

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-34856

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-4673192

(I.R.S. Employer
Identification Number)

13355 Noel Road, 22nd Floor, Dallas, Texas 75240
(Address of principal executive offices, including zip code)

(214) 741-7744
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common stock, par value \$0.01 per share	HHC	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2019, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$4.3 billion based on the closing sale price as reported on the New York Stock Exchange.

The number of shares of common stock, \$0.01 par value, outstanding as of March 18, 2020 was 42,700,991.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2020 Annual Meeting of Stockholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K. The registrant intends to file its Proxy Statement with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2019.

Explanatory Note

This Amendment No. 1 to the Annual Report on Form 10-K/A amends the Annual Report on Form 10-K for the year ended December 31, 2019 of The Howard Hughes Corporation (the "Company"), which was filed with the Securities and Exchange Commission on February 27, 2020. This Form 10-K/A is being filed for the purpose of providing separate audited and unaudited consolidated financial statements of DLV/HHPI Summerlin, LLC ("The Summit"), our joint venture with Discovery Land Company ("Discovery"), in accordance with Rule 3-09 of Regulation S-X. The Summit's audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018, unaudited Consolidated Financial Statements for the year ended December 31, 2017, and Report of Independent Auditors, are filed as Exhibit 99.1 and are included as financial statement schedules in Item 15, "Exhibits and Financial Statement Schedules," of this Form 10-K/A. The consolidated financial statements of The Summit as of and for the year ended December 31, 2019 were not available at the time that the Company filed its Annual Report on Form 10-K on February 27, 2020. The consent of Ernst & Young LLP, independent auditors for the Company, is also filed as an exhibit to this Amendment No. 1 to the Annual Report on Form 10-K/A. In addition, this Form 10-K/A includes an updated exhibit index in respect thereof and certifications under Section 302 and 906 of the Sarbanes-Oxley Act of 2002. Except as described above, this Amendment No. 1 on Form 10-K/A is not intended to update or modify any other information presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as originally filed. This Amendment No. 1 does not update or modify in any way the financial position, results of operations, cash flows or related disclosures in the Company's Annual Report on Form 10-K and does not reflect events occurring after the Form 10-K's original filing date of February 27, 2020. Accordingly, this Form 10-K/A should be read in conjunction with our other filings made with the SEC subsequent to the filing of our Annual Report on Form 10-K for the year ended December 31, 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

(a) Financial Statements and Financial Statement Schedule.

The Consolidated Financial Statements and Schedule listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule were previously filed with the Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 27, 2020.

The following financial statements are included in this Amendment No. 1 to Annual Report on Form 10-K/A pursuant to Rule 3-09 of Regulation S-K.

DLV/HHPI Summerlin, LLC audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 and unaudited Consolidated Financial Statements for the year ended December 31, 2017

No additional financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required has been enclosed in the Consolidated Financial Statements and notes thereto.

(b) Exhibits.

Exhibits required by Item 601 of Regulation S-K: The exhibits filed in response to this item are listed in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HOWARD HUGHES CORPORATION

/s/ Paul H. Layne

Paul H. Layne

Chief Executive Officer

March 20, 2020

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement, dated January 2, 2018, by and among The Howard Hughes Corporation, certain stockholders named therein and J.P. Morgan Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Jeffries LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K, filed on January 5, 2018)
3.1	Second Amended and Restated Certificate of Incorporation of the Howard Hughes Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 24, 2016)
3.2	Amended and Restated Bylaws of The Howard Hughes Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed November 12, 2010)
3.3	Amendment No. 1 to the Amended and Restated Bylaws of The Howard Hughes Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed May 24, 2016)
4.1	Indenture, dated as of March 16, 2017 by and between The Howard Hughes Corporation and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on March 21, 2017)
4.2	Description of Securities of the Registrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 10-K, filed February 27, 2020)

- 10.1 [Form of indemnification agreement for directors and certain executive officers of The Howard Hughes Corporation \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed November 12, 2010\)](#)
- 10.2 [Registration Rights Agreement, dated November 9, 2010, between The Howard Hughes Corporation and Pershing Square Capital Management, L.P., Blackstone Real Estate Partners VI L.P., Blackstone Real Estate Partners \(AIV\) VI L.P., Blackstone Real Estate Partners VI.F L.P., Blackstone Real Estate Partners VI.TE.1 L.P., Blackstone Real Estate Partners VI.TE.2 L.P., Blackstone Real Estate Holdings VI L.P., and Blackstone GGP Principal Transaction Partners L.P. \(incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K, filed November 12, 2010\)](#)
- 10.3* [Form of Restricted Stock Agreement for Nonemployee Directors under The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.4* [Restricted Stock Agreement dated as of February 16, 2018, between The Howard Hughes Corporation and David Weinreb \(incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.5* [Form of Time-based Restricted Stock Agreement for Executive Officers under The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.6* [Form of Performance-based Restricted Stock Agreement for Executive Officers under The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan \(incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.7* [Form of Time-based Restricted Stock Agreement for Employees under The Howard Hughes Corporation Amended and Restated 2010 Incentive Plan \(incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.8* [Form of Performance-based Restricted Stock Agreement for Employees under The Howard Hughes Corporation Amended and Restated 2010 Incentive Plan \(incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.9* [Restricted Stock Agreement dated as of February 20, 2019, between The Howard Hughes Corporation and David Weinreb \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed May 6, 2019\)](#)
- 10.10* [Form of Time-based Restricted Stock Agreement for Executive Officers under The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed May 6, 2019\)](#)
- 10.11* [Form of Performance-based Restricted Stock Agreement for Executive Officers under The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed May 6, 2019\)](#)
- 10.12* [Form of Time-based Restricted Stock Agreement for Employees under The Howard Hughes Corporation Amended and Restated 2010 Incentive Plan \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed May 6, 2019\)](#)
- 10.13* [Form of Performance-based Restricted Stock Agreement for Employees under The Howard Hughes Corporation Amended and Restated 2010 Incentive Plan \(incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed May 6, 2019\)](#)

