GENERAL GROWTH PROPERTIES INC
Form 11-K
June 26, 2002

As filed with the Securities and Exchange Commission on June 26, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number: 1-11656

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

GENERAL GROWTH MANAGEMENT
SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive offices:

GENERAL GROWTH PROPERTIES, INC.
110 NORTH WACKER DRIVE
CHICAGO, ILLINOIS 60606
(312) 960-5000

GENERAL GROWTH MANAGEMENT
SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN

INDEX TO FINANCIAL STATEMENTS AND EXHIBIT

(a) Financial Statements

NOTE: SUPPLEMENTAL SCHEDULES REQUIRED BY THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 NOT INCLUDED HEREIN ARE NOT APPLICABLE TO THE GENERAL GROWTH MANAGEMENT SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN.

INDEPENDENT AUDITORS' REPORT

To the Trustee and Participants of
General Growth Management Savings and Employee Stock Ownership Plan:

We have audited the accompanying statements of net assets available for benefits of the General Growth Management Savings and Employee Stock Ownership Plan (the "Plan") as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of (1) assets (held at end of year) as of December 31, 2001 and (2) assets both acquired and disposed within the plan year ended December 31, 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2001 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Chicago, Illinois
June 7, 2002

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GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLANSTATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS:		
Participant-directed investments-at fair value:	$73,484,275	$77,489,402
Receivables:		
Employer contributions	811,981	1,122,124
Participant contributions	184,436	165,415
Total Receivables	996,417	1,287,539
NET ASSETS AVAILABLE FOR BENEFITS	$74,480,692	$78,776,941

The accompanying notes are an integral part of these financial statements

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GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2001

ADDITIONS:	
Interest and dividend income	$ 1,981,604
Contributions:	
Participants	5,695,882
Employer	4,033,810
Rollover deposits	1,011,621
Total contributions	10,741,313
Plan transfers	587,599
Total additions	13,310,516
DEDUCTIONS:	
Benefit payments	13,238,559
Net depreciation in fair value of investments	4,338,055
Administrative expenses	30,151
Total deductions	17,606,765
NET DECREASE IN PLAN ASSETS	(4,296,249)
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	78,776,941
End of year	$ 74,480,692

The accompanying notes are an integral part of these financial statements

GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1. DESCRIPTION OF PLAN AND SIGNIFICANT PLAN PROVISIONS

The following description of the General Growth Management Savings and Employee Stock Ownership Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

GENERAL: For purposes of federal law, General Growth Management, Inc. (the "Company") is the Plan Sponsor and Plan Administrator. CG Trust Company (the "Trustee") is the trustee of the Plan. The Plan is designed to encourage and assist eligible employees to adopt a regular program of savings to provide additional security for their retirement. The Plan is a defined contribution plan covering all full-time (as defined) employees of the Company and other participating employers (GGP Limited Partnership, GGP Management, Inc., General Growth Management of California, Inc., General Growth Management of Hawaii, Inc., and GG Management Company, Inc., collectively, the "Employers") who have completed one month of service and attained age twenty-one. Certain individuals at locations managed by the Company and participating Employers are either (i) employees of companies not owned or controlled by the Company and/or the participating Employers or (ii) are covered by other qualified plans and therefore are not eligible for this Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS: Under the terms of the Plan, subject to certain limitations, each participant is allowed to make before-tax contributions in 1% increments up to 15% of gross earnings, as defined. The Internal Revenue Code imposes, among other things, a dollar limitation on the amount of before-tax contributions for a calendar year. For 2001, a participant's before-tax contribution was limited to $10,500. The Company will match 100% of the first 4% of earnings contributed for each calendar year, and 50% of the next 2% of the participant's earnings contributions.

PARTICIPANT ACCOUNTS: Separate accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings, and charged with an allocation of Plan losses and administrative expenses. Allocations are based on account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Plan currently offers nine mutual funds, the stock of the Company's parent, General Growth Properties, Inc., ("GGPI"), a publicly traded real estate investment trust, a benefit-responsive investment contract and a self-directed account program ("CIGNA direct") offering direct investment in mutual funds and other investment securities as investment options for participants. Each participant designates which investment option or combination of options in which their contributions and the Company's matching contributions are to be invested.

