

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS](#)

[Table of Contents](#)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934

Spinco, Inc.

(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 No.)
---	--

**110 N. Wacker Drive
Chicago, IL 60606**

(Address of principal executive offices) (Zip Code)

(312) 960-5000

(Registrant's telephone number, including area code)

Copies to:

Thomas Nolan, Jr.
President and Chief Operating
Officer
Spinco, Inc.
110 N. Wacker Drive
Chicago, IL 60606
(312) 960-5000

Matthew D. Bloch, Esq.
Heather L. Emmel, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York
(212) 310-8000 (Phone)
(212) 310-8007 (Fax)

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

<u>Title of each class to be so registered</u>	<u>Name of each exchange on which each class is to be registered</u>
Common stock, no par value per share	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: **None**

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a
smaller reporting company)

Smaller reporting company

TABLE OF CONTENTS

	<u>Page</u>
EXPLANATORY NOTE	ii
USE OF NON-GAAP MEASURES	ii
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	iv
SUMMARY	1
ITEM 1. BUSINESS	14
ITEM 1A. RISK FACTORS	39
ITEM 2. FINANCIAL INFORMATION	54
ITEM 3. PROPERTIES	82
ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	82
ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS	84
ITEM 6. EXECUTIVE COMPENSATION	88
ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	89
ITEM 8. LEGAL PROCEEDINGS	91
ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	92
ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES	93
ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED	93
ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS	96
ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	97
ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	97
ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS	98

EXPLANATORY NOTE

This registration statement is being filed by Spinco, Inc. ("Spinco") in order to register its common stock pursuant to Section 12(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Spinco is a newly formed Delaware corporation that was created to hold certain assets and liabilities of General Growth Properties, Inc. ("GGP") and its subsidiaries (collectively, the "Predecessors"). In conjunction with a plan of reorganization filed by GGP and certain of its subsidiaries under Chapter 11 of title 11 of the United States Code (as the same may be amended, modified or supplemented from time to time, the "Plan"), Spinco will receive certain of the assets and liabilities of the Predecessors (the "Separation"), which we refer to as our business. We expect the reorganization to be completed during the fourth quarter of 2010 (such time of completion is referred to herein as the "Effective Date"). Pursuant to the Plan, on or prior to the Effective Date, approximately 32.5 million shares of common stock of Spinco (0.0983 shares of Spinco common stock for each share of GGP common stock, which is based upon a maximum number of Spinco shares and options and warrants to acquire Spinco common stock), will be distributed to the common and preferred unit holders of GGP Limited Partnership ("GGPLP"), which includes GGP, and then GGP will distribute its portion of such shares pro rata to holders of GGP common stock (the "Distribution") and the Plan Sponsors (as defined herein) will purchase \$250.0 million shares of our common stock at \$47.619048 per share. The per share price for Spinco common stock has been adjusted from the originally contemplated per share purchase price to net the fees associated with the eliminated Spinco rights offering and to reflect a reduction in the number of shares of Spinco common stock that will be issued for the same aggregate consideration on the Effective Date. GGP will not retain any ownership interest in Spinco. Unless otherwise noted, all information contained in this registration statement relates to Spinco after the Effective Date. Spinco is not required to file this registration statement pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and this registration statement shall not constitute an offer to sell, nor a solicitation of an offer to buy, its securities. An application will be made to list Spinco's common stock on the New York Stock Exchange (the "NYSE").

USE OF NON-GAAP MEASURES

We present EBITDA, Adjusted EBITDA and Free Cash Flow from Master Planned Communities, all as defined below, in this registration statement as supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States of America ("GAAP"). They are not measures of our financial performance under GAAP and should not be considered as alternatives to any other performance measures derived in accordance with GAAP or as alternatives to cash flow from operating activities as measures of our liquidity.

EBITDA is defined as net income (loss) attributable to controlling interests (currently, GGP), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization. We calculate Adjusted EBITDA by adjusting EBITDA for the following items: (a) costs incurred with respect to reorganization items following GGP's filing for bankruptcy protection, including gains on liabilities subject to compromise, interest income, U.S. Trustee fees and other restructuring items; (b) our 2009 and 2008 strategic initiatives, which consist of GGP's pre-bankruptcy filing restructuring costs; and (c) provisions for impairment. We present EBITDA and Adjusted EBITDA because we believe certain investors use them as additional measures of a company's historical operating performance and its ability to service and incur debt. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors because Adjusted EBITDA excludes certain non-recurring and/or non-cash items, including bankruptcy and restructuring costs, which we believe are not indicative of our core operating performance and which are not excluded in the calculation of EBITDA. In addition, we

present EBITDA and Adjusted EBITDA of our properties that we own jointly with independent joint venture partners under the proportionate share method. Under the proportionate share method, our share of revenues and expenses of such properties are aggregated with the revenues and expenses of our combined properties.

Free Cash Flow from Master Planned Communities ("MPC Free Cash Flow") is calculated by modifying Adjusted EBITDA for land development expenditures (net of public financing reimbursements); non-cash elements of revenue and expense; including collections of deposits, deferred revenues and builders notes receivable; reflecting interest payments and participation payments and distributions received. We present MPC Free Cash Flow as a supplementary measure for the MPC segment as we believe investors evaluate the performance of the MPC business on its cash flows as well as other GAAP and non-GAAP measures.

EBITDA and Adjusted EBITDA should not be considered as alternatives to GAAP net income (loss) attributable to controlling interests, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. Similarly, MPC Free Cash Flow should not be considered a substitute for cash flow from operating activities. Some of the limitations inherent in these non-GAAP measures are that:

- they do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- they do not adjust for all non-cash income or expense items that are reflected in our statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- they do not reflect the value of our non-income producing assets;
- they may not be calculated in the same manner as research analysts calculate EBITDA or Adjusted EBITDA or in the same manner as may be required by any current or future indebtedness;
- they do not reflect limitations on, or costs related to, transferring earnings from our subsidiaries and unconsolidated joint ventures to us; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

For a reconciliation of Adjusted EBITDA and EBITDA to net income (loss) attributable to controlling interests, see "Summary Historical Combined Financial Data."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This registration statement contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this registration statement are forward-looking statements. Forward-looking statements give our current expectations relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to current or historical facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "forecast," "plan," "intend," "believe," "may," "should," "would," "likely," and other words of similar expression.

Forward-looking statements should not be unduly relied upon. They give our expectations about the future and are not guarantees. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements to materially differ from any future results, performance and achievements expressed or implied by such forward-looking statements. We caution you, therefore, not to rely on these forward-looking statements.

In this registration statement, for example, we make forward-looking statements discussing our expectations about:

- capital required for our operations and development opportunities for the properties in our Strategic Development segment following the Distribution;
- expected performance of our Master Planned Communities segment and other current income producing properties;
- future management;
- future liquidity;
- future development opportunities;
- expenses we expect to incur as a stand-alone entity;
- future development spending; and
- future management plans.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include:

- our history of losses;
- our lack of operating history as an independent company;
- our reliance on an interim management company;
- our current and future reliance on third parties to manage certain of our properties;
- our inability to obtain operating and development capital;
- our inability to establish our own financial, administrative and other support functions to operate as a stand-alone business and loss of operational efficiency we had as a part of GGP;
- our new directors and officers may change our long-range plans;
- our inability to raise capital through the sale of land and home sites in our Master Planned Community segment;
- a prolonged recession in the national economy and adverse economic conditions in the retail sector;

- our inability to compete effectively;
- potential conflicts with GGP after the Distribution arising from agreements with GGP with respect to certain of our assets;
- our inability to control certain of our properties due to the joint ownership of such property and our inability to successfully attract desirable strategic partners;
- risks associated with the Distribution not qualifying as a tax-free distribution for U.S. federal income tax purposes;
- the Plan Sponsors (as subsequently defined) having influence over us, whose interests may be adverse to ours or yours; and
- the other risks described in "Risk Factors."

These forward-looking statements present our estimates and assumptions only as of the date of this registration statement. Except as may be required by law, we undertake no obligation to modify or revise any forward-looking statements to reflect events or circumstances occurring after the date of this registration statement.

SUMMARY

We are a newly formed Delaware corporation that was created to hold certain assets and liabilities of General Growth Properties, Inc. ("GGP") and its subsidiaries (collectively, the "Predecessors"). In conjunction with the second amended and restated plan of reorganization filed by GGP and certain of its subsidiaries under Chapter 11 of title 11 of the United States Code (as it may be further amended, modified or supplemented from time to time, the "Plan"), we will receive certain of the assets and liabilities of the Predecessors and substantially all of our common stock will be distributed to the holders of GGP's common stock in the Distribution. GGP will not retain any ownership interest in us.

To date, we have not conducted any business and will not have any material assets or liabilities until the Separation and the Distribution are completed. We expect the reorganization of GGP and certain of its subsidiaries to be completed during the fourth quarter of 2010 (such time of completion is referred to herein as the "Effective Date"), at which time we will own the Predecessors' properties and related assets and liabilities described herein, which we refer to as our business. The description of the business to be transferred to us by the Predecessors is presented herein as if the transferred business was our business for all historical periods described. Unless the context otherwise requires, references to "we," "us" and "our" refer to Spinco, Inc. and its subsidiaries and joint venture interests after giving effect to the Separation and the Distribution.

The items in the following summary are described in more detail later in this registration statement. This summary provides an overview of selected information and does not contain all the information you should consider before making a future investment decision with respect to our securities. Therefore, you should also read the more detailed information set out in this registration statement, including the risk factors, the combined financial statements and the notes thereto, and the other documents to which this registration statement refers before making an investment decision.

Overview

On April 16, 2009 and April 22, 2009 (collectively, the "Petition Date"), GGP and certain of its subsidiaries filed voluntary petitions for relief (the "Chapter 11 Cases") in the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On August 17, 2010, GGP filed with the Bankruptcy Court its second amended and restated Plan and the related disclosure statement (as it may be further amended, modified or supplemented from time to time, the "Disclosure Statement") for the debtors remaining in the Chapter 11 Cases (the "TopCo Debtors"). The Plan sets forth the contemplated structure of GGP and the TopCo Debtors following the Effective Date. We refer to the public company successor to GGP following the Effective Date as "reorganized GGP." See "Business—Bankruptcy Proceedings."

We are a real estate company created to specialize in the development of master planned communities and other strategic real estate development opportunities across the United States. Our goal is to create sustainable, long-term growth and value for our stockholders. We own a diverse portfolio of properties with a relatively small amount of debt and with near, medium and long-term development opportunities, including our master planned communities, mall development projects and a series of mixed-use development opportunities in premier locations. As operated by the Predecessors, our master planned communities have won numerous awards for, among other things, design and community contribution. We expect the competitive position and desirable location of certain of our assets (which collectively comprise millions of square feet and thousands of acres of developable land), combined with their operations and long-term opportunity through entitlements, land and home site sales and project developments, to drive our income and growth. We expect to pursue development opportunities for a number of our assets that were postponed by the Predecessors due to lack of liquidity resulting from deteriorating economic conditions, the credit market collapse and certain of the

Predecessors' bankruptcy filings in April 2009, and to develop plans for other assets for which no plans had been developed. We expect to assess the opportunities for these assets, which are currently in various stages of completion, to determine how to finance their completion and how to maximize their long-term value potential, which may include entering into joint venture arrangements.

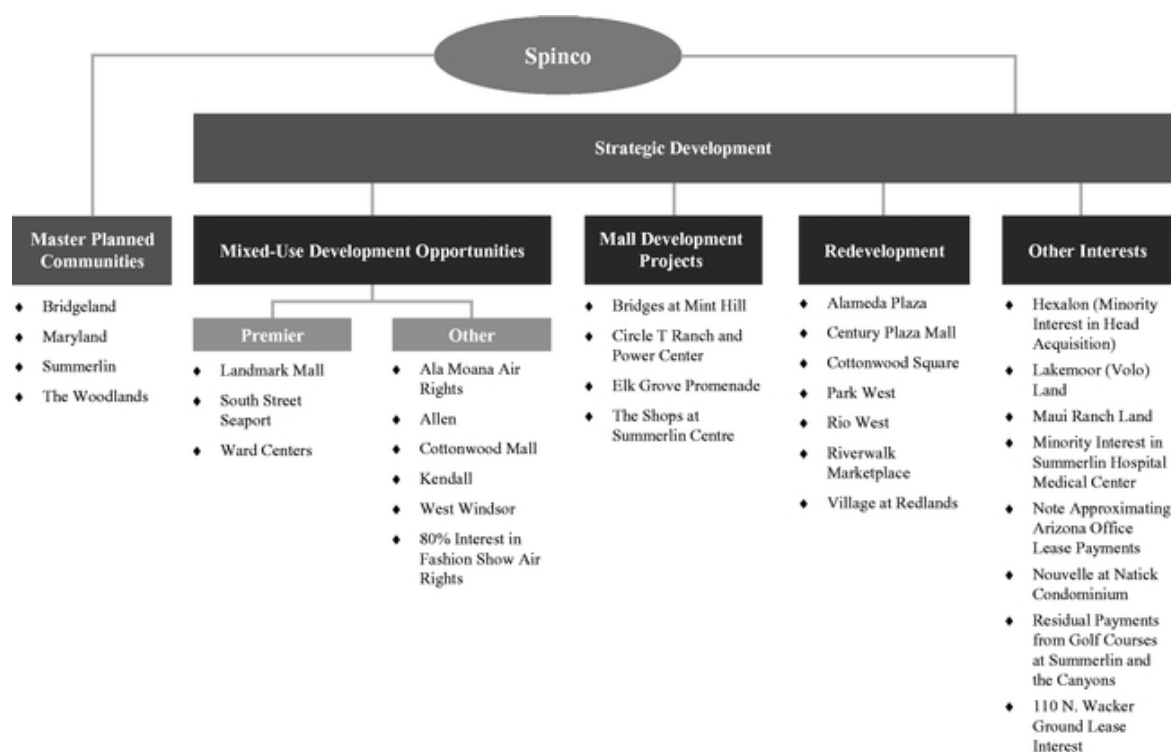
For the year ended December 31, 2009, our net loss attributable to controlling interests and Adjusted EBITDA were \$703.6 million and \$21.5 million, respectively, and for the six months ended June 30, 2010, our net loss attributable to controlling interests and Adjusted EBITDA were \$48.6 million and \$10.7 million, respectively. As a newly formed company with no operating history as a stand alone company and a history of losses and negative cash flow from operations, there are significant risks to investing in our securities. See "Risk Factors" and "Management's Discussion and Analysis and Results of Operations—Liquidity and Capital Resources."

We operate our business in two lines of business: Master Planned Communities and Strategic Development.

Master Planned Communities. Our Master Planned Communities segment consists of the development and sale of residential and commercial land, primarily in large-scale projects. We currently own four master planned communities (including four separate communities in Maryland that are commonly, and collectively, referred to as the "Maryland communities") with over 14,000 acres of land remaining to be sold in desirable locations, which in some cases have no land suitable for large-scale residential development nearby. Residential sales, which are made primarily to home builders, include standard, custom and high density (*i.e.*, condominium, town homes and apartments) parcels. Standard residential lots are designated for detached and attached single- and multi-family homes, ranging from entry-level to luxury homes. Commercial sales include parcels designated for retail, office, services and other for-profit activities, as well as those parcels designated for use by government, schools and other not-for-profit entities.

Strategic Development. Our Strategic Development segment is made up of a diverse mix of near, medium and long-term real estate properties and development projects, some of which we believe have the potential to create meaningful value. For example, the Hawaii Community Development Authority ("HCDA") approved a 15-plus year master plan that will permit us to transform 60 acres of land at our Ward Centers project in Honolulu, Hawaii into a vibrant and diverse neighborhood of residences, shops, entertainment and offices. Our Strategic Development segment includes nine mixed-use development opportunities, four mall development projects, seven redevelopment projects and eight other property interests, including ownership of various land parcels and certain profit interests.

The chart below presents our assets by reportable segment and, with respect to our Strategic Development reportable segment, our current expectation of the type of development opportunity:



The table below sets forth certain financial information for our two segments as of June 30, 2010 and as of December 31, 2009, or, as applicable, for the six months ended June 30, 2010 and for the year ended December 31, 2009.

	As of or For the Six Months Ended June 30, 2010			As of or For the Year Ended December 31, 2009		
	Master Planned Communities	Strategic Development	Total	Master Planned Communities	Strategic Development	Total
	(dollars in thousands)			(dollars in thousands)		
Adjusted EBITDA—Segment basis	\$ (1,259)	\$ 11,924	\$ 10,665	\$ 1,243	\$ 20,280	\$ 21,523
Net Book Value of Assets	1,762,679	836,347	2,599,026	1,741,878	945,378	2,687,256
Combined Mortgages, notes and loans payable(*)	80,223	260,272	340,495	82,011	260,822	342,833

(*) In addition, our share of our Real Estate Affiliates debt was \$196.2 million at June 30, 2010.

Competitive Strengths

We believe that we will distinguish ourselves through the following competitive strengths:

Award Winning Master Planned Communities. We believe that we are a leader in the master planned communities business. As operated by the Predecessors, the master planned communities in our portfolio have won numerous awards for, among other things, design and community contribution. In 2009, Bridgeland was awarded the "Master Planned Community of the Year" by the National

Association of Home Builders. Our communities represent over 78,000 total acres and we have over 14,000 acres of land remaining to be sold in desirable locations. These communities are located in areas of the country that feature strong demographic fundamentals, such as high income and population growth rates. We believe that it would be difficult for other real estate development companies to acquire significant parcels of land in areas with similar demographics. While the economic downturn and housing recession has slowed land and home site sales across the nation, we believe that the long-term value of these communities remains strong given their competitive positioning and our expertise in long-range land use planning and entitlements for communities such as these.

Development Opportunities in Premier Locations. We will have the opportunity to develop mixed-use properties in some of the highest quality and most desirable economic and demographic regions of the United States, including Ward Centers in Honolulu, Hawaii; Landmark Mall in Alexandria, Virginia; and South Street Seaport in Manhattan, New York. Ward Centers is situated along prime Hawaiian oceanfront property located within one mile of downtown Honolulu and within walking distance of the Ala Moana Center, one of the highest traffic and sales volume regional malls in the world. At our Landmark Mall, we have certain limited entitlements to construct buildings as tall as 25 stories on some parcels, which could be used for retail, residential and commercial development, subject to acquisition of the 30 acres of adjacent lands from the anchor store owners and demolition of the existing mall structures. In addition, the South Street Seaport property is located in downtown Manhattan on the waterfront adjacent to the financial center of Wall Street.

Experienced Management Team. The Predecessors' existing experienced master planned community operational management team will be joining us on the Effective Date. We intend to hire industry-leading senior executives with master planned community and other real estate development expertise to complement this existing operational management team. Utilizing their significant experience managing our master planned community assets, the existing operational management team will maintain its current focus on our properties for the benefit of us and our stockholders. In addition, until our permanent senior executives have been selected, Brookfield Asset Management and its affiliates ("Brookfield Advisors") will provide certain management services to Spinco pursuant to an interim management agreement (the "Management Agreement"). Brookfield Advisors is a pre-eminent global real estate company. Brookfield Advisors will apply its considerable expertise in developing and operating premier real estate assets and experience in successfully managing our business by providing us with interim executive officers and commercial, technical, administrative and strategic services until our permanent executive management team can be identified and assume their roles. The Management Agreement has an initial term of six months subject to extension for up to an additional six months at our option, subject to good faith negotiation with respect to certain terms.

Business Strategy

We will seek to maximize what we believe is the significant long-term value potential of our assets and create a leading real estate development company, while providing our stockholders with appropriate long-term returns commensurate with development risk. Given the makeup of our assets, particularly the undeveloped land in our Master Planned Communities segment, we will not elect to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes; however, one of our subsidiaries, Victoria Ward, Limited, is and will continue to be treated as a REIT. Given the capital and operational differences between our two business segments, we intend to follow specific strategies in each business segment to maximize the value of our assets. Our strategies for each segment are detailed below.

Master Planned Communities Segment. In our Master Planned Communities segment, we plan to grow long-term value for our stockholders through continued improvements, entitlements and land

development. We believe we have the potential to generate high cash flow in this segment because we expect our capital investment in properties to generally coincide with anticipated sales. With expertise in large-scale, long-range land use planning, residential and commercial real estate development, sales and other special skills, we intend to leverage our operational management team to oversee our operations. One of our primary strategies is to develop and sell land in a manner that increases the value of the remaining land to be developed and to provide current cash flows. To implement our strategy, we intend to build upon the experienced operational professionals who will join us from the Predecessors and, on an interim basis, engage Brookfield Advisors to provide certain executive-level services.

Strategic Development Segment. Our portfolio of strategic development assets represents a diverse mix of near, medium and long-term real estate properties and development projects. We expect to pursue development opportunities for a number of our assets that were postponed by the Predecessors due to lack of liquidity resulting from deteriorating economic conditions, the credit market collapse and certain of the Predecessors' bankruptcy filings in April 2009. We expect to assess the opportunities for these assets, which are currently in various stages of completion, and determine how to finance their completion and how to maximize their long-term value potential. Any such development will require resources which may be significant in some cases. Real estate development is a capital intensive business with multi-year time frames for each project that will require higher leverage than our master planned communities segment will require. We expect to fund our development projects with a mix of construction, bridge and long-term financing, as well as joint venture equity. In the latter situations, we would expect to contribute the land and development expertise and planning to projects and form strategic and institutional partnerships to operate and finance these projects. We also do not intend to be a general contractor or property manager for most of our assets in this segment, and therefore will consider outsourcing the majority of property management, design and construction responsibilities to third parties.

Our Business

Master Planned Communities

Our Master Planned Communities segment consists of the development and sale of residential and commercial land, primarily in large-scale projects in and around Columbia, Maryland; Houston, Texas; and Las Vegas, Nevada.

Revenues are derived primarily from the sale of finished lots, including infrastructure and amenities, and undeveloped property to both residential and commercial developers. Additional revenues are earned through participations with builders in their sales of finished homes to homebuyers. Revenues and Adjusted EBITDA are affected by factors such as the availability to purchasers of construction and permanent mortgage financing at acceptable interest rates, consumer and business confidence, regional economic conditions in the areas surrounding the projects, employment levels, levels of homebuilder inventory, other factors generally affecting the homebuilder business and sales of residential properties, availability of saleable land for particular uses and our decisions to sell, develop or retain land. For our more mature communities such as in Columbia, Maryland, we are also creating new design plans to increase density and add additional neighborhoods.

Master planned communities in the United States have suffered due to continued weak demand in the residential real estate market following the sharp decline in 2007. As a business venture, development of master planned communities requires expertise in large-scale, long-range land use planning, residential and commercial real estate development, sales and other special skills. The development of these communities requires decades of investment and a continual focus on the changing market dynamics surrounding these communities. In recent periods, the economic downturn has slowed land and home site sales, requiring the development and growth of these communities to be

delayed. We believe that the long-term value of our communities remains strong given their competitive positioning and our expertise in long-range land use planning and entitlements for communities such as these.

The following table summarizes our master planned communities as of June 30, 2010:

Community	Location	Ownership (%)	Total/Gross Acres(a)	People Living in community (Approx. No.)	Remaining Saleable Acres(b)			Redevelopment Acres(e)	Projected Community Sell-Out Date
					Residential(c)	Commercial(d)	Total		
Bridgeland	Houston, TX	100.0	11,400	3,250	3,981	1,246	5,227	—	2036
Summerlin	Las Vegas, NV	100.0	22,500	100,000	6,559	625	7,184	—	2039
The Woodlands	Houston, TX	52.5(f)	28,400	94,000	1,063	1,018	2,081	—	2017
Maryland Communities									
Columbia	Howard County, MD	100.0	14,200	100,000	—	—	—	136	2035(g)
Gateway	Howard County, MD	100.0	630	—	—	121	121	—	2013
Emerson	Howard County, MD	100.0	520	2,000	12	68	80	—	2013
Fairwood	Prince George's County, MD	100.0	1,100	2,300	—	11	11	—	2013
Total			78,750	301,550	11,615	3,089	14,704	136	

- (a) Encompasses all of the land located within the borders of the master planned community, including parcels already sold, saleable parcels and non-saleable areas, such as roads, parks and recreation and conservation areas.
- (b) Includes only parcels that are intended for sale. The mix of intended use, as well as the amount of remaining saleable acres, are primarily based on assumptions regarding entitlements and zoning of the remaining project and are likely to change over time as the master plan is refined.
- (c) Includes standard, custom and high density residential land parcels. Standard residential lots are designated for detached and attached single- and multi-family homes, of a broad range, from entry-level to luxury homes. At Summerlin, we have designated certain residential parcels as custom lots as their premium price reflects their larger size and other distinguishing features—such as being within a gated community, having golf course access, or being located at higher elevations. High density residential includes townhomes, apartments and condominiums.
- (d) Designated for retail, office, services and other for-profit activities, as well as those parcels allocated for use by government, schools, houses of worship and other not-for-profit entities.
- (e) Reflects the number of acres we expect to redevelop.
- (f) Reflects our economic interest. Our ownership interest is 42.5% and we jointly make decisions with our joint venture partner.
- (g) Reflects the projected redevelopment completion date.

On May 10, 2010, certain of the TopCo Debtors entered into purchase agreements with two proposed purchasers, Richmond American Homes of Nevada, Inc. ("Richmond") and PN II, Inc., dba Pulte Homes of Nevada ("Pulte"), for the sale of certain lots in our Summerlin master planned community. The purchase agreement with Richmond is for parcels comprising 115 and 117 lots representing 32 acres in the aggregate for purchase prices of \$8,510,000 and \$9,477,000, respectively. The purchase agreement with Pulte is for parcels comprising 109 and 162 lots representing 31.5 acres in the aggregate for purchase prices of \$7,739,000 and \$12,231,000, respectively. The applicable TopCo Debtors will begin an auction process, as required by applicable bankruptcy law, to attempt to obtain the highest and best offer for such acreage. Both purchase agreements provide for closings in stages through 2011, with no closings expected to occur prior to the Effective Date; however, to the extent that any closings occur prior to the Effective Date, the proceeds of any such sales will remain with GGP.

Strategic Development

Our Strategic Development segment is made up of a diverse mix of near, medium and long-term real estate properties and development projects. Our Strategic Development segment includes the following assets:

Mixed-Use Development Opportunities. We have the opportunity to create mixed-use development projects on nine properties in attractive locations, including the following premier opportunities:

- South Street Seaport, located in the downtown financial and insurance districts of New York City, is within walking distance of lower Manhattan's many tourist attractions, such as the World Financial Center, Tribeca, the Brooklyn Bridge, City Hall and the NYSE. South Street Seaport currently contains approximately 285,000 square feet of retail, restaurant and exhibition space. South Street Seaport is easily accessible via subway, bus, car or water taxi. We believe that South Street Seaport represents a unique development opportunity which, subject to the approval of the City of New York, our ground lessor, could potentially include new shops, restaurants, hotels and residences.
- The city council of Alexandria, Virginia unanimously approved a small area plan in February 2009 that authorized up to 5.5 million square feet of mixed-use development on the site currently occupied by our Landmark Mall. This site is located just nine miles west of Washington, D.C. and the Pentagon, and is within approximately one mile of public rail service on D.C.'s metro blue line. We have certain limited entitlements to construct buildings as tall as 25 stories on some parcels, subject to acquisition of the 30 acres of adjacent lands from the anchor store owners and demolition of their existing structures. Although plans continuously evolve as market conditions change, it is illustrative that our entitlements envision about 800,000 square feet of retail and other commercial space, 500 hotel rooms and 1.2 million square feet of residences. These could be developed by us or sold to others for development.
- Ward Centers is situated along Ala Moana Beach Park and is within one mile of Waikiki and downtown Honolulu. The Ward Neighborhood is the site of Ward Centers, a chic shopping district of six specialty centers with over 135 unique shops (many found only there) and 22 restaurants. In January 2009, the HCDA approved a 15-plus year master plan by Victoria Ward, Limited to transform the 60-acre site into a vibrant and diverse neighborhood of residences, shops, entertainment and offices. We believe that the land's value increased significantly with the HCDA's approval of entitlements and we have the opportunity to undertake an oceanfront development project to add up to 10 million square feet of retail, residential, office and industrial use.

The following table summarizes our mixed-use development opportunities as of June 30, 2010:

ASSET	LOCATION	EXISTING GROSS LEASABLE AREA ("GLA")	SIZE (ACRES)	NET BOOK VALUE (\$ MILLIONS)	ACQUISITION DATE
South Street Seaport	New York, NY	285,849	11	2.9	11/04*
Landmark Mall	Alexandria, VA	859,710	22	48.3	11/04*
Ward Centers	Honolulu, HI	1,151,912	60	319.1	05/02
Ala Moana Tower Air Rights	Honolulu, HI	—	—	22.8	—
Fashion Show Air Rights	Las Vegas, NV	—	—	—	—
West Windsor	Princeton, NJ	—	653	20.5	11/04*
Allen	Dallas, TX	—	238	26.0	03/06
Kendall	Miami, FL	—	91	13.7	11/04*
Cottonwood Mall	Holladay, UT	220,954	54	20.3	07/02
Total		2,518,425	1,129	473.6	

* Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

Mall Development Projects. We own four mall development projects in desirable demographic regions. Examples include:

- The Shops at Summerlin Centre, located in Las Vegas, Nevada, consists of an approximately 100-acre parcel that is part of a larger 1,300-acre mixed-use village located at the western rim of the Las Vegas valley in the heart of our Summerlin master planned community. The Shops at Summerlin Centre is surrounded by in-place residential and commercial development. The 100-acre parcel has the potential to be developed with office, retail, hotel and conference facilities, and residences. In 2009, Summerlin Town Centre's trade area encompassed approximately 672,000 people and 257,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is almost three times the national average. By 2014, Nielsen™ estimates this trade area will grow by more than 100,000 people. The 2009 average household income within five miles of the site is \$93,600, which is approximately 35% higher than the estimated 2009 average household income for all U.S. households of approximately \$69,400.
- Elk Grove Promenade is a partially constructed open air regional mall, which when completed is envisioned to be 1.1 million square feet, located on 100 acres in the community of Elk Grove, California. The project is approximately 17 miles southeast of downtown Sacramento and we believe that it has the potential to become a retail destination of choice in this community. In 2009, Elk Grove Promenade's trade area encompassed approximately 583,000 people and 194,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is twice the national average. By 2014, Nielsen™ estimates there will be approximately 647,000 people within this trade area. The 2009 average household income within five miles of the site exceeds \$100,000, which is approximately 44% higher than the estimated 2009 average household income for all U.S. households.

The following table summarizes our mall development projects as of June 30, 2010:

ASSET	LOCATION	SIZE (ACRES)	NET BOOK VALUE (\$ MILLIONS)	ACQUISITION DATE
The Shops at Summerlin Centre	Summerlin, NV	106	37.2	11/04(a)
Elk Grove Promenade	Elk Grove, CA	100	10.9	11/03
Circle T Ranch and Power Center(b)	Dallas/Ft. Worth, TX	279	9.0	10/05
Bridges at Mint Hill	Charlotte, NC	162	12.2	10/06 - 01/07
Total		647	69.3	

(a) Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

(b) Represents our 50% interest in these two development projects.

Redevelopment Projects. We own seven operating properties that we consider to be redevelopment projects. These properties today comprise approximately 1 million total square feet of GLA in the aggregate. These assets have the potential for future growth by means of an improved tenant mix, additional GLA, re-positioning of the asset or alternative uses. Our future development plans may include office, retail or residential space, shopping centers, movie theaters, parking complexes and open space. Any future redevelopment will require the receipt of permits, licenses, consents and waivers from various parties.

The following table summarizes our redevelopment projects as of June 30, 2010:

ASSET	LOCATION	MALL SHOP(a) GLA	SIZE (ACRES)	NET BOOK VALUE (\$ MILLIONS)	ACQUISITION DATE
Alameda Plaza	Pocatello, ID	190,341	5	2.4	07/02
Village at Redlands/Redlands Promenade	Redlands, CA	79,248(b)	15	9.8	01/04
Century Plaza	Birmingham, AL	16,706(c)	63	17.4	05/97
Rio West Mall	Gallup, NM	332,447	50	11.4	1981(d)
Riverwalk Marketplace	New Orleans, LA	194,228	11	79.7	11/04(e)
Park West	Peoria, AZ	102,171	48	83.8	10/06
Cottonwood Square	Salt Lake City, UT	77,079	6	5.3	07/02
Total		992,220	198	209.8	

(a) Mall shop GLA is gross leaseable area for spaces less than 30,000 feet.

(b) Scheduled to close all but 38,069 square feet of Mall shop GLA on September 30, 2010.

(c) Only includes operating tenant space.

(d) Reflects the date that the Rio West Mall opened.