- 10.14* [Employment Agreement, dated as of November 6, 2017, between The Howard Hughes Corporation and Peter F. Riley \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed November 9, 2017\)](#)
- 10.15* [Amended and Restated Employment Agreement, dated as of February 21, 2018, between The Howard Hughes Corporation and David O'Reilly \(incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K, filed February 26, 2018\)](#)
- 10.16* [Restricted Stock Agreement, dated as of August 29, 2017, between The Howard Hughes Corporation and David R. Weinreb \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed September 5, 2017\)](#)
- 10.17* [Restricted Stock Agreement, dated as of October 2, 2017, between The Howard Hughes Corporation and Grant Herlitz \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed October 5, 2017\)](#)
- 10.18* [Restricted Stock Agreement, dated as of November 8, 2017, between The Howard Hughes Corporation and Peter F. Riley \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed November 9, 2017\)](#)
- 10.19* [Warrant Grant Agreement, dated as of June 16, 2017, between The Howard Hughes Corporation and David R. Weinreb \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 20, 2017\)](#)
- 10.20* [Warrant Grant Agreement, dated as of October 4, 2017, between The Howard Hughes Corporation and Grant Herlitz \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed October 5, 2017\)](#)
- 10.21* [Warrant Purchase Agreement, dated October 7, 2016, between The Howard Hughes Corporation and David O'Reilly \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed October 11, 2016\)](#)
- 10.22* [Saul Scherl offer letter, dated as of February 21, 2019 \(incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 10-K, filed February 27, 2019\)](#)
- 10.23 [Loan Agreement dated as of September 29, 2011, by and among Victoria Ward, Limited along with certain Victoria Ward, Limited's subsidiaries, as borrowers, Wells Fargo Bank, National Association, as Administrative Agent and lead lender, CIBC, First Hawaiian Bank, Bank of Hawaii and Central Pacific Bank, as lenders, and Wells Fargo Securities, L.L.C., as Sole Lead Arranger and Sole Bookrunner \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed October 4, 2011\)](#)
- 10.24 [Loan Agreement dated as of July 15, 2014, by and among The Shops at Summerlin North, LP, The Shops at Summerlin South, LP, Wells Fargo Bank, National Association, as Administrative Agent and lead lender, U.S. Bank National Association, as Syndication Agent and a lender, the other lending institutions party thereto, and Wells Fargo Securities, L.L.C., as sole Lead Arranger and Sole Bookrunner \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed July 16, 2014\)](#)
- 10.25 [Loan Agreement dated as of September 18, 2018, by and among Victoria Ward, Limited; Victoria Ward Center L.L.C.; Victoria Ward Entertainment Center L.L.C.; 1240 Ala Moana, LLC; Anaha Retail Holdings, LLC; Waiea Retail Holdings, LLC; 10 CCC, LLC; 20 CCC, LLC; 30 CCC, LLC; 10/20/30 CCC Parking Deck, LLC; 40 CCC, LLC; 40 CCC Parking Deck, LLC; 50 CCC, LLC; 60 CCC, LLC; 70 CC, LLC; 50/60/70 CCC Parking Deck, LLC; One Mall North, LLC; Crescent Area 1 Holdings, LLC; Crescent Area 1 Parking Deck 1, LLC; HL Champion Holding Company, LLC; Lakeland Village Holding Company, LLC; Waterway Hotel Holdings, LLC; HL-Hotel Holding Company, LLC; CSPV Holdings, LLC; 1701 Lake Robbins, LLC; Wells Fargo Bank, National Association, as administrative agent and a lender; Wells Fargo Securities, L.L.C., as sole lead arranger and sole book-runner; and the other lenders party thereto \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed September 24, 2018\)](#)

10.26*	<u>The Howard Hughes Corporation 2010 Amended and Restated Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 14, 2012)</u>
10.27*	<u>Form of The Howard Hughes Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K, filed September 17, 2014)</u>
10.28*	<u>The Howard Hughes Corporation Management Co., LLC Separation Benefit Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed August 16, 2017)</u>
10.29*	<u>Employment Agreement, dated October 21, 2019, between The Howard Hughes Corporation and Paul H. Layne (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed October 21, 2019)</u>
10.30*	<u>Release Agreement, dated October 21, 2019, between David R. Weinreb and The Howard Hughes Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed October 21, 2019)</u>
10.31*	<u>Release Agreement, dated October 21, 2019, between Grant Herlitz and The Howard Hughes Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed October 21, 2019)</u>
10.32*	<u>Amendment to Employment Agreement, dated November 13, 2019, between Peter F. Riley and The Howard Hughes Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed November 14, 2019)</u>
21.1	<u>List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 10-K, filed February 27, 2020)</u>
23.1	<u>Consent of Ernst & Young LLP (incorporated by reference to Exhibit 23.1 to the Company's Current Report on Form 10-K, filed February 27, 2020)</u>
23.2+	<u>Consent of Ernst & Young LLP</u>
24.1	<u>Power of Attorney (incorporated by reference to Exhibit 24.1 to the Company's Current Report on Form 10-K, filed February 27, 2020)</u>
31.1+	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2+	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1+	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
99.1+	<u>DLV/HHPI Summerlin, LLC audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 and unaudited Consolidated Financial Statements for the year ended December 31, 2017</u>
101.INS^	Inline XBRL Instance Document -- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH^	Inline XBRL Taxonomy Extension Schema Document
101.CAL^	Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB [^]	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE [^]	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF [^]	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract, compensatory plan or arrangement

+ Filed herewith

[^] Submitted electronically with the original Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 27, 2020. The following documents from the Company's Annual Report on Form 10-K for the year ended December 31, 2019 are formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017, (iii) the Consolidated Balance Sheets as of December 31, 2019 and 2018, (iv) Consolidated Statements of Equity for the years ended December 31, 2019, 2018 and 2017, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017, and (vi) the Notes to Consolidated Financial Statements.

