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Attorneys for Debtors and  
Debtors in Possession

Co-Attorneys for Certain Subsidiary Debtors  
and Debtors in Possession

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

-----X	
In re	:
	:
<b>GENERAL GROWTH</b>	:
<b>PROPERTIES, INC., et al.,</b>	:
	:
<b>Debtors.</b>	:
-----X	

**Chapter 11 Case No.**  
**09-11977 (ALG)**  
**(Jointly Administered)**

**DEBTORS' REPLY IN SUPPORT OF MOTION  
TO ESTIMATE THE HUGHES HEIRS OBLIGATIONS**

South Street Seaport Limited Partnership, its ultimate parent, General Growth Properties, Inc. ("**GGP**"), and their debtor affiliates, as debtors and debtors in possession (collectively, "**General Growth**" or the "**Debtors**"),<sup>1</sup> file this reply (the "**Reply**") to the opposition of the Representatives Under Certain Contingent Stock Agreement, Effective as of January 1, 1996, (Docket No.5508) (the "**Hughes Heirs Opposition**") to the Debtors' *Motion to Estimate the Hughes Heirs Obligations* (Docket No. 5410) (the "**Estimation Motion**"), and respectfully represent as follows:

<sup>1</sup>A list of the Debtors, along with the last four digits of each Debtor's federal tax identification number, has been filed with the Court at Docket No. 4163, and is also available online at [www.kccllc.net/GeneralGrowth](http://www.kccllc.net/GeneralGrowth).



1. The Hughes Heirs raise three primary arguments in opposition to the Estimation Motion: (1) estimation cannot proceed as quickly as the Debtors propose; (2) the Debtors have not yet objected to the smaller components of the Hughes Heirs proofs of claims; and (3) estimation of the Hughes Heirs Obligations will result in impairment, making the treatment proposed by the plan of reorganization untenable if the Court concludes the Hughes Heirs are creditors. Examination of each of these assertions demonstrates that estimation is the most appropriate way to move forward

**A. Estimation Can Proceed Promptly**

2. An estimation proceeding can be completed by the week of September 13, 2010. In support of their argument that the Debtors' estimation timeline is infeasible, the Hughes Heirs' primary contention is that they have not been provided with certain information necessary for valuation of the Summerlin MPC. This simply is not true. For many months, the Debtors have provided extensive information to the Hughes Heirs' appraiser and to their counsel. The Debtors have provided access to the Summerlin property for site visits, made employees available for consultation, and promptly furnished voluminous documents in response to requests.

3. For example, the Hughes Heirs contend they did not receive information relating to transactions that currently are before the Court as part of a separate sale procedures motion. In fact, the Debtors provided exactly this material to the Hughes Heirs' counsel by letter dated April 12, 2010 (copy attached as Exhibit A). Enclosed with the April 12 letter was a document entitled "Recent Proposed Sales." This summary chart described the then-current status for each of the proposed sales in Summerlin. The Debtors also furnished to the Hughes Heirs' appraiser copies of the terms sheets for proposed

transactions in the Summerlin MPC. *Id.* The most current information concerning the transactions is attached to the sale motion itself and is readily available to the Hughes Heirs and their professionals.

4. The Hughes Heirs' other allegations to the effect that the Debtors have been uncooperative in producing documents are similarly unfounded. While the Debtors explained to the Hughes Heirs that they do not maintain detailed village-by-village development plans for a hypothetical twenty- or thirty-year build-out of Summerlin, the Hughes Heirs' appraisers in fact did receive estimates of future build-out costs and were provided with the details underlying these estimates. This is the same information the Debtors provided to their own appraisers. The Debtors personnel at Summerlin have also been engaged in open dialogue with Hughes Heirs' appraisers throughout the lengthy process, held meetings with them to discuss development costs, and collected and provided them with numerous documents on this issue. The documents given to the Hughes Heirs include:

- Public information facility maps detailing the size, shape and location of future Summerlin villages and identifying future public facilities such as school and parks.
- Estimates of future village acreages and costs per acres;
- A summary of total estimated costs.
- A summary of the total already spent as of December 31, 2009 and remaining to be spent for direct village costs.
- Information by village detailing finished lot development costs information, custom lot development costs, and regional cost information.
- An updated land use and development guide for Summerlin South.

- Details of direct costs by village prepared by the Debtors' outside engineering firm, including engineering, inspections, grading, water, sewer, storm drain, street improvements, dry utilities, walls, landscaping, parks and other contingency information.
- Schedules prepared by the Debtors' outside engineering firm showing regional plans for water, sewer, drainage, road, traffic signals and other infrastructure items, identifying every project required to be constructed.

5. An estimation proceeding will be easily completed within the timeline suggested by the Debtors. Indeed, the Hughes Heirs' assertion that a third appraiser could start *from scratch* on August 6 and complete work by September 20 belies any assertion that the Debtors' estimation timeline is unworkable. The Hughes Heirs and the Debtors have substantially completed their appraisals and already have significant information on the property. Extensive discovery related to the value of the Summerlin MPC would be wasteful.