(e) Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

Other Interests. We also own or have interests in a variety of other assets. Some of our other interests include unsold condos in a luxury condominium community, a profit interest in two golf courses in Nevada and other land parcels. These assets had an aggregate net book value of less than \$100 million as of June 30, 2010.

Risks Associated with our Business

You should carefully consider the matters discussed in the "Risk Factors" section beginning on page 39 of this registration statement prior to deciding whether to invest in our securities. Some of these risks include:

- our history of losses and lack of operating history as an independent company;
- our reliance on an interim management company;
- our inability to obtain operating and development capital;
- our inability to establish our own financial, administrative and other support functions to operate as a stand-alone business; and
- risks associated with the ownership, development and expansion of properties.

Investment Agreements

In order to fund a portion of the Plan, GGP entered into investment agreements (the "Investment Agreements") with each of (i) REP Investments LLC, an affiliate of Brookfield Asset Management Inc. ("Brookfield Investor"), (ii) The Fairholme Fund and Fairholme Focused Income Fund (collectively, "Fairholme") and (iii) Pershing Square Capital Management, L.P. on behalf of Pershing Square, L.P., Pershing Square II, L.P., Pershing Square International, Ltd. and Pershing Square International V, Ltd. (collectively, "Pershing Square" and, together with Brookfield Investor and Fairholme, the "Plan Sponsors"). The Plan Sponsors have committed to purchase up to \$6.3 billion of common stock of reorganized GGP and \$250 million of our common stock at \$47.619048 per share.

The Plan Sponsors have entered into agreements with Blackstone Real Estate Partners VI, L.P. ("Blackstone") whereby Blackstone has subscribed for approximately 7.6% of the shares of reorganized GGP's and our common stock to be issued to each of the Plan Sponsors under the Investment Agreements on the Effective Date and, in connection therewith, will receive an allocation of each of the Plan Sponsor's warrants described below to acquire our common stock (collectively, the "Blackstone Designation"). Blackstone's agreements with the Plan Sponsors do not relieve the Plan Sponsors of their obligations prior to closing and the Plan Sponsors will be obligated to provide all of the funding specified in the Investment Agreements in the event Blackstone does not fund its portion of the purchase price at closing.

Upon consummation of the Plan as contemplated by the Investment Agreements and after giving effect to the Blackstone Designation, we will issue to Brookfield Investor warrants to purchase approximately 3.83 million shares of our common stock, to each of Fairholme and Pershing Square warrants to purchase approximately 1.92 million shares of our common stock and to Blackstone warrants to purchase approximately 0.33 million shares of our common stock, in each case, with an initial exercise price of \$50.00 per share. The per share exercise price has been adjusted from the originally contemplated exercise price to reflect a reduction in the number of options that will be issued for the same aggregate consideration upon exercise of the options. See "Certain Relationships and Related Transactions, and Director Independence."

The Plan Sponsors' obligations to consummate the transactions contemplated by the Investment Agreements are subject to the satisfaction (or waiver by the Plan Sponsors) of a number of conditions precedent. In addition, the Investment Agreements include board designation rights and registration rights. See "Certain Relationships and Related Transactions, and Director Independence."

After giving effect to the Blackstone Designation, we expect that Brookfield Investor, Fairholme and Pershing Square will beneficially own 6.4%, 3.2% and 9.5%, respectively, of our common stock on the Effective Date (excluding shares issuable upon exercise of the warrants) or 13.7%, 6.8% and 12.0%, respectively, of our common stock on the Effective Date (including shares issuable upon exercise of the warrants).

After the Effective Date, each of the Plan Sponsors has participation rights in future public and private equity issuances by us, to allow them to maintain their respective percentage ownership on a fully diluted basis. These participation rights terminate when the applicable Plan Sponsor's beneficial ownership is less than 5%.

Executive Offices

We were incorporated in Delaware on July 1, 2010. Our principal executive offices are located at 110 N. Wacker Drive, Chicago, Illinois 60606. Our main telephone number is .

Summary Historical Combined Financial Data

The following table sets forth the summary historical combined financial and other data of our business, which was carved-out from the financial information of GGP, as described below. We were formed for the purpose of holding certain assets and assuming certain liabilities of the Predecessors pursuant to the Plan. We have not conducted any business and will not have any material assets or liabilities until the Separation and the Distribution are completed. The operating data for the fiscal years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 2009 and 2008 has been derived from our audited combined financial statements included elsewhere in this registration statement. The financial data as of and for the six months ended June 30, 2010 and 2009 has been derived from our unaudited interim combined financial statements included elsewhere in this registration statement, each of which have been prepared on a basis consistent with our audited financial statements. Such financial data is presented on a combined basis as all of the assets pertaining to such data are controlled by GGP. In the opinion of management, our unaudited interim combined financial statements as of and for the six months ended June 30, 2010 and 2009, include all adjustments, consisting only of normal, recurring adjustments, necessary to present fairly our financial position and results of operations for these periods. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

Our combined financial statements were carved-out from the financial information of GGP. Our historical financial results reflect allocations for certain corporate costs and we believe such allocations are reasonable; however, such results do not reflect what our expenses would have been had the Company been operating as a separate stand-alone public company. The historical combined financial information presented is not indicative of the results of operations, financial position or cash flows that would have been obtained if we had been an independent, stand-alone entity during the periods shown or of our future performance as an independent, stand-alone entity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Basis of Presentation."

The historical results set forth below do not indicate results expected for any future periods. The summary historical combined financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the unaudited and

audited combined financial statements and notes thereto included elsewhere in this registration statement.

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
(dollars in thousands)					
Operating Data:					
Revenues	\$ 59,419	\$ 75,120	\$ 136,348	\$ 172,507	\$ 260,498
Depreciation and amortization	(8,425)	(10,787)	(19,841)	(18,421)	(22,995)
Provisions for impairment	(486)	(140,180)	(680,349)	(52,511)	(125,879)
Other operating expenses	(58,463)	(72,201)	(128,833)	(141,392)	(196,121)
Interest (expense) income, net	(1,148)	(250)	712	1,105	1,504
Reorganization items	(26,614)	(2,017)	(6,674)	—	—
Benefit from (provision for) income taxes	(17,953)	2,913	23,969	(2,703)	10,643
Equity in income (loss) of Real Estate Affiliates	5,172	4,121	(28,209)	23,506	68,451
Loss from continuing operations	(48,498)	(143,281)	(702,877)	(17,909)	(3,899)
Discontinued operations—loss on dispositions	—	—	(939)	—	—
Allocation to noncontrolling interests	(73)	(65)	204	(100)	(101)
Net loss attributable to GGP	(48,571)	(143,346)	(703,612)	(18,009)	(4,000)
Cash Flow Data:					
Operating activities	\$ (51,162)	\$ (9,166)	\$ (17,870)	\$ (50,699)	\$ (52,041)
Investing activities	(37,118)	(13,441)	(21,432)	(300,201)	(146,208)
Financing activities	88,058	32,434	37,543	348,424	183,073
Other Financial Data:					
EBITDA(*)	\$ (16,435)	\$ (131,848)	\$ (701,469)	\$ 11,384	\$ 14,121
Adjusted EBITDA(*)	10,665	15,472	21,523	65,391	98,643

Balance Sheet Data:

	As of June 30,	As of December 31,	
	2010	2009	2008
Investments in real estate—cost	\$ 2,836,316	\$ 2,827,814	\$ 3,376,321
Total assets	2,906,150	2,905,227	3,443,956
Total debt	340,495	342,833	358,467
Total equity	1,520,638	1,503,520	1,985,815

(*) We have presented EBITDA and Adjusted EBITDA because we believe that they are useful to investors. For our definitions of EBITDA and Adjusted EBITDA as well as an important discussion of their uses and limitations, see "Use of Non-GAAP Measures."

The following is a reconciliation of Segment basis Adjusted EBITDA and EBITDA to GAAP net loss attributable to GGP on a combined basis for the periods presented below. The Segment basis results are based on the proportionate share method. Under the proportionate share method, our share

of the revenues and expenses of the Real Estate Affiliates are combined with the revenues and expenses of the combined properties.

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(In thousands)				
Adjusted EBITDA	\$ 10,665	\$ 15,472	\$ 21,523	\$ 65,391	\$ 98,643
Strategic initiatives(a)	—	(5,114)	(5,380)	(1,496)	—
Provisions for impairment(b)	(486)	(140,180)	(709,990)	(52,511)	(125,879)
Debt extinguishment costs	—	(9)	(9)	—	(618)
Reorganization items(c)	(26,614)	(2,017)	(6,674)	—	—
Discontinued operations—gains (losses) on dispositions	—	—	(939)	—	41,975
EBITDA	(16,435)	(131,848)	(701,469)	11,384	14,121
Depreciation and amortization	(10,421)	(12,805)	(25,110)	(22,470)	(25,690)
Amortization of deferred finance costs	(305)	(552)	(916)	(720)	(1,194)
Interest income	762	516	2,353	2,341	2,304
Interest expense	(3,549)	(1,437)	(2,999)	(4,914)	(957)
(Provision for) benefit from income taxes	(18,550)	2,845	24,325	(3,530)	7,517
Allocation to noncontrolling interests	(73)	(65)	204	(100)	(101)
Net loss attributable to GGP	<u>\$ (48,571)</u>	<u>\$ (143,346)</u>	<u>\$ (703,612)</u>	<u>\$ (18,009)</u>	<u>\$ (4,000)</u>

- (a) Our strategic initiatives include expenses related to the restructuring efforts of our Predecessors who were subject to bankruptcy proceedings prior to such bankruptcy filings.
- (b) For a discussion on provisions for impairment, see Note 2—Summary of Significant Accounting Policies to the December 31, 2009 combined financial statements and Note 1—Organization—Impairment to the June 30, 2010 combined financial statements contained elsewhere in this registration statement.
- (c) Reorganization items reflect bankruptcy-related activity, including gains on liabilities subject to compromise, interest income, U.S. Trustee fees, and other restructuring costs, incurred after the Predecessors filed for Chapter 11 protection on April 16, 2009.

ITEM 1. BUSINESS

Background

We are a newly formed Delaware corporation that was created to hold certain assets and liabilities of the Predecessors in conjunction with the Plan. To date, we have not conducted any business and will not have any material assets or liabilities until the Separation and the Distribution are completed. We expect the reorganization of GGP and certain of its subsidiaries to be completed during the fourth quarter of 2010, at which time we will own the Predecessors' properties and related assets and liabilities described herein, which we refer to as our business. The description of the business to be transferred to us by the Predecessors is presented herein as if the transferred business was our business for all historical periods described. Unless the context otherwise requires, references to "we," "us" and "our" refer to Spinco, Inc. and its subsidiaries and joint venture interests after giving effect to the Distribution.

Bankruptcy Proceedings

On the Petition Date, GGP and certain of its subsidiaries voluntarily filed the Chapter 11 Cases under the Bankruptcy Code. On August 17, 2010, GGP filed with the Bankruptcy Court its second amended and restated Plan and the related Disclosure Statement for the TopCo Debtors.

The Plan sets forth the contemplated structure of reorganized GGP at the Effective Date and outlines the manner in which the prepetition creditors' and equity holders' various claims against and interests in the TopCo Debtors will be treated, subject to confirmation of the Plan and consummation of the transactions contemplated by the Investment Agreements, and the occurrence of the Effective Date. On August 20, 2010, the Bankruptcy Court approved the Disclosure Statement and the solicitation of votes to approve the Plan, but has not yet entered the order. The TopCo Debtors must obtain the consent of certain third parties for the contribution of assets to us as described under "—Investment Agreements" below. Spinco will not exist as a stand-alone company unless and until the Plan is confirmed by the Bankruptcy Court and the Distribution is consummated.

Investment Agreements

In order to fund a portion of the Plan, GGP entered into the Investment Agreements with each of the Plan Sponsors. Pursuant to the Investment Agreements, the Plan Sponsors are committed to purchase up to \$6.3 billion of common stock of reorganized GGP and \$250 million of our common stock at \$47.619048 per share.

The Plan Sponsors have entered into agreements with Blackstone whereby Blackstone has subscribed for approximately 7.6% of the shares of reorganized GGP's and our common stock to be issued to each of the Plan Sponsors under the Investment Agreements on the Effective Date and, in connection therewith, will receive an allocation of each of the Plan Sponsor's warrants to acquire our common stock, described below. Blackstone's agreements with the Plan Sponsors do not relieve the Plan Sponsors of their obligations prior to closing and the Plan Sponsors will be obligated to provide all of the funding specified in the Investment Agreements in the event Blackstone does not fund its portion of the purchase price at closing.

Under the Investment Agreements, in lieu of the receipt of any fees that would be customary in similar transactions, the Investment Agreements provide for the issuance of interim warrants to Brookfield Investor and Fairholme to purchase approximately 103 million shares of GGP (the "Interim Warrants"). The Interim Warrants vest 40% upon issuance, 20% on July 12, 2010, and the remaining Interim Warrants vest in equal daily installments from July 13, 2010 to December 31, 2010, except that any Interim Warrants that have not vested on or prior to termination of Brookfield Investor's or Fairholme's Investment Agreement, as the case may be, will not vest and will be cancelled. Upon

consummation of the Plan contemplated by the Investment Agreements, the Interim Warrants will be cancelled, whether vested or not, and warrants to purchase common stock of reorganized GGP and Spinco will be issued to the Plan Sponsors. After giving effect to the Blackstone Designation, we will issue to (i) Brookfield Investor warrants to purchase approximately 3.83 million shares of our common stock, (ii) each of Fairholme and Pershing Square warrants to purchase approximately 1.92 million shares of our common stock and (iii) Blackstone warrants to purchase approximately 0.33 million shares of our common stock, in each case, with an initial exercise price of \$50.00 per share. The exercise prices and the number of shares of common stock issuable upon exercise of the warrants will be subject to adjustment as provided in the related warrant and registration rights agreements. Each warrant will have a term of seven years from the closing date of the investments. See "Certain Relationships and Related Transactions, and Director Independence."

After giving effect to the Blackstone Designation, we expect that Brookfield Investor, Fairholme and Pershing Square will beneficially own 6.4%, 3.2% and 9.5%, respectively, of our common stock on the Effective Date (excluding shares issuable upon the exercise of warrants) or 13.7%, 6.8% and 12.0%, respectively, of our common stock on the Effective Date (including shares issuable upon exercise of the warrants).

The TopCo Debtors must obtain the consent of third parties for the contribution of certain assets to us. In the event that the TopCo Debtors are not able to obtain the required consent with respect to an asset that is intended to be contributed to us (a "Spinco Asset"), the Investment Agreements require that the TopCo Debtors and their affiliates either create a synthetic instrument that would place us in the same economic position as if such Spinco Asset had been transferred, or contribute an asset to us that has reasonably equivalent economic value and financial impact in the event that the creation of a synthetic instrument is not practicable. Should the Predecessors have to rely on one of the alternatives permitted by the Investment Agreements, our business and expected asset mix could be different in material respects from the business and assets described in this registration statement.

The Investment Agreements also include board nomination rights, pursuant to which our board of directors on the Effective Date will have nine members, one of whom will be nominated by Brookfield Investor and three of whom will be nominated by Pershing Square. Brookfield Investor's right to nominate one director will continue so long as Brookfield Investor beneficially owns at least 10% our common stock on a fully diluted basis. Pershing Square's right to nominate three directors will continue so long as Pershing Square has economic ownership of at least 17.5% of our common stock on a fully diluted basis and two directors for so long as Pershing Square beneficially owns at least 10% but has economic ownership of less than 17.5%, of our common stock on a fully diluted basis. Following such time as Pershing Square beneficially owns less than 10% of our common stock on a fully diluted basis, Pershing Square will no longer have the right to nominate directors for election to our board of directors. See "Certain Relationships and Related Transactions, and Director Independence." Based on Pershing Square's expected beneficial ownership and economic interest in swaps relating to reorganized GGP's common stock, on the Effective Date, Pershing Square will be entitled to nominate three directors.

The Plan Sponsors' obligations to consummate the transactions contemplated by the Investment Agreements are subject to the satisfaction (or waiver by the Plan Sponsors) of a number of conditions precedent, including, among others:

- confirmation of the Plan, in form and substance satisfactory to the Plan Sponsors, by the Bankruptcy Court;
- reorganized GGP having at least \$350 million of unrestricted cash upon consummation of the Plan;

- reorganized GGP having a maximum amount of outstanding indebtedness of approximately \$22.25 billion, which may be increased or decreased pursuant to the terms of the Investment Agreements, upon consummation of the Plan; and
- the number of issued and outstanding shares of reorganized GGP common stock on a fully diluted basis not exceeding approximately 1.1 billion, which amount may be increased or decreased pursuant to the Investment Agreements, upon consummation of the Plan.

We cannot assure you that the transactions contemplated by the Investment Agreements will be consummated on the terms described herein or at all.

Business Overview

We are a real estate company created to specialize in the development of master planned communities and other strategic real estate development opportunities across the United States. Our goal is to create sustainable, long-term growth and value for our stockholders. We own a diverse portfolio of properties with a relatively small amount of debt and with near, medium and long-term development opportunities, including our master planned communities, mall development projects and a series of mixed-use development opportunities in premier locations. As operated by the Predecessors, our master planned communities have won numerous awards for, among other things, design and community contribution. We expect the competitive position and desirable location of certain of our assets (which collectively comprise millions of square feet and thousands of acres of developable land), combined with their operations and long-term opportunity through entitlements, land and home site sales, project developments and operating properties, to drive our income and growth. We expect to pursue development opportunities for a number of our assets that were postponed by the Predecessors due to lack of liquidity resulting from deteriorating economic conditions, the credit market collapse and certain of the Predecessors' bankruptcy filings in April 2009. We expect to assess the opportunities for these assets, currently in various stages of completion, and determine how to finance their completion and how to maximize their long-term value potential.

We operate our business in two lines of business: Master Planned Communities and Strategic Development.

Master Planned Communities

Our Master Planned Communities segment consists of the development and sale of residential and commercial land, primarily in large-scale projects in and around Columbia, Maryland; Houston, Texas; and Las Vegas, Nevada.

Revenues are derived primarily from the sale of finished lots, including infrastructure and amenities, and undeveloped property to both residential and commercial developers. Additional revenues are earned through participations with builders in their sales of finished homes to homebuyers. Revenues and Adjusted EBITDA are affected by factors such as the availability to purchasers of construction and permanent mortgage financing at acceptable interest rates, consumer and business confidence, regional economic conditions in the areas surrounding the projects, employment levels, levels of homebuilder inventory, other factors generally affecting the homebuilder business and sales of residential properties, availability of saleable land for particular uses and our decisions to sell, develop or retain land. For our more mature communities such as in Columbia, Maryland, we are also creating new design plans to increase density and to add additional neighborhoods.

Master planned communities in the United States have suffered due to the continued weak demand in the residential real estate market following the sharp decline in 2007. As a business venture, development of master planned communities requires expertise in large-scale, long-range land use

planning, residential and commercial real estate development, sales and other special skills. The development of these communities requires decades of investment and a continual focus on the changing market dynamics surrounding these communities. In recent periods the economic downturn has slowed land and home site sales, requiring the development and growth of these communities to be delayed. We believe that the long-term value of our communities remains strong given their competitive positioning and our expertise in long-range land use planning and entitlements for communities such as these.

The following table summarizes our master planned communities as of June 30, 2010:

Community	Location	Ownership (%)	Total/ Gross Acres(a)	People Living in community (Approx. No.)	Remaining Saleable Acres(b)			Redevelopment Acres(e)	Projected Community Sell-Out Date
					Residential(c)	Commercial(d)	Total		
Bridgeland	Houston, TX	100.0	11,400	3,250	3,981	1,246	5,227	—	2036
Summerlin	Las Vegas, NV	100.0	22,500	100,000	6,559	625	7,184	—	2039
The Woodlands Maryland Communities	Houston, TX	52.5(f)	28,400	94,000	1,063	1,018	2,081	—	2017
Columbia	Howard County, MD	100.0	14,200	100,000	—	—	—	136	2035(g)
Gateway	Howard County, MD	100.0	630	—	—	121	121	—	2013
Emerson	Howard County, MD	100.0	520	2,000	12	68	80	—	2013
Fairwood	Prince George's County, MD	100.0	1,100	2,300	—	11	11	—	2013
Total			78,750	301,550	11,615	3,089	14,704	136	

- (a) Encompasses all of the land located within the borders of the master planned community, including parcels already sold, saleable parcels and non-saleable areas, such as roads, parks and recreation and conservation areas.
- (b) Includes only parcels that are intended for sale. The mix of intended use, as well as the amount of remaining saleable acres, are primarily based on assumptions regarding entitlements and zoning of the remaining project and are likely to change over time as the master plan is refined.
- (c) Includes standard, custom and high density residential land parcels. Standard residential lots are designated for detached and attached single- and multi-family homes, of a broad range, from entry-level to luxury homes. At Summerlin, we have designated certain residential parcels as custom lots as their premium price reflects their larger size and other distinguishing features—such as being within a gated community, having golf course access, or being located at higher elevations. High density residential includes townhomes, apartments and condominiums.
- (d) Designated for retail, office, services and other for-profit activities, as well as those parcels allocated for use by government, schools, houses of worship and other not-for-profit entities.
- (e) Reflects the number of acres we expect to redevelop.
- (f) Reflects our economic interest. Our ownership interest is 42.5% and we jointly make decisions with our joint venture partner.
- (g) Reflects the projected redevelopment completion date.

On May 10, 2010, certain of the TopCo Debtors entered into purchase agreements with two proposed purchasers, Richmond and Pulte, for the sale of certain lots in our Summerlin master planned community. The purchase agreement with Richmond is for parcels comprising 115 and 117 lots representing 32 acres in the aggregate for purchase prices of \$8,510,000 and \$9,477,000, respectively. The purchase agreement with Pulte is for parcels comprising 109 and 162 lots representing 31.5 acres in the aggregate for purchase prices of \$7,739,000 and \$12,231,000, respectively. The applicable TopCo Debtors will begin an auction process, as required by applicable bankruptcy law, to attempt to obtain the highest and best offer for such acreage. Both purchase agreements provide for closings in stages through 2011, with no closings expected to occur prior to the Effective Date; however, to the extent that any closings occur prior to the Effective Date, the proceeds of any such sales will remain with GGP.

Bridgeland (Houston, Texas)

Bridgeland is a master planned community in Houston, Texas consisting of approximately 11,400 acres, and was voted by The National Association of Home Builders as the "Master Planned Community of the Year" in 2009. The first residents moved into their homes in June 2006. There were approximately 928 homes occupied by approximately 3,250 residents as of June 30, 2010. Bridgeland's conceptual plan includes four villages—Lakeland Village, Parkland Village, Prairieland Village, and Creekland Village—plus a town center mixed use district as well as a carefully designed network of trails totaling over 60 miles that will provide pedestrian connectivity to distinct residential villages and neighborhoods. Bridgeland's first four neighborhoods are located in Lakeland Village. These neighborhoods offer a unique home buying experience that includes one convenient model home park showcasing thirteen models by ten of Houston's top builders, three custom builders showcasing homes in a private enclave in First Bend, all with views of water, buried power lines to maximize the views of open space and water, fiber-optic technology direct to each home, home sites offering brick-lined terrace walkways to each front porch, home designs incorporating brick, stone and timber architecture and prices ranging from the mid-\$100,000's to more than \$1 million. Lakeland Village is currently approximately 50% completed. The Lakeland Activity Center, the first of several planned activity complexes to be constructed as development progresses and more residents move to Bridgeland, opened in May of 2007. This complex is anchored by a 6,000 square foot community center and features a water park with three swimming pools, two lighted tennis courts and a state-of-the-art fitness room. A grand promenade wrapping around Lake Bridgeland offers a boat dock, canoes and kayaks, sailboats and paddleboats. An extensive lake and trail system is planned to link villages and neighborhoods with recreational, educational, cultural, employment, retail, religious and other offerings. The Bridgeland community is also expected to feature more than 3,000 acres of waterways, lakes, trails, parks and open space, as well as an expansive town center with room for employment, retail, educational and entertainment facilities.

Bridgeland's conceptual plan includes a 900-acre town center mixed use district. The conceptual plan contemplates that the town center will be located adjacent to a planned highway expansion, which will provide Bridgeland residents direct access to Houston, the country's fourth-largest city. One segment of the highway is expected to bisect a portion of Bridgeland designed for the town center. A construction date has not yet been established for this highway segment. Pursuant to the terms of the purchase and sale agreement by which the Predecessors acquired Bridgeland and that we will assume as of the Effective Date, the commencement of construction of this segment of the highway will trigger a final \$7,000,000 payment to the former owner of certain parcels of land that are now included in Bridgeland.

We anticipate that the Bridgeland community will one day accommodate more than 20,000 homes and 65,000 residents and we believe that it is poised to be one of the top master planned communities in the nation. As of June 30, 2010, Bridgeland had approximately 3,981 residential acres and 1,246 commercial acres remaining to be sold.

Summerlin (Las Vegas, Nevada)

Spanning the western rim of the Las Vegas Valley and located approximately 12 miles from downtown Las Vegas, our 22,500-acre Summerlin master planned community offers suburban living with accessibility to the Las Vegas Strip. For the last decade, Summerlin has consistently ranked in the Robert Charles Lesser annual poll of Top Ten Master Planned Communities in the nation. With 25 public and private schools, five institutions of higher learning, nine golf courses, and cultural facilities, Summerlin is a fully integrated community. The first residents moved into their homes in 1991. As of June 30, 2010, there were approximately 40,000 homes occupied by approximately 100,000 residents.

Summerlin is comprised of hundreds of neighborhoods located in 19 villages with nearly 150 neighborhood and village parks, all connected by a 150-mile long trail system. Summerlin is located adjacent to Red Rock Canyon National Conservation Area, a landmark in southern Nevada, which has become a world-class hiking and rock climbing destination and also surrounds our Shops at Summerlin Centre development site. Summerlin contains approximately 1.7 million square feet of developed retail space, 3.2 million square feet of developed office space, three hotel properties containing approximately 1,400 hotel rooms, as well as health and medical centers, including Summerlin Hospital and the Nevada Cancer Institute.

Summerlin is divided, generally, into three separate areas known as Summerlin North, Summerlin West and Summerlin South. Summerlin South is located within the jurisdiction of Clark County, Nevada whereas Summerlin West is located within the jurisdiction of the City of Las Vegas. In Summerlin South, Summerlin is entitled to develop 740 acres of commercial property with no square footage restrictions, 350 acres of which are already owned by third parties or already committed to commercial development. In Summerlin West, Summerlin is entitled to develop 5,850,000 square feet of commercial space (no acreage limitation) of which 100,000 square feet have already been developed by the Predecessors through its construction of a grocery store anchored shopping center.

As of June 30, 2010, Summerlin had approximately 6,559 residential acres and 625 commercial acres remaining to be sold.

The Woodlands (Houston, Texas)

We have a 52.5% economic interest in The Woodlands, currently one of the best-selling master planned communities in Texas. The Woodlands is managed jointly with our joint venture partner. The Woodlands is a mixed-use master planned community situated 27 miles north of Houston and consists of 28,400 acres. The Woodlands is a self-contained community that integrates recreational amenities, residential neighborhoods, commercial office space, retail shops and entertainment venues. Home site sales began in 1974. As of June 30, 2010, there were approximately 40,000 homes occupied by approximately 94,000 residents and more than 1,500 businesses providing employment for approximately 43,000 people. Approximately 28% of The Woodlands is dedicated to green space—including parks, pathways, open spaces, golf courses and forest preserves. The population of The Woodlands is projected to be approximately 130,000 by 2020.

The Woodlands Town Center includes a waterway, outdoor art and an open-air performance pavilion, a resort and conference center, a luxury hotel and convention center, educational opportunities for all ages, hospitals and health care facilities and office space. The Fountains at Waterway Square located on The Woodlands Waterway connects the project to the community via a water taxi system serving the community. The Woodlands is also the site of The Woodlands Mall, which is owned by, and will remain with, GGP.

As of June 30, 2010, we had approximately 1,063 residential acres and 1,018 commercial acres remaining to be sold at The Woodlands.

Maryland Communities

Our Maryland communities consist of four distinct projects:

- Columbia;
- Gateway;
- Emerson; and
- Fairwood.

Columbia

Columbia, located in Howard County, Maryland, is an internationally recognized model of a successful master planned community developed in the 1960s. Columbia is a fully developed community offering a wide variety of living, business and recreational opportunities. As of June 30, 2010, Columbia was home to almost 100,000 people. Columbia's full range of housing options are located in ten distinct, self-contained villages. Each village is comprised of several neighborhoods, a shopping center and community and recreational facilities. In Columbia's downtown, 1.6 million square feet of office space is located close to shopping, restaurants and entertainment venues. In an area known as Columbia Town Center there is a 1.3 million-square-foot mall known as The Mall in Columbia, which is owned by, and will remain with, GGP.

We own approximately 136 acres of land in Columbia which we expect to redevelop. The land currently consists of raw land, existing operating assets, surface and structured parking and dedicated open space, and we will have the opportunity to redevelop this portion of the master planned community in the future. Columbia recently received entitlements to develop new residential units, as well as hotel, retail and office space.

We expect to enter into a development agreement and memorandum of intent with GGP that will clarify the division of properties between us and GGP in an area of Columbia adjacent to The Mall in Columbia that we refer to as the "core development area." The development agreement and memorandum of intent will contain the key terms, conditions, responsibilities and obligations with respect to the future development of the core development area in Columbia. In addition, the agreement is expected to provide us with a five-year right of first offer and a subsequent six-month purchase option to acquire seven office buildings and associated parking lots, totaling approximately 22 acres, in Columbia at an agreed upon price or then fair market value as determined pursuant to an appraisal process.

Gateway

Gateway is a 630-acre premier master planned corporate community located in a high traffic area in Howard County, Maryland. Gateway offers quality office space in a campus setting with approximately 121 commercial acres remaining to be sold as of June 30, 2010.

Emerson

Emerson is a substantially completed master planned community located in Howard County, Maryland and consists of approximately 520 acres. The first residents moved into their homes in 2002. There were approximately 846 homes occupied by approximately 2,000 residents as of June 30, 2010.

Emerson offers a wide assortment of single family and town home housing opportunities by some of the region's top homebuilders, and is located in one of Maryland's top-performing public school districts. As of June 30, 2010, we had approximately 12 residential acres and 68 commercial acres remaining to be sold. The remaining land is fully entitled for build-out, subject to meeting local requirements for subdivision and land development permits. In addition, 96 of our townhouse lots are under contract to builders and scheduled to be closed in stages through 2012. The proceeds of any sales that are consummated prior to the Effective Date will remain with GGP.

Fairwood

Fairwood is a fully developed master planned community located in Prince George's County, Maryland and consists of approximately 1,100 acres. 11 commercial acres were available for sale as of June 30, 2010. The first residents moved into their homes in 2002. There were approximately 1,016 homes occupied by approximately 2,300 residents as of June 30, 2010. Fairwood consists of single-family

and townhouse lots, as well as undedicated open space and two historic houses. In addition to the 11 commercial acres remaining to be sold, we own a few undedicated open space parcels, and 24 acres of unsubdivided land which cannot be developed so long as the nearby airport is operating.

Strategic Development

Our Strategic Development segment is made up of a diverse mix of near, medium and long-term real estate properties and development projects, some of which we believe have the potential to create meaningful value. Our Strategic Development segment includes nine mixed-use development opportunities, four mall development projects, seven redevelopment projects and eight other property interests, including ownership of various land parcels and profit interests.

Mixed-Use Development Opportunities

The following table summarizes our mixed-use development opportunities as of June 30, 2010:

ASSET	LOCATION	EXISTING GROSS LEASABLE AREA ("GLA")	SIZE (ACRES)	NET BOOK VALUE (\$ MILLIONS)	ACQUISITION DATE
South Street Seaport	New York, NY	285,849	11	2.9	11/04*
Landmark Mall	Alexandria, VA	859,710	22	48.3	11/04*
Ward Centers	Honolulu, HI	1,151,912	60	319.1	05/02
Ala Moana Tower Air Rights	Honolulu, HI	—	—	22.8	—
Fashion Show Air Rights	Las Vegas, NV	—	—	—	—
West Windsor	Princeton, NJ	—	653	20.5	11/04*
Allen	Dallas, TX	—	238	26.0	03/06
Kendall	Miami, FL	—	91	13.7	11/04*
Cottonwood Mall	Holladay, UT	220,954	54	20.3	07/02
Total		2,518,425	1,129	473.6	

* Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

The following is a description of each of our mixed-use development opportunities.