In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 101 to the Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-184466) of The Howard Hughes Corporation, and
- (2) Registration Statements (Form S-8 No. 333-170431, Form S-8 No. 333-170432, Form S-8 No. 333-171909, and Form S-8 No. 333-171910) pertaining to the 2010 Amended and Restated Incentive Plan of The Howard Hughes Corporation;

of our report dated March 20, 2020, with respect to the consolidated financial statements of DLV/HHPI Summerlin, LLC, included in this Form 10-K/A - Amendment No. 1 to the Annual Report on Form 10-K of The Howard Hughes Corporation for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Dallas, Texas

March 20, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a —
14(a) ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul H. Layne, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Paul H. Layne

Paul H. Layne

Chief Executive Officer (principal executive officer)

March 20, 2020

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a —
14(a) ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David R. O'Reilly, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David R. O'Reilly

David R. O'Reilly

Chief Financial Officer

March 20, 2020

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350 ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation, a Delaware Corporation (the “Company”), for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers, in their capacity as officers, of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for periods expressed in the report.

By: /s/ Paul H. Layne
Paul H. Layne
Chief Executive Officer (principal executive officer)
March 20, 2020

By: /s/ David R. O’Reilly
David R. O’Reilly
Chief Financial Officer
March 20, 2020

Consolidated Financial Statements and
Report of Independent Auditors

DLV/HHPI Summerlin, LLC

December 31, 2019

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Report of Independent Auditors

Members of DLV/HHPI Summerlin, LLC

We have audited the accompanying consolidated financial statements of DLV/HHPI Summerlin, LLC, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DLV/HHPI Summerlin, LLC, at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Comparative Financial Statements

We have not audited, reviewed or compiled the consolidated statements of operations, changes in members' equity and cash flows for the year ended December 31, 2017, and the related notes to the consolidated financial statements, and, accordingly, we express no opinion on them.

/s/ Ernst & Young LLP

Dallas, Texas

March 20, 2020

DLV/HHPI SUMMERLIN, LLC
CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Real estate under development	\$ 95,760,184	\$ 76,469,496
Cash and cash equivalents	52,844,217	57,156,394
Property and equipment, net	21,947,940	22,693,090
Deferred costs	41,925,670	47,745,978
Restricted cash	3,081,365	3,042,286
Accounts receivable	524,431	198,954
Prepaid expenses and other assets	1,319,055	4,642,113
Note receivable	3,755,639	400,000
Related-party receivables	118,183	582,924
Total Assets	\$ 221,276,684	\$ 212,931,235
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued expenses	\$ 8,705,334	\$ 3,531,480
Deferred revenue	97,695,772	110,847,098
Related party payables	7,318,178	4,250,392
Special Improvement District bonds	311,830	440,696
Customer deposits	-	1,662,000
Club membership deposits	16,020,000	13,000,000
Line of credit	5,994,666	3,994,720
Finance lease obligations	268,208	488,212
Total Liabilities	136,313,988	138,214,598
Commitments and Contingencies (see Note 15)		
MEMBERS' EQUITY		
Members' capital	(43,150,093)	(27,098,402)
Accumulated earnings	128,112,789	101,815,039
Total Members' Equity	84,962,696	74,716,637
Total Liabilities and Members' Equity	\$ 221,276,684	\$ 212,931,235

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u> <u>(unaudited)</u>
REVENUES			
Real estate sales	\$ 114,916,263	\$ 99,904,340	\$ 58,016,446
Club operations	5,420,319	2,654,701	569,372
Total revenues	<u>120,336,582</u>	<u>102,559,041</u>	<u>58,585,818</u>
COSTS & EXPENSES			
Cost of real estate sales	60,087,296	37,795,633	19,342,117
Cost of club operations	14,229,416	10,544,113	4,626,353
Commissions, closing costs and fees	13,815,097	11,881,148	7,474,904
Selling, marketing and other expenses	3,531,117	3,484,453	3,280,873
Depreciation	1,411,942	1,109,429	592,764
Homeowners association subsidy	1,039,149	982,184	-
Total costs and expenses	<u>94,114,017</u>	<u>65,796,960</u>	<u>35,317,011</u>
Operating income	<u>26,222,565</u>	<u>36,762,081</u>	<u>23,268,807</u>
Other income (expense)	75,185	(65,018)	(34,453)
Net income	<u>\$ 26,297,750</u>	<u>\$ 36,697,063</u>	<u>\$ 23,234,354</u>