**B. All Claims Asserted in the Hughes Heirs Proofs of Claims and Arising Under the CSA Should be Estimated**

6. The Debtors' proposal is that the Court estimate for purposes of allowance and distribution *all* of the Hughes Heirs Obligations that are payable under the Contingent Stock Agreement in shares of GGP common stock. This includes any contention by the Hughes Heirs that they are entitled to stock distributions for 2008 and 2009, years when the applicable business units generated virtually no sales and for which the Debtors believe no distributions are due to the Hughes Heirs. These alleged obligations, and the remaining assertions in the Hughes Heirs proofs of claim, are discrete issues that the Court can resolve easily in an estimation proceeding. Although the Hughes Heirs identify in lengthy fashion the various disputes, none of them are overly complex.

Most of them require simple determinations by the Court such as whether a particular business unit generated cash flow requiring payment to the Hughes Heirs, whether an agreement to transfer assets from one business unit to another required the continued separate calculation of cash flows, or whether a payment was owed on a certain date. Discovery and briefing of these issues, if necessary, easily can be accomplished in the context of an estimation hearing and in all likelihood the parties will be able to agree on at least an *estimate* of these modest obligations once the Court determines the value of the Summerlin MPC, which probably represents 95 percent or more of the Hughes Heirs Obligations as a whole.

**C. Estimation Does Not Impair the Hughes Heirs or Give Rise to a New Claim**

7. The assertion that estimation will “impair the claims of the Hughes Heirs” by avoiding the panel appraisal process and arbitration is without merit. Hughes Heirs Opposition at ¶ 3. The Hughes Heirs are not being asked to give up a substantive right to payment, and they will have a impartial, qualified, and efficient forum in which to settle their dispute without resorting to a full-blown litigation. Through estimation, the Hughes Heirs are essentially getting the process they bargained for under the CSA - three separate appraisers will provide appraisals, and the parties have an opportunity to resolve the obligations through settlement rather than litigation. In addition, it is well established that invocation by a debtor of substantive or procedural statutory rights under the Bankruptcy Code does not impair a creditor who otherwise is receiving full value on its claim. *In re PPI Enters. (U.S.)*, 324 F.3d 197, 203-205 (3<sup>rd</sup> Cir. 2003); *In re: Coram Healthcare Corp.*, 315 B.R. 321, 351 (Bankr. D. Del. 2004); *In re American Solar King*

*Corp.*, 90 B.R. 808, 819-820 (Bankr. W.D. Tex. 1998) (“A closer inspection of the language employed in Section 1124(1) reveals “impairment by statute” to be an oxymoron. Impairment results from what the *plan* does, not what the statute does.”). Thus, even if the Court were to determine that the Hughes Heirs Obligations are “claims,” they are not rendered impaired for plan of reorganization purposes just because their value will be determined by estimation rather than the contractual appraisal and arbitration methods.

8. Likewise, the Hughes Heirs assertions that proceeding with estimation will give rise to a claim against the Debtors for damages is nonsensical. Hughes Heirs Opposition at ¶ 2. Estimation is mandatory where required to prevent undue delay. *In re A.H. Robbins Co., Inc.*, 788 F.2d 994, 1011-1012 (4<sup>th</sup> Cir. 1986). Estimation in this case will simply fix the amount of the Hughes Heirs Obligations and allow them to be satisfied under the plan. The Court indisputably has the authority under §§ 105(a) and 502(c) to proceed in this manner. Exercising that authority does not impair the Hughes Heirs’ rights under the Contingent Stock Agreement and does not give rise to additional damage claims.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested in the Estimation Motion and such other and further relief as it deems just and proper.

Dated: July 20, 2010  
New York, New York

/s/ Adam P. Stochak

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Attorneys for Debtors  
and Debtors in Possession

**Exhibit A**

**Letter Dated April 12, 2010**



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DIRECT LINE (202) 682-7001  
E-MAIL: adam.strochak@weil.com

April 12, 2010

## **BY FEDEX**

Steven T. Hoort  
Ropes & Gray LLP  
One International Place  
Boston, MA 02110

Re: **Response to Informal Discovery Requests**

Dear Steven:

This letter is in response to your April 6 email in which you requested additional information to facilitate the completion of the Hughes Heirs' appraisal of the Summerlin, Nevada master planned community. The majority of the requested information either has already been provided to the Hugh Heirs' appraisers at First Service PGP Valuation or is not maintained by GGP or The Howard Hughes Corporation.

The Debtors have searched their records to gather additional information and/or have prepared new summaries of certain information to facilitate your appraisal process. As such, enclosed please find a summary chart detailing recent proposed sale information, information concerning special improvement district fund analysis, information related to estimated future village acreages, and an appraisal report concerning the Sterling Ridge section of the Summerlin MPC prepared and used in a dispute with local tax assessing authorities. In addition to the foregoing, the following paragraphs respond to various requests for additional information in your April 6 email.