PARTICIPANT LOANS: Participants may borrow against their account, subject to those administrative rules that exist from time to time. The minimum loan that will be made is $1,000 and the total of any individual participant's loan or loans may never exceed 50 percent of the participant's total vested account balance or $50,000, whichever is less. The loans are secured by the balance in the participant's account and bear interest at the prime rate on the first business day of the month in which the loan is made plus one percent. The term of a loan may not exceed five years, unless the loan qualifies as a home purchase loan, in which case the term may go up to 20 years. Principal and interest are due each pay period. Participant loans are due and payable immediately upon termination of employment.

VESTING: Participants are fully vested at all times in all accounts other than the accounts arising from the matching contributions contributed by the Employers prior to January 1, 1998 and the earnings or losses thereon. The Employers' matching accounts contributed prior to January 1, 1998 will vest over a six-year period. Forfeitures are used first for reinstatements of accounts of re-employed participants. Any remaining forfeiture amounts are applied as credits against future employer matching contributions.

TERMINATION: Although it has not expressed any intent to do so, the Company reserves the right to partially or completely terminate the Plan, subject to the provisions of the Plan and ERISA. Upon a complete or partial termination of the Plan, all participants will become fully vested and be entitled to a distribution.

DISTRIBUTIONS: Upon retirement on or after attaining the Plan's normal retirement age of 60, or upon death or disability, if earlier, or termination of employment in the case of vested benefits, the balances in the participant's separate accounts may be paid in lump sum to the participant, or the participant's beneficiary in the event of death. A participant may withdraw contributions by claiming hardship as defined by the Plan. All distributions will be made in cash, unless the participant elects to receive common stock of GGPI.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING: The financial statements have been prepared using the accrual method of accounting.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

VALUATION OF INVESTMENTS AND PARTICIPANT LOANS: Investments are stated at fair value based on quoted market prices. Shares of mutual funds are valued at the net unit value of shares held by the Plan at year-end. Participant loans and the benefit-responsive investment contract are stated at cost and contract value, respectively, which approximates fair value.

INVESTMENT TRANSACTIONS: Investment income in each fund is recorded and allocated daily among the participants' balances in each fund. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

ADMINISTRATIVE EXPENSES: All administrative expenses, other than investment management fees and loan processing and maintenance fees, are paid by the Company.

PAYMENT OF BENEFITS: Benefit payments to participants are recorded upon distribution.

RECLASSIFICATIONS: Certain prior year amounts in the statements of net assets available for benefits have been reclassified to conform with the current year presentation.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 3. INVESTMENTS

The following presents investments that represented 5% or more of the Plan's net assets available for benefits as of December 31, 2001 and 2000:

DESCRIPTION OF INVESTMENT	2001	2000
Charter Guaranteed Income Fund	$ 6,150,600	$ 4,774,415
Charter Large Company Stock-Growth Fund	4,134,007	4,729,431
Charter Small Company Stock-Value I Fund	12,603,649	9,107,867
INVESCO Dynamics Account	11,099,280	16,961,059
Janus Worldwide Account	4,274,706	5,440,758
General Growth Properties, Inc. Common Stock	22,466,506	26,495,973

During 2001, the Plan's investments (net gains and losses on investments bought and sold as well as held during the year) declined in value by $4,338,055 as follows:

Mutual funds, investment in collective trusts, registered investment companies, net	$(6,123,532)
Common stock, net	1,785,477
	$(4,338,055)

The Plan has a benefit-responsive investment contract with CIGNA's Connecticut General Life Insurance Company ("Connecticut General"). Connecticut General maintains the contributions in the Charter Guaranteed Income Fund account (the "Account"). The Account is credited with earnings on the underlying investments and charged for losses, participant withdrawals and administrative expenses. The contract is included in the financial statements at contract value as reported to the Plan by Connecticut General. Contract value represents contributions made under the contract, plus earnings, less losses, participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rates were approximately 4.95 percent and 4.85 percent for 2001 and 2000, respectively. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on a quarterly basis for resetting.