South Street Seaport, Lower Manhattan, New York, New York

South Street Seaport currently contains approximately 285,000 square feet of retail, restaurant and exhibition space, which is ground leased from the City of New York. Its location on the East River and historic atmosphere make it one of New York City's top attractions. Located in the downtown financial and insurance districts of New York City, the property is within walking distance of lower Manhattan's many tourist attractions, such as the World Financial Center, Tribeca, the Brooklyn Bridge, City Hall and the NYSE. The Fulton Market building, which is located in the historic district, includes a mix of national and local tenants and a diverse assortment of restaurants. South Street Seaport is easily accessible via subway, bus, car or water taxi.

We believe that South Street Seaport is a unique development opportunity. The property sits in one of the highest population growth districts of Manhattan. We believe new residents are drawn to lower Manhattan because of its access to public transportation and proximity to work, the area's quality of life and its rich history. The neighborhood's cobblestone streets, historic location, iconic views and waterfront access give the South Street Seaport area a distinct residential appeal. The Predecessors were previously in discussions with city officials for redevelopment that would have included hotels,

residential units, retail space and restaurants. As with our other development plans, market dynamics have changed and we will need to re-examine the property and create a redevelopment plan, the implementation of which will require numerous permits and approvals, including the approval of our ground lessor, the City of New York.

Landmark Mall, Alexandria, Virginia

Landmark Mall is a 22-acre regional shopping center in Alexandria, Virginia. Two anchor fee owners own and occupy 30 acres of adjacent land. This mall is located just nine miles west of Washington, D.C. and the Pentagon, and is within approximately one mile of public rail service on D.C.'s metro blue line. In February 2009, the City Council of Alexandria unanimously approved a small area plan that authorizes up to 5.5 million square feet of mixed-use development. Pursuant to the small area plan we have certain limited entitlements to construct buildings as tall as 25 stories on some parcels, subject to acquisition of the 30 acres of adjacent lands from the anchor store owners and demolition of their existing structures. Although plans continuously evolve as market conditions change, it is illustrative that our entitlements envision about 800,000 square feet of retail and other commercial space, 500 hotel rooms and 1.2 million square feet of residences.

Ward Centers, Honolulu, Hawaii

Ward Centers, spanning approximately 60 acres, is situated along Ala Moana Beach Park and is within one mile of Waikiki and downtown Honolulu, and within walking distance to Ala Moana Center. Ward Centers currently includes a 550,000 square foot shopping district containing six specialty centers with over 135 unique shops, a variety of restaurants and an entertainment center which includes a 16 screen megaplex movie theatre. The Predecessors were also constructing an 800 stall parking deck, which is approximately 70% complete. Completion of the parking deck is expected to facilitate the leasing of additional space at Ward Centers.

In January 2009, the HCDA approved a master plan for the entirety of Ward Centers. The term of the master plan is 15 years which can be extended if the master plan is being implemented to the satisfaction of the HCDA. The master plan proposes a mixed-use development with a maximum combined gross building area of over 9.3 million square feet for residential, retail, restaurants, entertainment and commercial use of which up to 7.6 million square feet can be residential, 5 million square feet can be retail/restaurants/entertainment and up to 4 million square feet can be office, commercial and other. In addition, up to 736,914 square feet can be industrial.

We have no obligation to proceed with construction of all or any portion of the master plan, however, should we decide to proceed, the most immediate obligation will be to enter into a development agreement with the HCDA on or before January 13, 2011. Any future development at this site will require us to obtain numerous permits, consents and approvals from various parties.

Ala Moana Tower Air Rights, Honolulu, Hawaii

GGP owns Ala Moana Center in Honolulu, Hawaii, which is one of the most popular and successful shopping centers in the world. The Predecessors own the air space located above a six-story parking facility which was originally engineered to support the development of a residential tower that is connected by vehicular bridges to the Ala Moana Center. Given that transfers of air rights are not permitted in Honolulu, Hawaii, GGP will form a condominium consisting of, among other things, residential units and commercial/retail units. The residential units will be transferred to us, with GGP continuing to own the commercial/retail portions of the condominium. As envisioned by GGP, the residential tower would have 210 luxury condominium units with appurtenant rights in designated parking spaces in the existing parking facility and other common elements, all steps from oceanfront parks. To construct the residential tower and divide the initial residential condominium units into

individual residential condominium units, various permits, consents and approvals would have to be obtained.

We expect that our rights to develop the residential condominium will be established in the Declaration of Condominium creating the residential/commercial condominium and a Development Agreement to be entered into with GGP. The Declaration of Condominium and the Development Agreement are expected to permit the construction of a first class residential tower with up to eighteen stories, and to require, among other things, that the scope of work for the residential tower project will include certain street-level improvements and a sewer line, and that the plans and specifications for the residential tower project will be subject to GGP's review and approval.

Fashion Show Air Rights, Las Vegas, Nevada

Spanning over 2,000,000 square feet with over 250 shops and restaurants, Fashion Show Mall, which is owned by GGP, is the largest shopping destination on Las Vegas Boulevard. We believe that Fashion Show Mall is well-known by consumers in the local market and is in a highly desirable location for tenants. We expect to enter into a binding set of core principles with GGP pursuant to which we will have the ability to acquire for nominal consideration an 80% ownership interest in the air above the portions of Fashion Show Mall that are owned by GGP (the "FS Air") upon the satisfaction of a number of conditions. The rights will not become effective unless and until the existing loans and guaranties at Fashion Show Mall and The Shoppes at the Palazzo are satisfied in full, which is currently scheduled to occur in May 2017. Notwithstanding the foregoing fractional interest, we are the owners of the rights to develop the air (as conditioned and defined in the core principles).

The core principles agreement will provide a framework for us and GGP to develop the FS Air in the future, including, but not limited to, provisions with respect to:

- the use of limited areas owned by GGP as a gateway to developments constructed in the FS Air and compensation to GGP as a result of the same;
- protective measures to ensure preservation of the long-term value and ability to finance Fashion Show Mall;
- restrictions with respect to competitive uses;
- consents required from GGP for various development actions with respect to the FS Air;
- the main economic principles of the joint venture that will own the FS Air in which we hold an 80% interest and in which GGP will own a 20% interest, although we may hold an interest greater than 80% in particular projects that are constructed in the FS Air pursuant to the terms of the core principles;
- the transfer of the FS Air or interests therein to third parties;
- entering into more definitive documentation with respect to the conveyance and development of the FS Air;
- allocation of costs and expenses with respect to developments of the FS Air; and
- dispute resolution mechanics.

There is no conceptual plan for the development of the FS Air at this time and such development will be subject to our obtaining numerous third party consents, including, without limitation and in addition to the consents from GGP as listed above, entitlements and consents from various occupants of the Fashion Show Mall.

West Windsor, Princeton, New Jersey

This 653-acre land parcel is located north of New Jersey's state capital, Trenton, near Princeton University. The site is the former home of Wyeth Agricultural Research and Development Campus, which includes 450,000 square feet of laboratory and administrative space and an additional 250,000 square feet of outbuildings, which include warehouses, barns and greenhouses. There is currently an on-site waste water treatment plan and a transformer that is serviced by two separate electric grids. The buildings are currently unoccupied. The property is surrounded by retail and office developments and is within one mile of high income residential areas. The Predecessors had envisioned using this land to develop office space, research facilities, housing and hotel/conference center uses. Zoning, environmental and other development issues would have to be addressed in order to obtain entitlements for this or any development plan.

Allen, Texas

This 238-acre land parcel is strategically located in the heart of Collin County, a vibrant and growing market located northeast of Dallas. The property features high visibility, great access and high traffic volumes. The site is ideal for a variety of uses, which include office and residential with supporting retail.

Kendall, Florida

This is a four parcel 130-acre mixed-use project. One parcel was sold to West Kendall Baptist Hospital in March 2008 and three parcels remain available for development: Parcel B (approximately 69.8 acres), a portion of Parcel A (approximately 1.9 acres) and a portion of Parcel C (approximately 2.6 acres). We have entitlements to develop this land which expire in 2018. Parcels A and C are subject to an existing contract of sale that is currently under dispute in the Bankruptcy Court. The Predecessors are currently seeking to void the contract.

The Predecessors were pursuing the completion of the Phase I infrastructure construction of on and offsite improvements to meet land sale agreements with various parties, including Baptist Hospital, and to meet the obligations required to maintain the project entitlements and preserve asset value for future sale of Parcel B. The on-site infrastructure construction consists of new roadways and existing roadway improvements, stormwater management system and utilities, a regional pump station for the sanitary force main, Metrobus Transit Hub, Private Access Drive and a screen wall.

Land currently available for development is a 74-acre land parcel located adjacent to a Wal-Mart on North Kendall Drive, a major retail thoroughfare in Southwest Miami, with current entitlements for 60,000 square feet of office space, 50,000 square feet of community/municipal use, 621,000 square feet of retail use, up to a 24-screen, 4300-seat movie theatre, up to 145 hotel rooms, up to 200-bed/unit home senior assisted living facility and a public transportation hub for multiple bus routes. We believe that this site has an optimal shape, size and frontage for retail, commercial or mixed-use development.

Cottonwood Mall, Holladay, Utah

Cottonwood Mall was formerly a traditional enclosed mall located in Holladay, Utah, a suburb of Salt Lake City. The Predecessors demolished all but one anchor store, which is operating, and a restaurant, which is now closed, and envisioned replacing it with a mixed-use development that would combine shopping, residences, offices and other uses on the approximately 54-acre property. Tax increment financing and all necessary entitlements have been granted by local governments, provided we invest a certain amount of capital into the project and meet certain development milestones. The approved project would include up to 575,000 square feet of retail shopping, 195,000 square feet of office space, approximately 500 town homes, condominiums and single family homes to be built in

phases and a multi-screen movie theater, specialty grocer and restaurants. At least 11 acres are required to be set aside for open space.

Mall Development Projects

We own four mall development projects in desirable demographic regions. When the credit market collapse occurred, and certain of the Predecessors sought bankruptcy protection, the Predecessors decided to suspend two major shopping center development projects that were underway, the Elk Grove Promenade and The Shops at Summerlin Centre. We will consider resuming development of these projects if and when conditions improve and the incremental cost can be justified.

The following table summarizes our mall development projects as of June 30, 2010:

<u>ASSET</u>	<u>LOCATION</u>	<u>SIZE (ACRES)</u>	<u>NET BOOK VALUE (\$ MILLIONS)</u>	<u>ACQUISITION DATE</u>
The Shops at Summerlin Centre	Summerlin, NV	106	37.2	11/04(a)
Elk Grove Promenade	Elk Grove, CA	100	10.9	11/03
Circle T Ranch and Power Center(b)	Dallas/Ft. Worth, TX	279	9.0	10/05
Bridges at Mint Hill	Charlotte, NC	162	12.2	10/06 - 01/07
Total		647	69.3	

(a) Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

(b) Represents our 50% interest in these two development projects.

The following is a description of our mall development projects:

The Shops at Summerlin Centre, Las Vegas, Nevada

The Shops at Summerlin Centre consists of an approximately 100-acre parcel that is part of a larger 1,300-acre mixed-use village located at the western rim of the Las Vegas valley in the heart of our Summerlin master planned community. The Predecessors commenced construction of The Shops at Summerlin Centre, including an office building, however market conditions forced a delay of the project. Today, The Shops at Summerlin Centre is a partially developed regional retail center which was initially planned to consist of 1.2 million square feet of retail space and approximately 540,000 square feet of office space. The Shops at Summerlin Centre is surrounded by residential and commercial development. The parcel has the potential to be developed with office, retail, hotel and conference facilities, and residences. In 2009, Summerlin Town Centre's trade area encompassed approximately 672,000 people and 257,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is almost three times the national average. By 2014, Nielsen™ estimates this trade area will grow by more than 100,000 people. The 2009 average household income within five miles of the site is \$93,600, which is approximately 35% higher than the estimated 2009 average household income for all U.S. households of approximately \$69,400.

If construction is resumed on the originally envisioned project, discussions with Clark County will be needed to determine if the County will extend building and other permits (whether expired or still in effect). If the originally envisioned project does not go forward, the existing steel infrastructure may not be usable and may need to be removed. There are no binding commitments, or ongoing liabilities, with the three anchors who originally were to be part of this development.

Elk Grove Promenade, Elk Grove, California

Elk Grove Promenade is a partially constructed open air regional mall, which when completed is envisioned to be 1.1 million square feet, located on approximately 100 acres in the community of Elk

Grove, California. The project is approximately 17 miles southeast of downtown Sacramento and we believe that it could become a retail destination of choice in this community. In 2009, Elk Grove Promenade's trade area encompassed approximately 583,000 people and 194,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is twice the national average. By 2014, Nielsen™ estimates there will be approximately 647,000 people within this trade area. The 2009 average household income within five miles of the site exceeds \$100,000, which is approximately 44% higher than the estimated 2009 average household income for all U.S. households.

The Predecessors' development plans for Elk Grove Promenade offered a park-like setting where visitors could walk down canopy-covered walkways enjoying the shopping and outdoor cafes. The Predecessors designed the project for two major department stores, a big box store and a multi-screen theater complemented by approximately 150,000 square feet of floor area for big box retailers, 380,000 square feet of floor area for smaller tenants and 75,000 square feet of restaurant space.

When construction was halted in October 2008, the Predecessors had invested in excess of \$170 million to complete the necessary infrastructure (utilities and roads), construct 75% of the shop space and prepare the anchor pads for delivery. Since the project was in the later stages of development, the Predecessors had been able to prelease approximately 60% of the project but all such lease arrangements have now been terminated. Substantial portions of off-site infrastructure (utilities and roads) have been completed. We are party to a development agreement with the city of Elk Grove which expires on September 5, 2011. Completion of the project will require an extension of the term of the agreement. Modification of the project may require other amendments to the development agreement. An extension of the term or other amendments to the development agreement would require the City of Elk Grove's consent.

Circle T Ranch and Circle T Power Center, Dallas-Forth Worth, Texas

We maintain a 50% ownership interest in a joint venture that owns a 279-acre site located in the Dallas-Fort Worth metropolitan area. The site consists of two parcels, Circle T Ranch, which contains 128 acres and Circle T Power Center, which contains 151 acres. The sites are ideally located at the intersection of two high traffic highways, which will allow for easy access and high visibility for the property.

In 2009, Circle T Ranch's trade area encompassed approximately 870,000 people and 308,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is over three times the national average. By 2014, Nielsen™ estimates this trade area will add more than 144,000 people. The 2009 average household income within seven miles of the site is \$131,100, which is approximately 89% higher than the estimated 2009 average household income for all U.S. households.

Bridges at Mint Hill, Charlotte, North Carolina

This property consists of vacant land located southeast of Charlotte, North Carolina, in the midst of some of the fastest growing areas in the Charlotte region. The parcel is approximately 160 acres and consists of 120 developable acres and is currently zoned for approximately 997,000 square feet of retail, hotel and commercial development. The land is divided by a small stream known as Goose Creek. The current zoning plan contemplates connecting the two resulting parcels with two bridges over the creek. Development will require construction of internal roadways, connecting bridges, expansion of roads and an installation of a force main (off-site) and pump station (on-site) for sewer utility.

In 2009, the Bridges at Mint Hill's trade area encompassed approximately 415,000 people and 154,000 households. From 2009 to 2014, the trade area population is expected to grow at a rate that is almost three times the national average. By 2014, Nielsen™ estimates there will be over 475,000 people in this trade area. The 2009 average household income within five miles of the site is \$72,600, which slightly exceeds the estimated 2009 average household income for all U.S. households.

The Mint Hill parcel is adjacent to a 52-acre parcel owned by Childress Klein Properties ("CKP"), a Charlotte-based regional developer. The CKP parcel has been approved for up to 270,000 square feet of space and is expected to be anchored by three to five junior box retailers. We and CKP have entered into a development agreement providing for CKP to share in the cost of certain common on-site and off-site improvements that were expected to be constructed by the Predecessors.

Redevelopment Properties

We own seven operating properties that we consider to be redevelopment projects. These properties today comprise approximately 1 million total square feet of GLA in the aggregate. As of December 31, 2009, these redevelopment properties had an aggregate Mall shop occupancy rate of approximately 82.8% (excluding the closed portion of Century Plaza). Subject to obtaining all necessary consents and approvals, we believe that these assets have the potential for future growth by means of an improved tenant mix, additional GLA, repositioning of the asset or alternative uses. Our future development plans may include office, retail or residential space, shopping centers, movie theaters, parking complexes and open space. Any future redevelopment will require the receipt of permits, licenses, consents and waivers from various parties.

The following table summarizes our redevelopment projects as of June 30, 2010:

<u>ASSET</u>	<u>LOCATION</u>	<u>MALL SHOP(a) GLA</u>	<u>SIZE (ACRES)</u>	<u>NET BOOK VALUE (\$ MILLIONS)</u>	<u>ACQUISITION DATE</u>
Alameda Plaza	Pocatello, ID	190,341	5	2.4	07/02
Village at Redlands/Redlands Promenade	Redlands, CA	79,248(b)	15	9.8	01/04
Century Plaza	Birmingham, AL	16,706(c)	63	17.4	05/97
Rio West Mall	Gallup, NM	332,447	50	11.4	1981(d)
Riverwalk Marketplace	New Orleans, LA	194,228	11	79.7	11/04(e)
Park West	Peoria, AZ	102,171	48	83.8	10/06
Cottonwood Square	Salt Lake City, UT	77,079	6	5.3	07/02
Total		<u>992,220</u>	<u>198</u>	<u>209.8</u>	

- (a) Mall shop GLA is gross leasable area for spaces less than 30,000 feet.
- (b) Scheduled to close all but 38,069 square feet of Mall shop GLA on September 30, 2010.
- (c) Only includes operating tenant space.
- (d) This is the date the Rio West Mall opened.
- (e) Acquired in 2004 as part of the Predecessors' acquisition of The Rouse Company.

The following is a description of our redevelopment properties:

Alameda Plaza, Pocatello, Idaho

The Alameda Plaza Shopping Center is a 190,000 square foot community center that sits in a high traffic area at the main intersection within the City of Pocatello. The property is currently under-utilized, as the anchor locations have been vacant for years, and will need to be redeveloped to meet the local market needs. We believe that the property could be redeveloped to reposition it as a high volume and high traffic grocery-anchored community center that incorporates junior box retailers and a mix of national and local retailers and service providers. With a population of approximately 50,000 people, the City of Pocatello is the home of Idaho State University and is a regional center for shopping, regional and cultural activities.

The Village at Redlands, Redlands, California

The Village at Redlands is a 174,000 square foot single-level enclosed community center located in the heart of the authentic historic downtown Redlands that is currently anchored by a CVS Drugs. The stores located in the enclosed portions of Redlands are scheduled to cease operating on or before September 30, 2010. The Predecessors envisioned redeveloping Redlands into a new streetscape of approximately 204,000 square feet of retail and approximately 230 residential condominiums.

Century Plaza Mall, Birmingham, Alabama

Century Plaza is a non-operating 450,000 square foot enclosed mall that was closed in May 2009. A grocery store is still operating on an outside parcel. The property is located in the eastern suburbs of Birmingham, Alabama at a high traffic intersection. Redevelopment will require securing fee simple ownership of the entire site and demolition of existing buildings.

Rio West, Gallup, New Mexico

Rio West is an approximately 513,000 square foot single-level enclosed regional mall located in Gallup, New Mexico, which is 89.2% occupied and is the only enclosed regional shopping center within a 125 mile radius. Rio West is leased from a single property owned pursuant to a ground lease that is set to expire in 2079.

Riverwalk Marketplace, New Orleans, Louisiana

Riverwalk Marketplace consists of approximately 194,000 square feet of retail shops and restaurants in an urban setting along the bank of the Mississippi River in downtown New Orleans. Riverwalk Marketplace is leased from private owners and local governmental agencies pursuant to five separate long-term leases, and any significant alterations, construction and development is subject to landlord consent. Opportunities for redevelopment are influenced by the condition of the New Orleans tourism industry which is gradually recovering from the effects of Hurricane Katrina.

Park West, Peoria, Arizona

Park West is currently a 166,000 square foot open-air lifestyle center located in a suburb of Phoenix, with 32 retail and restaurant tenants and a multi-screen theater. The lifestyle center opened in October 2007 with a capacity for approximately 250,000 square feet of GLA. Approximately 35% of this capacity is raw space available for completion and occupancy. We have entitlements for future development of approximately 100,000 additional square feet for retail, restaurant and hotel use.

Cottonwood Square, Salt Lake City, Utah

Cottonwood Square is currently a 77,000 square foot community center located in Salt Lake City, Utah. The center is located in a high traffic area and sits across from our Cottonwood Mall, providing an opportunity for development synergies.

Other Interests

We also own or have interests in the following land and other assets, which have an aggregate net book value of less than \$100 million as of June 30, 2010.

Volo Land, Lakemoor, Illinois

This 40-acre vacant land parcel in a high traffic area 50 miles north of Chicago in a growing suburb.

Maui Ranch, Maui, Hawaii

This site consists of two, non-adjacent, 10-acre undeveloped land-locked parcels located near the Kula Forest Preserve on the island of Maui, Hawaii. There is no ground right of way access to the land and there is no infrastructure or utilities currently in the surrounding area. This land is currently zoned for native vegetation.

Profit Interest in Golf Courses at Summerlin & The Canyons, Las Vegas, Nevada

The Predecessors are entitled to receive residual payments from the Professional Golfers' Association of America (the "PGA") with respect to two golf courses, the TPC Summerlin and the TPC Las Vegas, through October 31, 2021. The Predecessors are entitled to receive 75% of the net operating profits and 90% of all profits from membership sales at the two courses until such time as the original investment in the courses of \$23.5 million has been recouped, which is projected to occur no sooner than 2015. As of June 30, 2010, the remaining balance on our return of investment is approximately \$7.4 million. Once the Predecessors have received payments from the PGA totaling \$23.5 million, they are entitled to receive 20% of all net operating profits from the two courses through October 31, 2021, the termination date of the agreement with the PGA. The entity entitled to these residual payments will be owned by us. The TPC Summerlin is an 18-hole private championship course designed by golf course architect Bobby Weed with player consultant Fuzzy Zoeller. The TPC Las Vegas is an 18-hole daily-fee championship course designed by golf course architect Bobby Weed with player consultant Raymond Floyd. These represent the only two golf courses in Nevada that are owned and operated by the PGA Tour.

Note Approximating Office Lease Payments, Phoenix, Arizona

We have rights to receive payments approximating the capital lease revenue that GGP receives from the Arizona 2 Office in Phoenix, Arizona, totaling approximately \$6.9 million per year through the end of 2015. The underlying real property interests in the Arizona 2 Office will continue to be owned by GGP and we will not own or obtain any real property interest therein or have any rights to receive payments after 2015. We expect to receive payment for these rights in the form of a promissory note issued by a subsidiary of GGP.

Nouvelle at Natick Condominium, Natick, Massachusetts

Nouvelle at Natick is a full service luxury condominium community comprised of 215 residences located at the Natick Collection in the Boston suburb of Natick, Massachusetts. Nouvelle at Natick's amenities include a 4,000 square foot private club, a 2,800 square foot fitness center, and a 1.2-acre rooftop garden with winding boardwalks, native grasses, flowers and trees. As of June 30, 2010, 128 of the 215 units have been sold and closed, and an additional 15 units are under contract for sale, leaving a remaining inventory of 72 units to be sold. Seven of the 72 units that remain to be sold are currently leased. We will receive on the Effective Date the then unsold inventory of units. The development permit for the project has an affordable housing requirement. To complete this requirement, GGP is required to sell three off-site residential units currently in its inventory and either, at its option, acquire and resell ten off-site residences or offer seven on-site units to purchasers that meet the affordable housing program's eligibility requirements. The development permit will be assigned to us, and any unsold off-site residential units will be transferred to us, on the Effective Date.

Minority Ownership Interest in Summerlin Hospital Medical Center, Las Vegas, Nevada

We have an ownership interest of approximately 6.8% in the Summerlin Hospital Medical Center. This property is a 450-bed hospital located on a 32-acre medical campus near Las Vegas. Summerlin Hospital Medical Center is located in our Summerlin master planned community. It is an acute care

facility with adjoining outpatient services for surgery, laboratory and radiology as well as two medical office buildings. The hospital completed a major renovation in 2009 that expanded the hospital to 450 beds (from 281 beds) and added a new six-story patient tower, an expanded emergency room, a four-story, 80,000 square foot medical office building and a 600-space parking garage.

The property's majority owner and operator is a subsidiary of Universal Health Services, Inc. ("UHS"), one of the largest healthcare management companies in the nation. UHS and the Predecessors formed a joint venture to build and manage the hospital with the Predecessors contributing the land and UHS providing the funds to build the hospital.

Minority Ownership Interest in Head Acquisition (Hexalon)

We will own 100% of the ownership interests in Hexalon Real Estate, LLC ("Hexalon"). Hexalon owns a 1.42% interest in Head Acquisition, LP, a joint venture between GGP, Simon Property Group, L.P. and Westfield Group, which contains certain retail mall interests.

110 N. Wacker, Chicago, Illinois

We own a majority joint venture interest in an entity that holds a ground leasehold interest in the land underlying GGP's current corporate headquarters building located at 110 N. Wacker Drive in downtown Chicago which is currently scheduled to expire on March 31, 2055. The building owned by the joint venture contains approximately 225,000 square feet of office space. The land and the building are currently subleased to a subsidiary of GGP, and such subsidiary has the option to extend the sublease through 2055. We expect to enter into a sub-sublease or similar agreement whereby we will occupy some office space in 110 N. Wacker. We believe that this property is currently underdeveloped and presents an opportunity for redevelopment. Any such redevelopment, among other things, would likely require negotiation with the ground lease landlord to either extend the term of the ground lease or to acquire the underlying fee interest.

Our Relationship with Reorganized GGP following the Separation

Following the Separation, we and reorganized GGP will operate our businesses separately, each as an independent public company. Prior to the Separation, we and GGP will enter into certain agreements that will effect the Separation, provide a framework for our relationship with reorganized GGP after the Separation and provide for the allocation between us and GGP of certain assets, liabilities, employees and obligations attributable to periods prior to, at and after the Separation. The following is a summary of the terms of the material agreements that we intend to enter into with GGP prior to or in connection with the Separation. When used in this section, "distribution date" refers to the date on which the Distribution occurs.

The material agreements described below will be filed as exhibits to this registration statement and the summaries of each of these agreements set forth the terms of the agreements that we believe are material. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this registration statement. The terms of the agreements described below that will be in effect following the Separation have not yet been finalized; changes to these agreements, some of which may be material, may be made prior to the Separation.

The Separation Agreement

We intend to enter into a separation agreement (the "Separation Agreement") with GGP prior to or concurrently with the Distribution. The Separation Agreement sets forth, among other things, our agreements with GGP regarding the principal transactions necessary to separate us from GGP. It also sets forth the other agreements that govern certain aspects of our relationship with GGP after the distribution date. These other agreements are described in additional detail below.

Transfer of Assets and Assumption of Liabilities

The Separation Agreement identifies assets to be transferred, liabilities to be assumed and contracts to be performed by each of us and GGP as part of the Separation, and it provides for when and how these transfers, assumptions and assignments will occur. In particular, the Separation Agreement provides, among other things, that, subject to the terms and conditions contained therein:

- the Spinco Assets will be transferred to us;
- certain liabilities (whether accrued, contingent or otherwise) arising out of or resulting from the Spinco Assets, and other liabilities related to our business and operations, which we refer to as the "Spinco Liabilities," will be retained by or transferred to us;
- all of the assets and liabilities (whether accrued, contingent or otherwise) other than the Spinco Assets and Spinco Liabilities (such assets and liabilities, other than the Spinco Assets and the Spinco Liabilities, are referred to as the "Excluded Assets" and "Excluded Liabilities," respectively) will be retained by or transferred to GGP or one of its subsidiaries;
- each party will assume liability for an agreed-upon percentage of any shared liabilities;
- certain liabilities (other than those liabilities which are covered under the Tax Matters Agreement (as subsequently defined) in a similar manner) relating to or arising out of the failure of certain of the transactions described in the private letter ruling request to qualify as a tax-free transaction for U.S. federal income tax purposes will be borne by us and by GGP based on certain percentages to be determined in accordance with the relative market capitalization of the two companies, except if such failure is attributable to our action or inaction or GGP's action or inaction, as the case may be, or any event (or series of events) involving our assets or stock or the assets or stock of GGP, as the case may be, in which case the resulting liability will be borne in full by us or GGP, respectively;
- except as otherwise provided in the Separation Agreement or any other transaction agreements, GGP will be responsible for any costs or expenses incurred prior to the distribution date in connection with the Separation and the costs and expenses relating to legal counsel, financial advisors and accounting advisory work related to the Separation, and such costs and expenses will be treated in accordance with the terms of the Plan; and
- except as otherwise provided in the Separation Agreement or other transaction agreements, the corporate costs and expenses incurred after the distribution date relating to the Separation will be borne by the party incurring such expenses.

The Spinco Assets and Spinco Liabilities will be transferred as of the distribution date without pro-ration and regardless of whether they relate to the period before or after the distribution date. Except as may expressly be set forth in the Separation Agreement or any other transaction agreements, all assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks associated with the use of such respective assets both prior to and following the Separation, including, but not limited to, where any conveyance will prove to be insufficient to vest in the transferee good title, free and clear of any security interest, and any necessary notifications are not made, necessary approvals are not obtained or any requirements of laws or judgments are not complied with.

Conditions to the Separation and Distribution

The Separation Agreement provides that the Separation and the Distribution are subject to the satisfaction (or waiver by GGP) of the following conditions, some of which also overlap with the Plan and the Investment Agreements:

- the restructuring of GGP required to effectuate the Separation shall have been completed in accordance with the Plan;
- the Effective Date of the Plan shall have occurred or will occur immediately following the Distribution;
- the receipt (without subsequent revocation or significant modification) by GGP of a private letter ruling from the Internal Revenue Service (the "IRS") to the effect that, among other things, the contribution by GGP of the Spinco Assets to us and the Distribution will qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(G) of the Internal Revenue Code (the "Code");
- the Securities and Exchange Commission (the "SEC") declaring effective this registration statement and no stop order suspending the effectiveness of this registration statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC;
- our common stock to be delivered in connection with the Distribution shall have been approved for listing on the NYSE (subject to official notice of issuance);
- the transaction agreements relating to the Separation shall have been duly executed and delivered by the parties;
- no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution or any of the related transactions shall be in effect;
- the designees of Brookfield Investor and Pershing Square, as set forth in the Investment Agreements, shall have been appointed to our board of directors; and
- no event or development shall have occurred or exist that, in the judgment of GGP's board of directors, in its sole discretion, makes it inadvisable to effect the reorganization, the Distribution and other related transactions.

There can be no assurance that any or all of these conditions will be satisfied.

Claims

In general, each party to the Separation Agreement will assume liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability to the extent arising out of or resulting from such assumed or retained legal matters.

Intercompany Accounts

The Separation Agreement provides that, subject to any provisions in the Separation Agreement or any other transaction agreement to the contrary, prior to the Separation from GGP, all bank or brokerage accounts owned by us will be de-linked from the GGP accounts and all intercompany accounts between Spinco and GGP will be eliminated.

Releases

Except as otherwise provided in the Separation Agreement or any other transaction agreements, each party will release and forever discharge the other party and its respective subsidiaries and any person who was at any time prior to the distribution date a shareholder, director, officer, agent or employee of a member of the other party or one of its subsidiaries from all liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation. The releases will not extend to (a) obligations or liabilities under any agreements between the parties that remain in effect following the Separation pursuant to the Separation Agreement or any ancillary agreement, agreements of which include, but are not limited to, the Separation Agreement, the Transition Services Agreement (as subsequently defined), the Tax Matters Agreement (as subsequently defined), the Employee Matters Agreement (as subsequently defined), the intellectual property agreements, certain commercial agreements and the transfer documents in connection with the Separation, (b) liabilities specifically set forth in the Plan, (c) liabilities retained or assumed by or transferred to a party pursuant to the Separation Agreement or any ancillary agreement, or (d) ordinary course trade payables and receivables.

Indemnification

The Separation Agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of GGP's business with GGP. Specifically, each party will, and will cause its subsidiaries to, indemnify, defend and hold harmless the other party and its subsidiaries and each of their respective officers, directors and employees for any losses arising out of or otherwise in connection with:

- the liabilities that each such party assumed or retained pursuant to the Separation Agreement (which, in the case of Spinco, would include the Spinco Liabilities and, in the case of GGP, would include the Excluded Liabilities) and the other transaction agreements;
- any liability (whether arising before or after the distribution date) for a misstatement or omission or alleged misstatement or omission of a material fact contained in any registration statement filed with the SEC by such party or its subsidiaries as registrant and any related, prospectus, offering memorandum, offering circular or similar disclosure document; and
- any breach by such party of the Separation Agreement, the ancillary agreements or any agreements between the parties specifically contemplated by the Separation Agreement or any ancillary agreement to remain in effect following the Separation.