With request to your request for "[v]illage by Village development plan(s) for remainder of the unsold land owned by GGP at Summerlin," the Debtors do not have development plans by village for the remainder of the unsold land associated with the

Steven T. Hoort  
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Summerlin MPC. Concerning your request for information about the location of future commercial and public facilities, the Hughes Heirs' appraisers at First Service PGP Valuation previously have been provided with public information facility maps that identify public facilities such as schools and parks that are planned for future developments. However, these maps do not contain information on the location of future churches or the location of specific roads. As I explained above, the Debtors do not maintain specific development plans which would contain such information.

Concerning your request for proposed pricing for land and lots in each Summerlin MPC village, First Service PGP Valuation already has been provided with such information including the most recent term sheets related to ongoing Summerlin transaction. As stated above, I have also enclosed a summary chart detailing recent proposed sale information.

In addition, PGP has been provided with GGP's projected site and infrastructure cost information. Please let me know if there is a specific set of costs projections that PGP is specifically requesting and we will retransmit that information.

Concerning your request for information on reimbursements "from local governments and projected reimbursements (amounts and timing of payments) for the infrastructure remaining to be built," as described above, I have enclosed information related to reimbursements from special improvement districts.

Concerning your request for copies of previous appraisal reports, I have enclosed an appraisal report for Sterling Ridge section of the Summerlin, MPC. The Sterling Ridge appraisal was conducted in connection with a tax assessment dispute. The Debtors have no other appraisals of the Summerlin MPC.

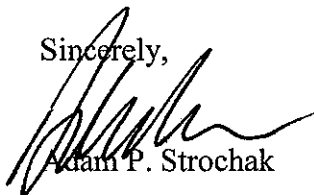
With respect to your request for all information provided to Cushman & Wakefield and to any other appraisers over the last three years, the Debtors have already provided PGP with all the information provided to Cushman & Wakefield. Also, the Debtors have not retained any other appraisers to conduct an appraisal of Summerlin MPC in the last three years.

Finally, concerning your request for information related to the gross number of acres per village and projected net number of acres to be sold after completing site amenities and infrastructure, the Debtors' personnel at the Summerlin MPC previously held a meeting with PGP's appraisers in which the Debtors provided all of the requested information. Nonetheless, as noted above, I have enclosed information relating to estimated future village acreages.

Steven T. Hoort  
April 12, 2010  
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If you have any questions or further requests for information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Stochak', written over the printed name 'Adam P. Stochak'.

Enclosures

cc: Walter R. McCabe  
Kevin Orrock  
Sandra Turner, Esq.

## RECENT PROPOSED SALES

Purchaser	Approximate Acreage (or Lot count)	Purchase Price	Closing Date	Status of Contract
West Charleston Lofts III Village 19, Parcel 3	7 acres	\$8,652,000.00	9/13/10	In Escrow
Sierra Development Group (Dan Otter) Village 14B, Parcel G/H	1.72 acres	\$2,247,696.00	3/25/2010	Terminated
RedBase, LLC, Village 16	80 acres (Primary Parcel Purchase)	\$32,000,000.00	30 days after election date	Under Negotiation
	10 acres (Secondary Parcel Purchase)	\$17,500.00 per gross acre		
Woodside Homes of Nevada Village 23A, Parcel J (Barcelona)	17 Lots	\$1,445,000.00	15 days after lots are completed	Under Negotiation
Toll Brothers, Village 23A, Parcel J (Barcelona)	17 Lots	\$1,455,000.00	15 days after lots are completed	Under Negotiation
Pulte Homes of Nevada, Village 16 – Amado, Parcels E, J, K and ES-1 (40' x 90')	25 Lots (1 <sup>st</sup> Release) 25 Lots (2 <sup>nd</sup> Release) 30 Lots (3 <sup>rd</sup> Release) 29 Lots (4 <sup>th</sup> Release)	\$1,775,000.00 \$1,775,000.00 \$2,130,000.00 \$2,059,000.00	TBD	Under Negotiation
Pulte Homes of Nevada, Village 16 – Amado, Parcels E, J, K and ES-1 (45' x 100')	162 Lots	\$12,231,000.00	TBD	Under Negotiation
Richmond American Homes of Nevada – Village 16 – Amado, Parcels E, J, K and ES-1 (45' x 90')	60 Lots (1 <sup>st</sup> Release) 55 Lots (2 <sup>nd</sup> Release)	\$4,440,000.00 \$4,070,000.00	On or before 3/3/11 On or before 9/1/11	Under Negotiation
Richmond American Homes of Nevada – Village 16 – Amado –	117 Lots	\$9,477,000.00	TBD	Under Negotiation

(55' x 100')									