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2019, 2018 and 2017

	<u>HHPI</u>	<u>Discovery</u>	<u>Total</u>
Balance at December 31, 2016 (unaudited)	\$ 32,652,554	\$ 2,132,666	\$ 34,785,220
Contributions	-	-	-
Distributions	(10,000,000)	-	(10,000,000)
Net income	23,234,354	-	23,234,354
Balance at December 31, 2017 (unaudited)	45,886,908	2,132,666	48,019,574
Contributions	-	-	-
Distributions	(10,000,000)	-	(10,000,000)
Net income	36,697,063	-	36,697,063
Balance at December 31, 2018	72,583,971	2,132,666	74,716,637
Contributions	-	-	-
Distributions	(16,051,691)	-	(16,051,691)
Net income	26,297,750	-	26,297,750
Balance at December 31, 2019	\$ 82,830,030	\$ 2,132,666	\$ 84,962,696

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017 (unaudited)
Cash flows from operating activities			
Net income	\$ 26,297,750	\$ 36,697,063	\$ 23,234,354
Depreciation	1,411,942	1,109,429	592,764
Loss on asset disposal	-	3,162	-
Effects of changes in operating assets and liabilities:			
Additions to real estate development	(68,174,224)	(43,468,660)	(30,776,776)
Cost of real estate sales	60,087,296	37,795,633	19,342,117
Deferred costs	1,033,078	(1,129,053)	(71,596)
Accounts receivable	(325,477)	(18,818)	(180,136)
Note receivable	1,400,000	-	-
Prepaid expenses and other assets	3,323,058	(3,854,484)	(567,682)
Accounts payable	3,144,609	(3,008,155)	(4,500,706)
Customer real estate deposits	(1,662,000)	1,662,000	-
Deferred revenues	(17,906,964)	7,886,441	(3,750,446)
Membership deposits	3,020,000	4,450,000	8,550,000
Related-party receivables and payables	(1,263,831)	281,689	(81,562)
Net cash provided by operating activities	10,385,237	38,406,247	11,790,331
Cash flows from investing activities			
Development of property and equipment	(634,694)	(5,314,598)	(19,035,973)
Proceeds from repayment of advance to related party	300,000	-	-
Advance to related party	-	(300,000)	-
Net cash used in investing activities	(334,694)	(5,614,598)	(19,035,973)
Cash flows from financing activities			
Special Improvement District bonds payments	(51,892)	(57,195)	(68,970)
Class B members subscriptions refunds	-	-	(1,740,000)
Capital lease obligations payments	(220,004)	(297,370)	(302,984)
Members' capital distributions	(16,051,691)	(10,000,000)	(10,000,000)
Line of credit advances	1,999,946	3,994,720	-
Net cash used in financing activities	(14,323,641)	(6,359,845)	(12,111,954)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(4,273,098)	26,431,804	(19,357,596)
Cash, cash equivalents, and restricted cash, beginning of period	60,198,680	33,766,876	53,124,472
Cash, cash equivalents, and restricted cash, end of period	\$ 55,925,582	\$ 60,198,680	\$ 33,766,876

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u> <u>(unaudited)</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amount capitalized	\$ 15,190	\$ 22,722	\$ 4,550
Development of property and equipment included in accounts payable	\$ -	\$ 1,882,571	\$ -
Special Improvement District bond liability relieved from sale of land	\$ 76,974	\$ 138,036	\$ 78,954
Sale of land in exchange for a note receivable	\$ 5,000,000	\$ -	\$ -
Imputed interest on note receivable issued	\$ 244,361	\$ -	\$ -
Transfer of real estate and land development costs to property and equipment	\$ -	\$ 3,187,911	\$ 18,190,819
Class B members subscriptions converted to lot deposits	\$ -	\$ -	\$ 1,675,500

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE BUSINESS

Organization

DLV/HHPI Summerlin, LLC (the “Company”) was formed on June 13, 2014, under the laws of the State of Delaware, in the United States of America (“US”). On March 17, 2015, the limited liability company agreement was amended changing the members of the Company to DLV Summerlin, LLC, a Delaware limited liability company (“Discovery”) and Howard Hughes Properties, Inc., a Nevada corporation (“HHPI”). The Company is a joint venture, which wholly-owns certain entities incorporated under the laws of the State of Delaware, for the purpose of developing and operating a luxury golf club with related amenities and a residential community located in Summerlin, Nevada, a suburb of Las Vegas. The golf club and residential community (hereinafter collectively referred to as the “Project”) is expected to have approximately 260 dwellings on 555 acres which will be offered for sale as a mix of custom lots, detached built product units, and multi-family built product units.

Under the terms of the Company’s limited liability agreement, HHPI contributed real estate to the joint venture with a book value of \$12,051,598, which is net of Special Improvement District bonds of \$1,326,319. The agreed upon fair market value of the real estate contributed is \$125,430,000. Discovery contributed cash with a value of \$3,750,000, a portion of which was used to fund land improvements. Discovery is required to fund up to \$30,000,000 in capital contributions. Following the recording of the parcel map by HHPI, the primary remaining major entitlement was a Site Development Plan (“SDP”) approval for the Project’s overall development plan, residential plan, and golf course. The SDP approval was a condition precedent to commencing construction, starting sales and formally executing the joint venture documents. The approval of the SDP was obtained on March 17, 2015 and the operations of the Company commenced.

The consolidated financial statements as of December 31, 2019 and 2018 reflect the financial position of the Company and its wholly owned subsidiary Discovery Property Company, LLC (“DPC”) after the consolidation of its wholly owned subsidiaries Summit Club, LLC (the “Club”), DPC SPEC I, LLC and DPC Clubhouse I, LLC. The Club was formed on December 22, 2015, and began operations in March 2017. DPC SPEC I, LLC was formed on August 16, 2017. DPC Clubhouse I, LLC was formed on November 13, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include all of the accounts of the Company’s wholly owned subsidiaries in accordance with the provisions and guidance included in Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”). All intercompany transactions and balances have been eliminated during consolidation.