In addition, we will indemnify, defend and hold harmless GGP and its subsidiaries and each of its officers, directors and employees for any losses arising out of or otherwise in connection with:

- our failure to pay, perform or otherwise promptly discharge any Spinco contract in accordance with its terms;
- except to the extent related to an Excluded Liability, any guarantee, indemnification obligation, arrangement, commitment or understanding by GGP or its subsidiaries for the benefit of Spinco or its subsidiaries that survives following the distribution date; and
- any action by us in contravention of our Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws.

Legal Matters

Each party to the Separation Agreement will assume the liability for, and control of, all pending and threatened legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability arising out of or resulting from such assumed legal matters. In the event of any third-party claims that name both companies as defendants but that do not primarily relate to either our business or GGP's business, each party will cooperate with the other party to defend against such claims. Each party will cooperate in defending any claims against the other for events that are related to the Separation, but may have taken place prior to, on or after such date.

Insurance

The Separation Agreement provides for the allocation among the parties of rights and obligations under existing insurance policies with respect to occurrences prior to the Separation and sets forth procedures for the administration of insured claims. In addition, the Separation Agreement allocates between the parties the right to proceeds and the obligation to incur certain deductibles under certain insurance policies. On the distribution date, Spinco is required to have in place all insurance programs to comply with its contractual obligations and as reasonably necessary for its business. GGP is required, subject to the terms of the agreement, to obtain certain directors and officers insurance policies to apply against pre-Separation claims.

Further Assurances

To the extent that any transfers contemplated by the Separation Agreement have not been consummated on or prior to the date of the Separation, the parties agree to cooperate to effect such transfers as promptly as practicable following the date of the Separation. In addition, each of the parties agrees to cooperate with the other party and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation Agreement and the other transaction agreements, including the ratification of any actions necessary to effectuate the transactions contemplated by the Separation Agreement. The party that would have been allocated the costs and expenses of such transfers on the distribution date shall be allocated all costs and expenses incurred after the distribution date relating to such transfers.

Dispute Resolution

Prior to the closing of the voluntary petitions for relief under the Chapter 11 Cases, any dispute, controversy or claim arising out of the Separation Agreement or certain of the other transaction agreements shall be subject to the jurisdiction of and determination of the Bankruptcy Court.

Following the closing of the Chapter 11 Cases, subject to an accelerated process applicable to certain specified disputes, any dispute, controversy or claim arising out of the Separation Agreement or certain of the other transaction agreements, shall be resolved by negotiation of certain senior executives of the parties, or, if the parties are unable to resolve a dispute in this manner, by binding arbitration pursuant to the procedures set forth in the Separation Agreement and the CPR Institute for Dispute Resolution Rules for Non-Administered Arbitration as then in effect.

Other Matters

Other matters governed by the Separation Agreement include, among others, access to financial and other records and information, intellectual property, legal privilege, confidentiality, access to and provision of records and treatment of outstanding guarantees.

Termination

The Separation Agreement may be terminated, and the Distribution abandoned at any time prior to the Distribution by GGP in its sole discretion, without our approval. In the event of such termination, neither party or its officers or directors will have any liability to the other party under the Separation Agreement. After the Distribution, the Separation Agreement may not be terminated or amended except by an agreement in writing signed by each of the parties to the Separation Agreement.

Transition Services Agreement

Prior to the Separation, we or certain of our subsidiaries and GGP or certain of its subsidiaries will enter into a transition services agreement in connection with the Separation (the "Transition Services Agreement") whereby GGP or its subsidiaries will provide to us, on a transitional basis, certain specified administrative, human resources and support services on an interim basis for various terms not exceeding 24 months following the Separation. We may terminate certain specified services by giving prior written notice to GGP of any such termination.

The services that GGP will provide to us include, among others, payroll, human resources and employee benefits, financial systems management, treasury and cash management, accounts payable services, telecommunications services, information technology services, property management services, legal and accounting services and various other corporate services. The charges for the transition services generally are intended to allow GGP to fully recover the costs directly associated with providing the services, plus a level of profit consistent with an arm's length transaction together with all out-of-pocket costs and expenses. The charges of each of the transition services will generally be based on either a pre-determined flat fee or an allocation of the cost incurred by GGP, including certain fees and expenses of third-party service providers. We will be provided with reasonable information that supports the charges for such transition service by GGP.

We have been preparing for the transition of the services to be provided by GGP under the Transition Services Agreement from GGP, or third-party providers on behalf of GGP, to us. Subject to certain exceptions, the liabilities of GGP for providing services under the Transition Services Agreement will generally be limited to the aggregate charges (excluding any third-party costs and expenses included in such charges) actually paid to GGP by us pursuant to the Transition Services Agreement. The Transition Services Agreement also provides that GGP shall not be liable to us for any special, indirect, incidental or consequential damages related to the provision of services.

Tax Matters Agreement

Prior to the Separation, we and GGP will enter into a tax matters agreement that will govern the parties' respective rights, responsibilities and obligations with respect to taxes, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and assistance and cooperation in respect of tax matters (the "Tax Matters Agreement"). Taxes relating to or arising out of the failure of certain of the transactions described in the private letter ruling request and the opinions of counsel to qualify as a tax-free transaction for U.S. federal income tax purposes will be borne by us and GGP based on certain percentages to be determined in accordance with the relative market capitalization of the two companies, except if such failure is attributable to our action or inaction or GGP's action or inaction, as the case may be, or any event (or series of events) involving our assets or stock or the assets or stock of GGP, as the case may be, in which case the resulting liability will be borne in full by us or GGP, respectively. Our obligations under the Tax Matters Agreement are not limited in amount or subject to any cap. Further, even if we are not responsible for tax liabilities of GGP and its subsidiaries under the Tax Matters Agreement, we nonetheless could be liable under applicable tax law for such liabilities if GGP were to fail to pay them. If we are required to pay any

liabilities under the circumstances set forth in the Tax Matters Agreement or pursuant to applicable tax law, the amounts may be significant.

The Tax Matters Agreement will also restrict our ability (and the ability of any member of our group) to take actions, whether before or after the Separation and Distribution, that could cause the Separation and the Distribution to fail to qualify as a tax-free reorganization for U.S. federal income tax purposes, unless we obtain a private letter ruling from the IRS or an unqualified opinion of a nationally recognized law firm that such action will not cause the Distribution or certain related transactions to fail to qualify as tax-free transactions for U.S. federal income tax purposes. Notwithstanding receipt of such ruling or opinion, in the event that such action causes the Distribution or certain related transactions to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, we will continue to remain responsible for taxes arising therefrom.

Surety Bond Indemnity Agreement

Prior to the Separation, we and GGP will enter into a surety bond indemnity agreement (the "Surety Bond Indemnity Agreement") that will govern the continuation of certain surety bonds that were issued under GGP's surety bond facilities prior to the distribution date in respect of projects related to our business (the "Spinco Bonds"). Under the terms of the Surety Bond Indemnity Agreement, we agree to reimburse GGP for any applicable premiums and fees in connection with the Spinco Bonds, and to pay GGP an additional market rate for the continued use of its surety bond facilities. We also agree to indemnify GGP or its applicable subsidiary from and against, and pay to GGP or its applicable subsidiary the amount of any and all losses arising out of or related to the Spinco Bonds. We will use our commercially reasonable best efforts to replace each of the Spinco Bonds as promptly as practicable with a new surety bond, letter of credit or similar instrument that does not involve any recourse to GGP or its applicable subsidiary.

Employee Matters Agreement

Prior to the Separation, we and GGP will enter into an employee matters agreement that will govern our compensation and employee benefit obligations with respect to our current and former employees and for other employment and employee benefits matters (the "Employee Matters Agreement").

The Employee Matters Agreement will allocate liabilities and responsibilities relating to employee compensation and benefit plans and programs and related matters in connection with the Separation, including, among other things, the treatment of outstanding GGP option awards, annual and long-term incentive awards, severance arrangements, retirement plans and welfare benefit obligations. Under the terms of the Employee Matters Agreement, we will generally assume all liabilities and assets relating to employee compensation and benefits for our current and former employees (including compensation awarded pursuant to GGP's incentive plan for full-time employees, the 2010 Cash Value Added Incentive Compensation Plan (the "CVA Plan")), and GGP will generally retain all liabilities and assets relating to employee compensation and benefits for current and former GGP employees (including compensation awarded pursuant to the CVA Plan).

Employee Benefits

The Employee Matters Agreement will provide that our employees may continue to participate in GGP welfare benefit plans, including healthcare, dental, vision and disability plans, until December 31, 2010. We will reimburse GGP for the actual cost to GGP of providing such benefits to our employees. As of January 1, 2011, we will adopt corresponding welfare benefit plans for all of our employees. We will also reimburse GGP for the cost of any annual or long-term incentive awards, severance benefits and other similar benefits provided to our employees in accordance with the terms of GGP's employee

benefit plans following the Separation. In addition, certain GGP employees who provide services to us and who will become our employees on January 1, 2011 will continue to be employed by GGP for the period from the Separation until December 31, 2010 pursuant to an "employee lease agreement." During this period, these leased employees will continue to participate in all of GGP's employee benefit plans, and we will reimburse GGP for the actual cost to GGP of providing such benefits and for the cost of any annual or long-term incentive awards, severance benefits and other similar benefits provided to such leased employees.

Option Awards

Pursuant to the Plan, each outstanding option to acquire shares of GGP stock (the "GGP Option") will be converted into (i) an option to acquire the same number of shares of common stock of reorganized GGP and (ii) a separate option to acquire 0.0983 shares (which is based upon a maximum number of Spinco Shares and options and warrants to acquire Spinco common stock) of our common stock (the "Spinco Option") for each existing option for one share of GGP common stock. The replacement options will have the same terms and conditions as the outstanding GGP Options. As of the Effective Date, we expect 507,307 shares of common stock to be issuable upon exercise of the Spinco Options. The exercise price per share of a Spinco Option that is converted from a GGP Option shall be the exercise price per share under the GGP Option multiplied by a fraction the numerator of which is the Spinco Trading Value and the denominator of which is the sum of the Reorganized GGP Trading Value and the Spinco Trading Value. "Spinco Trading Value" means the volume weighted average trading price of our common stock during the last ten-day trading period ending on or before the sixtieth calendar day following the Effective Date. "Reorganized GGP Trading Value" means the volume weighted average trading price of reorganized GGP common stock during the last ten-day trading period ending on or before the sixtieth calendar day following the Effective Date.

Notwithstanding the foregoing, pursuant to the terms of GGP's 1998 Incentive Stock Plan, holders of any outstanding GGP Option issued thereunder shall have the right to elect, within sixty days after the Effective Date, to surrender such option as of the Effective Date for a cash payment equal to the amount by which the highest reported sales price of a share of GGP common stock in any transaction reported on the NYSE Composite Tape during the sixty-day period ending on the Effective Date exceeds the exercise price per share under such option, multiplied by the number of shares of GGP common stock under such option.

Pension Plans

The Employee Matters Agreement will provide that, on the Separation date, sponsorship of the General Growth Pension Plan for Employees of Victoria Ward, Limited will be transferred to and assumed by us.

Competition

The nature and extent of the competition we face depends on the type of property involved. With respect to our master planned communities, we compete with other landholders and residential and commercial property developers in the development of properties within the Baltimore/Washington, D.C., Las Vegas and Houston markets. Significant factors which we believe allow us to compete effectively in this business include:

- the size and scope of our master planned communities;
- the recreational and cultural amenities available within the communities;
- the commercial centers in the communities, including those retail properties that we own and/or operate or may develop;

- our relationships with homebuilders; and
- the proximity to major metropolitan areas.

With respect to malls and development projects, our direct competitors include other commercial property developers, retail mall development and operating companies and other owners of retail real estate that engage in similar businesses. With respect to our mixed-use development projects, we will also be required to compete for financing.

Within our operating properties, we compete for retail tenants. We believe the principal factors that retailers consider in making their leasing decision include: consumer demographics; quality, design and location of properties; neighboring real estate projects that have been developed by the Predecessors or that we, in the future, may develop; diversity of retailers and anchor tenants at shopping center locations; management and operational expertise; and rental rates.

Environmental Matters

Under various Federal, state and local laws and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such real estate. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with our ownership and operation of our properties, we, or the relevant joint venture through which the property is owned, may be potentially liable for such costs.

Substantially all of our properties have been subject to Phase I environmental assessments, which are intended to evaluate the environmental condition of the surveyed and surrounding properties. Phase I environmental assessments typically include a historical review, a public records review, a site visit and interviews, but do not include soil sampling or subsurface investigations. To date, the assessments have not revealed any known environmental liability that we believe would have a material adverse effect on our overall business, financial condition or results of operations. Nevertheless, it is possible that these assessments do not reveal all environmental liabilities or that conditions have changed since the assessments were prepared (typically at the time the property was purchased or developed). Moreover, no assurances can be given that future laws, ordinances or regulations will not impose any material environmental liability on us, or the current environmental condition of our properties will not be adversely affected by tenants and occupants of the properties, by the condition of properties in the vicinity of our properties (such as the presence on such properties of underground storage tanks) or by third parties unrelated to us.

Future development opportunities may require additional capital and other expenditures in order to comply with federal, state and local statutes and regulations relating to the protection of the environment. In addition, there is a risk when redeveloping sites, such as the West Windsor, Princeton, NJ, site, that we might encounter previously unknown issues that require remediation or residual contamination warranting special handling or disposal, which could affect the speed of redevelopment. In addition, where redevelopment involves renovating or demolishing existing facilities, we may be required to undertake abatement and/or the removal and disposal of building materials or other remediation or cleanup activities that contain hazardous materials. In addition, in the event that we redevelop our Cottonwood Mall property, we may be required to remediate certain soil and groundwater contamination that has been identified on the property. We may not have sufficient liquidity, however, to comply with such statutes and regulations or to address such conditions and may be required to halt or defer such development projects. We cannot predict with any certainty the magnitude of any such expenditures or the long-range effect, if any, on our operations.

Compliance

with such laws has not had a material adverse effect on the Predecessors' operating results or competitive position in the past but could have such an effect in the future.

Employees

We expect to have approximately 142 employees as of the Effective Date, 98 of whom will be temporarily leased from the Predecessors under an employee leasing agreement until January 1, 2011 when they will become our direct employees

Available Information

Following the effectiveness of this registration statement, we will be required to file annual, quarterly and other current reports and information with the SEC. You may read and copy any materials filed by us with the SEC at its Public Reference Room at 100 F. Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are also available to the public at the SEC's website at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risks, as well as the other information contained in this registration statement, before making an investment in our company. If any of the following risks actually occur, our business, financial condition and/or results of operations could be materially and adversely affected. In such an event, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks Related to our Business

We have a history of losses and may not be profitable in the future.

Our historical combined financial data was carved-out from the financial information of GGP and shows that had we been a stand-alone company, we would have had a history of losses, and we cannot assure you that we will achieve sustained profitability going forward. For the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, we would have incurred losses from continuing operations of \$48.5 million, \$702.9 million, \$17.9 million and \$3.9 million, respectively. In addition, for the six months ended June 30, 2010 and the years ended December 31, 2009, 2008 and 2007, net cash used in operating activities was \$51.2 million, \$17.9 million, \$50.7 million and \$52.0 million, respectively. If we cannot improve our profitability or generate positive cash from operating activities, the trading value of our common stock may decline.

We have no operating history as an independent company upon which you can evaluate our performance, and accordingly, our prospects must be considered in light of the risks that any newly independent company encounters.

We have no experience operating as an independent company and performing various corporate functions, including human resources, tax administration, legal (including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and with the periodic reporting obligations of the Exchange Act), treasury administration, investor relations, internal audit, insurance, information technology and telecommunications services, as well as the accounting for items such as equity compensation and income taxes. Our business will be subject to the substantial risks inherent in the commencement of a new business enterprise in an intensely competitive industry. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies in the early stages of independent business operations, particularly companies that are heavily affected by economic conditions and operate in highly competitive environments.

We will depend on an interim management company to assist us in operating our business.

We intend to hire permanent executives with development and master planned community expertise to complement our existing strong operational management team in our Master Planned Communities segment. Our financial results and ability to compete as a stand-alone entity will suffer if we are unable to attract, integrate or retain qualified executives to serve as our permanent executive management team. In the interim, we have entered into the Management Agreement with Brookfield Advisors to provide us with interim executive officers and leadership and oversight for our business until our permanent executive management team can be identified and assume their roles. During this interim period, we will be heavily reliant on Brookfield Advisors, who will have significant discretion as to the implementation and execution of our business strategies and risk management practices. Our operational success and ability to execute our business strategy will depend significantly upon the satisfactory performance of these services by Brookfield Advisors until permanent management is in place. See "Certain Relationships and Related Transactions, and Director Independence—Interim Management Agreement."

We may face potential difficulties in obtaining operating and development capital.

The successful execution of our business strategy will require the availability of substantial amounts of operating and development capital both initially and over time. Sources of such capital could include operating cash flow, bank borrowings, public and private offerings of debt or equity, sale of certain assets and joint ventures with one or more other parties. In recent periods, it has been difficult for companies with substantial profitable operating history to source capital for real estate development and acquisition projects, as well as basic working capital needs. As we have no operating history as a stand-alone company or permanent executive management team in place, we may find it difficult or impossible to acquire cost-effective capital to implement our business strategy from any source.

We expect to continue making investments in real estate development, which will require still more capital. We cannot assure you that financing for future expenditures will be available on favorable terms or at all, due to instability in the credit markets, our lack of operating history as a stand-alone company and a variety of other factors. As a result, we may be unable to operate our business as currently planned, take advantage of future development opportunities or respond to competitive pressures.

Our ability to operate our business effectively may suffer if we do not establish our own financial, administrative and other support functions to operate as a stand-alone company.

Historically, we have relied on the financial, administrative and other support functions of GGP to operate our business and we will continue to rely on GGP for these and other vital services on a transitional basis pursuant to the Transition Services Agreement that we expect to enter into with GGP. See "Business—Our Relationship with Reorganized GGP following the Separation—Transition Services Agreement." These services may not be sufficient to meet our needs and, after these agreements expire, we may not be able to replace these services at all or obtain these services at acceptable prices and terms.

We will also need to rapidly establish our own accounting and auditing policies. In connection with the Separation and the Distribution, we will become subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act and will be required to prepare our financial statements in accordance with GAAP for filing with the SEC. In addition, the Exchange Act requires that we file annual, quarterly and current reports. Our failure to prepare and disclose this information in a timely manner could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. The Sarbanes-Oxley Act requires that we, among other things, establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. We

may not be successful in identifying and establishing the requisite controls and procedures. In addition, establishing and monitoring these controls could result in significant costs to us and require us to divert substantial resources, including management time, from other activities. Any failure in our own financial or administrative policies and systems could impact our financial performance and could materially harm our business and financial performance.

After the Separation, we may experience increased costs resulting from a decrease in the purchasing power and other operational efficiencies we currently have due to our association with GGP.

We have historically been able to take advantage of GGP's purchasing power in technology and services, including information technology, marketing, insurance, treasury services, property support and the procurement of goods. As a smaller, separate, stand-alone company, it may be more difficult for us to obtain goods, technology and services at prices and on terms as favorable as those available to us prior to the Separation.

Our business, financial condition and results of operations may be adversely affected if we are not able to obtain consents to assign certain assets of the Predecessors to us.

The Predecessors require the consent of certain third parties for the transfer of certain assets to us. There is no assurance that the Predecessors will successfully obtain these consents from all of the relevant third parties on terms favorable to us or at all. In the event that the Predecessors are not able to obtain a consent with respect to a Spinco Asset, the Investment Agreements require that the Predecessors either create a synthetic instrument that would place us in the same economic position as if such Spinco Asset had been transferred, or contribute to us an asset having reasonably equivalent economic value and financial impact in the event that the creation of a synthetic instrument is not practicable. Should the Predecessors have to rely on one of the alternatives permitted by the Investment Agreements, our expected asset mix could be altered in material respects, which could have a material adverse effect on our business, financial condition and results of operations.

We develop and expand properties, and this activity is subject to various risks.

In connection with any development or expansion of our properties, we will be subject to various risks, including the following:

- we may abandon redevelopment or expansion activities already under way, which may result in additional cost recognition;
- we may not have sufficient capital to proceed with planned redevelopment or expansion activities;
- the construction costs of a project, including labor and materials, may exceed original estimates, or available financing, possibly making the project unfeasible or unprofitable;
- we may not be able to obtain zoning, occupancy or other required governmental permits and authorizations;
- occupancy rates and rents at a completed project may not meet projections and, therefore, the project may not be profitable;
- we may not be able to obtain anchor store, mortgage lender and property partner approvals, if applicable, for expansion or redevelopment activities;
- we may be subject to claims for construction defects after property has been developed, including claims by purchasers and property owners' associations;

- we may be unable to comply with building codes and other local regulations, which could subject us to possible sanctions and/or fines or prevent us from completing a project as initially envisioned; and
- we may not be able to secure tenants necessary to support commercial projects.

If redevelopment, expansion or reinvestment projects are unsuccessful, the investment in such project may not be fully recoverable from future operations or sale. For example, a number of municipal, state and federal discretionary approvals are necessary to implement a future redevelopment plan at South Street Seaport. In addition, also by way of example, our ability to acquire the air rights above and/or adjacent to the Fashion Show Mall in Las Vegas, Nevada is conditioned upon a myriad of factors including, but not limited to, anchor tenant consents and reciprocal easement agreements to allow for the construction of a building within the air rights.

Prior to the Separation we will enter into agreements with GGP with respect to certain of our assets and we may have conflicts with GGP which could adversely affect our business.

We expect to enter into agreements with reorganized GGP that will govern the parties' respective rights and obligations with respect to several of the assets to be contributed to us or in which we will have an interest. Upon the Separation, we may have economic or business interests that are divergent from reorganized GGP's in relation to a particular asset, and we may have disagreements with reorganized GGP with respect to how these assets are managed and developed in the future.

For example, we expect to enter into a core principles agreement with reorganized GGP that will govern our rights to acquire and develop the air owned by reorganized GGP above the Fashion Show Mall. Pursuant to the core principles agreement, we will have the ability to acquire an 80% interest in an entity that will have the capability to obtain such air rights after satisfaction of the existing long-term mortgage indebtedness encumbering the Fashion Show Mall and The Shoppes at the Palazzo. Pursuant to the agreement, reorganized GGP would have the right to own up to a 20% interest in such entity, subject to potential dilution pursuant to the terms of a partnership agreement to be entered into at a later date. All decisions with respect to the development of the air above Fashion Show Mall will be subject to varying levels and standards of discussion, negotiation and/or approval with reorganized GGP and other third parties at a future date. We also expect to enter into a development agreement with reorganized GGP with respect to the Ala Moana condominium development. In addition, we expect to enter into an agreement with reorganized GGP with respect to the future development of Columbia Town Center. We will also enter into occupancy agreements as landlord and/or tenant with reorganized GGP for space in 110 N. Wacker, 10000 West Charleston Boulevard in Las Vegas (the Summerlin headquarters building), and the Columbia headquarters building. We may not be able to resolve any conflicts or disagreements that may arise between us and reorganized GGP and possibly relevant third parties, including governmental agencies, subsequent to the Separation, and such conflicts or disagreements could materially impair our development plans and goals, including financing options for particular assets, which could have a material adverse affect on our business and prospects.

A prolonged recession in the national economy, or a further downturn in national or regional economic conditions, could adversely impact our business.

The collapse of the housing market, together with the crisis in the credit markets, have resulted in a recession in the national economy with high unemployment, a lower gross domestic product and reduced consumer spending. At such times, potential customers often defer or avoid real estate purchases due to the substantial costs involved, causing land and other real estate prices to significantly decline. Significantly tighter lending standards for borrowers are also having a significant negative effect on demand. A record number of homes in foreclosure and forced sales by homeowners under

distressed economic conditions are significantly contributing to the high levels of inventories of lots available for sale in some of our master planned communities.

The housing market and the demand from builders for lots is local and can be very volatile, and projected lots sales used in our feasibility analysis may not be met. In addition, the success of our master planned communities business is heavily dependent on local housing markets in Las Vegas, Nevada, Houston, Texas and Columbia, Maryland, which in turn are dependent on the health and growth of the economies and availability of credit in these regions.

We do not know how long the downturn in the real estate market will last or when real estate markets will return to more normal conditions. High unemployment, lack of consumer confidence and other adverse conditions in the current economic recession could significantly delay a recovery in real estate markets. Our business will suffer until market conditions improve. If market conditions were to worsen, the demand for our real estate products could further decline, negatively impacting our earnings, cash flow and liquidity. A prolonged recession could have a material adverse effect on our business, results of operations and financial condition.

New directors and officers may change our long-range plans.

We have entered into the Management Agreement with Brookfield Advisors to provide us with interim executive officers and leadership and oversight for our business until our permanent executive management team can be identified and assume their roles. It is expected that following this interim period we will hire a permanent management team. In addition, as described in "Directors and Executive Officers," we expect to make changes to our Board of Directors on the Effective Date. These new directors and/or the permanent management team may make material changes to the business, operations and long-range plans of our company. It is impossible to predict what these changes will be and the impact they will have on future results of operations and the price of our common stock. See "Certain Relationships and Related Transactions, and Director Independence—Interim Management Agreement."

We may face potential successor liability.

As the successor to the Predecessors, we may be subject to certain liabilities of the Predecessors not provided for in the Plan. Such liabilities may arise in a number of circumstances, including those where:

- a creditor of the Predecessors did not receive proper notice of the pendency of the bankruptcy case relating to the Plan or the deadline for filing claims therein;
- the injury giving rise to, or source of, a creditor's claim did not manifest itself in time for the creditor to file the creditor's claim;
- a creditor did not timely file the creditor's claim in such bankruptcy case due to excusable neglect;
- we are liable for the Predecessors' tax liabilities under a federal and/or state theory of successor liability; or
- the order of confirmation for the Plan was procured by fraud.

If we should become subject to such liabilities, it could materially adversely affect our business, financial condition and results of operations.

Significant competition could have an adverse effect on our business.

The nature and extent of the competition we face depends on the type of property involved. With respect to our master planned communities, we compete with other landholders and residential and commercial property developers in the development of properties within the Baltimore/Washington, D.C., Las Vegas and Houston markets. A number of residential and commercial developers, some with greater financial and other resources, compete with us in seeking resources for development and prospective purchasers and tenants. Competition from other real estate developers may adversely affect our ability to:

- attract purchasers and sell residential and commercial real estate;
- sell undeveloped rural land;
- attract and retain experienced real estate development personnel; and
- obtain construction materials and labor.

These competitive conditions can make it difficult to sell land at desirable prices and can adversely affect operations, financial condition, or results of operations.

There are numerous shopping facilities that compete with our Operating Retail Properties (as subsequently defined) in attracting retailers to lease space. The bankruptcy of the Predecessors may have impaired the desirability and competitiveness of our shopping facilities. Even after emergence from bankruptcy, there may be a continued impairment with respect to the desirability and competitiveness of our shopping facilities. In addition, retailers at these properties face continued competition from other retailers, including retailers at other regional shopping centers, whether owned by reorganized GGP or otherwise, outlet malls and other discount shopping centers, discount shopping clubs, catalog companies, internet sales and telemarketing. Competition of this type could adversely affect our results of operations and financial condition.

In addition, we will compete with other major real estate investors with significant capital for attractive investment and development opportunities. These competitors include REITs, such as reorganized GGP, investment banking firms and private institutional investors.

We own retail properties, which are subject to a number of significant risks which are beyond our control.

Investments in retail properties are subject to varying degrees of risk that may affect the ability of these properties to generate sufficient revenues. A number of factors may decrease the income generated by a property, including:

- the regional and local economy, which may be negatively impacted by plant closings, industry slowdowns, increased unemployment, lack of availability of consumer credit, levels of consumer debt, housing market conditions, adverse weather conditions, natural disasters and other factors;
- potential liabilities under environmental and other laws or regulations;
- our ability to obtain approvals or changes in government regulations and in zoning, land use, environmental or tax laws;
- local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;
- perceptions by retailers or shoppers of the safety, convenience and attractiveness of the retail property;
- the convenience and quality of competing retail properties and other retailing options such as the internet;

- our ability to lease space, collect rent and attract new tenants;
- tenant rent prices, which may decline for a variety of reasons, including the impact of co-tenancy provisions in lease agreements with certain tenants;
- tenant bankruptcies and store closures;
- our ability to market and sell land for use in residential real estate development;
- unexpected construction costs or delays;
- availability of roads and utilities; and
- interest rate levels and the availability of financing.

If we are unable to generate sufficient revenue and income from our retail properties we will be unable to meet operating and other expenses.

If the recoverable values of our remaining inventory of real estate assets were to drop below the book value of those properties, we would be required to write-down the book value of those properties, which would have an adverse affect on our balance sheet and our earnings.

Some of our projects have expensive amenities, such as pools, golf courses and clubs, or feature elaborate commercial areas requiring significant capital expenditures. Many of these costs are capitalized as part of the book value of the project land. Adverse market conditions, in certain circumstances, may require the book value of real estate assets to be decreased, often referred to as a "write-down" or "impairment." A write-down of an asset would decrease the value of the asset on our balance sheet and would reduce our earnings for the period in which the write-down is recorded.

We recorded impairment charges of \$680.3 million, \$52.5 million and \$125.9 million for the years ended December 31, 2009, 2008 and 2007, respectively. If market conditions were to continue to deteriorate, and the recoverable values for our real estate inventory and other project land were to fall below the book value of these assets, we could be required to take additional write-downs of the book value of those assets and such write-downs could be material.

We are a holding company and depend on our subsidiaries for cash.

We are a holding company, with no operations of our own. In general, we depend on our subsidiaries for cash. Our operations are conducted almost entirely through its subsidiaries. Our ability to generate cash to meet our debt service obligations is dependent on the earnings of and the receipt of funds from subsidiaries through dividends, distributions or intercompany loans. The ability of our subsidiaries to pay any dividends or distributions are limited by their obligations to satisfy their own obligations to their creditors and preferred stockholders before making any dividends or distributions to their parent holding companies. In addition, Delaware law imposes requirements that may restrict the ability to pay dividends to holders of our common stock.

We share ownership and control of some of our properties with partners and may have conflicts of interest with those investors.

We own some of our properties jointly with joint venture partners. While we generally participate in making decisions for our jointly owned properties and assets, we might not always have the same interests as the partner in relation to a particular asset, and we might not be able to favorably resolve any issues that arise. For example, our Woodlands master planned community is jointly owned and we jointly make decisions with our joint venture partner. We cannot control the ultimate outcome of any jointly made decision, which may be to the detriment to holders of our common stock. Some of our interests, such as the Summerlin Medical Hospital Center, are controlled entirely by our partners.

Bankruptcy of our joint venture partners could impose delays and costs on us with respect to our jointly owned assets.

The bankruptcy of one of the other investors in any of our properties could materially and adversely affect the relevant property or properties. Pursuant to the Bankruptcy Code, we would be precluded from taking some actions affecting the estate of the other investor without prior court approval which would, in most cases, entail prior notice to other parties and a hearing. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of one of the other investors might result in our ultimate liability for a greater portion of those obligations than would otherwise be required.

Our business model includes entering into joint venture arrangements with strategic partners. We may not be able to successfully attract desirable strategic partners, complete agreements with strategic partners, and/or manage relationships with strategic partners going forward, any of which could adversely affect our business.

We intend to seek strategic partners, alliances or joint venture relationships as part of our overall strategy for particular developments or regions. These joint venture partners may bring development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive assets. We cannot assure you, however, that we will have sufficient resources, experience and/or skills to locate desirable partners. We also may not be able to attract partners who want to conduct business in the locations where our properties are, and who have the assets, reputation or other characteristics that would optimize our development opportunities.

Once a potential partner has been identified, actually reaching an agreement on a transaction may be difficult to complete and may take a considerable amount of time considering that negotiations require careful balancing of the parties' various objectives, assets, skills and interests. A formal partnership with a joint venture partner may also involve special risks such as:

- we may not have voting control over the joint venture;
- the venture partner may take actions contrary to our instructions or requests, or contrary to our policies or objectives with respect to the real estate investments;
- loss of or reduction in our joint venture ownership interest if we are not able to fund financial obligations to the joint venture as contractually required;
- the venture partner could experience financial difficulties; and
- actions by a venture partner may subject property owned by the joint venture to liabilities greater than those contemplated by the joint venture agreement or have other adverse consequences.

