University Mall won't be affected by GGP's bankruptcy filing

The Associated Press

General Growth Properties Inc., the nation's second-largest mall operator, filed for Chapter 11 bankruptcy protection early Thursday after it failed to persuade a majority of its debt holders to give it more time to refinance billions of dollars in debt racked up during the housing boom.

General Growth has a stake in more than 200 malls across 44 states, including University Mall in Tampa, which will not be affected by the filing, the company said in a news release. University Mall is managed by GGP's General Growth Management Inc., which did not file for Chapter 11.

The filing sent the real estate investment trust's stock down 60 cents, or 57 percent, to 45 cents in electronic premarket trading. Its stock traded last spring as high as $44.23.

The move by the Chicago-based company had been widely anticipated since the fall, when the company warned it might have to seek bankruptcy protection if it didn't get lenders to rework its debt terms. Efforts to negotiate with its unsecured and secured creditors ultimately fell short late last month.

"While we have worked tirelessly in the past several months to address our maturing debts, the collapse of the credit markets has made it impossible for us to refinance maturing debt outside of Chapter 11," Chief Executive Adam Metz said in a statement.

Chapter 11 protection typically allows a company to hold off creditors and operate as normal while it develops a financial reorganization plan.

The company had about $29.6 billion in assets and more than $27 billion in liabilities as of Dec. 31, according to documents filed with the U.S. Bankruptcy Court in the Southern District of New York.

The company noted that some subsidiaries, including its third party management business and joint ventures, were not part of the bankruptcy petition.

General Growth said it intends to reorganize with the aim of cutting its corporate debt and extending the terms of its mortgage maturities. It also said it will continue operating all of its shopping centers during the bankruptcy process.

The company said shoppers at its malls will not be affected by its decision to file for bankruptcy protection.

"Our restructuring will be invisible to the customers who visit our properties every day," President and Chief Operating Officer Thomas H. Nolan Jr. said during a morning conference call.

The company said it received a financing commitment from Pershing Square Capital Management LP of about $375 million that General Growth expects to use to operate during the bankruptcy process.

General Growth has seen its fortunes sour as the U.S. economy worsened and the credit markets froze, leaving it hard-pressed to refinance the billions in debt the company took on during an aggressive expansion effort that included the $7 billion purchase of a competitor in 2004.

Last month, General Growth said it got lenders to waive default on a $2.58 billion credit agreement until the end of the year.

But its Rouse Co. subsidiary failed to convince enough holders of unsecured notes worth $2.25 billion as of Dec. 31 to accept a proposal that would let the unit avoid penalties for being behind on its debt payments and give it some time to refinance its debt load.

In February, the company reported lower-than-expected fourth-quarter funds from operations and a dip in revenue amid weaker retail rents.

The company has suspended its dividend, halted or slowed nearly all development projects and cut its work force by more than 20 percent. It also has sold some of its non-mall assets.