Real estate under development

Real estate assets are stated at cost less any provisions for impairments. Costs directly associated with the acquisition and development of the Project including interest, real estate taxes, indirect costs incurred in managing the development, legal and other costs clearly related to the Project are capitalized and presented in the balance sheets within real estate under development. Selling and marketing costs, which includes advertising are expensed as incurred.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real estate under development (continued)

The Company records impairment losses on its real estate under development when events or circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. In such a case, an impairment loss would be recorded to adjust the carrying amount to fair value. Management has determined that there were no impairment charges required for the years ended December 31, 2019, 2018, and 2017.

Revenue and cost recognition

In May 2014, the FASB issued ASU 2014-09, “*Revenues from Contracts with Customers (Topic 606)*”. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted the standard as of January 1, 2019 using the modified retrospective method. There was no effect on prior period financials.

Sale of Real Estate

Revenues from real estate sales are recognized at a point in time when the land sale closing process is complete. The transaction price is fixed based on the terms of the contract, and generally representative of a single performance obligation. The fixed transaction price, which is the amount of consideration received in full upon transfer of the land title to the buyer, is allocated to this single obligation and is received at closing of the land sale less any amounts previously paid on deposit.

In situations where the Company has completed the closing of a real estate sale and consideration is paid in full, but a portion of the Company’s performance obligation relating to the development of the land is still unsatisfied, revenue related to the Company’s obligation is recognized over time. The Company recognizes only the portion of the improved land sale where the improvements are fully satisfied based on a cost input method. The aggregate amount of the transaction price allocated to the unsatisfied obligation is recorded as deferred land sales and presented in deferred revenue. The Company measures the completion of its unsatisfied obligation based on the costs remaining relative to the total cost at the date of closing.

When real estate under development is sold, the cost of sales includes actual costs incurred and estimates of future development costs benefiting the property sold. In accordance with ASC 970-360-30-1, when developed land is sold, costs are allocated to each lot based upon the relative sales value. For purposes of allocating development costs, estimates of future revenues and development costs are re-evaluated throughout the year, with adjustments being allocated prospectively to the remaining lots available for sale.

Sale of Developer Product

The Company contracts with customers to sell real estate and construct a vertical improvement (developer product). The transaction price is fixed based on the terms of the contract. Subsequent changes due to customer submitted change orders represent a contract modification. Contracts requiring developer product contain two performance obligations; (1) the real estate and development of community amenities, and (2) the construction of the vertical development. The transaction price, which is the amount of consideration stipulated in the contract plus any contract modifications, is allocated to the multiple performance obligations based on the respective established standalone selling prices. Revenue related to the sale of real estate and development of community amenities is recognized over time, as described above in Sale of Real Estate. Revenue from the sale of a developer product is recognized over time as the Company satisfies the performance obligations.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

The Company receives cash payments in the form of vertical improvement deposits from customers who have contracted to purchase a developer product unit based on billing schedules established in the Company's purchase agreement contracts. The amounts are recorded in cash and cash equivalents, and a corresponding vertical product liability is established at the date of receipt, which is presented in deferred revenue. The Company recognized revenue on developer products using an input method of cost incurred relative to total cost of the vertical product for measuring progress. In instances where the revenue recognized exceeds the vertical deposits received, a corresponding contract asset and contract liability is recorded.

The following table presents the Company's revenues disaggregated by revenue source:

	<u>2019</u>	<u>2018</u>
From contracts with customers		
Real estate	\$ 81,276,849	\$ 90,693,646
Vertical product	33,639,413	9,210,694
Membership dues	2,700,430	1,474,143
Total revenue from contracts with customers	<u>117,616,692</u>	<u>101,378,483</u>
Point in time revenue		
Club operations	<u>2,719,890</u>	<u>1,180,558</u>
Total revenues	<u>\$ 120,336,582</u>	<u>\$ 102,559,041</u>

Below is a discussion of the performance obligations, significant judgements and other required disclosures related to revenues from contracts with customers.

Contract Assets and Liabilities

Contract assets are the Company's right to consideration in exchange for goods or services that have been transferred to a customer. Contract liabilities are the Company's obligation to transfer goods or services to a customer for which the Company has received consideration.

The beginning and ending balances of contract assets and liabilities are as follows. Contract assets are included in accounts receivable and contract liabilities are included in deferred revenue on the accompanying balance sheets:

	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balance as of January 1, 2019	\$ -	\$ 110,847,097
Balance as of December 31, 2019	\$ 377,937	\$ 98,073,708

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Remaining Unsatisfied Performance Obligations

The Company's remaining unsatisfied performance obligations as of December 31, 2019 represent a measure of the total dollar value of work to be performed on contracts executed and in progress. The aggregate amount of the transaction price allocated to the Company's remaining unsatisfied performance obligations as of December 31, 2019 and 2018 is approximately \$123,760,000 and \$141,000,000, respectively.

The Company's remaining performance obligations are adjusted to reflect any known cancellations, revisions to project scope and cost, and deferrals as appropriate.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near maturity that they present insignificant risk of changes in value because of the associated interest rates. Cash and cash equivalents are comprised of cash on hand, current accounts and fixed deposits with original contractual maturities of three months or less.

Restricted cash

Restricted cash reflects amounts held in deposit as required per the terms of the Company's line of credit agreement.

Property and equipment

Property and equipment consists primarily of land improvements, club amenities, office furnishings, equipment and vehicles. Property and equipment also includes assets leased under capital lease agreements. In the case of property and equipment held under capital leases, the asset and the related obligations are initially recorded at the amount equal to the present value of future minimum lease payments computed on the basis of the interest rate implicit in the lease or the incremental borrowing rate. Expenditures that increase capacities or extend useful lives are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred.