A key complicating factor is that strategic partners may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors unrelated to our business. These competing interests lead to the difficult challenges of successfully managing the relationship and communication between strategic partners and monitoring the execution of the partnership plan. We cannot assure that we will have sufficient resources, experience and/or skills to effectively manage our ongoing relationships with our strategic partners. We may also be subject to adverse business consequences if the market reputation of a strategic partner deteriorates. If we cannot successfully execute transactions with strategic partners, our business could be adversely affected.

Possible terrorist activity or other acts of violence could adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States or other acts of violence may result in declining economic activity, which could harm the demand for goods and services offered by tenants and the value of our properties and might adversely affect the value of an investment in our securities. Such a resulting decrease in retail demand could make it difficult to renew or re-lease properties at lease rates equal to or above historical rates. Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be lower or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that tenants are affected by future attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of new or redeveloped properties, and limit access to capital or increase the cost of capital.

Some of our properties are subject to potential natural or other disasters.

A number of our properties are located in areas which are subject to natural or other disasters, including hurricanes, earthquakes and oil spills. Some of our properties are located in coastal regions, and would therefore be affected by increases in sea levels, the frequency or severity of hurricanes and tropical storms, or environmental disasters such as the oil spill in the Gulf of Mexico, whether such events are caused by global climate changes or other factors.

Some potential losses are not insured.

We carry comprehensive liability, fire, flood, earthquake, terrorism, extended coverage and rental loss insurance on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, some types of losses, including lease and other contract claims, which generally are not insured. If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. If this happens, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

We may be subject to potential costs to comply with environmental laws.

Under various federal, state or local laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property and may be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by the parties in connection with the contamination. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous or toxic substances. The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. Other federal, state and local laws, ordinances and regulations require abatement or removal of asbestos-containing materials in the event of demolition or certain renovations or remodeling, the cost of which may be substantial for certain redevelopments, and also govern emissions of and exposure to asbestos fibers in the air. Federal and state laws also regulate the operation and removal of underground storage tanks. In connection with the ownership, operation and management of certain properties, we could be held liable for the costs of remedial action with respect to these regulated substances or tanks or related claims.

The properties at issue have been subjected to varying degrees of environmental assessment at various times. However, the identification of new areas of contamination, a change in the extent or known scope of contamination or changes in cleanup requirements could result in significant costs.

Inflation may adversely affect our financial condition and results of operations.

Should inflation increase in the future, we may experience any or all of the following:

- decreasing tenant sales as a result of decreased consumer spending which could result in lower rent paid by a tenant when its sales exceed an agreed upon minimum amount;
- difficulty replacing or renewing expiring leases with new leases at higher base and/or overage rent;
- an inability to receive reimbursement from tenants for their share of certain operating expenses, including common area maintenance, real estate taxes and insurance; and
- difficulty marketing and selling land for development of residential real estate properties.

Inflation also poses a potential risk due to the probability of future increases in interest rates. Such increases would adversely impact outstanding variable-rate debt as well as result in higher interest rates on new debt.

Indebtedness could have an adverse impact on our financial condition and operating flexibility.

As of June 30, 2010, our combined debt was \$340.5 million and our share of our Real Estate Affiliates' debt was \$196.2 million. Our indebtedness could have important consequences on the value of our common stock including:

- limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of business strategy or other purposes;
- limiting our ability to use operating cash flow in other areas of the business or to pay dividends;
- increasing our vulnerability to general adverse economic and industry conditions, including increases in interest rates, particularly given that certain indebtedness bears interest at variable rates;
- limiting our ability to capitalize on business opportunities, reinvest in and develop their properties, and to react to competitive pressures and adverse changes in government regulation;
- limiting our ability, or increasing the costs, to refinance indebtedness; and
- giving secured lenders the ability to foreclose on assets.

Risks Related to the Bankruptcy and Our Separation from GGP

Our actual financial results may vary significantly from the feasibility analysis filed with the Bankruptcy Court.

The Disclosure Statement, which the TopCo Debtors were required to prepare in connection with the Plan, contains projected financial information and estimates of value that demonstrate the feasibility of the Plan and our ability to continue operations upon their emergence from proceedings under the Bankruptcy Code. The information in the Disclosure Statement was prepared for the limited purpose of furnishing recipients of such Disclosure Statement with adequate information to make an informed judgment regarding acceptance of the Plan and was not prepared for the purpose of providing the basis for an investment decision relating to any of our securities. The projections and estimates of value, as well as the Disclosure Statement, are expressly excluded from this registration

statement and should not be relied upon in any way or manner in connection with this offering and should not be regarded for the purpose of this registration statement as representations or warranties by us or any other person, as to the accuracy of such information or that any such projections or valuations will be realized. Those projections and estimates of value have not been, and will not be, updated on an ongoing basis, and they were not audited or reviewed by independent accountants. They reflect numerous assumptions concerning our anticipated future performance and with respect to prevailing and anticipated market and economic conditions that were, and remain, beyond our control. Projections and estimates of value are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks, and the assumptions underlying the projections and/or valuation estimates may be wrong in any material respect. Actual results may vary and may continue to vary significantly from those contemplated by the projections and/or valuation estimates. As a result, you should not rely on those projections and/or valuation estimates in deciding whether to invest in our common stock.

The conditions in the Investment Agreements may not be satisfied.

The funding obligations of the Plan Sponsors pursuant to the Investment Agreements are subject to the satisfaction of numerous conditions, many of which are beyond our control. There is no certainty that reorganized GGP will be able to satisfy any or all of the conditions to the Investors' funding obligations set forth in the Investment Agreements.

We may be required to issue a promissory note to GGP.

Pursuant to the Investment Agreements, under certain circumstances, we may be required to issue a five year, interest bearing, unsecured promissory note to GGP on the Effective Date. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Spinco Note."

We may be required to pay substantial U.S. federal income taxes.

Pursuant to the Investment Agreements, reorganized GGP will indemnify us from and against 93.75% of any and all losses, claims, damages, liabilities and reasonable expenses to which we and our subsidiaries become subject, in each case solely to the extent attributable to certain taxes related to sales of certain assets in our Master Planned Communities segment prior to March 31, 2010, in an amount up to the Indemnity Cap (as subsequently defined). The Indemnity Cap is calculated as the lesser of \$303,750,000 and the Excess Surplus Amount. The Excess Surplus Amount is determined using a complex formula described in the Investment Agreements. We will be responsible for the remainder of any such taxes. Reorganized GGP may not have sufficient cash to reimburse us for its share of these taxes described above or the Excess Surplus Amount limitation may substantially reduce reorganized GGP's obligation to reimburse us for these taxes. We have ongoing audits related to the foregoing taxes that, whether resolved by litigation or otherwise, could impact the timing of the items subject to indemnification by reorganized GGP. In addition, if the IRS were successful in litigation with respect to such audits, we may be required to change our method of tax accounting for certain transactions, which could affect the timing of our tax payments, increasing our tax payments in the short term relative to our current tax cost projections.

If the Distribution does not qualify as a tax-free distribution under Section 355 of the Code, then GGP and its subsidiaries may be required to pay substantial U.S. federal income taxes, and we may be obligated to indemnify GGP and its subsidiaries for such taxes imposed on GGP and its subsidiaries.

GGP's obligation to close the Investment Agreements is conditioned upon GGP's receipt of a private letter ruling from the IRS to the effect that the Distribution and certain related transactions will qualify as tax-free to GGP and its subsidiaries for U.S. federal income tax purposes. A private

letter ruling from the IRS generally is binding on the IRS. A favorable IRS ruling has not yet been received by GGP. Such IRS ruling will not establish that the Distribution satisfies every requirement for a tax-free spinoff, and the parties will rely solely on the advice of counsel for comfort that such additional requirements are satisfied.

Even if obtained, the IRS ruling will be based on, among other things, certain representations and assumptions as to factual matters made by GGP. The failure of any factual representation or assumption to be true, correct and complete in all material respects could adversely affect the validity of the IRS ruling at the time of and subsequent to the Distribution. In addition, the IRS ruling will be based on current law and cannot be relied upon if current law changes with retroactive effect. If the Distribution were to be treated as taxable, GGP and holders of GGP common stock may be faced with significant tax liability with respect to the Distribution.

GGP will enter into a Tax Matters Agreement with us, pursuant to which GGP may be held liable for the cost of the failure of the Distribution to qualify as a tax-free distribution if GGP caused such failure, whether by an action taken before or after the Separation and Distribution. If we caused such failure, whether by an action taken before or after the Separation and Distribution, we could be liable for such costs. If the cause for the failure cannot be determined or was not caused by a single party, then we and GGP will share such liability. Moreover, although we have agreed to share certain tax liabilities with GGP pursuant to the aforementioned agreements, we may be liable at law to a taxing authority for some of these tax liabilities and, if GGP were to default on their obligations to us, we would be responsible for the entire amount of these liabilities.

We will indemnify GGP for certain taxes.

We will enter into a Separation Agreement and Tax Matters Agreement which will include tax-sharing and indemnification provisions with GGP through which tax liabilities relating to taxable periods before and after the Distribution will be computed and apportioned between GGP and ourselves, and responsibility for payment of those tax liabilities (including any subsequent adjustments to such tax liabilities) will be allocated between us. In addition, we generally will be responsible for any liabilities, taxes or other charges that are imposed on GGP as a result of the Separation and Distribution (and certain related restructuring transactions) failing to qualify for nonrecognition treatment for U.S. federal (and state and local) income tax purposes, if we are the party responsible for such failure, whether by an action taken before or after the Separation and Distribution. Moreover, although we have agreed to share certain tax liabilities with GGP pursuant to the aforementioned agreements, we may be liable at law to a taxing authority for some of these tax liabilities and, if GGP were to default on their obligations to us, we would be liable for the entire amount of these liabilities. Accordingly, under certain circumstances, we may be obligated to pay amounts in excess of our allocated share of tax liabilities.

There is a risk of investor influence over our company that may be adverse to our best interests and those of our other shareholders.

Brookfield Investor and Pershing Square will have the ability to nominate a certain number of members of our board of directors. See "Certain Relationships and Related Transactions, and Director Independence." After giving effect to the Blackstone Designation, we expect that Brookfield Investor, Fairholme and Pershing Square will beneficially own 6.4%, 3.2% and 9.5%, respectively, of our common stock on the Effective Date (excluding shares issuable upon exercise of the warrants) or 13.7%, 6.8% and 12.0%, respectively, of our common stock on the Effective Date (including shares issuable upon exercise of the warrants).

Although Pershing Square is required to enter into a non-control agreement to limit its influence, the concentration of ownership of our outstanding common stock held by Plan Sponsors may make

some transactions more difficult or impossible without the support of the Plan Sponsors or more likely with the support of the Plan Sponsors. The interests of any of the Plan Sponsors, any other substantial stockholder or any of their respective affiliates could conflict with or differ from the interests of our other shareholders or the other Plan Sponsors. For example, the concentration of ownership held by the Plan Sponsors, even if the Plan Sponsors are not acting in a coordinated manner, could allow the Plan Sponsors to influence our policies and strategy and could delay, defer or prevent a change of control or impede a merger, takeover or other business combination that may otherwise be favorable to us and our other stockholders. A Plan Sponsor, substantial stockholder or affiliate thereof may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. There is no assurance that the Pershing Square non-control agreement can fully protect against these risks.

Risks Related to Our Common Stock

There is no existing market for our common stock and a trading market that will provide you with adequate liquidity may not develop for our common stock. In addition, once our common stock begins trading, the market price of our shares may fluctuate widely.

There is currently no public market for our common stock. There can be no assurance that an active trading market for our common stock will develop as a result of the Distribution or be sustained in the future. We cannot predict the prices at which our common stock may trade after the Distribution. The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- a shift in our investor base, including a shift from REIT to non-REIT investors following the Distribution;
- our quarterly or annual earnings, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results and other factors related to our business;
- announcements by us or our competitors of significant acquisitions or dispositions;
- the failure of securities analysts to cover our common stock after the Distribution;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- our ability to implement our business strategy;
- our tax payments;
- our ability to raise capital;
- overall market fluctuations; and
- general economic conditions.

Further, after giving effect to the Blackstone Designation, we expect that Brookfield Investor, Fairholme and Pershing Square will beneficially own 13.7%, 6.8% and 9.5%, respectively, of our common stock on the Effective Date (excluding shares issuable upon exercise of the warrants) or 8.4%, 4.2% and 12.0%, respectively, of our common stock on the Effective Date (including shares issuable upon exercise of the warrants). The principal holders of our common stock may hold their investments for an extended period of time, thereby decreasing the number of shares available in the market and creating artificially low demand for, and prices of our common stock.

Liquidity and volatility of trading market and value of our common stock.

There is no certainty that a liquid trading market will develop for our common stock or that, if developed, such a liquid trading market will be maintained. Lack of liquidity with respect to such securities also may make it more difficult to raise additional capital, if necessary, through equity financings.

Furthermore, no assurance can be made that holders of our common stock will be able to sell such securities at a particular time or that the prices received when such securities are sold will be favorable. It is possible that holders of such securities may lose all or part of their investments. It is expected that the market price of our common stock will fluctuate significantly. Such fluctuation may occur as a result of a variety of factors, many of which are beyond our control.

In addition, the stock market in general has recently experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

In general, the valuation of newly issued securities is subject to uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investments rather than hold them on a long-term basis, and other factors which generally influence the prices of securities.

Provisions in our certificate of incorporation, our by-laws, Delaware law and certain of the agreements we will enter into as part of the Distribution may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

We expect to amend and restate our certificate of incorporation prior to the consummation of the Plan and expect that our amended and restated certificate of incorporation will contain the following limitations:

- the inability of our stockholders to act by written consent or call a special meeting;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings; and
- the right of our board of directors to issue preferred stock without stockholder approval.

We are a Delaware corporation, and Section 203 of the Delaware General Corporation Law (the "DGCL") applies to us. In general, Section 203 prevents an "interested stockholder" from engaging in a "business combination" with us for three years following the date that person becomes an interested stockholder unless one or more of the following occurs:

- before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;
- upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of your voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) stock held by directors who are also officers of the company and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; and

- following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

The statute defines "interested stockholder" as any person that is the owner of 15% or more of the outstanding voting stock or is our affiliate or associate and was the owner of 15% or more of outstanding voting stock at any time within the three-year period immediately before the date of determination.

Each item discussed above may delay, deter or prevent a change in control, even if a proposed transaction is at a premium over the then current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions.

Additionally, our certificate of incorporation will impose certain restrictions on the direct or indirect transferability of our securities to assist in the preservation of our valuable tax attributes (generally consisting of (1) approximately \$400 million of suspended federal income tax deductions and (2) a relatively high federal income tax basis in our assets), including, subject to certain exceptions, that until such time as our board of directors determines that it is no longer in our best interests to continue to impose such restrictions (i) no person or entity may acquire or accumulate the Threshold Percentage or more (as determined under tax law principles governing the application of section 382 of the Code) of our securities, and (ii) no person owning directly or indirectly (as determined under such tax law principles) on the Effective Date, after giving effect to the Plan, the Threshold Percentage or more of our securities may acquire additional securities of ours. Notwithstanding the contemplated restrictions in our certificate of incorporation, no assurance can be given regarding our ability to preserve our tax attributes. Threshold Percentage means, in the case of (i) our common stock, 4.75% of the number of outstanding shares of our common stock and (ii) any other class of our equity, 4.75% of each such class.

Additional issuances and sales of our capital stock or securities convertible into or exchangeable for our capital stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at a favorable time and price.

Brookfield Investor is subject to lock restrictions on its ability to sell our common stock and its warrants to acquire our common stock. See "Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters—Lockup Restrictions." After these lockups expire, shares held by such persons and parties may be sold in the public markets. The price of our common stock may drop significantly when such lockup agreements expire. In addition, for so long as a Plan Sponsor beneficially owns at least 5% of our outstanding common stock on a fully diluted basis, such Plan Sponsor will have the right to purchase the number of our shares as necessary to allow the Plan Sponsor to maintain its proportionate ownership interests on a fully diluted basis.

In most circumstances, shareholders will not be entitled to vote on whether or not additional capital stock is issued. In addition, depending on the terms and pricing of an additional offering of common stock and the value of our properties, shareholders may experience dilution in both the book value and the market value of their shares.

ITEM 2. FINANCIAL INFORMATION

Selected Historical Combined Financial Data

The following table sets forth the selected historical combined financial and other data of our business, which was carved-out from the financial information of GGP, as described below. We were formed for the purpose of holding certain assets and assuming certain liabilities of the Predecessors pursuant to the Plan. We have not conducted any business and will not have any material assets or liabilities until the Separation and the Distribution are completed. See "Business." The selected historical financial data set forth below as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 has been derived from our audited combined financial statements, which are included elsewhere in this registration statement. The selected historical combined financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 has been derived from our unaudited combined financial statements, which are not included in this registration statement. The income statement data for each of the six months ended June, 2010 and 2009 and the balance sheet data as of June 30, 2010 have been derived from our unaudited interim combined financial statements included elsewhere in this registration statement.

Our unaudited interim combined financial statements as of June 30, 2010 and for the six months ended June 30, 2010 were prepared on the same basis as our audited combined financial statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 and, in the opinion of management, include all adjustments, consisting only of normal, recurring adjustments, necessary to present fairly our financial position and results of operations for these periods. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

Our combined financial statements were carved-out from the financial information of GGP at a carrying value reflective of such historical cost in such GGP records. Our historical financial results reflect allocations for certain corporate costs and we believe such allocations are reasonable; however, such results do not reflect what our expenses would have been had the Company been operating as a separate stand-alone public company. The historical combined financial information presented will not be indicative of the results of operations, financial position or cash flows that would have been obtained if we had been an independent, stand-alone entity during the periods shown. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Basis of Presentation."

The historical results set forth below do not indicate results expected for any future periods. The selected financial data set forth below are qualified in their entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of

Operations" and our financial statements and related notes thereto included elsewhere in this registration statement.

	Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
(dollars in thousands)							
Operating Data:							
Revenues	\$ 59,419	\$ 75,120	\$ 136,348	\$ 172,507	\$ 260,498	\$ 548,714	\$ 505,471
Depreciation and amortization	(8,425)	(10,787)	(19,841)	(18,421)	(22,995)	(21,362)	(24,547)
Provisions for impairment	(486)	(140,180)	(680,349)	(52,511)	(125,879)	(90)	(443)
Other operating expenses	(58,463)	(72,201)	(128,833)	(141,392)	(196,121)	(408,084)	(396,073)
Interest (expense) income, net	(1,148)	(250)	712	1,105	1,504	1,737	(557)
Reorganization items	(26,614)	(2,017)	(6,674)	—	—	—	—
Benefit from (provision for) income taxes	(17,953)	2,913	23,969	(2,703)	10,643	(83,782)	(48,831)
Equity in income (loss) of Real Estate Affiliates	5,172	4,121	(28,209)	23,506	68,451	28,051	13,181
Income (loss) from continuing operations	(48,498)	(143,281)	(702,877)	(17,909)	(3,899)	65,184	48,201
Discontinued operations—loss on dispositions	—	—	(939)	—	—	—	—
Allocation to noncontrolling interests	(73)	(65)	204	(100)	(101)	(2,265)	156
Net income (loss) attributable to GGP	<u>\$ (48,571)</u>	<u>\$ (143,346)</u>	<u>\$ (703,612)</u>	<u>\$ (18,009)</u>	<u>\$ (4,000)</u>	<u>\$ 62,919</u>	<u>\$ 48,357</u>
Cash Flow Data:							
Operating activities	\$ (51,162)	\$ (9,166)	\$ (17,870)	\$ (50,699)	\$ (52,041)	\$ 190,036	\$ 271,959
Investing activities	(37,118)	(13,441)	(21,432)	(300,201)	(146,208)	(163,903)	(315,766)
Financing Activities	88,058	32,434	37,543	348,424	183,073	(13,538)	51,297

Balance Sheet Data:

	As of June 30,		As of December 31,			
	2010	2009	2009	2008	2007	2006
Investment in real estate assets—cost	\$ 2,836,316	\$ 2,827,814	\$ 3,376,321	\$ 2,935,919	\$ 2,768,176	\$ 2,616,095
Total assets	2,906,150	2,905,227	3,443,956	3,024,827	2,882,493	2,760,903
Total debt	340,495	342,833	358,467	373,036	417,011	413,048
Total equity	1,520,638	1,503,520	1,985,815	1,610,672	1,365,238	1,281,628

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information has been developed by applying pro forma adjustments to the historical combined financial information which reflect the Separation of Spinco from the Predecessors that appears elsewhere in this registration statement. The unaudited pro forma condensed combined balance sheet gives effect to the transactions described below as if they had occurred on June 30, 2010. The unaudited pro forma condensed statements of operations gives effect to the transactions described below as if they had occurred on January 1, 2009. All significant pro forma adjustments and their underlying assumptions are described more fully in the notes to the unaudited pro forma combined financial information which should be read in conjunction with such pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information gives effect to the following:

- the distribution of Spinco common stock to the existing GGP stockholders and GGPLP unit holders pursuant to the Plan;
- the consummation of investments by the Plan Sponsors contemplated by the Investment Agreements;
- fees pursuant to the Management Agreement; and
- other known impacts of the Plan including elimination of intercompany payables and the tax indemnity.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position that would have actually been reported had the transactions reflected in the pro forma adjustments occurred on January 1, 2009 or as of June 30, 2010, as applicable, nor is it indicative of our future results of operations or financial position.

The unaudited pro forma condensed combined statements of operations also assume that the Distribution qualifies as a tax-free distribution under Section 355 of the Code; and therefore no provision for income tax associated with the Distribution has been provided for the periods presented. See "Risk Factors—If the Distribution does not qualify as a tax-free distribution under Section 355 of the Code, then GGP and its subsidiaries may be required to pay substantial U.S. federal income taxes, and we may be obligated to indemnify GGP and its subsidiaries for such taxes imposed on GGP and its subsidiaries." In addition, the pro forma condensed combined statements do not include adjustments for the possible issuance of a Spinco Note as we do not currently believe such note will be issued. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Spinco Note."

The unaudited pro forma condensed combined financial information should be read in conjunction with the information contained in "Selected Historical Combined Financial Data" and the combined financial statements and related notes thereto appearing elsewhere in this registration statement.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2010

	<u>Historical</u>	<u>Adjustments</u>	<u>Footnote</u>	<u>Pro forma</u>
	(In thousands)			
Assets:				
Investment in real estate:				
Land	\$ 194,379	\$ —		\$ 194,379
Buildings and equipment	450,719	—		450,719
Less accumulated depreciation	(91,553)	—		(91,553)
Developments in progress	256,289	—		256,289
Net property and equipment	809,834	—		809,834
Investment in and loans to/from Real Estate Affiliates	145,738	—		145,738
Investment property and property held for development and sale	1,789,191	—		1,789,191
Net investment in real estate	2,744,763	—		2,744,763
Cash and cash equivalents	2,982	250,000	(2)	252,982
Accounts and notes receivable, net	11,152	—		11,152
Deferred expenses, net	6,996	—		6,996
Prepaid expenses and other assets	140,257	303,750	(6)	444,007
Total assets	\$ 2,906,150	\$ 553,750		\$ 3,459,900
Liabilities and Equity:				
Liabilities not subject to compromise:				
Mortgages, notes and loans payable	\$ 207,646	\$ 132,849	(7)	\$ 340,495
Deferred tax liabilities	726,916	(575,434)	(8)	151,482
Accounts payable and accrued expenses	217,327	69,062	(5), (7)	286,389
Liabilities not subject to compromise	1,151,889	(373,523)		778,366
Liabilities subject to compromise	233,623	(233,623)	(7)	—
Total liabilities	1,385,512	(607,146)		778,366
Equity:				
GGP Equity	1,521,448	1,160,896	(2), (5), (6), (8)	2,682,344
Accumulated other comprehensive loss	(1,645)	—		(1,645)
Noncontrolling interests	835	—		835
Total equity	1,520,638	1,160,896		2,681,534
Total liabilities and equity	\$ 2,906,150	\$ 553,750		\$ 3,459,900

Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2009

	<u>Historical</u>	<u>Adjustments</u>	<u>Footnote</u>	<u>Pro forma</u>
	(In thousands)			
Revenues:				
Minimum rents	\$ 65,653	\$ —		\$ 65,653
Tenant recoveries	19,642	—		19,642
Overage rents	2,701	—		2,701
Land sales	45,996	—		45,996
Other	2,356	—		2,356
Total revenues	<u>136,348</u>	<u>—</u>		<u>136,348</u>
Expenses:				
Real estate taxes	13,813	—		13,813
Property maintenance costs	5,586	—		5,586
Marketing	1,071	—		1,071
Other property operating costs	33,739	—		33,739
Land sales operations	49,062	—		49,062
Provision for doubtful accounts	2,539	—		2,539
Property management and other costs	17,643	—		17,643
General and administrative	5,380	6,000	(3)	11,380
Provisions for impairment	680,349	—		680,349
Depreciation and amortization	19,841	—		19,841
Total expenses	<u>829,023</u>	<u>6,000</u>		<u>835,023</u>
Operating loss	(692,675)	(6,000)		(698,675)
Interest income	1,689	—		1,689
Interest expense	(977)	—		(977)
Loss before income taxes, noncontrolling interests, equity in income of				
Real Estate Affiliates and reorganization items	(691,963)	(6,000)		(697,963)
Benefit from income taxes	23,969	273,514	(3), (9)	297,483
Equity in loss of Real Estate Affiliates	(28,209)	—		(28,209)
Reorganization items	(6,674)	6,674	(4)	—
Loss from continuing operations	<u>\$ (702,877)</u>	<u>\$ 274,188</u>		<u>\$ (428,689)</u>
Weighted average number of common shares—basic and diluted				<u>37,154</u>
Basic and diluted (loss) per share			(1)(10)	<u>\$ (11.74)</u>

**Unaudited Pro Forma Condensed Combined Statement of Operations
for the Six Months Ended June 30, 2010**

	<u>Historical</u>	<u>Adjustments</u>	<u>Footnote</u>	<u>Pro forma</u>
	(In thousands)			
Revenues:				
Minimum rents	\$ 34,000	\$ —		\$ 34,000
Tenant recoveries	9,252	—		9,252
Overage rents	912	—		912
Land sales	12,107	—		12,107
Other	3,148	—		3,148
Total revenues	<u>59,419</u>	<u>—</u>		<u>59,419</u>
Expenses:				
Real estate taxes	7,029	—		7,029
Property maintenance costs	3,283	—		3,283
Marketing	507	—		507
Other property operating costs	17,694	—		17,694
Land sales operations	20,597	—		20,597
Provision for doubtful accounts	357	—		357
Property management and other costs	8,996	—		8,996
General and administrative	—	3,000	(3)	3,000
Provisions for impairment	486	—		486
Depreciation and amortization	8,425	—		8,425
Total expenses	<u>67,374</u>	<u>3,000</u>		<u>70,374</u>
Operating loss	(7,955)	(3,000)		(10,955)
Interest income	59	—		59
Interest expense	(1,207)	—		(1,207)
Loss before income taxes, noncontrolling interests, equity in income of				
Real Estate Affiliates and reorganization items	(9,103)	(3,000)		(12,103)
Provision for income taxes	(17,953)	4,935	(3), (9)	(13,018)
Equity in loss of Real Estate Affiliates	5,172	—		5,172
Reorganization items	(26,614)	26,614	(4)	—
Loss from continuing operations	<u>\$ (48,498)</u>	<u>\$ 28,549</u>		<u>\$ (19,949)</u>
Weighted average number of common shares—basic and diluted				<u>37,604</u>
Basic and diluted loss per share			(1)(10)	<u>\$ (0.53)</u>

Notes to Pro Forma Condensed Combined Financial Information

- (1) Reflects the distribution of 32,500,000 shares of our common stock to existing stockholders of GGP and GGPLP unit holders pursuant to the Plan.
- (2) Reflects the initial \$250 million investment by the Plan Sponsors and Blackstone pursuant to the Investment Agreements and the Blackstone Designation (approximately 5,250,000 shares of our common stock).
- (3) Reflects fees pursuant to a management services agreement between Brookfield Advisors and Spinco, Inc. Services to be provided pursuant to the agreement include strategic advice, project

development oversight, financial planning, financing consultation, internal controls expertise, and community and investor relations. The agreement has an initial term of six months and may be extended up to an additional six months at Spinco's sole option. The pro forma statement of operations for the year ended December 31, 2009 assumes a six month extension on the same terms as the initial agreement. Contract fees include a base management fee of \$500,000 per month plus reasonable costs and expenses. A 40% tax rate was applied to the projected cost in the pro forma statement of operations.

- (4) Reflects Reorganization costs incurred as a result of the Chapter 11 Cases and includes professional fees and similar expenses related to the bankruptcy filings and reorganization process. The pro forma statements of operations assume that such costs will not be incurred after the Effective Date.
- (5) Reflects the elimination of \$31,712,000 of intercompany payables in accordance with the Separation Agreement.
- (6) Reflects establishment of the tax Indemnity Cap in accordance with the Investment Agreements. See "Risk Factors—We may be required to pay substantial U.S. federal income taxes."
- (7) Reflects the reclassification of \$132,849,000 of mortgages, notes and loans payable and \$100,774,000 of accounts payable and accrued expenses subject to compromise to the appropriate categories of liabilities not subject to compromise, in accordance with the Plan. Liabilities subject to compromise includes all liabilities incurred prior to the Petition Date except:
 - liabilities of the Spinco non-debtors;
 - pre-petition liabilities that the Emerged Debtors which have emerged from Bankruptcy at December 31, 2009 expect to pay in full, even though certain of these amounts may not be paid until after the applicable Emerged Debtor's plan of reorganization is effective; and
 - liabilities related to pre-petition contracts that affirmatively have not been rejected.
- (8) Reflects an adjustment of \$575,434,000 for the re-measurement of the deferred tax liability utilizing the pro forma carrying amounts of Spinco assets and liabilities, and the current taxable and non-taxable entities to be held by the new entity. Given the makeup of our assets, particularly the undeveloped land in our Master Planned Communities segment, we will not elect to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes; however, one of our subsidiaries, Victoria Ward, Limited, is and will continue to be treated as a REIT.
- (9) Reflects a benefit from income taxes of \$271,114,000 for the year ended December 31, 2009 and \$3,735,000 for the six months ended June 30, 2010 for the re-measurement of the deferred tax liability utilizing the pro forma carrying amounts of Spinco assets and liabilities, and the current taxable and non-taxable entities to be held by the new entity.
- (10) Reflects the historical number of GGP weighted average basic and diluted shares outstanding of 311,993,000 and 311,993,000 for the twelve months ended December 31, 2009 and 316,572,000 and 316,572,000 for the six months ended June 30, 2010, respectively, adjusted by the Spinco share exchange factor of 0.0983 shares of Spinco stock for each share of GGP common stock as provided for in the Plan; plus a 1,235,000 share distribution to existing GGPLP unit holders as adjusted for the Spinco share exchange factor; plus the approximate 5,250,000 shares to be issued to Plan Sponsors and Blackstone pursuant to the Investment Agreements and the Blackstone Designation. The permanent warrants issued to the Plan Sponsors and options for Spinco common stock that are issued in exchange for GGP options are also anti-dilutive and not used in the calculation of earnings per share due to losses in all respective periods.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and the matters set forth in this registration statement. See "Cautionary Statement Regarding Forward-Looking Statements."

All references to numbered Notes are to specific footnotes to our combined financial statements for the six months ended June 30, 2010 and 2009 and the years ended December 31, 2007, 2008 and 2009, as applicable, included in this registration statement. You should read this discussion in conjunction with our combined financial statements, the notes thereto and other financial information included elsewhere in this registration statement. Our financial statements are prepared in accordance with GAAP. Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") have the same meanings as in such Notes.

Overview—Basis of Presentation

We were formed in July 2010 for the purpose of holding certain assets and assuming certain liabilities of the Predecessors pursuant to the Plan as discussed in Note 1. Following the Distribution, we will operate our business as a stand-alone real estate development company. The financial information included in this registration statement was carved-out from the financial information of GGP, has been presented on a combined basis as the entities presented are under common control and ownership, and only property management and other costs and property specific overhead items have been allocated or reflected in the accompanying combined financial statements.

The historical combined financial information included in this registration statement does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly-traded company during the periods presented or those that we will achieve in the future primarily as a result of the following factors:

- Prior to the Separation, our business was operated by GGP as part of its broader corporate organization, rather than as a separate, publicly-traded company. GGP or one of its affiliates performed various corporate functions for us, including, but not limited to, executive oversight and management, regulatory, certain governance functions (including compliance with the Sarbanes-Oxley Act of 2002 and internal audit) and external reporting. Our historical financial results reflect allocations for certain corporate costs and we believe such allocations are reasonable; however, such results do not reflect what our expenses would have been had we been operating as a separate, stand-alone public company.
- Currently, portions of our business are integrated with the other businesses of GGP. Historically, we have shared economies of scope and scale in costs, employees, vendor relationships and certain customer relationships. While we expect to enter into a Transition Services Agreement that will govern certain commercial and other relationships between us and GGP, those contractual arrangements may not capture the benefits our business has enjoyed as a result of being integrated with GGP. The loss of these benefits of scope and scale may have an adverse effect on our business, results of operations and financial condition following the completion of the Separation.