NOTE 4. INCOME TAX STATUS

The Plan received its latest determination letter on October 14, 1999, applicable for Plan amendments adopted on June 12, 1998, in which the Internal Revenue Service (the "IRS") stated the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been subsequently amended; however, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRS and that the Plan continues to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 5. RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of mutual funds, investments in collective trusts, interest in registered investment companies and shares of common stock. The investments of the Plan are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

NOTE 6. RELATED-PARTY TRANSACTIONS

The Plan invests in the common stock of the Plan Sponsor's Parent, General Growth Properties, Inc.

Certain Plan investments are shares of mutual funds managed by CIGNA Corporation subsidiaries. CG Trust Company is the trustee as defined by the Plan and a wholly-owned subsidiary of CIGNA Corporation, and therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan to Cigna Corporation subsidiaries for the investment management services amounted to $10,080 for the year ended December 31, 2001.

GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF
DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT
Mutual Funds:	
Connecticut General Life Insurance	Charter Guaranteed Income Fund
Connecticut General Life Insurance	Times Square Bond Fund

Connecticut General Life Insurance	CIGNA Lifetime 20 Fund *
Connecticut General Life Insurance	CIGNA Lifetime 30 Fund *
Connecticut General Life Insurance	CIGNA Lifetime 40 Fund *
Connecticut General Life Insurance	CIGNA Lifetime 50 Fund *
Connecticut General Life Insurance	CIGNA Lifetime 60 Fund *
Connecticut General Life Insurance	Charter Large Company Stock-Index Fund
Connecticut General Life Insurance	Charter Large Company Stock-Growth Fund
Connecticut General Life Insurance	Charter Large Company Stock-Value I Fund
Connecticut General Life Insurance	Charter Small Company Stock-Value I Fund
Connecticut General Life Insurance	INVESCO Dynamics Account
Connecticut General Life Insurance	Janus Worldwide Account
Connecticut General Life Insurance	Wellington Management Mid Cap Value
National Financial Services	General Growth Properties, Inc. - Common Stock
CIGNA direct:	
Fiserve Securities Inc.	Interest Bearing Money Market Account
Advanced Digital Information	Corporate Stock - Common
Advanced Micro Devices Inc.	Corporate Stock - Common
AOL Time Warner Inc.	Corporate Stock - Common
Applied Materials Incorporated	Corporate Stock - Common
Applied Micro Circuits Corporation	Corporate Stock - Common
Apollo Group	Corporate Stock - Common
Ariba Inc.	Corporate Stock - Common
Atmel Corporation	Corporate Stock - Common
Bed Bath & Beyond Inc.	Corporate Stock - Common
Best Buy Co. Inc.	Corporate Stock - Common
Cardinal Health Inc.	Corporate Stock - Common
Centra Software Inc.	Corporate Stock - Common

SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF
DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT
Chico's FAS Inc.	Corporate Stock - Common
Cisco System Inc.	Corporate Stock - Common
CitiGroup Inc.	Corporate Stock - Common
Costco Wholesale Corporation	Corporate Stock - Common
CREE Inc.	Corporate Stock - Common
EMC Corporation	Corporate Stock - Common
Flextronics International Ltd.	Corporate Stock - Common
Gasco Energy Inc.	Corporate Stock - Common
General Electric Company	Corporate Stock - Common
Home Depot Inc.	Corporate Stock - Common
Hot Topic Inc.	Corporate Stock - Common
Inhale Therapeutic Systems	Corporate Stock - Common
Intel Corporation	Corporate Stock - Common
Intelli Check Inc.	Corporate Stock - Common
International Automated Systems	Corporate Stock - Common
JDS Uniphase Corporation	Corporate Stock - Common
Kohl's Corporation	Corporate Stock - Common
Medtronic Incorporated	Corporate Stock - Common
Mercury Computer Systems Inc.	Corporate Stock - Common
Motorola Incorporated	Corporate Stock - Common
Network Appliance Inc.	Corporate Stock - Common
Nortel Networks Corp	Corporate Stock - Common
Oracle Corporation	Corporate Stock - Common
Philip Morris Companies, Inc.	Corporate Stock - Common
Portal Software Inc.	Corporate Stock - Common
QLogic Corporation	Corporate Stock - Common
Redback Networks Inc.	Corporate Stock - Common