Property and equipment are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation and amortization are provided for primarily on the straight-line method over the estimated service lives of the assets.

Estimated service lives for fixed assets are as follows:

Asset	Years
Equipment	4 – 10
Office Furnishings	7
Vehicles	5 – 10
Amenity Buildings	40
Golf Course	15

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related-party receivables

Related-party receivables include shared office expense and club charges to sale agents and employees that will be repaid from future commissions on lot closings or payroll.

Accounts and note receivable

The Company grants credit to customers that arise in the normal course of operations. The receivable accounts consist of amounts billed to customers and accruals for amounts not yet billed. The Company writes off accounts when management believes the receivables are uncollectible based on the overall creditworthiness of the customers and payment disputes. An allowance is established based on reviews of individual accounts, recent loss experience, current economic conditions, and other pertinent factors. As of December 31, 2019 and 2018, management deemed all accounts are collectible, thus no allowance was recorded.

Deferred costs

Deferred costs include cost of lots sold plus closing and transfer fees and commissions paid on real estate sales. Deferred costs are measured based on the costs remaining relative to the total cost at the date of closing.

Prepaid expenses and other assets

Prepaid expenses and other assets include prepayments of insurance and refundable cash bond deposits, club inventory, supplies and vendor advances. Prepaid expenses are amortized over the terms of the related policies. Inventory is stated at the lower of cost or market.

Accounts payable and related-party payables

Accounts payable and related-party payables include development expenditures, marketing expenses, club operations and professional fees for the Project.

Customer real estate deposits

Customer real estate deposits consist of escrow funds received to hold a lot and funds received for customer change orders on construction contracts.

Class B member subscriptions

Class B member subscriptions represents Class B member shares that are non-voting, non-transferable and redeemable over the passage of time. The shares entitle the holder to a pre-selected land lot within the Project. Members can elect to redeem all, but not less than all, of their Class B shares and have the Company apply the proceeds to the purchase price due at closing under their real estate purchase agreement. If a member does not elect to execute their redemption rights, they will only be eligible to receive a distribution upon liquidation of the Company. The Class B shares are accounted for under the deposit method and recorded as a liability in the accompanying financial statements. Per ASC 480, Distinguishing Liabilities from Equity, the accounting guidance requires the Class B shares to be treated as debt securities and not equity securities due to the characteristics of the shares issued.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases entered into by the Company that do not transfer substantially all the risks and benefits of ownership of the leased asset from the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the statement of operations on a straight-line basis over the lease term.

Assets acquired pursuant to leases that transfer substantially all the rewards and risks of ownership to the Company are accounted for as leased property under finance leases. Payments to the lessors are treated as having capital and interest elements. Lease costs are capitalized if they relate to the real estate held for development or expensed if they relate to sales and marketing in the period to which they relate.

Income taxes

Federal, state and local income taxes have not been provided for in the accompanying financial statements as the members are responsible for reporting their allocable share of the Company's tax basis income, gains, deductions, losses and credits on their tax return. In accordance with ASC 740, Accounting for Uncertainty in Income Taxes, the Company must determine whether a tax position meets the "more likely than not" threshold based on the technical merits of the position. Once a position meets the recognition threshold, measurement of the position reported in the financial statement is determined. The Company has determined no material unrecognized tax benefits or liabilities exist as of December 31, 2019 and 2018 and no provision for income tax is required in the accompanying consolidated financial statements. If applicable, the Company recognizes interest and penalties related to underpayment of income taxes as income tax expense. The Company is not currently under exam by a taxing authority. As of December 31, 2019 and 2018, the Company has no amounts related to accrued interest and penalties. The Company does not anticipate any significant changes to its tax positions over the next year. Although the Company believes its tax returns are correct, the final determination of tax examinations and any related litigation could be different from what was reported on the returns. Generally, the Company is currently open to audit under the statute of limitations by the Internal Revenue Service as well as state taxing authorities for the years ended December 31, 2016 through 2018.

Use of estimates

The process of preparing financial statements in conformity with GAAP requires management to make significant 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant areas requiring the use of assumptions, judgments, and estimates relate to real estate under development and contingencies.

Fair value of financial instruments

The carrying values of cash and cash equivalents, receivables, accounts payable, and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distributions of cash and allocation of net income

Distributions of cash are made in accordance with the terms of the Company’s Operating Agreement (the Agreement). There were \$16,051,691, \$10,000,000, and \$10,000,000 of distributions made to HHPI during the years ended December 31, 2019, 2018 and 2017, respectively.

In general, net income or loss of the Company shall be allocated to the members such that, the Member’s adjusted capital account is equal to the amount that the member would receive in a hypothetical liquidation of the Company’s net assets at its recorded book value, as defined, at each balance sheet date.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases”. ASU 2016-02, codified in ASC 842, amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for the Company on December 31, 2021. Early adoption of ASU 2016-02 as of its issuance is permitted. The new leases standard requires a modified retrospective approach for all leases existing at, or entered into after, the date of the initial application, with an option to use certain transition relief. Management is currently evaluating the impact of adopting the new leases standard on the accompanying consolidated financial statements.