In addition, GGP operates as a REIT in which our businesses, except for the Master Planned Community segment, are generally exempt from tax. We intend to operate as a taxable corporation subsequent to the Effective Date; however, one of our subsidiaries, Victoria Ward, Limited, is and will continue to be treated as a REIT.

We operate our business in two segments: Master Planned Communities and Strategic Development.

Overview—Master Planned Communities Segment

Our Master Planned Communities segment consists of the development and sale of residential and commercial land, primarily in large-scale projects in and around Columbia, Maryland; Houston, Texas; and Summerlin, Nevada. Residential land sales include standard, custom and high density (*i.e.*, condominium, town homes and apartments) parcels. Standard residential lots are designated for detached and attached single- and multi-family homes, ranging from entry-level to luxury homes. At our Summerlin project, we have further designated certain residential parcels as custom lots as their premium price reflects their larger size and other distinguishing features including gated communities, golf course access and higher elevations. Commercial land sales include parcels designated for retail, office, services and other for-profit activities, as well as those parcels designated for use by government, schools and other not-for-profit entities. As of June 30, 2010, we had 12,623 remaining saleable acres in our communities presented in this registration statement on a combined basis and 2,081 remaining saleable acres at our Woodlands community (presented in this registration statement on the equity method of accounting).

The pace of land sales for standard residential lots has declined in recent periods in correlation to the decline in the housing market.

Based on the results of our evaluations for impairment (Note 1 and 2), we recognized aggregate impairment charges related to our Master Planned Communities segment of \$52.8 million in 2009 and \$125.8 million in 2007.

Overview—Strategic Development Segment

Our Strategic Development segment is made up of a diverse mix of near, medium and long-term real estate properties and development projects, some of which we believe have the potential to create meaningful value. Our Strategic Development segment includes nine mixed-use development opportunities, four mall development projects, seven redevelopment projects and eight other property interests, including ownership of various land parcels and certain profit interests.

We have a total of nine properties that are currently operating today. These properties consist of South Street Seaport, Landmark Mall, Ward Centers, Alameda Plaza, Rio West, Riverwalk Marketplace, Park West, Cottonwood Square and Century Plaza Mall and are referred to herein as the "Operating Retail Properties." At December 31, 2009, we had approximately 2.5 million square feet of regional mall space currently available for lease, of which 86.2% was occupied. Our trailing twelve month total tenant sales per square foot at such regional malls were approximately \$386, also at December 31, 2009.

Based on impairment evaluations of the properties in our Strategic Development segment (as described in Note 1 and 2) we recorded impairment provisions of \$0.5 million for the six months ended June 30, 2010, \$627.6 million, \$52.5 million and \$0.1 million for 2009, 2008 and 2007 respectively, and \$29.6 million in our equity in operations of real estate affiliates in 2009.

Selected Master Planned Communities Data

The following tables present selected financial and operational data for our Master Planned Communities segment for the periods indicated below on a combined basis, excluding the Woodlands except to the extent of EBITDA relating to the Woodlands land business which is reflected at our share; our Summerlin community; our Bridgeland community; and our Maryland communities. A reconciliation of Adjusted EBITDA and EBITDA to GAAP net loss attributable to GGP for the years ended December 31, 2009, 2008 and 2007 is presented in Note 14 of the audited combined financial statements for such periods, included with this registration statement. A similar presentation for the six months ended June 30, 2010 and 2009 is reflected in Note 10 of the unaudited combined financial

statements for such periods, also included in this registration statement. Finally, a reconciliation of total leveraged MPC Cash Flow to Combined Cash Flows from operating activities as computed according to or in accordance with GAAP is presented as a supplemental schedule below. We present this information as supplemental measures of our Master Planned Communities segment performance that are not required by, or presented in accordance with, GAAP because we believe that such information would be useful to an investor's understanding of our Master Planned Communities segment. These are not measures of our financial performance under GAAP and should not be considered as alternatives to any other performance measures derived in accordance with GAAP or as alternatives to cash flow from operating activities as measures of our liquidity.

Master Planned Communities ("MPC") (excluding Woodlands)
MPC Combined

	Six Months Ended		Year Ended December 31,			
	June 30,					
	2010	2009	2009	2008	2007	2006
(In thousands)						
Master Planned Communities Cash Flow						
MPC Combined						
Land Sale Revenue	\$ 9,653	\$ 28,918	\$ 37,723	\$ 37,410	\$ 122,519	\$ 413,756
Other Revenue	2,455	2,516	8,273	29,147	19,841	11,411
Total Revenue	12,108	31,434	45,996	66,557	142,360	425,167
Cost of Land Sales	3,251	18,668	22,019	24,516	46,587	175,184
SG&A Expenses	8,678	5,504	10,300	22,920	53,276	128,784
Property Taxes	8,669	8,282	16,743	15,985	14,347	12,436
Total Expenses	20,598	32,454	49,062	63,421	114,210	316,404
Combined MPC Adjusted EBITDA	(8,490)	(1,020)	(3,066)	3,136	28,150	108,763
Historical Impairment	—	(52,767)	(52,767)	—	(125,801)	—
Combined MPC EBITDA	(8,490)	(53,787)	(55,833)	3,136	(97,651)	108,763
EBITDA from the Woodlands land business (at share)	7,231	4,047	4,309	25,878	27,204	23,238
Total MPC EBITDA	(1,259)	(49,740)	(51,524)	29,014	(70,447)	132,001
MPC Cash Flow						
Combined MPC Adjusted EBITDA	(8,490)	(1,020)	(3,066)	3,136	28,150	108,763
Adjusted EBITDA to Cash Flow Adjustments						
Net Development Costs*	(14,831)	(16,192)	(20,598)	(80,298)	(107,013)	(176,440)
Cost of Sales	3,251	18,668	22,019	24,516	46,587	175,184
Land Sale Deposits/Deferred Land Sales	(1,381)	100	3,489	(216)	2,072	13,227
Builder Price Participation	485	529	685	1,082	6,310	18,010
Adjustments to cash basis	446	1,397	277	(6,048)	(13,743)	(4,639)
Deferred Revenue	—	402	—	—	—	—
Participation Expense	—	(2,184)	(5,344)	2,232	31,021	109,945
SID assumptions	—	(232)	(247)	(125)	(2,242)	(5,577)
Collections of builder notes receivable	(78)	(3,000)	(3,000)	—	5,200	6,404
Other	(4)	419	140	724	257	—
Total EBITDA to cash adjustments	(12,112)	(93)	(2,579)	(58,133)	(31,551)	136,114
Combined Unlevered Free Cash Flow	(20,602)	(1,113)	(5,645)	(54,997)	(3,401)	244,877
Interest on property debt	(750)	(581)	(1,457)	(1,621)	(1,202)	(1,397)
Cash Flow Participation	—	—	—	—	(15,484)	(83,801)
Combined Levered Free Cash Flow	\$ (21,352)	\$ (1,694)	\$ (7,102)	\$ (56,618)	\$ (20,087)	\$ 159,679
Distributions From The Woodlands land business	—	—	—	—	70,875	28,875
Total Levered MPC Free Cash Flow	\$ (21,352)	\$ (1,694)	\$ (7,102)	\$ (56,618)	\$ 50,788	\$ 188,554

* Calculated as MPC land development expenditures net of public financing reimbursements.

Summerlin

	Six Months Ended June 30,		Year Ended December 31,			
	2010	2009	2009	2008	2007	2006
(In thousands)						
Master Planned Communities Cash Flow						
Summerlin						
Land Sale Revenue	\$ 919	\$ 5,502	\$ 5,112	\$ 8,042	\$ 86,012	\$ 311,400
Other Revenue	2,087	1,884	6,886	24,580	18,606	9,748
Total Revenue	3,006	7,386	11,998	32,622	104,618	321,148
Cost of Land Sales	—	1,805	2,231	3,324	26,044	93,830
SG&A Expenses	5,447	2,331	3,253	13,523	40,889	121,716
Property Taxes	8,272	7,312	15,164	14,427	12,706	11,442
Total Expenses	13,719	11,448	20,648	31,274	79,639	226,988
Summerlin Adjusted EBITDA	(10,713)	(4,062)	(8,650)	1,348	24,979	94,160
Historical Impairment	—	—	—	—	—	—
Summerlin EBITDA	(10,713)	(4,062)	(8,650)	1,348	24,979	94,160
MPC Cash Flow						
Summerlin Adjusted EBITDA	(10,713)	(4,062)	(8,650)	1,348	24,979	94,160
Adjusted EBITDA to Cash Flow Adjustments						
Net Development Costs	(8,514)	(5,518)	(11,313)	(20,778)	(37,027)	(112,684)
Cost of Sales	—	1,805	2,231	3,324	26,044	93,830
Land Sale Deposits/Deferred Land Sales	—	—	402	(393)	2,088	13,227
Builder Price Participation	397	308	397	456	4,821	15,582
Adjustments to cash basis	465	99	407	(5,342)	(13,996)	(4,403)
Deferred Revenue	—	402	—	—	—	—
Participation Expense	—	(2,184)	(5,344)	2,149	31,021	109,945
SID assumptions	—	(232)	(247)	(125)	(2,242)	(5,577)
Collections of builder notes receivable	—	—	—	—	3,200	800
Other	—	222	(62)	733	257	—
Total EBITDA to cash adjustments	(7,652)	(5,098)	(13,529)	(19,976)	14,166	110,720
Summerlin Unlevered Free Cash Flow	(18,365)	(9,160)	(22,179)	(18,628)	39,145	204,880
Interest on property debt	—	—	—	—	—	—
Amortization on property level debt	—	—	—	—	—	—
Cash Flow Participation	—	—	—	—	(15,484)	(83,801)
Summerlin Levered Free Cash Flow	<u>\$ (18,365)</u>	<u>\$ (9,160)</u>	<u>\$ (22,179)</u>	<u>\$ (18,628)</u>	<u>\$ 23,661</u>	<u>\$ 121,079</u>

Bridgeland

	Six Months Ended June 30,		Year Ended December 31,			
	2010	2009	2009	2008	2007	2006
(In thousands)						
Master Planned Communities Cash Flow						
Bridgeland						
Land Sale Revenue	\$ 6,514	\$ 4,443	\$ 10,981	\$ 10,020	\$ 18,349	\$ 14,513
Other Revenue	223	430	1,258	1,731	122	233
Total Revenue	<u>6,737</u>	<u>4,873</u>	<u>12,239</u>	<u>11,751</u>	<u>18,471</u>	<u>14,746</u>
Cost of Land Sales	2,223	1,646	4,143	4,119	7,599	7,075
SG&A Expenses	2,331	1,953	4,379	5,962	6,462	4,796
Property Taxes	18	427	692	644	912	548
Total Expenses	<u>4,572</u>	<u>4,026</u>	<u>9,214</u>	<u>10,725</u>	<u>14,973</u>	<u>12,419</u>
Bridgeland Adjusted EBITDA	<u>2,165</u>	<u>847</u>	<u>3,025</u>	<u>1,026</u>	<u>3,498</u>	<u>2,327</u>
Historical Impairment						
Bridgeland EBITDA	2,165	847	3,025	1,026	3,498	2,327
MPC Cash Flow						
Bridgeland Adjusted EBITDA	2,165	847	3,025	1,026	3,498	2,327
EBITDA to Cash Flow Adjustments						
Net Development Costs	(3,415)	(7,495)	(2,219)	(45,546)	(47,936)	(34,522)
Cost of Sales	2,223	1,646	4,143	4,119	7,599	7,075
Land Sale Deposits/Deferred Land Sales	—	—	—	—	—	—
Builder Price Participation	98	(51)	38	(123)	—	(156)
Adjustments to cash basis	43	411	(64)	(768)	(973)	405
Deferred Revenue	—	—	—	—	—	—
Participation Expense	—	—	—	—	—	—
SID assumptions	—	—	—	—	—	—
Collections of builder notes receivable	—	—	—	—	—	—
Other	21	10	14	(9)	—	—
Total EBITDA to cash adjustments	<u>(1,030)</u>	<u>(5,479)</u>	<u>1,912</u>	<u>(42,327)</u>	<u>(41,310)</u>	<u>(27,198)</u>
Bridgeland Unlevered Free Cash Flow	<u>1,135</u>	<u>(4,632)</u>	<u>4,937</u>	<u>(41,301)</u>	<u>(37,812)</u>	<u>(24,871)</u>
Interest on property debt	(750)	(581)	(1,457)	(1,621)	(1,143)	(1,397)
Bridgeland Levered Free Cash Flow	<u>\$ 385</u>	<u>\$ (5,213)</u>	<u>\$ 3,480</u>	<u>\$ (42,922)</u>	<u>\$ (38,955)</u>	<u>\$ (26,268)</u>

Maryland Communities

	Six Months Ended June 30,		Year Ended December 31,			
	2010	2009	2009	2008	2007	2006
(In thousands)						
Master Planned Communities Cash Flow						
Maryland Communities						
Land Sale Revenue	\$ 2,220	\$ 18,973	\$ 21,630	\$ 19,348	\$ 18,158	\$ 87,843
Other Revenue	145	202	129	2,836	1,113	1,430
Total Revenue	2,365	19,175	21,759	22,184	19,271	89,273
Cost of Land Sales	1,028	15,217	15,645	17,073	12,944	74,279
SG&A Expenses	900	1,221	2,668	3,435	5,925	2,272
Property Taxes	379	543	887	914	729	446
Total Expenses	2,307	16,981	19,200	21,422	19,598	76,997
Maryland Communities Adjusted EBITDA	58	2,194	2,559	762	(327)	12,276
Historical Impairment	—	(52,767)	(52,767)	—	(125,801)	—
Maryland Communities EBITDA	58	(50,573)	(50,208)	762	(126,128)	12,276
MPC Cash Flow						
Maryland Communities Adjusted EBITDA	58	2,194	2,559	762	(327)	12,276
Adjusted EBITDA to Cash Flow Adjustments						
Net Development Costs	(2,902)	(3,179)	(7,066)	(13,974)	(22,050)	(29,234)
Cost of Sales	1,028	15,217	15,645	17,073	12,944	74,279
Land Sale Deposits/Deferred Land Sales	(1,381)	100	3,087	177	(16)	—
Builder Price Participation	(10)	272	250	749	1,489	2,584
Adjustments to cash basis	(62)	887	(66)	62	1,226	(641)
Deferred Revenue	—	—	—	—	—	—
Participation Expense	—	—	—	83	—	—
SID assumptions	—	—	—	—	—	—
Collections of builder notes receivable	(78)	(3,000)	(3,000)	—	2,000	5,604
Other	(25)	188	188	—	—	—
Total EBITDA to cash adjustments	(3,430)	10,485	9,038	4,170	(4,407)	52,592
Maryland Communities Unlevered Free Cash Flow	(3,372)	12,679	11,597	4,932	(4,734)	64,868
Interest on property debt	—	—	—	—	(59)	—
Maryland Communities Levered Free Cash Flow	\$ (3,372)	\$ 12,679	\$ 11,597	\$ 4,932	\$ (4,793)	\$ 64,868

Reconciliation of Total levered MPC free cash flow to Combined Spinco, Inc. Net cash (used in) provided by operating activities

	Six Months Ended June 30,		Year Ended December 31,			
	2010	2009	2009	2008	2007	2006
(In thousands)						
Total levered MPC free cash flow	\$ (21,352)	\$ (1,694)	\$ (7,102)	\$ (56,618)	\$ 50,788	\$ 188,554
Plus: Non-MPC operating cash flow and other	(29,810)	(7,472)	(10,768)	5,919	(42,490)	16,324
Less: The Woodlands cash distributions	—	—	—	—	(70,875)	(28,875)
Combined Spinco, Inc. Net cash (used in) provided by operating activities	\$ (51,162)	\$ (9,166)	\$ (17,870)	\$ (50,699)	\$ (62,577)	\$ 176,003

Results of Operations

Our revenues are primarily received from homebuilders from the sale of individual lots at our master planned communities and from tenants at our rental properties in the form of fixed minimum rents, overage rent and recoveries of operating expenses. We have presented the following discussion of our results of operations on a segment basis under the proportionate share method. Under the proportionate share method, our share of segment revenues and expenses of the properties owned by our real estate affiliates are aggregated with the revenues and expenses of the combined properties. Other revenues are increased by discontinued operations and are reduced by the share of operations applicable to noncontrolling interests. See Note 10 or Note 14, as applicable, for additional information including reconciliations of our segment basis results to GAAP basis results.

The operating measure used to assess operating results for our business segments is adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"). Adjusted EBITDA also excludes reorganization items, strategic initiatives, provisions for impairment and allocation to noncontrolling interests. Management believes that Adjusted EBITDA provides useful information about our operating performance.

In addition, the Spinco businesses were operated as subsidiaries of GGP, which operates as a real estate investment trust ("REIT"). We are expected to operate as a taxable corporation.

Six Months Ended June 30, 2010 and 2009**Master Planned Communities Segment**

(In thousands)	Six Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2010	2009		
Land sales	\$ 38,079	\$ 49,954	\$ (11,875)	(23.8)%
Land sales operations	(39,338)	(46,927)	(7,589)	(16.2)
Master Planned Communities Segment Adjusted EBITDA	\$ (1,259)	\$ 3,027	\$ (4,286)	(141.6)%

For the six months ended June 30, 2010, we sold 138.8 residential acres compared to 322.1 acres for the six months ended June 30, 2009. We sold 24.7 acres of commercial lots for the six months ended June 30, 2010 compared to 34.5 acres for the six months ended June 30, 2009.

During the six months ended June 30, 2010, there was increased residential and commercial sales activity at the Woodlands community in Houston Texas. These increases were partially offset by the bulk sale of remaining single family lots at the Fairwood community in Maryland in 2009. There were no land sales for the six months ended June 30, 2010 in our Fairwood communities in Maryland and in our Summerlin community in Las Vegas, Nevada. There were minimal land sales in our Columbia community in Maryland and our Bridgeland community in Houston, Texas.

As of June 30, 2010, the master planned communities have approximately 14,800 remaining salable acres.

Strategic Development Segment

(In thousands)	Six Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2010	2009		
Property revenues:				
Minimum rents	\$ 36,384	\$ 40,471	\$ (4,087)	(10.1)%
Tenant recoveries	9,252	9,782	(530)	(5.4)
Overage rents	912	850	62	7.3
Other, including noncontrolling interests	18,992	17,390	1,602	9.2
Total property revenues	65,540	68,493	(2,953)	(4.3)
Property operating expenses:				
Real estate taxes	7,547	6,659	888	13.3
Property maintenance costs	3,529	2,869	660	23.0
Marketing	507	460	47	10.2
Other property operating costs	32,680	36,417	(3,737)	(10.3)
Provision for doubtful accounts	357	1,212	(855)	(70.5)
Property management and other costs	8,996	8,431	565	6.7
Total property operating expenses	53,616	56,048	(2,432)	(4.3)
Strategic Development Segment Adjusted EBITDA	\$ 11,924	\$ 12,445	\$ (521)	(4.2)%

Minimum rents decreased for the six months ended June 30, 2010 primarily due to a decrease in lease termination income and minimum rents from our Real Estate Affiliates.

Property maintenance costs increased in the six months ended June 30, 2010 primarily due to increased seasonal maintenance costs, miscellaneous building repairs and higher contract services costs in 2010.

Other property operating costs decreased in the six months ended June 30, 2010 primarily due to decreased utility expense related to lower fuel costs.

The provision for doubtful accounts decreased in the six months ended June 30, 2010 compared to the six months ended June 30, 2009 primarily due to improved collections at our Operating Retail Properties in 2010.

Certain Significant Combined Revenues and Expenses

(In thousands)	Six Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2010	2009		
Tenant rents	\$ 44,164	\$ 44,149	\$ 15	0.0%
Land sales	12,107	31,434	(19,327)	(61.5)
Property operating expense	28,870	26,202	2,668	10.2
Land sales operations	20,597	32,454	(11,857)	(36.5)
Property management and other costs	8,996	8,431	565	6.7
Strategic initiatives	—	5,114	(5,114)	(100.0)
Provisions for impairment	486	140,180	(139,694)	(99.7)
Depreciation and amortization	8,425	10,787	(2,362)	(21.9)
Interest expense	1,207	582	625	107.4
Provision for (benefit from) income taxes	17,953	(2,913)	20,866	(716.3)
Equity in income of Real Estate Affiliates	5,172	4,121	1,051	25.5
Reorganization items	(26,614)	(2,017)	(24,597)	1,219.5

Land sales and associated sales operations decreased during the six months ended June 30, 2010 compared to the prior year due to lower sales volume.

Strategic initiatives for the six months ended June 30, 2009 consist of professional fees for restructuring that were incurred prior to the filing for Chapter 11 protection of certain of our Predecessors (the "Predecessor Debtors"). Similar fees incurred after filing for Chapter 11 protection are recorded as reorganization items.

Based on the results of our evaluations for impairment (Note 1), we recognized impairment charges of \$0.5 million (related to the write down of various pre-development costs that were determined to be non-recoverable due to the termination of associated projects) for the six months ended June 30, 2010 and \$140.2 million for the six months ended June 30, 2009. The impairment charges recognized in 2009 were as follows:

2009

- \$24.2 million to the Allen mall development in Allen, Texas
- \$6.7 million to the Village at Redlands Promenade development in Redlands, California
- \$0.7 million related to the write down of various pre-development costs that were determined to be non-recoverable due to the termination of associated projects
- \$52.8 million to our Fairwood Master Planned Community in Columbia, Maryland
- \$55.9 million related to our Nouvelle at Natick project located in Boston, Massachusetts

The increase in the provision for income taxes for the six months ended June 30, 2010 was primarily attributable to an increase in taxable income related to our taxable entities for the six months ended June 30, 2010 and a tax benefit related to provisions for impairments at our master planned communities in 2009, partially offset by a significant decrease in valuation allowances compared to the six months ended June 30, 2009.

Reorganization items under the bankruptcy filings are expense or income items that were incurred or realized by the Predecessor Debtors as a result of the Chapter 11 Cases. These items include professional fees and similar types of expenses incurred directly related to the bankruptcy filings, gains or losses resulting from activities of the reorganization process, including gains related to recording the mortgage debt at Fair Value upon emergence from bankruptcy and interest earned on cash accumulated by the TopCo Debtors. See Note 1—Reorganization items for additional detail.

Year Ended December 31, 2009 and 2008

Master Planned Communities Segment

(In thousands)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Land sales	\$ 83,989	\$ 138,746	\$ (54,757)	(39.5)%
Land sales operations	(82,746)	(109,732)	(26,986)	(24.6)
Master Planned Communities Segment Adjusted EBITDA	\$ 1,243	\$ 29,014	\$ (27,771)	(95.7)%

The decrease in land sales, land sales operations and Adjusted EBITDA in 2009 was the result of a significant reduction in sales volume and lower margins at our Summerlin, Bridgeland and The Woodlands residential communities. These volume decreases were partially offset by the bulk sale in 2009 of the majority of the remaining single family lots in our Fairwood community (reported as part of our Columbia, Maryland property) at considerably lower margins than previous Fairwood sales and

by the sale of a residential parcel for use in the development of luxury apartments and town homes, in our Maryland communities.

In 2009, we sold 426.4 residential acres compared to 272.5 acres in 2008, including the 221 acres in the bulk Fairwood sale discussed above. Although we sold 94.8 acres of commercial lots in 2009 compared to 84.6 acres in 2008, average prices for lots declined as compared to 2008.

Strategic Development Segment

The following table compares major revenue and expense items:

(In thousands)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Revenues:				
Minimum rents	\$ 78,339	\$ 80,998	\$ (2,659)	(3.3)%
Tenant recoveries	19,642	21,592	(1,950)	(9.0)
Overage rents	2,701	3,519	(818)	(23.2)
Other	35,306	54,587	(19,281)	(35.3)
Total property revenues	<u>135,988</u>	<u>160,696</u>	<u>(24,708)</u>	<u>(15.4)</u>
Property operating expenses:				
Real estate taxes	14,503	11,037	3,466	31.4
Property maintenance costs	8,094	7,680	414	5.4
Marketing	1,071	1,530	(459)	(30.0)
Other property operating costs	71,858	82,242	(10,384)	(12.6)
Provision for doubtful accounts	2,539	1,174	1,365	116.3
Property management and other costs	17,643	20,656	(3,013)	(14.6)
Total property operating expenses	<u>115,708</u>	<u>124,319</u>	<u>(8,611)</u>	<u>(6.9)</u>
Strategic Development Segment Adjusted EBITDA	<u>\$ 20,280</u>	<u>\$ 36,377</u>	<u>\$ (16,097)</u>	<u>(44.2)%</u>

The \$2.7 million decrease in minimum rents was primarily due to a decline in occupancies between 2008 and 2009 at our Operating Retail Properties. This decrease was partially offset by increases in minimum rents at Riverwalk Marketplace. The increases at Riverwalk Marketplace were driven by increasing occupancy as the property continued recovering from the effects of Hurricane Katrina.

Certain of our leases include both a base rent component and a component which requires tenants to pay amounts related to all, or substantially all, of their share of real estate taxes and certain property operating expenses, including common area maintenance and insurance. The portion of the tenant rent from these leases attributable to real estate tax and operating expense recoveries is recorded as tenant recoveries. The \$2.0 million decrease in tenant recoveries was primarily attributable to the decrease in certain property operating expenses discussed below.

Overage rent is rental revenue paid by tenants which is based on a percentage of the tenant's sales above a threshold specified in the lease agreement. The decrease in overage rent was primarily due to a decrease in comparable tenant sales as a result of a challenging economic environment that impacted many of our tenants, particularly at Ward Centers and South Street Seaport.

Other revenues include all other property revenues including vending, parking, gains or losses on dispositions of certain property transactions, sponsorship and advertising revenues, less Adjusted EBITDA of non-controlling interests. The decrease in other revenues was primarily attributable to dispositions of land parcels at Kendall that resulted in a \$3.9 million loss on sale of land in 2009 and as compared to a \$4.3 million gain on sale of land in 2008 as well as a \$6.4 million gain on sale of a Woodlands office property in 2008. In addition, the decrease in other revenues is also attributable to

reduced occupancy and activity in food and beverage revenue at The Woodlands Hotel and Conference Center in 2009. Finally, the decrease was attributable to lower sponsorship, show and display revenue in 2009.

Real estate taxes increased in 2009 at our Operating Retail Properties, a portion of which is recoverable from tenants. A portion of the increase was attributable to a decrease in the amount of capitalized real estate taxes due to decreased development activity.

The \$10.4 million decrease in other property operating costs is primarily related to reduced operating costs at the properties owned by The Woodlands joint venture. Reduced occupancy drove the cost reductions at the resort and conference center properties in The Woodlands, while the office property was sold from The Woodlands during 2008. Additionally, operating costs were significantly reduced at South Street Seaport and Victoria Ward.

The \$1.4 million increase in the provision for doubtful accounts was primarily due to the recovery of previously written-off property taxes and other receivables at Ward Centers during 2008.

The decrease in property management and other costs in 2009 is primarily due to a decrease in wages and benefits of \$3.0 million. In addition, professional fees, personnel, travel, marketing, office and occupancy costs decrease as the result of cost reduction efforts. These decreases were offset by a reduction in capitalized overhead, which resulted in higher net expenses in 2009, and increased incentive compensation.

Certain Significant Combined Revenues and Expenses

(In thousands)	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Tenant rents	\$ 87,996	\$ 93,552	\$ (5,556)	(5.9)%
Land sales	45,996	66,557	(20,561)	(30.9)
Property operating expense	56,748	55,819	929	1.7
Land sales operations	49,062	63,421	(14,359)	(22.6)
Property management and other costs	17,643	20,656	(3,013)	(14.6)
Strategic Initiatives	5,380	1,496	3,884	259.6
Provisions for impairment	680,349	52,511	627,838	1,195.6
Depreciation and amortization	19,841	18,421	1,420	7.7
(Benefit from) provision for income taxes	(23,969)	2,703	(26,672)	(986.8)
Equity in income (loss) of Real Estate Affiliates	(28,209)	23,506	(51,715)	(220.0)
Reorganization items	(6,674)	—	(6,674)	—

Changes in combined tenant rents (which includes minimum rents, tenant recoveries and overage rent), land sales, property operating expenses (which includes real estate taxes, property maintenance costs, marketing, other property operating costs and provision for doubtful accounts), land sales operations and property management and other costs were attributable to the same items discussed above in our segment basis results, excluding those items related to the properties owned by our Real Estate Affiliates. Property management and other costs are primarily costs allocated from GGP related to our costs of doing business and are generally not direct property-related costs.

The increase in strategic initiatives in 2009 is primarily due to property-specific professional fees for restructuring and strategic initiatives incurred through the Petition Date. Similar costs incurred subsequent to the Petition Date are classified as reorganization items.

See Note 2 for a detail description of the provisions for impairment that we recognized in 2009 and 2008.

The benefit from income taxes in 2009 was primarily attributable to tax benefit related to the provisions for impairment of \$35.1 million related to our Kendall development, \$52.8 million related to our Fairwood master planned community and \$55.9 million related to our Nouvelle at Natick condominium project. The benefit from income taxes was partially offset by an increase in the valuation allowances on our deferred tax assets as a result of Chapter 11.

The decrease in equity in income (loss) of real estate affiliates is primarily due to a significant decrease in land sales at The Woodlands master planned community joint venture in 2009 compared to 2008.

Reorganization items are expense or income items that were incurred or realized by the Predecessors as a result of the Chapter 11 Cases. These items include professional fees and similar types of expenses incurred directly related to the bankruptcy filings, loss accruals or gains or losses resulting from activities of the reorganization process and interest earned on cash accumulated by the TopCo Debtors. See Note 2—Reorganization Items for additional detail.

Year Ended December 31, 2008 and 2007

Master Planned Communities Segment

(In thousands)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Land sales	\$ 138,746	\$ 227,377	\$ (88,631)	(39.0)%
Land sales operations	(109,732)	(172,023)	(62,291)	(36.2)
Master Planned Communities Segment Adjusted EBITDA	\$ 29,014	\$ 55,354	\$ (26,340)	(47.6)%

The decrease in land sales and land sales operations and Adjusted EBITDA in 2008 was the result of a significant reduction in sales volume and lower achieved margins at our Summerlin, Maryland, Bridgeland and The Woodlands residential communities. In 2008, we sold 272.5 residential acres compared to 409.1 acres in 2007. We sold 84.6 acres of commercial lots in 2008 compared to 163.2 acres in 2007.

Strategic Development Segment

The following table compares major revenue and expense items:

(In thousands)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Property revenues:				
Minimum rents	\$ 80,998	\$ 88,713	\$ (7,715)	(8.7)%
Tenant recoveries	21,592	22,449	(857)	(3.8)
Overage rents	3,519	5,194	(1,675)	(32.2)
Other	54,587	70,504	(15,917)	(22.6)
Total property revenues	160,696	186,860	(26,164)	(14.0)
Property operating expenses:				
Real estate taxes	11,037	10,184	853	8.4
Property maintenance costs	7,680	8,191	(511)	(6.2)
Marketing	1,530	1,646	(116)	(7.0)
Other property operating costs	82,242	95,450	(13,208)	(13.8)
Provision for doubtful accounts	1,174	1,301	(127)	(9.8)
Property management and other costs	20,656	26,799	(6,143)	(22.9)
Total property operating expenses	124,319	143,571	(19,252)	(13.4)
Strategic Development Segment Adjusted EBITDA	\$ 36,377	\$ 43,289	\$ (6,912)	(16.0)%

The \$7.7 million decrease in minimum rents was primarily due to 2007 business interruption insurance proceeds of \$6.9 million at Riverwalk Marketplace. These insurance proceeds related to claims made by us for property damages and business interruption in the aftermath of Hurricane Katrina.

The decrease in overage rent was primarily due to a decrease in comparable tenant sales as a result of a challenging economic environment that impacted many of our tenants, particularly at Ward Center and South Street Seaport.

Other revenues include all other property revenues including vending, parking, sponsorship and advertising revenues, less Adjusted EBITDA of non controlling interests. The decrease in other revenues was primarily attributable to The Woodlands which sold various office buildings and other properties during 2007 resulting in lower recorded amounts of other revenues in 2008 compared to 2007.