Riverstone Networks Inc.	Corporate Stock - Common
Salton Inc.	Corporate Stock - Common
Sanmina SCI Corporation	Corporate Stock - Common
SAP A. G. Sponsored ADR 5 PAR	Corporate Stock - Common
Shaw Group	Corporate Stock - Common

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GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF
DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT
Shopko Stores	Corporate Stock - Common
Sidware Systems Inc.	Corporate Stock - Common
Sun Microsystems Inc.	Corporate Stock - Common
Take Two Interactive Software	Corporate Stock - Common
Taro Pharmaceutical Inds. Ltd.	Corporate Stock - Common
Transwitch Corporation	Corporate Stock - Common
Triquint Semiconductor Inc.	Corporate Stock - Common
Tyco International Ltd.	Corporate Stock - Common
Vitesse Semiconductor Inc	Corporate Stock - Common
Heartland Value Plus Fund	Value of Interest in Registered Investment
Oakmark Fund	Value of Interest in Registered Investment
Royce Micro-Cap Fund	Value of Interest in Registered Investment
T. Rowe Price Mid-Cap Value	Value of Interest in Registered Investment
Vanguard GNMA Portfolio	Value of Interest in Registered Investment
Subtotal	
Outstanding Participant loans	Participant loans, 5.75% to 10.5%, maturing between 2002 and 2020

Note: Cost information is not required for participant-directed investments.

* Sponsored by a party-in-interest

GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE OF ASSETS BOTH ACQUIRED
AND DISPOSED WITHIN THE PLAN YEAR
ENDED DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT
Acacia Research Corporation	Corporate Stock - Common
Argosy Gaming Corporation	Corporate Stock - Common
Ascential Software Corporation	Corporate Stock - Common
Aspen Technology Inc.	Corporate Stock - Common
Atrix Labs Inc.	Corporate Stock - Common
Barr Labs Inc.	Corporate Stock - Common
Berger Small Company Growth	Value of Interest in Registered Investment
Biogen Inc.	Corporate Stock - Common
Boeing Company	Corporate Stock - Common
Boston Scientific Corporation	Corporate Stock - Common
Broadcom Corporation CL A	Corporate Stock - Common
Caremark Rx Inc.	Corporate Stock - Common
Clear Channel Communications	Corporate Stock - Common
Clorox Company	Corporate Stock - Common
Coca Cola Company	Corporate Stock - Common
Copart Inc.	Corporate Stock - Common
Cytoclonal Pharmaceutics Inc.	Corporate Stock - Common

Dell Computer Inc.	Corporate Stock - Common
Dow Jones & Company	Corporate Stock - Common
Duke Energy Corporation	Corporate Stock - Common
Emmis Communications Corporation	Corporate Stock - Common
Enterprise Prods Partners L.P.	Corporate Stock - Common
F5 Networks Inc.	Corporate Stock - Common
Fidelity Select Brokerage	Value of Interest in Registered Investment
General Mills Incorporated	Corporate Stock - Common
General Motors Corporation	Corporate Stock - Common
Geron Corporation	Corporate Stock - Common
Homestake Mining Company	Corporate Stock - Common
12 Technologies Inc.	Corporate Stock - Common