NOTE 3 - REAL ESTATE UNDER DEVELOPMENT

Real estate under development as of December 31, 2019 and 2018, consists of the following:

	2019	2018
Land cost, improvements, entitlements and designs	\$ 263,931,049	\$ 194,729,877
Development administration, taxes and insurance	21,845,312	16,423,632
	\$ 285,776,361	\$ 211,153,509
Less: Amenities placed in service	(21,410,828)	(21,378,730)
Less: Cost attributed to sales since inception (Note 5)	(168,605,349)	(113,305,283)
	\$ 95,760,184	\$ 76,469,496

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of December 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Land improvements	\$ 10,451,358	\$ 10,238,823
Amenity buildings	4,273,781	4,273,781
Golf course	6,308,332	6,343,621
Equipment	1,116,399	916,138
Office furnishing	1,013,153	943,860
Vehicles	845,068	625,077
Equipment and vehicles under capital lease	868,978	868,978
	<u>24,877,069</u>	<u>24,210,278</u>
Less: accumulated depreciation	(2,929,129)	(1,517,188)
	<u>\$ 21,947,940</u>	<u>\$ 22,693,090</u>

NOTE 5 – DEFERRED COSTS

Deferred costs at December 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Cost attributed to sales since inception (*)	\$ 168,605,349	\$ 113,305,283
Commissions	21,284,276	16,421,206
Closing costs	1,912,582	1,543,481
Incentive fees	33,223,785	25,673,937
	<u>225,025,992</u>	<u>156,943,907</u>
Less cost realized up to December 31:		
Cost of real estate sales	(139,963,946)	(79,876,650)
Commissions, closing costs and incentive fees	(43,136,376)	(29,321,279)
	<u>\$ 41,925,670</u>	<u>\$ 47,745,978</u>

(*) Transfer from real estate under development

NOTE 6 – RESTRICTED CASH

On November 30, 2017, DPC SPEC I, LLC entered into a \$7,500,000 revolving line of credit agreement with First Security Bank of Nevada. Under terms of the agreement, DPC was required to maintain a deposit of \$3,000,000 as a compensating balance, restricted as to use. At December 31, 2019 and 2018, the funds were held in a 12-month fixed term deposit account earning interest at 1.3%. Interest earned in each of the years 2019, 2018 and 2017 was \$39,079, \$39,079, and \$3,207, respectively.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – NOTE RECEIVABLE

In March 2018, the Company entered into a note agreement with a member for \$5,000,000 in connection with the sale of a custom lot. The note requires annual principal installments of \$1,000,000 beginning in March 2019 until paid in full. The note is without interest and is secured by the lot. The outstanding balance at December 31, 2019 and 2018 is \$4,000,000 and \$5,000,000, respectively.

In July 2016, the Company entered into a note agreement with a member for \$400,000 in connection with the sale of a custom lot. The note matures on or before July 22, 2019 without interest and is secured by the lot. The note balance was paid in full during 2019. The outstanding balance at December 31, 2019 and 2018 was \$0 and \$400,000, respectively.

NOTE 8 – DEFERRED REVENUE

Deferred revenues at December 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Lots sold - Type 1	\$ 109,542,588	\$ 95,425,000
Lots sold - Type 2	151,960,088	120,242,500
Lots sold - Type 3	96,200,000	82,600,000
Built product - Desert Villas	10,471,055	3,750,000
Built product - Desert Bungalows	50,200,496	28,279,281
Built product - Club Villas	13,982,500	4,537,500
Built product - Golf Cottages	2,200,000	2,000,000
Built product - Point Villas	15,789,991	11,747,500
	<u>450,346,718</u>	<u>348,581,781</u>
Less: Real estate sales recognized	(352,650,946)	(237,734,683)
	<u>\$ 97,695,772</u>	<u>\$ 110,847,098</u>

NOTE 9 – RELATED-PARTY TRANSACTIONS

On March 17, 2015, the Company entered into the Development Management Agreement with DLV Summerlin Management, LLC (“DLVSM”). Under the terms of the agreement, DLVSM agreed to provide sales, marketing, administrative and supervision services to the Project. DLVSM is entitled to an initial monthly management fee of \$125,000 during the first twenty-four (24) months. In addition, DLVSM is entitled to a base management fee equal to 7.5% of the gross sales proceeds and memberships. For the years ended December 31, 2019, 2018 and 2017, the Company incurred development management fees of \$7,549,848, \$7,522,750 and \$4,857,125, respectively. These fees are included in deferred costs in the accompanying balance sheets and in commissions, closing costs and fees in the accompanying consolidated statements of operations.

DPC leases office space from an entity affiliated with HHPI (see Note 15).

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – RELATED-PARTY TRANSACTIONS (continued)

In 2019 and 2018, the Company entered into 8 and 17 construction contracts for approximately \$29,500,000 and \$44,000,000, respectively, with Discovery Builders Nevada, LLC (DBN), an affiliate of Discovery, to construct residential homes. Total payments made in 2019 and 2018 were \$39,535,888 and \$17,074,500, respectively, and are included in real estate under development in the accompanying consolidated balance sheets.

In March 2018, the Company advanced \$300,000 under a promissory note with a manager of the Club. The note requires annual payments of \$50,000 beginning in March 2019. The note bears interest at a fixed rate of 2.88%. The note matures on or before March 31, 2024. The note was paid in full during 2019.

In September 2018, the Company entered into a contract with a member of Discovery for \$4,625,488 to construct a residential home. Total payments received under the contract in 2019 and 2018 were \$1,659,256 and \$844,776, respectively, and are included in related-party payables in the accompanying consolidated balance sheets.

The Summit Community Association (“Association”), a non-profit corporation, is responsible for maintaining, operating and governing the common-interest community of the Project. Under terms of the Association’s Declaration of Covenants, Conditions and Restrictions and Reservations of Easements, the Company is permitted to subsidize shortfalls of the Association’s operating expenses in exchange for annual assessments on unsold lots. During 2019 and 2018, the shortfall subsidized to the Association was \$1,029,065 and \$982,184, respectively, and are included in homeowners association subsidy in the accompanying consolidated statements of operations.