The \$13.2 million decrease in other property operating costs is primarily related to reduced operating costs at The Woodlands. Reduced occupancy drove the cost reductions at the resort and conference center properties in The Woodlands, while an office property was sold from The Woodlands during 2008. Additionally, operating costs were significantly reduced at Riverwalk Marketplace.

Property management and other costs in the aggregate represent our costs of doing business and are generally not direct property-related costs. The decrease in property management and other costs in 2008 was primarily due to lower leasing commissions and lower overall management costs, including incentive compensation, stock compensation expense and travel expense, primarily related to a reduction in personnel and other cost reduction efforts.

Certain Significant Combined Revenues and Expenses

(In thousands)	2008	2007	\$ Increase (Decrease)	% Increase (Decrease)
Tenant rents	\$ 93,552	\$ 105,852	\$ (12,300)	(11.6)%
Land sales	66,557	142,360	(75,803)	(53.2)
Property operating expenses	55,819	55,112	707	1.3
Land sales operations	63,421	114,210	(50,789)	(44.5)
Property management and other costs	20,656	26,799	(6,143)	(22.9)
Strategic initiatives	1,496	—	1,496	—
Provisions for impairment	52,511	125,879	(73,368)	(58.3)
Depreciation and amortization	18,421	22,995	(4,574)	(19.9)
Provision for (benefit from) income taxes	2,703	(10,643)	13,346	(125.4)
Equity in income of Real Estate Affiliates	23,506	68,451	(44,945)	(65.7)

Changes in combined tenant rents (which includes minimum rents, tenant recoveries and overage rent), land sales, property operating expenses (which includes real estate taxes, repairs and maintenance, marketing, other property operating costs and provision for doubtful accounts), land sales operations and property management and other costs were attributable to the same items discussed above in our segment basis results, excluding those items related to the properties owned by our real estate affiliates.

Strategic initiatives of \$1.5 million include professional fees for restructuring and advisory services.

Based on the results of our evaluations for impairment (Note 2), we recognized a non-cash impairment charge of \$125.8 million in 2007 related to our Columbia and Fairwood communities located in Maryland. In addition, we recognized impairment charges of \$7.8 million in the third quarter of 2008 related to our Century Plaza (Birmingham, Alabama) operating property. We also recognized a provision for impairment of \$40.3 million at Nouvelle at Natick in 2008 to reflect the continued weak

demand and the likely extension of the period required to complete all unit sales at this residential condominium project. Sales of condominium units commenced in the fourth quarter of 2008. Finally, we recognized impairment charges of \$4.3 million throughout 2008 related to the write down of various pre-development costs that were determined to be non-recoverable due to the related projects being terminated which is the result of the current depressed retail real estate market and our liquidity situation. We recognized similar impairment charges for pre-development projects in the amount of \$0.1 million in 2007.

The increase in depreciation and amortization is primarily due to a cumulative adjustment to the useful lives of certain assets in 2007.

The provision for income taxes in 2008 was primarily attributable to the tax benefit generated by the provision for impairment of \$40.3 million booked on our Nouvelle at Natick condominium project and was partially offset by an increase in the valuation allowances on our deferred tax assets as a result of Chapter 11.

Liquidity and Capital Resources

Following the Effective Date, our primary uses of cash are expected to include working capital, debt repayment, land development costs in our Master Planned Communities segment and, with respect to our Strategic Development segment, operating expenses for our operating properties and future development and redevelopment expenses, which we expect to be substantial in order to successfully implement our business strategy. Our primary sources of cash following the Effective Date are expected to include cash flow from land sales in our Master Planned Communities segment, cash generated from our operating properties, the net proceeds from the sale to the Plan Sponsors on the Effective Date of \$250.0 million of our common stock and future financings. We intend to fund our future development and redevelopment projects with a mix of construction, bridge and long-term financings, as well as joint venture equity. We cannot assure you that any such financings will be available on terms acceptable to us or at all. See "Risk Factors—Risks Related to Our Business—We may face potential difficulties in obtaining operating and development capital."

As of June 30, 2010, our combined debt was \$340.5 million and our share of the debt of our Real Estate Affiliates was \$196.2 million.

Summary of Cash Flows

Cash Flows from Operating Activities

Net cash used in operating activities was \$51.2 million for the six months ended June 30, 2010 and \$9.2 million for the six months ended June 30, 2009. Net cash used in operating activities was \$17.9 million for the year ended December 31, 2009 and \$50.7 million for the year ended December 31, 2008.

Cash used for land/residential development and acquisitions expenditures was \$30.6 million for the six months ended June 30, 2010, an increase from \$24.4 million for the six months ended June 30, 2009. Cash used for land/residential development and acquisitions expenditures was \$61.2 million for the year ended December 31, 2009, a decrease from \$147.8 million for the year ended December 31, 2008 as the Predecessors slowed the pace of residential land development in 2009 in light of sales pace declines.

Net cash provided by (used in) certain assets and liabilities, including accounts and notes receivable, prepaid expense and other assets, deferred expenses, and accounts payable and accrued expenses and deferred tax liabilities totaled \$20.8 million for the six months ended June 30, 2010 and \$(10.2) million for the six months ended June 30, 2009. Accounts payable and accrued expenses and deferred tax liabilities increased \$22.5 million primarily as a result of an increase in accrued interest for

unsecured debt. Although liabilities not subject to compromise and certain liabilities subject to compromise have been approved for payment by the Bankruptcy Court, a significant portion of our liabilities subject to compromise are subject to settlement under the Plan and have not been paid to date. In addition, accounts and notes receivable decreased \$6.5 million from December 31, 2009 to June 30, 2010, whereas, such accounts increased \$2.3 million from December 31, 2008 to June 30, 2009. Net cash used in other operating activities as accounts payable and accrued expenses, including amounts subject to compromise at December 31, 2009, decreased by \$30.7 million in 2009. The decrease was primarily as a result of lower construction payables due to the decrease in development activity.

Cash Flows from Investing Activities

Net cash used in investing activities was \$37.1 million for the six months ended June 30, 2010 and \$13.4 million for the six months ended June 30, 2009. Cash used for acquisition/development of real estate and property additions/improvements was \$37.1 million for the six months ended June 30, 2010, and \$18.8 million for the six months ended June 30, 2009. Net cash used in investing activities was \$21.4 million for the year ended December 31, 2009 and \$300.2 million for the year ended December 31, 2008. Cash used for acquisition/development of real estate and property additions/improvements was \$27.7 million for the year ended December 31, 2009, a decline from \$314.1 million for the year ended December 31, 2008 primarily due to the completion, suspension or termination of a number of development projects in late 2008 and early 2009. We expect, or are obligated to incur, development and redevelopment expenditures of \$64.7 million from 2010 to 2012.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$88.1 million for the six months ended June 30, 2010 and \$32.4 million for the six months ended June 30, 2009. Net cash provided by financing activities was \$37.5 million for the year ended December 31, 2009 and \$348.4 million for the year ended December 31, 2008.

Principal payments on mortgages, notes and loan payable were \$2.5 million for the six months ended June 30, 2010 and \$6.8 million for the six months ended June 30, 2009. In addition, we received contributions from GGP of \$90.7 million during the six months ended June 30, 2010 and \$39.4 million during the six months ended June 30, 2009. Principal payments on mortgages, notes and loans payable were \$10.5 million for the year ended December 31, 2009 and \$15.5 million for the year ended December 31, 2008.

Spinco Note

Calculation of the Spinco Note

Under the Plan, a five year, interest bearing, unsecured promissory note payable by The Howard Research and Development Corporation, our subsidiary, to GGPLP (the "Spinco Note"), may be issued on the Effective Date. Whether a Spinco Note will be issued on the Effective Date and the amount of the Spinco Note, if issued, will be determined based on (a) the amount of our "net debt" on the Effective Date, (b) the amount paid to the Hughes heirs pursuant to the Plan (the "Hughes Amount") and (c) the amount of any "offering premium," in each case as such terms are defined in the Investment Agreements. See "Business—Investment Agreements."

To the extent that a Spinco Note is issued on the Effective Date, the principal amount of the Spinco Note is subject to adjustment under certain circumstances described in the Investment Agreements. These adjustments include a reduction in the principal amount (but not below zero) of the Spinco Note by 80% of the aggregate offering premium (as defined below) on the 30th day following the Effective Date and from time to time thereafter upon receipt of any offering premium (as defined

below) until the last to occur of 45 days after the Effective Date, the settlement date for any shares of GGP's common stock sold to Pershing Square pursuant to Pershing Square's put rights (as described in the Investment Agreements) and the maturity date of the Pershing Square bridge note as described in the Investment Agreements (the "Offering Premium Period"). "Offering premium" means, with respect to any shares of common stock of reorganized GGP (or equivalent instruments) issued for cash on or prior to the Effective Date, together with shares of reorganized GGP common stock issued in certain liquidity issuances completed within the Offering Premium Period, the per share offering price of reorganized GGP common stock (net of all underwriting and other discounts, fees or other compensation and related expenses) less \$10.00; multiplied by the number of reorganized GGP shares sold. As Disputed Permitted Claims are resolved and paid, reorganized GGP's board of directors may determine that the remaining amount of the Reserve exceeds amounts necessary to pay remaining Disputed Claims, and if so, as a result of application of the Reserve Surplus Amount (described further below), the Spinco Note will be reduced by the amount of such excess. Finally, to the extent that Spinco is obligated to pay MPC Taxes for tax year 2010 and is not eligible for indemnification from reorganized GGP due to the Indemnity Cap, then reorganized GGP may pay the taxes and the principal amount of the Spinco Note will be increased by the amount reorganized GGP pays. If a Spinco Note was not issued on the Effective Date, but reorganized GGP pays such taxes, then Spinco will issue a note at that time on the same terms as the Spinco Note.

If there is a Reserve Surplus Amount at the end of any fiscal quarter prior to and including the date of maturity of the Spinco Note, then Spinco will be reimbursed in full by GGP in an amount equal to any interest paid under the Spinco Note with respect to such Reserve Surplus Amount. Alternatively, if pursuant to the terms of the Spinco Note, interest accrues and is payable on a date after the end of such fiscal quarter, then the amount of accrued interest payable under the Spinco Note will be reduced by the accrued interest amount with respect to such Reserve Surplus Amount.

Based on currently available information, we do not expect to issue the Spinco Note.

Tax Indemnities

We will enter into a Separation Agreement and Tax Matters Agreement which will include tax-sharing and indemnification provisions with reorganized GGP through which tax liabilities relating to taxable periods before and after the Distribution will be computed and apportioned between reorganized GGP and ourselves, and responsibility for payment of those tax liabilities (including any subsequent adjustments to such tax liabilities) will be allocated between us. In addition, we generally will be responsible for any liabilities, taxes or other charges that are imposed on GGP as a result of the Separation and Distribution (and certain related restructuring transactions) failing to qualify for nonrecognition treatment for U.S. federal (and state and local) income tax purposes, if we are the party responsible for such failure, whether by an action taken before or after the Separation and Distribution. Moreover, although we have agreed to share certain tax liabilities with reorganized GGP pursuant to the aforementioned agreements, we may be liable at law to a taxing authority for some of these tax liabilities and, if GGP were to default on their obligations to us, we would be liable for the entire amount of these liabilities. Accordingly, under certain circumstances, we may be obligated to pay amounts in excess of our allocated share of tax liabilities.

In addition, pursuant to the Investment Agreements, reorganized GGP will indemnify us from and against 93.75% of any and all losses, claims, damages, liabilities and reasonable expenses to which we and our subsidiaries become subject, in each case solely to the extent attributable to certain taxes related to sales of certain assets in our Master Planned Communities segment prior to March 31, 2010, in an amount up to the Indemnity Cap. The Indemnity Cap is calculated as the lesser of \$303,750,000 and the Excess Surplus Amount. The Excess Surplus Amount is determined using a complex formula described in the Investment Agreements. We will be responsible for the remainder of any such taxes. Reorganized GGP may not have sufficient cash to reimburse us for its share of these taxes described

above or the Excess Surplus Amount limitation may substantially reduce reorganized GGP's obligation to reimburse us for these taxes.

Contractual Cash Obligations and Commitments

The following table aggregates our subsequent contractual cash obligations and commitments as of December 31, 2009:

	2010	2011	2012	2013	2014	Subsequent / Other(5)	Total
	(In thousands)						
Long-term debt-principal(1)	\$ 48,196	\$ 10,130	\$ 3,740	\$ 4,855	\$ 54,975	\$ 98,886	\$ 220,782
Interest payments(2)	11,064	9,241	8,146	7,894	5,583	23,672	65,600
Ground lease payments	2,802	2,801	2,809	2,825	2,825	105,921	119,983
Purchase obligations(3)	108,437	—	—	—	—	—	108,437
Uncertainty in income taxes, including interest	—	—	—	—	—	66,129	66,129
Other long-term liabilities(4)							—
Total	\$ 170,499	\$ 22,172	\$ 14,695	\$ 15,574	\$ 63,383	\$ 294,608	\$ 580,931

- (1) Excludes \$134.0 million of long-term debt principal that is subject to compromise and non-cash market rate adjustments of \$11.9 million that are not subject to compromise, all at December 31, 2009.
- (2) Based on rates as of December 31, 2009. Variable rates are based on a LIBOR rate of 0.23%. Excludes interest payments related to debt that is subject to compromise, market rate adjustments and special improvement districts.
- (3) Reflects accrued and incurred construction costs payable. Routine trade payables have been excluded. We expect, or are obligated to incur, development and redevelopment expenditures of \$64.7 million from 2010 through 2012.
- (4) Other long-term liabilities related to ongoing real estate taxes have not been included in the table as such amounts depend upon future applicable real estate tax rates. Real estate tax expense was \$13.8 million in 2009, \$10.4 million in 2008, and \$9.8 million in 2007.
- (5) The remaining uncertainty in income taxes liability for which reasonable estimates about the timing of payments cannot be made is disclosed within the Subsequent/Other column.

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. See Item 8—"Legal Proceedings."

We lease land or buildings at certain properties from third parties. The leases generally provide us with a right of first refusal in the event of a proposed sale of the property by the landlord. Rental payments are expensed as incurred and have, to the extent applicable, been straight-lined over the term of the lease. Contractual rental expense, including participation rent, was \$3.5 million in 2009, \$3.7 million in 2008 and \$3.6 million in 2007, while the same rent expense excluding amortization of above and below-market ground leases and straight-line rents, as presented in our combined financial statements, was \$3.6 million in 2009, \$3.8 million in 2008 and \$3.6 million in 2007.

Off-Balance Sheet Financing Arrangements

We do not have any off-balance sheet financing arrangements.

Seasonality

Our Master Planned Communities segment is not subject to significant seasonal variations. In addition, revenues from development, redevelopment or sale of property in our Strategic Development segment similarly are not subject to seasonal variations. However, with respect to our Operating Retail Properties within the Strategic Development segment, although we have a year-long temporary leasing program, occupancies for short-term tenants and, therefore, rental income recognized, including overage rent, are higher during the second half of the year. As a result, rental revenue production in this segment is generally highest in the fourth quarter of each year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the 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. For example, significant estimates and assumptions have been made with respect to the following: fair value (as defined below) of assets for measuring impairment of rental properties, development properties, joint ventures; valuation of debt of emerged entities, useful lives of assets; capitalization of development and leasing costs; provision for income taxes; recoverable amounts of receivables and deferred taxes; initial valuations and related amortization periods of deferred costs and intangibles, and cost ratios and completion percentages used for land sales. Actual results could differ from those estimates.

Critical Accounting Policies

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. Our critical accounting policies are those applicable to the following:

Accounting for Reorganization

The accompanying combined financial statements and the combined condensed financial statements of the Predecessor Debtors presented in Item 15 of this registration statement have been prepared in accordance with the generally accepted accounting principles related to financial reporting by entities whose cases are pending under the Bankruptcy Code. Such combined financial statements are also prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. Such accounting guidance also provides that if a debtor, or group of debtors, has significant combined assets and liabilities of entities which are not operating under Chapter 11 bankruptcy protection, the debtors and non-debtors should continue to be combined. However, separate disclosure of financial statement information solely relating to the debtor entities should be presented. Additionally, due to the various effective dates in December 2009 of the plans of reorganization for the Predecessor Debtors, a convenience date of December 31, 2009 was elected for the accounting for GGP's emergence from bankruptcy.

Classification of Liabilities Subject to Compromise

Liabilities not subject to compromise include: (1) liabilities incurred after the Petition Date; (2) pre-petition liabilities that the Predecessor Debtors expect to pay in full; and (3) liabilities related to pre-petition contracts that have not been rejected pursuant to section 365 of the Bankruptcy Code. Unsecured liabilities not subject to compromise at December 31, 2009 with respect to the Predecessor Debtors are reflected at the current estimate of the probable amounts to be paid even though the amounts of such unsecured liabilities ultimately to be allowed by the Bankruptcy Court (and therefore paid at 100%) have not yet been determined. With respect to secured liabilities, GAAP bankruptcy guidance provides that Debtor mortgage loans should be recorded at their estimated fair value.

Reorganization Items

Reorganization items under the Chapter 11 Cases are expense or income items that were incurred or realized by the TopCo Debtors as a result of the Chapter 11 Cases and are presented separately in the Combined Statements of Income and Comprehensive Income and in the condensed combined statements of operations of the Predecessors presented in Item 15 of this registration statement. These items include professional fees and similar types of expenses and gains directly related to the Chapter 11 Cases, resulting from activities of the reorganization process, and interest earned on cash accumulated by the TopCo Debtors as a result of the Chapter 11 Cases.

Impairment—Properties and land held for development, redevelopment, and sale and developments in progress

We review our combined and uncombined real estate assets, including operating properties, land held for development and sale and developments in progress, for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions have been made with respect to impairment of long-lived assets. Actual results could differ from these assumptions and estimates.

Impairment indicators for our Master Planned Communities segment are assessed separately for each community and include, but are not limited to, significant decreases in sales pace or average selling prices, significant increases in expected land development and construction costs or cancellation rates, and projected losses on expected future sales.

Impairment indicators for pre-development costs, which are typically costs incurred during the beginning stages of a potential development, and developments in progress are assessed by project and include, but are not limited to, significant changes in projected completion dates, revenues or cash flows, development costs, market factors and sustainability of development projects.

Impairment indicators for our Strategic Development segment are assessed separately for each property and include, but are not limited to, significant decreases in real estate property net operating income, significant occupancy percentage changes and strategic determinations as reflected in certain bankruptcy plans of reorganization, either prospective, or filed and confirmed.

If an indicator of potential impairment exists, the asset is tested for recoverability by comparing its carrying amount to the estimated future undiscounted operating cash flow. A real estate asset is considered to be impaired when its carrying amount cannot be recovered through estimated future undiscounted cash flows. To the extent an impairment provision is necessary, the excess of the carrying amount of the asset over its estimated fair value is expensed to operations. In addition, the impairment is allocated proportionately to adjust the carrying amount of the asset. The adjusted carrying amount, which represents the new cost basis of the asset, is depreciated over the remaining useful life of the asset.

Recoverable amounts of receivables and deferred tax assets

We make periodic assessments of the collectibility of receivables (including those resulting from the difference between rental revenue recognized and rents currently due from tenants) and the recoverability of deferred taxes based on a specific review of the risk of loss on specific accounts or amounts. The receivable analysis places particular emphasis on past-due accounts and considers the nature and age of the receivables, the payment history and financial condition of the payee, the basis

for any disputes or negotiations with the payee and other information which may impact collectibility. For straight-line rents receivable, the analysis considers the probability of collection of the unbilled deferred rent receivable given our experience regarding such amounts. For deferred tax assets, an assessment of the recoverability of the tax asset considers the current expiration periods of the prior net operating loss carryforwards or other asset and our estimated future taxable income. The resulting estimates of any allowance or reserve related to the recovery of these items is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on such payees.

Capitalization of development and leasing costs

We capitalize the costs of development and leasing activities of our properties. These costs are incurred both at the property location and at the regional and corporate office levels. The amount of capitalization depends, in part, on the identification and justifiable allocation of certain activities to specific projects and leases. Differences in methodologies of cost identification and documentation, as well as differing assumptions as to the time incurred on projects, can yield significant differences in the amounts capitalized and, as a result, the amount of depreciation recognized.

Revenue recognition and related matters

Revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and our subsequent involvement with the land sold are met. Revenues relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. For land sale transactions in which we are required to perform additional services and incur significant costs after title has passed, revenues and cost of sales are recognized on a percentage of completion basis.

Cost ratios for land sales are determined as a specified percentage of land sales revenues recognized for each master planned community project. The cost ratios used are based on actual costs incurred and estimates of development costs and sales revenues for completion of each project. The ratios are reviewed regularly and revised for changes in sales and cost estimates or development plans. Significant changes in these estimates or development plans, whether due to changes in market conditions or other factors, could result in changes to the cost ratio used for a specific project. The specific identification method is used to determine cost of sales for certain parcels of land, including acquired parcels we do not intend to develop or for which development is complete at the date of acquisition.

Minimum rent revenues are recognized on a straight-lined basis over the terms of the related leases. Minimum rent revenues also include amounts collected from tenants to allow the termination of their leases prior to their scheduled termination dates and accretion related to above and below-market tenant leases on acquired properties. Straight-line rents receivable represents the current net cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases. Overage rent is recognized on an accrual basis once tenant sales exceed contractual tenant lease thresholds. Recoveries from tenants are established in the leases or computed based upon a formula related to real estate taxes, insurance and other shopping center operating expenses and are generally recognized as revenues in the period the related costs are incurred.

Recently Issued Accounting Pronouncements and Developments

As described in the notes to the combined financial statements, new accounting pronouncements have been issued which are effective for the current or subsequent year.

As of January 1, 2009, we adopted a new generally accepted accounting principle related to noncontrolling interests in combined financial statements, which changed the reporting for minority

interests in our combined joint ventures by re-characterizing them as noncontrolling interests and re-classifying certain of such minority interests as a component of permanent equity in our combined balance sheets. These principles also changed the presentation of the income allocated to minority interests by re-characterizing it as allocations to noncontrolling interests and re-classifying such income as an adjustment to net income to arrive at net income attributable to common stockholders.

Inflation

Revenue from our operating properties may be impacted by inflation. In addition, inflation poses a risk to us due to the probability of future increases in interest rates in context of development expense.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risk associated with changes in interest rates both in terms of variable-rate debt and the price of new fixed-rate debt upon maturity of existing debt and for acquisitions. As of December 31, 2009, we had combined debt of \$342.8 million, all of which bears interest at a fixed rate.

We are subject to interest rate risk with respect to our fixed-rate financing in that changes in interest rates will impact the fair value of our fixed-rate financing. For additional information concerning our debt, and management's estimation process to arrive at a fair value of our debt as required by GAAP, reference is made to Item 7, the Liquidity and Capital Resources discussion above and to Notes 2 and 6. At December 31, 2009, the fair value of our debt (excluding amounts subject to compromise) has been estimated for this purpose to be \$3.5 million lower than the carrying amount of \$208.9 million.

We have not entered into any transactions using derivative commodity instruments.

ITEM 3. PROPERTIES

For a description of our material properties, see "Business—Business Overview."

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the Effective Date, we expect to have 37.75 million shares of our common stock issued and outstanding. In addition, after giving effect to the issuance of warrants to purchase our common stock to the Plan Sponsors pursuant to the Investment Agreements, the Blackstone Designation and the Plan, we expect to have warrants to purchase 8.0 million shares of our common stock outstanding, subject to adjustment as provided in the warrant agreements. The warrants will vest immediately upon issuance and are included in the table below. We also expect to have 507,307 shares of our common stock outstanding pursuant to options that may be exercised within 60 days of the Effective Date.

The following table sets forth estimated information regarding the beneficial ownership of our common stock immediately following the Distribution. The table below sets forth such estimated beneficial ownership for:

- each stockholder that is a beneficial owner of more than 5% of the common stock immediately following the consummation of the Plan;
- each named director and nominee for director;
- each named executive officer; and
- all directors, nominees for director and executive officers as a group.

Beneficial ownership of shares is determined under rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as noted by footnote, and subject to community property laws where applicable, we believe based on the information provided to us that the persons and entities named in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

Unless otherwise noted below, the address of the persons and entities listed in the table is c/o Spinco, Inc.,

<u>Name of Beneficial Owner</u>	<u>Beneficial Ownership</u>	
	<u>Number of Shares</u>	<u>Percent of Total</u>
Brookfield Investor(1)		
Pershing Square(2)		
General Trust Company, as trustee		
M.B. Capital(3)		
Adam Metz, Director		
Thomas Nolan, Jr., Director		
David Arthur, Interim Chief Executive Officer		
Rael Diamond, Interim Chief Financial Officer		
Steven Ganeless, Interim Chief Operating Officer		
All directors, director nominees and executive officers as a group (persons)		

- (1) The shares of common stock of Brookfield Investor are held by, REP Investments LLC ("REP") who directly holds common shares, which common shares are also beneficially owned by the following entities in the following amounts: (i) Brookfield Asset Management Inc. ("BAM"), indirectly through majority owned and controlled subsidiaries, beneficially owns common shares, (ii) Future Fund Board of Guardians ("FF"), indirectly through a controlled custodian, beneficially owns common shares and (iii) Stable Investment Corporation ("SIC") beneficially owns common shares. Included in the number of shares directly held by REP and indirectly beneficially owned by BAM, FF and SIC are shares of common stock issuable upon the exercise of warrants held by REP to acquire shares of common stock. The address of REP is Level 22, 135 King Street, Sydney NSW 2000, Australia.
- (2) The shares of common stock of Pershing Square are beneficially held by Pershing Square Capital Management, L.P., PS Management GP, LLC and Pershing Square GP, LLC, who collectively share dispositive and voting power over all shares held for the accounts of Pershing Square, L.P., Pershing Square II, L.P., Pershing Square V, L.P. and each of Pershing Square IV, Ltd. and Pershing Square International, Ltd., both of which are Cayman Islands exempted companies. Certain of the Pershing Square entities also have additional economic exposure to approximately notional shares of GGP common stock under cash-settled total return swaps, which following the Distribution, will result in economic exposure to approximately notional shares of our common stock (approximately % of our outstanding shares). The address of Pershing Square is 888 Seventh Avenue, 42nd Floor, New York, New York 10019.
- (3) The shares of M.B. Capital are held directly by General Trust Company ("GTC") solely in its capacity as trustee of trusts, the beneficiaries of which are members of the Bucksbaum family which, for purposes hereof, include the spouses and descendants of Martin, Matthew and Maurice Bucksbaum, including John Bucksbaum, Chairman of the Board of GTC. GTC is a general partner of M.B. Capital Partners III ("M.B. Capital") and M.B. Capital is the sole member of M.B. Capital Units L.L.C. ("Units L.L.C."). GTC has sole beneficial ownership of shares of common stock. GTC, M.B. Capital and Units L.L.C. share beneficial ownership of shares of common stock. GTC and M.B. Capital share beneficial ownership of shares of common stock. The address of M.B. Capital is c/o M.B. Capital Units L.L.C., 300 North Dakota Avenue, Suite 202, Sioux Falls, South Dakota 57104.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

Our board of directors is responsible for the management of our business.

Board of Directors

Our board of directors currently consists of two members. Upon consummation of the Plan, under the terms of the Investment Agreements, our board of directors will consist of nine members, three of whom will be nominated by Pershing Square and one of whom will be nominated by Brookfield Investor. Within one year after the consummation of this offering, we intend to appoint enough additional independent persons to our board of directors to meet SEC and NYSE guidelines. The full composition of the board of directors will be determined at that time. See "Certain Relationships and Related Transactions, and Director Independence."

The following table sets forth the names, ages, positions and starting date for each of our current directors.

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Position</u>
Adam Metz	49	2010	Director
Thomas Nolan, Jr.	52	2010	Director

Adam Metz, 49, has served as our Chief Executive Officer since our formation in July 2010. He has also served as Chief Executive Officer of GGP since October 2008, director since November 2005 and Lead Director from June 2007 through October 2008. From late 2002 through October 2008, Mr. Metz was an active partner of Polaris Capital LLC, which is in the business of owning retail real estate assets throughout the United States. Prior to the formation of Polaris Capital, Mr. Metz was Executive Vice President of Rodamco, N.A. from November 2000 through May 2002 when the assets of Rodamco, N.A. were sold. From 1993 to 2000, before it was acquired by Rodamco, Mr. Metz held various positions with Urban Shopping Centers, including Vice President, Chief Financial Officer and President. Mr. Metz has financial expertise and industry experience.

Thomas Nolan, Jr., 52, has served as our President and Chief Operating Officer since our formation in July 2010. He has also served as Chief Operating Officer of GGP since March 2009, President since October 2008 and director since April 2005. Prior to becoming President of GGP, Mr. Nolan was a private real estate investor since February 2008. From July 2004 through February 2008, Mr. Nolan served as a Principal and as Chief Financial Officer of Loreto Bay Company, the developer of the Loreto Bay master planned community in Baja, California. From October 1984 through July 2004, Mr. Nolan held various financial positions with AEW Capital Management, L.P., a national real estate investment advisor, and from 1998 through 2004 he served as Head of Equity Investing and as President and Senior Portfolio Manager of The AEW Partners Funds. Mr. Nolan has financial expertise in various segments of the real estate industry.

Committees of the Board of Directors

Our board of directors has the authority to appoint committees to perform certain management and administration functions. On the Effective Date, our board of directors will have three committees: the audit committee, the compensation committee, the nominating and governance committee.

Audit Committee

The primary purpose of the audit committee is to assist the board of directors' oversight of:

- the integrity of our financial statements;
- our systems of control over financial reporting and disclosure controls and procedures;

- our compliance with legal and regulatory requirements;
- our independent auditors' qualifications and independence;
- the performance of our independent auditors and our internal audit function;
- all related person transactions for potential conflict of interest situations on an ongoing basis;
- the preparation of the annual performance evaluation of the committee; and
- the preparation of the report required to be prepared by the committee pursuant to SEC rules.

On the Effective Date, Messrs. , and will serve on the audit committee. Mr. will serve as chairman of the audit committee and also qualifies as an "audit committee financial expert" as such term has been defined by the SEC in Item 401(h)(2) of Regulation S-K. Our board of directors has affirmatively determined that Messrs. , and meet the definition of "independent directors" for the purposes of serving on the audit committee under applicable SEC and the NYSE rules, and we intend to comply with these independence requirements within the time periods specified.

Compensation Committee

The primary purpose of our compensation committee is to:

- review and approve corporate goals and objectives relevant to compensation of our executive officers and key employees;
- evaluate, determine and approve, then recommend to our board of directors for consideration, the compensation and benefits received by our executive officers and key employees in light of the above goals;
- monitor and review our compensation and benefit plans;
- administer our stock and other incentive compensation plans and programs and prepare recommendations and periodic reports to the board of directors concerning such matters;
- prepare the compensation committee report required by SEC rules to be included in our annual report;
- prepare recommendations and periodic reports to the board of directors as appropriate;
- conduct and prepare an annual performance evaluation of the committee; and
- handle such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

On the Effective Date, Messrs. , and will serve on the compensation committee, and Mr. will serve as the chairman.

Nominating and Governance Committee

The primary purpose of the nominating and governance committee is to:

- identify and recommend to the board of directors individuals qualified to serve as directors of our company and on committees of the board of directors;
- advise the board of directors with respect to the board of directors composition, procedures and committees;
- develop and recommend to the board of directors a set of corporate governance guidelines and principles applicable to us;

- oversee the evaluation of the board of directors and management;
- conduct and prepare an annual performance evaluation of the committee; and
- review the overall corporate governance of our company and recommend improvements when necessary.

On the Effective Date, Messrs. , and will serve on the nominating and governance committee, and Mr. will serve as the chairman. Our non-control agreement with Pershing Square provides that so long as Pershing Square beneficially owns more than 10% of our outstanding common stock, Pershing Square will support the composition of the nominating and governance committee to consist of a majority of members who are not affiliated with or nominated by Pershing Square.

Code of Business Conduct and Ethics

On the Effective Date, we will have a Code of Business Conduct and Ethics which will apply to all of our employees, officers and directors, including our Chief Executive Officer. Our Code of Business Conduct and Ethics will prohibit conflicts of interest, which are broadly defined to include any situation where a person's private interest interferes in any way with the interests of the company. In addition, this code will prohibit direct or indirect personal loans to executive officers and directors to the extent required by law and stock exchange regulation. The code does not attempt to cover every issue that may arise, but instead will set out basic principles to guide all of our employees, officers and directors. Any waivers of the code for any executive officer, principal accounting officer, or director will only be made by the board of directors or a board of directors committee and, pursuant to this code, will be promptly disclosed to stockholders. The code will include a process and a toll-free telephone number for anonymous reports of potentially inappropriate conduct or potential violations of the code.

