Proportionally Consolidated Debt	<u>\$27,533,175</u>
Accrued Interest on Property Level Secured Debt	38,656
Accrued Interest on TopCo Unsecured Debt	568,172
Accrued Interest on Other Debt Facilities	64,851
Accrued Interest on Proportionally Consolidated Debt	<u>\$671,679</u>
New Debt	-
<b>Total Proportionally Consolidated Debt and Accrued Interest</b>	<b>\$28,204,854</b>
Less: Reinstatement Adjustment Amount	(5,427,500)
Plus: Permitted Claims Amount	336,049
Less: Proportionally Consolidated Unrestricted Cash	(831,523)
<b>Forecasted Closing Date Net Debt</b>	<b><u>22,281,880</u></b>
Target Net Debt	22,970,800
<b>Net Debt Surplus/(Excess) <sup>1</sup></b>	<b><u>\$688,920</u></b>
Hughes Amount	230,000
80% of Net Debt Surplus	551,136
	<u>(321,136)</u>
<b>Estimated Spinco Note Amount (cannot be less than zero)</b>	<b><u><u>\$0</u></u></b>

## NOTES:

1: Estimate of Net Debt Surplus does not include any amounts for alleged make whole claims or default interest payments related to the Corporate Level Debt.