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GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE OF ASSETS BOTH ACQUIRED
AND DISPOSED WITHIN THE PLAN YEAR
ENDED DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT
Informix Inc.	Corporate Stock - Common
Innodata Corporation Com New	Corporate Stock - Common
Intuit Inc.	Corporate Stock - Common
Invesco Equity Income Fund	Value of Interest in Registered Investment
J.P. Morgan U.S. Small Company	Value of Interest in Registered Investment
Level 3 Communications Inc.	Corporate Stock - Common
McLeodUSA Inc CL A	Corporate Stock - Common
Mellon Financial Corp.	Corporate Stock - Common
Merck & Company Incorporated	Corporate Stock - Common
Neuberger & Berman Focus Fund	Value of Interest in Registered Investment

Newmont Mining Corporation	Corporate Stock - Common
Nokia Corp. Sponsored ADR	Corporate Stock - Common
Norfolk Southern Corporation	Corporate Stock - Common
North American Scientific Inc.	Corporate Stock - Common
Palm Inc.	Corporate Stock - Common
PepsiCo Inc	Corporate Stock - Common
Pharmaceutical Product	Corporate Stock - Common
Placer Dome Inc.	Corporate Stock - Common
Rational Software Corporation	Corporate Stock - Common
SAFECO Growth Opportunities	Value of Interest in Registered Investment
Sawtek Inc.	Corporate Stock - Common
Southern Company	Corporate Stock - Common
Suncor Energy Inc.	Corporate Stock - Common
T Rowe Price Small-Cap Value	Value of Interest in Registered Investment
TALX Corporation	Corporate Stock - Common
Ultimate Electrs Inc	Corporate Stock - Common
Yahoo Inc.	Corporate Stock - Common
	Other

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized on this 25th day of June, 2002.

GENERAL GROWTH MANAGEMENT SAVINGS
AND EMPLOYEE STOCK OWNERSHIP PLAN

By: General Growth Management, Inc.,
as Administrator

By: /s/ ROBERT A. MICHAELS

Robert A. Michaels
Its: President

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
23.1	Consent of Deloitte & Touche LLP