The following are the other related-party transactions for the periods ended December 31, 2019 and 2018, which are included in real estate under development or selling and marketing expenses:

	2019	2018
Discovery Land Ventures LLC - administrative expenses	\$ 278,096	\$ 220,891
Summit Club Realty LLC - commissions on closings	4,863,070	4,674,278
Denton House - design services	1,939,544	1,266,590
Westman Development LLC - charter flight services	121,536	167,251
Recover Life LLC - beverage inventory for club events	2,200	-
Various Discovery Affiliate Clubs - shared overhead	71,872	48,227
Shared Staffing Services - affiliated entity of DLVSM that provides labor services to the Project	11,944,935	9,974,615

NOTE 10 – SPECIAL IMPROVEMENT DISTRICT BONDS

The Summerlin master planned community uses Special Improvement District (SID) bonds to finance certain common infrastructure, including the infrastructure of the Project. These bonds are issued by the municipalities and, although unrated, are secured by the assessments on the land. As of December 31, 2019, the \$311,830 balance of the bonds is related to the parcel of land contributed by HHPI, which was transferred to DPC as a result of the formation of the Company, as discussed in Note 1. DPC pays the principal and interest on the bonds, and the interest portion is capitalized as a cost of the project. During 2019, 2018 and 2017, \$76,974, \$138,036 and \$78,954, respectively, of the outstanding bonds was relieved and transferred to the lot owners in connection with lot sales.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – CLASS B MEMBER SUBSCRIPTIONS

DPC initiated a financing program with outside investors in order to fund on-going development expenditures for the Project. Outside investors contribute funds to DPC for a Class B interest in the Company per terms of a Subscription Agreement. The Class B interest is non-voting, non-transferable and redeemable over the passage of time.

The Class B interest can be redeemed and the proceeds applied to the purchase of a specified lot at an agreed upon amount. The redemption timing is triggered by the recording date of a subdivision plat with respect to lots and the offering plan date with respect to condominium units. A member has up to 90 days from the date of plat recording or offering plan to execute redemption and purchase a vacant lot. During 2015, twenty-five subscription agreements were issued accounting for \$41,833,925 of Class B contributions to DPC. In 2017 one subscription agreement for \$1,740,000 was refunded. There are no unredeemed member subscriptions at December 31, 2019 and 2018.

NOTE 12 – MEMBERSHIP DEPOSITS

DPC began selling refundable golf memberships at Summit Club in March 2017 for the purpose of permitting members the recreational use of the club facilities. DPC will construct a golf course and all club facilities in exchange for the golf memberships. The Club is a non-equity membership club. Members who resign are entitled to a refund, upon resale of the existing membership, equal to the greater of 80% of the then-current deposit price, or the amount previously paid by the resigning member. DPC currently intends, but may limit the number available in any category at its sole discretion, to issue the following types of memberships:

- 245 golf memberships
- 30 national golf memberships
- 100 social memberships

A total of eighteen and twenty-nine golf memberships were sold during 2019 and 2018 for \$3,500,000 and \$4,450,000, respectively. A total of 104 golf memberships were sold through December 31, 2019. No national golf or social memberships have been sold.

DPC has the right to issue 6 honorary memberships and 15 charter memberships. As of December 31, 2019, 2 honorary memberships have been granted.

NOTE 13 – LINE OF CREDIT

On November 30, 2017, DPC SPEC I, LLC entered into a loan agreement with First Security Bank of Nevada for a \$7,500,000 revolving line of credit for the development and construction of spec units within the Project. The loan is secured by estate lots 110, 111 and 112. In 2019, the line of credit was increased by \$1,500,000, and the Company exercised its 12-month extension option. The loan matures November 30, 2020, and accrues interest at 6%. The outstanding balance due at December 31, 2019 and 2018, was \$5,994,666 and \$3,994,720, respectively. Interest paid during 2019, 2018 and 2017 totalled \$333,913, \$131,693 and \$0, respectively, and was capitalized into real estate under development. The Company is in compliance with its covenants as of December 31, 2019 and 2018.

DLV/HHPI SUMMERLIN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – FINANCE LEASE OBLIGATIONS

The finance leases relate to the acquisition by the Club of golf equipment. The future minimum lease payments under the finance leases for the year ending December 31 is as follows:

2020	\$	247,854
2021		29,983
Total minimum lease payments		277,837
Less amount representing interest		(9,629)
Present value of future minimum lease payments	\$	268,208

The annual implicit interest rate ranges from 2.9% to 4.27%.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

In October 2018, DPC relocated to a different suite and entered into an amended 56-month operating lease agreement for office space with The Shops at Summerlin LLC, an affiliate of HHPI. Under terms of the agreement, DPC may terminate the lease with 12-months' notice. The lease requires monthly payments of \$9,896.

The future minimum lease payments under the operating leases for the years ending December 31 are as follows:

2020	\$	266,870
2021		178,774
2022		136,000
2023		57,363
Total minimum lease payments	\$	639,007

Rent expense totaled \$311,000, \$311,000 and \$267,000 for the years ended December 31, 2019, 2018 and 2017, respectively, and are included in homeowners association subsidy in the accompanying consolidated statements of operations.

NOTE 16 – CONCENTRATION OF RISK

The Company places its cash and cash equivalents with a high quality financial institution. Balances with this institution regularly exceed Federal Deposit Insurance Corporation insured limits; however, to manage the related credit exposure, the Company continually monitors the credit worthiness of the financial institution where it has deposits.

DLV/HHPI SUMMERLIN, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and disclosure through March 20, 2020, the date the financial statements were available to be issued.