s an executive officer of Microsemi Corporation, and, during the fiscal year ended March 31, 2002, we manufactured an aggregate of approximately $6.0 million of wafers for Microsemi Corporation. 11 COMPENSATION COMMITTEE REPORT During the fiscal year ended March 31, 2002, the Compensation Committee of the Board of Directors was comprised of Messrs. Brandi, Rajan and Somaya, all non-employee directors, who administered our executive compensation programs and policies. Our executive compensation programs are designed to attract, motivate and retain the executive talent needed to optimize stockholder value in a competitive environment. The programs are intended to support the goal of increasing stockholder value while facilitating our business strategies and long-range plans. The following is the Compensation Committee's report submitted to the Board of Directors addressing the compensation of our executive officers for the fiscal year ended March 31, 2002. COMPENSATION POLICY AND PHILOSOPHY Our executive compensation policy is: - designed to establish an appropriate relationship between executive pay and our annual performance, its long term growth objectives and its ability to attract and retain qualified executive officers; and - based on the belief that the interests of the executives should be closely aligned with our stockholders. The Compensation Committee attempts to achieve these goals by integrating competitive annual base salaries with: - annual incentive bonuses based on corporate performance and on the achievement of specified performance objectives set forth in our financial plan for the respective fiscal year; and - stock options through various plans. In support of this philosophy, a meaningful portion of each executive's compensation is placed at-risk and linked to the accomplishment of specific results that are expected to lead to the creation of value for our stockholders from both the short term and long term perspectives. The Compensation Committee believes that cash compensation in the form of salary and performance-based incentive bonuses provides our executives with short term rewards for success in operations, and that long term compensation through the award of stock options encourages growth in management stock ownership which leads to expansion of management's stake in our long term performance and success. The Compensation Committee considers all elements of compensation and the compensation policy when determining individual components of pay. The Board of Directors believes that leadership and motivation of our employees are critical to achieving the objective of maintaining our position in chip manufacturing in the United States. The Compensation Committee is responsible to the Board of Directors for ensuring that our executive officers are highly qualified and that they are compensated in a way that furthers our business strategies and which aligns their interests with those of our stockholders. To support this philosophy, the following principles provide a framework for executive compensation: - offer compensation opportunities that attract the best talent; - motivate individuals to perform at their highest levels; - reward outstanding achievement; 12 - retain those with leadership abilities and skills necessary for building long-term stockholder value; - maintain a significant portion of executives' total compensation at risk, tied to both our annual and long-term financial performance and the creation of incremental stockholder value; and - encourage executives to manage from the perspective of owners with an equity stake in IMP, Inc. EXECUTIVE COMPENSATION COMPONENTS As discussed below, our executive compensation package is primarily comprised of three components: base salary, annual incentive bonuses and stock options. Base Salary. The base salary for each executive officer is set on the basis of personal performance, the salary levels in effect for comparable positions with our principal competitors, and internal comparability standards, however, the Compensation Committee does not take into account any specific salary surveys in setting the base salary levels for our executive officers. The Compensation Committee believes our most direct competitors for executive talent are necessarily all of the companies that we would use in a comparison for stockholder returns. Therefore, the compensation comparison group is not necessarily the same as the industry group index in the Performance Graph on page 16. Annual Incentive Bonuses. No bonuses were paid to any of our executive officers for the fiscal year ended March 31, 2002. Long Term Incentive Compensation. The Compensation Committee periodically approves grants of stock options under one of our stock option plans to our executive officers. The grants are designed to align the interests of each executive officer with those of the stockholders and provide each individual with a significant incentive to manage IMP, Inc. from the perspective of an owner with an equity stake in the business. Each grant generally allows the officer to acquire shares of common stock at a fixed price per share (the market price on the grant date) over a specified period of time (up to 10 years), thus providing a return to the executive officer only if the market price of the shares appreciates over the option term. There were no option grants to executive officers in the fiscal year ended March 31, 2002. COMPENSATION OF CHIEF EXECUTIVE OFFICER The Compensation Committee believes that Subbarao Pinamaneni, our Chief Executive Officer, provides valuable services and that his compensation should therefore be competitive with that paid to executives at comparable companies. In addition, the Compensation Committee believes that an important portion of his respective compensation should be based on our performance. Mr. Pinamaneni did not receive, nor did he accrue, any salary for the year ended March 31, 2001. No annual incentive bonus was paid to Mr. Pinamaneni for the fiscal year ended March 31, 2002. Mr. Pinamaneni's salary for the fiscal year ended March 31, 2001 was accrued, but he has not been paid. INTERNAL REVENUE CODE SECTION 162(m) Under Section 162(m) of the Internal Revenue Code, the amount of compensation paid to certain executives that is deductible with respect to our corporate taxes is limited to $1,000,000 annually. It is the current policy of the Compensation Committee to maximize, to the extent reasonably possible, our ability to 13 obtain a corporate tax deduction for compensation paid to our executive officers to the extent consistent with our best interests and the best interests of our stockholders. COMPENSATION COMMITTEE Ralph Brandi AST Rajan Jitu Somaya The Compensation Committee Report on executive compensation shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, and shall not otherwise be deemed filed under these acts. 14 AUDIT COMMITTEE Our Audit Committee was established and adopted its Audit Committee Charter, a copy of which is attached hereto as Appendix A, on October 4, 2000. During the fiscal year ended March 31, 2002, the Audit Committee of the Board of Directors was comprised of Messrs. Brandi, Rajan and Somaya. With the exception of Ralph Brandi who serves as an executive officer of one of our customers, each of the members of the Audit Committee is an "independent director," as determined in accordance with Rule 4200(a)(14) of the Nasdaq Stock Market's regulations. We believe Mr. Brandi's being a member of the Board of Directors and participation on the Audit Committee will help us to maintain the business relationship we have with Microsemi Corporation, a relationship which we believe is in the best interests of the company and our stockholders. Management is responsible for our internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted accounting principles and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. The following is the Audit Committee's report submitted to the Board of Directors for the fiscal year ended March 31, 2001 The Audit Committee has: - reviewed and discussed our audited financial statements with management and the independent accountants; - discussed with KPMG LLP, our independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, as may be modified or supplemented; and - received from KPMG LLP the written disclosures and the letter regarding their independence as required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and discussed the auditors' independence with them. In addition, based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2001 for filing with the Securities and Exchange Commission. AUDIT COMMITTEE Ralph Brandi AST Rajan Jitu Somaya The Audit Committee Report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, and shall not otherwise be deemed filed under these acts. 15 STOCK PERFORMANCE GRAPH The following graph compares our cumulative total stockholder return on the common stock (no dividends have been paid thereon) with the cumulative total return of (a) the Nasdaq National Composite and (b) the Dow Jones Semiconductors Index over the five years ending March 31, 2002, assuming that $100.00 was invested on March 31, 1997 in each. The historical stock market performance of the common stock shown below is not necessarily indicative of future stock performance. Nasdaq National Dow Jones IMP Composite Semiconductors ---------- ---------- ------------- 3/31/1997 $ 100.00 $ 100.00 $ 100.00 3/31/1998 $ 71.22 $ 151.87 $ 110.08 3/31/1999 $ 18.79 $ 203.78 $ 162.81 3/31/2000 $ 18.79 $ 378.78 $ 472.45 3/30/2001 $ 3.18 $ 152.29 $ 189.96 3/28/2002 $ 0.98 $

152.50 $ 214.78 The stock performance graph above shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or under the Exchange Act, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under these acts. 16 OTHER INFORMATION OTHER MATTERS AT THE MEETING We do not know of any matters to be presented at the annual meeting other than those mentioned in this proxy statement. If any other matters are properly brought before the annual meeting, it is intended that the proxies will be voted in accordance with the best judgment of the designated proxyholders. INDEPENDENT PUBLIC ACCOUNTANTS Our auditors for the fiscal year ended March 31, 2002 were KPMG LLP. A representative of KPMG LLP will be present at the meeting, will have an opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions. Audit Fees: The aggregate fees billed for professional services rendered for the audit of our annual financial statements for the fiscal year ended March 31, 2001, and the reviews of the financial statements included in our quarterly financial statements for the quarters ended June 30, 2001, September 30, 2001 and December 31, 2001 were $730,000. Financial Information Systems Design and Implementation Fees: For the fiscal year ended March 31, 2002, we paid no fees to our principal accountants for professional services rendered in connection with the operation, supervision or management of our information systems, or for the design or implementation of a hardware or software system for aggregating source data underlying our financial statements, or generating information that is significant to such statements, taken as a whole. Since we paid no fees to its principal accountants for information technology services, our Audit Committee did not consider whether the provision of such services to us is compatible with maintaining the auditor's independence. All Other Fees: No other fees were billed for services rendered by our principal accountants, other than described above, for the fiscal year ended March 31, 2002. ANNUAL REPORT ON FORM 10-K; AVAILABLE INFORMATION Each stockholder receiving this proxy statement is being provided with a copy of our Annual Report on Form 10-K for the fiscal year ended March 31, 2001. We have filed this report with the Securities and Exchange Commission. We will provide without charge additional copies of our Form 10-K (without exhibits) upon written request to our Secretary. Copies of exhibits to our Form 10-K are available from us upon reimbursement of our reasonable costs in providing these documents and written request to our Secretary. Please address requests for these documents to: Secretary, IMP, Inc., 2830 North First Street, San Jose, California 95134. Our filings with the Securities and Exchange Commission may be inspected at the offices of the Securities and Exchange Commission located in Washington, D.C. Documents filed electronically with the Securities and Exchange Commission may also be accessed through the website maintained by the Securities and Exchange Commission at: www.sec.gov. 17 STOCKHOLDER PROPOSALS Any stockholder who meets the requirements of the proxy rules under the Exchange Act may submit to the Board of Directors proposals to be considered for submission to the stockholders at our next annual meeting. Your proposal must comply with the requirements of Rule 14a-8 under the Exchange Act and be submitted in writing by notice delivered or mailed by first-class United States mail, postage prepaid, to our Secretary at IMP, Inc., 2830 North First Street, San Jose, California 95134 and must be received no later than January 1, 2003. Your notice must include: - your name and address and the text of the proposal to be introduced; - the number of shares of stock you hold of record, beneficially own and represent by proxy as of the date of your notice; and - a representation that you intend to appear in person or by proxy at the meeting to introduce the proposal specified in your notice. The chairman of the meeting may refuse to acknowledge the introduction of your proposal if it is not made in compliance with the foregoing procedures or the applicable provisions of our Bylaws. Our Bylaws also provide for separate advance notice procedures which must be complied with to recommend a person for nomination as a director or to propose business to be considered by stockholders at a meeting. By Order of the Board of Directors Subbarao Pinamaneni Chairman, Chief Executive Officer and President San Jose, California May 15, 2002 18 APPENDIX A IMP, INC. AUDIT COMMITTEE CHARTER PURPOSE The purpose of the Audit Committee of the Board of Directors of IMP, Inc. (the "COMPANY") pursuant to this charter will be to make such examinations as are necessary to monitor the corporate financial reporting and the internal and external audits of the Company, to provide to the Board of Directors the results of its examinations and recommendations derived therefrom, to outline to the Board improvements made, or to be made, in internal accounting controls, to nominate independent auditors, to supervise the finance function of the Company (which will include, among other matters, the Company's investment activities) and to provide the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters which require Board attention. In addition, the Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe. MEMBERSHIP The Audit Committee will be comprised of at least two members of the Board. Such members will be elected and serve at the pleasure of the Board. The members of the Audit Committee will not be employees of the Company. MEETINGS The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of the Company periodically to review the financial affairs of the Company. The Audit Committee will meet with the independent auditors of the Company, at such times as it deems appropriate, to review the independent auditors, examination and management report. RESPONSIBILITIES The responsibilities of the Audit Committee shall include: 1. nominating the independent auditors; 2. reviewing the plan for the audit and related services; 3. reviewing audit results and financial statements; 4. overseeing the adequacy of the Company's system of internal accounting controls, including obtaining from the independent auditors management letters or summaries on such internal accounting controls; 5. overseeing the effectiveness of the internal audit function; 6. overseeing compliance with the Foreign Corrupt Practices Act, if applicable; 7. overseeing compliance with SEC requirements, if applicable, for disclosure of auditor's services and audit committee members and activities; and A-1 8. overseeing the Company's finance function, which may include the adoption from time to time of a policy with regard to the investment of the Company's assets. In addition to the above responsibilities, the Audit Committee will undertake such other duties as the Board of Directors delegates to it. REPORTS The Audit Committee will to the extent deemed appropriate record its summaries of recommendations to the Board in written form which will be incorporated as a part of the minutes of committees of the Board of Directors. A-2 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF IMP, INC. FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 17, 2002 The undersigned stockholder of IMP, Inc., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated May 15, 2002, and hereby appoints each of Subbarao Pinamaneni and Tarsaim Batra proxy as attorney-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned at the Annual Meeting of Stockholders of IMP, Inc. to be held on June 17, 2002 at 10:00 a.m., local time, at the offices of IMP, Inc., 2830 North First Street, San Jose, California 95134, and at any adjournment or postponement thereof, and to vote all shares of common stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side. CONTINUED, AND TO BE MARKED, DATED AND SIGNED, ON THE OTHER SIDE -- -FOLD AND DETACH HERE- 1. Proposal to elect the nominees herein to the Board of Directors. [ ] FOR [ ] AGAINST [ ] ABSTAIN To withhold a vote for a particular nominee, strike through the name(s) on the following list: Subbarao Pinamaneni AST Rajan Ralph Brandi Jitu Somaya -- CONTINUED ON REVERSE SIDE THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED AS FOLLOWS: TO ELECT THE NOMINEES HEREIN TO THE BOARD OF DIRECTORS AND IN THE DISCRETION OF THE PROXY HOLDER ON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF. (This Proxy should be marked, dated signed by the stockholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.) Date: Signed: ------------------- --------------------