Executive Officers

Our current executive officers are Adam Metz, Chief Executive Officer, and Thomas Nolan, Jr., President and Chief Operating Officer. The following table sets forth the names and ages of our executive officers* to be appointed as of the Effective Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>
David Arthur	56	Interim Chief Executive Officer
Rael Diamond	33	Interim Chief Financial Officer
Steven Ganeless	47	Interim Chief Operating Officer

* Appointed pursuant to the Management Agreement.

Biographical information of our executive officers as of the Effective Date is set forth below.

David Arthur, 56, is our interim chief executive officer. Mr. Arthur is also the president and chief executive officer of Brookfield Real Estate Opportunity Fund ("BREOF"), a real estate opportunity fund investing in high yield office, industrial and residential real estate opportunities in major markets in the United States and Canada. Brookfield Asset Management is the principal investor and sponsor in BREOF. Mr. Arthur is also a managing partner in the Real Estate Investments, North American division for Brookfield Asset Management. Prior to joining BREOF, Mr. Arthur was President and CEO of Brookfield Properties Ltd., where his responsibilities in Canada, Denver, Minneapolis and southern California included property acquisitions, value-add capital and leasing programs, operations, financing and the sourcing of institutional partners. Mr. Arthur was the founding chairman of Brookfield LePage Johnson Controls, a major Canadian facilities management company and his

previous experience includes Cadillac Fairview Corporation Limited, Cambridge Leaseholds and Coscan Development.

Rael Diamond, 33, is our interim chief financial officer and has been Senior Vice President Finance of Brookfield Asset Management's real estate platform since 2009. In 2008 Mr. Diamond was the Chief Financial Officer of Adira Capital Corporation, a private investment firm. Prior to 2008 he held various finance positions within Brookfield Properties including Vice President & Controller of Brookfield Properties. Prior to 2003 he was with the Financial Advisory Services Group of Deloitte & Touche LLP. He is a Chartered Accountant.

Steven Ganeless, 47, is our interim chief operating officer. Mr. Ganeless joined BREOF as a principal and senior vice president in 2005. Mr. Ganeless has over 18 years of experience in real estate transactions, previously as a principal at Olmstead Properties and senior vice president at Vornado Realty Trust, overseeing acquisitions for its Office Division. In addition, Mr. Ganeless held acquisition positions with Town and Country Trust and LaSalle Partners. He has been responsible for all aspects of real estate ownership, including acquisition, financing, disposition, development, leasing and management for a broad range of property types.

ITEM 6. EXECUTIVE COMPENSATION***Compensation of Directors***

Prior to the Effective Date, we have not and do not intend to pay to our directors any compensation for their board service.

Upon consummation of the Plan, we anticipate that our non-employee directors will be compensated as follows:

<i>Annual fee paid to:</i>	
All non-employee Directors, except Chairman	\$
Non-employee Chairman of the Board of Directors	\$
Audit Committee Chair	\$
Compensation Committee Chair	\$
Nominating & Corporate Governance Committee Chair	\$
Other Committee Chairs	\$
Lead Director	\$
<i>Fee for each meeting attended:</i>	
Board meetings attended in person	\$
Board meetings attended telephonically	\$
Audit Committee meetings	\$
Other Committee meetings attended in person	\$
Other Committee meetings, other than the Audit Committee attended telephonically	\$

In addition to receiving fees for their services as directors, we expect that our non-employee directors will receive annual equity awards under a stock incentive plan that we expect to adopt on the Effective Date.

Compensation of Executive Officers

Prior to the Effective Date, we have not and do not intend to pay our executive officers, who are current employees of GGP, any compensation for their services. All of our executive officers are employees of GGP. Accordingly, their compensation is set and paid by GGP.

Subject to court approval, we have entered into a Management Agreement with Brookfield Advisors to provide support for our existing master planned community operational team. The Management Agreement has an initial term of six months, which may be extended at our option for another six month term and can be terminated by us upon 45 days written notice or upon the payment of a fee equal to the contractual management fee for the period of time between the actual notice given and 45 days. Brookfield Advisors will provide us with interim executive officers and leadership and oversight until our permanent executive management team can be identified and assume their roles. We will not pay any separate compensation to the individuals serving as interim executive officers pursuant to the Management Agreement. We will pay Brookfield Advisors a monthly fee as compensation for its services under the Management Agreement. See "Certain Relationships and Related Transactions, and Director Independence—Interim Management Agreement."

In order to attract, retain and motivate executive officers, in connection with confirmation of the Plan, it is expected that we will adopt a long-term equity incentive compensation plan or plans providing for awards to our officers and executives and other key employees and designed to focus equity compensation on performance and alignment with shareholders' interests. We currently expect the maximum shares reserved for issuance under the Plan to be not more than 10% of the shares of our common stock issued under the Plan.

Compensation Committee Interlocks and Insider Participation

On the Effective Date, none of our executive officers will serve as a member of a compensation committee or board of directors of any other entity that has an executive officer serving as a member of our board of directors.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Board of Directors

Pursuant to the Investment Agreements, our board of directors will have nine members, one of whom will be nominated by Brookfield Investor and three of whom will be nominated by Pershing Square. Brookfield Investor's right to nominate one director will continue so long as Brookfield Investor beneficially owns at least 10% of our common stock on a fully diluted basis. Pershing Square's right to nominate three directors would continue so long as Pershing Square has economic ownership of at least 17.5% of our common stock on a fully diluted basis and two directors for so long as Pershing Square beneficially owns at least 10%, but has economic ownership less than 17.5%, of our common stock on a fully diluted basis. Following such time as Pershing Square beneficially owns less than 10% of our common stock on a fully diluted basis, Pershing Square will no longer have the right to nominate directors for election to our board of directors. Based on Pershing Square's expected beneficial ownership and economic interest resulting from Pershing Square's economic interest in swaps relating to GGP's common stock, on the Effective Date, Pershing Square will be entitled to nominate three directors.

Director Independence

Our board of directors has affirmatively determined that _____ are independent directors under the applicable rules of the NYSE and as such term is defined in Rule 10A-3(b)(1) under the Exchange Act.

Non-Control Agreement

We will enter into a non-control agreement with Pershing Square to, among other things (a) cap Pershing Square's economic ownership at 40% of our common stock, (b) require Pershing Square, with respect to any matter our board of directors has recommended our shareholders not approve, to vote any of its shares in excess of 30% of our common stock against such matter or in proportion to other shareholders, (c) fix the size of, the minimum number of independent directors on, and the composition of the nominating committee of, our board of directors, (d) set forth required approvals for (i) certain change of control transactions and related-party transactions involving Pershing Square and (ii) Pershing Square to increase its percentage ownership of our common stock above an agreed upon cap, and (e) restrict certain transfers of our common stock by Pershing Square. Fairholme and Brookfield Investor will not enter into similar non-control agreements.

Warrants

GGP issued Interim Warrants to Brookfield Investor and Fairholme to purchase GGP common stock on May 10, 2010 pursuant to the Investment Agreements. Upon the effectiveness of the Plan, the Interim Warrants will be cancelled and terminate in accordance with their terms. If the Investment Agreements are consummated, on the Effective Date and after giving effect to the Blackstone Designation, we will issue to (i) Brookfield Investor warrants to purchase approximately 3.83 million shares of our common stock, (ii) Fairholme warrants to purchase approximately 1.92 million shares of our common stock, (iii) Pershing Square warrants to purchase up to approximately 1.92 million shares of our common stock and (iv) Blackstone warrants to purchase approximately 0.33 million shares of our common stock, in each case, with an initial exercise price of \$50.00 per share. The above exercise price will be subject to adjustment as provided in the related warrant and registration rights agreements. Each warrant will have a term of seven years from the closing date. The warrants will, (a) be subject to anti-dilution adjustments in connection with dividends and certain other events, (b) provide for a right

to require that the warrants be cashed out at a Black-Scholes-based formula value upon certain change of control events and (c) provide registration rights.

Interim Management Agreement

We have entered into a Management Agreement with Brookfield Advisors, which is subject to the approval of the Bankruptcy Court. The Management Agreement has an initial term of six months, which can be extended at our option, subject to good faith negotiations with respect to certain terms, for another six month term and can be terminated by us upon 45 days written notice or upon the payment of a fee equal to the contractual management fee for the period of time between the actual notice given and 45 days.

We will pay Brookfield Advisors a monthly fee as compensation for its services under the Management Agreement. We will not pay any separate compensation to the individuals serving as interim executive officers pursuant to the Management Agreement. The management fee payable to Brookfield Advisors pursuant to the Management Agreement will be \$500,000 per month until the end of the six-month term. If the term is renewed, the monthly fee will be agreed to by Brookfield Advisors and us, negotiating in good faith, taking into account the management compensation structure (including related incentives) that Brookfield Advisors is then receiving from other non-controlled companies of similar size and complexity for which it provides similar management services. We will reimburse Brookfield Advisors for all reasonable out-of-pocket fees, costs and expenses owed to any third party in connection with the provision of services under the Management Agreement and all sales, use, value added, goods and services, withholding or other taxes, duties or governmental charges imposed by reason of the Management Agreement (other than income and similar taxes that are personal to Brookfield Advisors).

The Management Agreement has standard indemnification and limitation of liability provisions that require us to indemnify Brookfield Advisors other than for Brookfield Advisors' bad faith, fraud, willful misconduct, gross negligence or, in the case of a criminal matter, conduct undertaken with the knowledge that the conduct was unlawful. Brookfield Advisors' maximum liability for breaches of the Management Agreement is equal to amounts previously paid by us in the two most recent calendar years. Brookfield Advisors will provide us with interim executive officers, who may be replaced by Brookfield Advisors with similarly qualified individuals upon not less than ten business days' notice, until our permanent executive management team can be identified and assume their roles.

The services provided by Brookfield Advisors are expected to include, without limitation:

- such services as are reasonably necessary or requested by our board of directors in order to accomplish the Separation;
- overall strategic advice;
- project development oversight;
- overseeing preparation and implementation of our annual business plan;
- recommendations and oversight regarding financing requirements;
- making available qualified individuals to act as senior executives;
- planning and oversight with respect to post-Separation transition services;
- advice and assistance regarding establishment and implementation of internal controls;
- community and investor relations oversight; and
- advising and assisting with respect to listing of our stock on a national securities exchange.

Under the Management Agreement, Brookfield Advisors is permitted to subcontract any or all of the services to be provided pursuant to the Management Agreement to any of its affiliates and any third parties with Spinco's consent. We understand that Brookfield Advisors intends to subcontract certain services to TPMC Realty Corporation, a real estate management company.

Registration Rights Agreement with Plan Sponsors

We intend to enter into registration rights agreements with each of the Plan Sponsors with respect to all registrable securities issued to or held by such Plan Sponsor. The registration rights agreements will provide for demand rights and customary piggyback registration rights.

Related Party Transaction Policy

We will adopt a written policy relating to the approval of related person transactions. Our audit committee will review and approve or ratify all relationships and related person transactions between us and (i) our directors, director nominees, executive officers or their immediate family members, (ii) any 5% record or beneficial owner of our common stock or (iii) any immediate family member of any person specified in (i) and (ii) above. Our controller will be primarily responsible for the development and implementation of processes and controls to obtain information from our directors and executive officers with respect to related party transactions and for determining, based on the facts and circumstances, whether we or a related person have a direct or indirect material interest in the transaction.

As set forth in the related person transaction policy, in the course of its review and approval or ratification of a related party transaction, the committee will consider:

- the nature of the related person's interest in the transaction;
- the availability of other sources of comparable products or services;
- the material terms of the transaction, including, without limitation, the amount and type of transaction; and
- the importance of the transaction to us.

Any member of the audit committee who is a related person with respect to a transaction under review will not be permitted to participate in the discussions or approval or ratification of the transaction. However, such member of the audit committee will provide all material information concerning the transaction to the audit committee.

ITEM 8. LEGAL PROCEEDINGS

We are not currently involved in any material pending legal proceedings nor, to our knowledge, is any material legal proceeding currently threatened against us.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

There is currently no established public market for our common stock. On the Effective Date, there will be approximately 37.75 million shares of our outstanding common stock, as well as warrants to purchase up to 8,000,000 shares of our common stock and 507,307 shares of our common stock issuable upon the exercise of the Spinco Options. We plan to file an application to list our common stock on the NYSE.

Stockholders

1,000 shares of our common stock are currently outstanding.

Shares Eligible for Future Sale

Of the 37.75 million shares of our common stock that we expect to be outstanding on the Effective Date, an aggregate of _____ shares will be freely tradable without restriction in the public market unless the shares are held by "affiliates," as that term is defined in Rule 144(a)(1) under the Securities Act of 1933, as amended (the "Securities Act"). For purposes of Rule 144, an "affiliate" of an issuer is a person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the issuer. The freely tradable shares will be issued in connection with the Plan (such shares having been issued in a transaction exempt from registration under Section 1145 of the Bankruptcy Code).

The remaining shares outstanding will be "restricted securities" under the Securities Act of 1933 and may be sold in the public market upon the expiration of the holding periods under Rule 144, described below, subject to the volume, manner of sale and other limitations of Rule 144, as applicable. In general, under Rule 144 as currently in effect, a person who has beneficially owned shares for at least one year, including an "affiliate," is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares; or
- the average weekly trading volume during the four calendar weeks preceding filing of the notice of the sale of shares of common stock.

Rule 144 also provides that a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has for at least six months beneficially owned shares of our common stock that are restricted securities, will be entitled to freely sell such shares of our common stock subject only to the availability of current public information regarding us. A person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned for at least one year shares of our common stock that are restricted securities, will be entitled to freely sell such shares of our common stock under Rule 144 without regard to the current public information requirements of Rule 144.

In addition, there are _____ shares subject to registration rights agreements.

Lockup Restrictions

Brookfield Investor is subject to lock-up restrictions on its ability to sell, transfer or dispose of its shares of our common stock and its warrants to acquire our common stock for 18 months following the Effective Date (the "lock-up period"). In the first six months of the lock-up period, Brookfield Investor may not sell, transfer or dispose of any shares of our common stock or warrants. In the second six months of the lock-up period, Brookfield Investor may sell, transfer or dispose of up to an aggregate of _____

8.25% of its shares of our common stock or warrants. In the final six months of the lock-up period, Brookfield Investor may sell, transfer or dispose of up to an aggregate of 16.5% of its shares of our common stock and up to an aggregate of 16.5% of its warrants (in each case including any shares transferred or sold during the second six months of the lock-up period). After 18 months following the Effective Date, Brookfield Investor will not be restricted from any transfer of its shares of our common stock and warrants.

Dividends

As we are a newly formed company, we have not declared or paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We expect to retain all available funds and any future earnings to reduce debt and fund the development and growth of our business.

Any future determination to pay dividends will be at the discretion of our board of directors and will take into account:

- restrictions in our debt instruments;
- general economic business conditions;
- our financial condition and results of operations;
- need for cash to fund development costs;
- the ability of our operating subsidiaries to pay dividends and make distributions to us; and
- such other factors as our board of directors may deem relevant.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

On July 1, 2010, we issued 1,000 shares to GGPLP, our parent company.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

Our certificate of incorporation and bylaws will be amended and restated prior to the Distribution. The following is a summary of the material terms of our capital stock that will be contained in our amended and restated certificate of incorporation and bylaws, and is qualified in its entirety by reference to these documents. You should refer to our amended and restated certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this registration statement is a part, along with the applicable provisions of Delaware law.

General

We were incorporated as a Delaware corporation on July 1, 2010. Our authorized capital stock currently consists of 46 million shares of common stock, no par value, as well as preferred stock. Our board of directors may establish the rights and preferences of the preferred stock from time to time. On the Effective Date, we expect that approximately 37,750,000 shares of our common stock will be issued and outstanding and that no shares of preferred stock will be issued and outstanding.

Common Stock

Each holder of our common stock is entitled to one vote for each share on all matters to be voted upon by the common stockholders, and there are no cumulative voting rights. Subject to any preferential rights of any outstanding preferred stock, holders of our common stock will be entitled to receive ratably the dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose. If there is a liquidation, dissolution or winding up of our

company, holders of our common stock would be entitled to ratable distribution of our assets remaining after the payment in full of liabilities and any preferential rights of any outstanding preferred stock.

Under the Investment Agreements, for so long as the Plan Sponsors beneficially own 5% of our common stock, the Plan Sponsors will be provided with preemptive rights to purchase our common stock as necessary to allow them to maintain their proportional ownership interest in us on a fully diluted basis, even though other holders of outstanding shares of our common stock will not have such preemptive rights. Any such offering could dilute the holders of outstanding shares of our common stock's investment in us. Other than the contractual preemptive rights of the Plan Sponsors, there are no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. After the Distribution, all outstanding shares of our common stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Our amended and restated certificate of incorporation will provide that our board of directors is authorized to provide for the issuance of shares of preferred stock in one or more series and, by filing a certificate of designations pursuant to the applicable law of the State of Delaware (hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time for each such series the number of shares to be included in each such series and to fix the designations, powers, rights and preferences of the shares of each such series, and the qualifications, limitations and restrictions thereof. The authority of the board of directors with respect to each series of Preferred Stock includes, but is not limited to, determination of the following:

- the designation of the series, which may be by distinguishing number, letter or title;
- the number of shares of the series, which number the board of directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);
- whether dividends, if any, shall be paid, and, if paid, the date or dates upon which, or other times at which, such dividends shall be payable, whether such dividends shall be cumulative or noncumulative, the rate of such dividends (which may be variable) and the relative preference in payment of dividends of such series;
- the redemption provisions and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of our corporation;
- whether the shares of the series shall be convertible into shares of any other class or series, or any other security, of our corporation or any other corporation, and, if so, the specification of such other class or series of such other security, the conversion price or prices, or rate or rates, any adjustments thereto, the date or dates on which such shares shall be convertible and all other terms and conditions upon which such conversion may be made;
- restrictions on the issuance of shares of the same series or of any other class or series; and
- the voting rights, if any, of the holders of shares of the series.

Warrants

Pursuant to the Investment Agreements, upon the closing of the investments by each of the Plan Sponsors and after giving effect to the Blackstone Designation, we will issue:

- to Brookfield Investor warrants to purchase up to approximately 3.83 million shares of our common stock with an initial exercise price of \$50.00 per share;
- to Fairholme warrants to purchase up to approximately 1.92 million shares of our common stock with an initial exercise price of \$50.00 per share;
- to Pershing Square warrants to purchase up to approximately 1.92 million shares of our common stock with an initial exercise price of \$50.00 per share; and
- to Blackstone warrants to purchase up to 0.33 million shares of our common stock with an initial exercise price of \$50.00 per share.

The exercise prices of these warrants will be subject to adjustment as provided in the related warrant and registration rights agreements. Each such warrant will be immediately exercisable and will have a term of seven years from the closing date of the investments.

Section 382 Restrictions

Our certificate of incorporation will impose certain restrictions on the direct or indirect transferability of our securities to assist in the preservation of our valuable tax attributes (generally consisting of (1) approximately \$400 million of suspended federal income tax deductions and (2) a relatively high federal income tax basis in our assets), including, subject to certain exceptions, that until such time as our board of directors determines that it is no longer in our best interests to continue to impose such restrictions (i) no person or entity may acquire or accumulate the Threshold Percentage or more (as determined under tax law principles governing the application of section 382 of the Code) of our securities, and (ii) no person owning directly or indirectly (as determined under such tax law principles) on the Effective Date, after giving effect to the Plan, the Threshold Percentage or more of our securities may acquire additional securities of ours. Notwithstanding the contemplated restrictions in our certificate of incorporation, no assurance can be given regarding our ability to preserve our tax attributes. Threshold Percentage means, in the case of (i) Spinco common stock, 4.75% of the number of outstanding shares of Spinco common stock and (ii) any other class of equity of Spinco, 4.75% of each such class.

Anti-Takeover Effects of Various Provisions of Delaware Law and our Certificate of Incorporation and Bylaws

Provisions of the DGCL and our amended and restated certificate of incorporation and bylaws could make it more difficult to acquire us by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in improved terms for our stockholders.

Delaware Anti-Takeover Statute. We are subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time the person became an interested stockholder, unless the business combination or the

acquisition of shares that resulted in a stockholder becoming an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Size of Board and Vacancies. Our bylaws provide that the number of directors on our board of directors will be fixed exclusively by our board of directors. Subject to the rights of the holders of any series of preferred stock then outstanding, newly created directorships resulting from any increase in our authorized number of directors will be filled by a majority of our board of directors then in office, provided that a majority of the entire board of directors, or a quorum, is present and any vacancies in our board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled generally, subject to the rights of certain parties, by the majority vote of our remaining directors in office, even if less than a quorum is present.

Special Stockholder Meetings. Under our amended and restated certificate of incorporation and bylaws, only our board of directors may call special meetings of our stockholders.

Elimination of Stockholder Action by Written Consent. Our amended and restated certificate of incorporation and bylaws expressly eliminate the right of our stockholders to act by written consent other than by unanimous written consent. Stockholder action must take place at the annual or a special meeting of our stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors or a committee of our board of directors.

No Cumulative Voting. The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will not provide for cumulative voting.

Authorized but Unissued Shares.

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without your approval. We may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is BNY Mellon, New York, New York.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Limitations on Liability, Indemnification of Officers and Directors and Insurance

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors. Our amended and restated certificate of incorporation will include provisions that indemnify,

to the fullest extent allowable under the DGCL, the personal liability of directors or officers for monetary damages for actions taken as a director or officer of us, or for serving at our request as a director or officer or another position at another corporation or enterprise, as the case may be. Our amended and restated certificate of incorporation will also provide that it must indemnify and advance reasonable expenses to our directors and officers, subject to our receipt of an undertaking from the indemnified party as may be required under the DGCL. We intend to enter into indemnification agreements with each of our directors and certain officers. These agreements, among other things, require us to indemnify each director and certain officers to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer. We are also expressly authorized to carry directors' and officers' insurance to protect us, our directors, officers and certain employees for some liabilities. The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. However, this provision does not limit or eliminate our rights, or those of any stockholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's duty of care. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. There is currently no pending material litigation or proceeding against any of our directors, officers or employees for which indemnification is sought.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15—"Financial Statements and Exhibits."

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a) The following financial statements are being filed as part of this registration statement.

	<u>Page Number</u>
Combined Financial Statements	
Spinco, Inc. Unaudited Interim Combined Financial Statements	
Combined Balance Sheets as of June 30, 2010 and December 31, 2009	F-1
Combined Statements of Loss and Comprehensive Loss for the three and six months ended June 30, 2010 and 2009	F-2
Combined Statements of Equity for the six months ended June 30, 2010 and 2009	F-3
Combined Statements of Cash Flows for the six months ended June 30, 2010 and 2009	F-4
Notes to Unaudited Combined Financial Statements	F-5
Spinco, Inc. Audited Combined Financial Statements	
Report of Independent Registered Public Accounting Firm	F-30
Combined Balance Sheets as of December 31, 2009 and 2008	F-32
Combined Statements of Loss and Comprehensive Statements of Loss for the years ended December 31, 2009, 2008 and 2007	F-33
Combined Statements of Equity for the years ended December 31, 2009, 2008 and 2007	F-34
Combined Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007	F-35
Notes to Combined Financial Statements	F-36
Report of Independent Registered Public Accounting Firm	F-72
Schedule III—Combined Real Estate and Accumulated Depreciation	F-73
TWLDC Holdings, L.P. Audited Consolidated Financial Statements	
<p>We own a 52.5% economic interest in The Woodlands Partnerships. We have included as an exhibit to this report on Form 10 the consolidated financial statements of TWLDC Holdings, L.P. as such partnership, either through majority ownership or as primary beneficiary of variable interest entities, consolidates all of The Woodlands Partnerships and the operations of The Woodlands Partnerships are significant to our operations for the fiscal years ending December 31, 2008 and 2007. The Woodlands Partnerships include the venture developing the master planned community known as The Woodlands (whose operations are in the master planned community segment) and also hold the beneficial interests in other commercial real estate within the Woodlands community, including the conference center, (whose operations are reflected in the Strategic Development segment), all located near Houston, Texas. The remaining 47.5% economic interests in The Woodlands Partnerships are owned by Morgan Stanley Real Estate Fund, L.P., a majority owned subsidiary of which provides all the management services for The Woodlands Partnerships.</p>	
Independent Accountants' Report	F-75
Consolidated Balance Sheets as of December 31, 2009 and 2008	F-76
Consolidated Statements of Earnings for the years ended December 31, 2009 and 2008	F-77
Consolidated Statements of Changes in Partners' Equity for the years ended December 31, 2009 and 2008	F-78
Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008	F-79
Notes to Consolidated Financial Statements	F-80
Independent Accountants' Report	F-99
Consolidated Balance Sheet as of December 31, 2007	F-100
Consolidated Statement of Earning for the year ended December 31, 2007	F-101
Consolidated Statement of Changes in Partners' Equity (Deficit) for the year ended December 31, 2007	F-102
Consolidated Statement of Cash Flows for the year ended December 31, 2007	F-103
Notes to Consolidated Financial Statements	F-104

(b) Exhibits required by Item 601 of Regulation S-K.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1*	Separation Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
3.1*	Amended and Restated Certificate of Incorporation of Spinco, Inc., filed with the Delaware Secretary of State on _____, 2010.
3.2*	Amended and Restated Bylaws of Spinco, Inc., dated _____, 2010.
4.1*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Brookfield Investor.
4.2*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Fairholme.
4.3*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Pershing Square.
10.1*	Transition Services Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
10.2*	Tax Matters Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
10.3*	Non-Control Agreement among Spinco, Inc. and Pershing Square Capital management, L.P., dated _____, 2010.
10.4*	Management Services Agreement between Spinco, Inc. and Brookfield Advisors, dated August 6, 2010.
10.5*	Form of Indemnification Agreement for officers and directors.
11.1*	Statement re computation of per share earnings.
21.1*	List of Subsidiaries.

* To be filed by amendment.

SPINCO, INC.
COMBINED BALANCE SHEETS
(UNAUDITED)

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(In thousands)	
Assets:		
Investment in real estate:		
Land	\$ 194,379	\$ 194,700
Buildings and equipment	450,719	451,279
Less accumulated depreciation	(91,553)	(85,639)
Developments in progress	256,289	258,807
Net property and equipment	<u>809,834</u>	<u>819,147</u>
Investment in and loans to/from Real Estate Affiliates	145,738	140,558
Investment property and property held for development and sale	<u>1,789,191</u>	<u>1,782,470</u>
Net investment in real estate	<u>2,744,763</u>	<u>2,742,175</u>
Cash and cash equivalents	2,982	3,204
Accounts and notes receivable, net	11,152	17,359
Deferred expenses, net	6,996	7,444
Prepaid expenses and other assets	140,257	135,045
Total assets	<u>\$ 2,906,150</u>	<u>\$ 2,905,227</u>
Liabilities and Equity:		
Liabilities not subject to compromise:		
Mortgages, notes and loans payable	\$ 207,646	\$ 208,860
Deferred tax liabilities	726,916	782,817
Accounts payable and accrued expenses	217,327	134,191
Liabilities not subject to compromise	<u>1,151,889</u>	<u>1,125,868</u>
Liabilities subject to compromise	233,623	275,839
Total liabilities	<u>1,385,512</u>	<u>1,401,707</u>
Equity:		
GGP Equity	1,521,448	1,504,364
Accumulated other comprehensive loss	(1,645)	(1,744)
Total GGP equity	<u>1,519,803</u>	<u>1,502,620</u>
Noncontrolling interests in Combined Real Estate Affiliates	835	900
Total equity	<u>1,520,638</u>	<u>1,503,520</u>
Total liabilities and equity	<u>\$ 2,906,150</u>	<u>\$ 2,905,227</u>

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

SPINCO, INC.
COMBINED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In thousands)				
Revenues:				
Minimum rents	\$ 16,969	\$ 17,169	\$ 34,000	\$ 33,517
Tenant recoveries	4,433	4,629	9,252	9,782
Overage rents	452	284	912	850
Land sales	7,037	22,448	12,107	31,434
Other	1,738	1,622	3,148	(463)
Total revenues	<u>30,629</u>	<u>46,152</u>	<u>59,419</u>	<u>75,120</u>
Expenses:				
Real estate taxes	4,051	3,407	7,029	6,282
Property maintenance costs	1,439	1,125	3,283	2,228
Marketing	250	182	507	460
Other property operating costs	9,479	7,287	17,694	16,020
Land sales operations	10,780	21,845	20,597	32,454
Provision for doubtful accounts	256	607	357	1,212
Property management and other costs	4,861	4,276	8,996	8,431
Strategic initiatives	—	2,054	—	5,114
Provisions for impairment	208	56,157	486	140,180
Depreciation and amortization	3,975	4,956	8,425	10,787
Total expenses	<u>35,299</u>	<u>101,896</u>	<u>67,374</u>	<u>223,168</u>
Operating loss	(4,670)	(55,744)	(7,955)	(148,048)
Interest income	(46)	158	59	332
Interest expense	(495)	(144)	(1,207)	(582)
Loss before income taxes, equity in income of Real Estate Affiliates, reorganization items and noncontrolling interests	(5,211)	(55,730)	(9,103)	(148,298)
(Provision for) benefit from income taxes	(16,467)	(4,543)	(17,953)	2,913
Equity in income of Real Estate Affiliates	3,680	4,365	5,172	4,121
Reorganization items	(10,019)	(2,017)	(26,614)	(2,017)
Net loss	<u>(28,017)</u>	<u>(57,925)</u>	<u>(48,498)</u>	<u>(143,281)</u>
Allocation to noncontrolling interests	(25)	(21)	(73)	(65)
Net loss attributable to GGP	<u>\$ (28,042)</u>	<u>\$ (57,946)</u>	<u>\$ (48,571)</u>	<u>\$ (143,346)</u>
Comprehensive Income (loss), Net:				
Net loss	\$ (28,017)	\$ (57,925)	\$ (48,498)	\$ (143,281)
Other comprehensive income (loss)	(311)	224	99	326
Comprehensive loss	<u>(28,328)</u>	<u>(57,701)</u>	<u>(48,399)</u>	<u>(142,955)</u>
Comprehensive loss allocated to noncontrolling interests	(25)	(21)	(73)	(65)
Comprehensive loss attributable to GGP	<u>\$ (28,353)</u>	<u>\$ (57,722)</u>	<u>\$ (48,472)</u>	<u>\$ (143,020)</u>

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

SPINCO, INC.

COMBINED STATEMENTS OF EQUITY

(UNAUDITED)

	GGP Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Combined Real Estate Affiliates	Total Equity
	(In thousands)			
Balance, January 1, 2009	\$ 1,986,938	\$ (2,926)	\$ 1,803	\$ 1,985,815
Net income (loss)	(143,346)		65	(143,281)
Distributions to noncontrolling interests			(103)	(103)
Other comprehensive income		326		326
Contributions from GGP, net	21,661			21,661
Balance, June 30, 2009	<u>\$ 1,865,253</u>	<u>\$ (2,600)</u>	<u>\$ 1,765</u>	<u>\$ 1,864,418</u>
Balance, January 1, 2010	\$ 1,504,364	\$ (1,744)	\$ 900	\$ 1,503,520
Net income (loss)	(48,571)		73	(48,498)
Distributions to noncontrolling interests			(138)	(138)
Other comprehensive income		99		99
Contributions from GGP, net	65,655			65,655
Balance, June 30, 2010	<u>\$ 1,521,448</u>	<u>\$ (1,645)</u>	<u>\$ 835</u>	<u>\$ 1,520,638</u>

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

SPINCO, INC.

COMBINED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	2010	2009
(In thousands)		
Cash Flows from Operating Activities:		
Net loss	\$ (48,498)	\$ (143,281)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in income of Real Estate Affiliates	(5,172)	(4,121)
Provision for doubtful accounts	357	1,212
Distributions received from Real Estate Affiliates	—	1,406
Depreciation	7,356	9,143
Amortization	1,069	1,644
Amortization of deferred financing costs and debt market rate adjustments	225	569
Amortization of intangibles other than in-place leases	101	114
Straight-line rent amortization	(615)	(462)
Provisions for impairment	486	140,180
Land/residential development and acquisitions expenditures	(30,561)	(24,431)
Cost of land sales	3,250	18,667
Non-cash reorganization items	(570)	(76)
Net changes:		
Accounts and notes receivable	6,465	(2,343)
Prepaid expenses and other assets	(7,191)	24,675
Deferred expenses	(926)	(1,031)
Accounts payable and accrued expenses and deferred tax liabilities	22,450	(31,484)
Other, net	612	453
Net cash used in operating activities	<u>(51,162)</u>	<u>(9,166)</u>
Cash Flows from Investing Activities:		
Acquisition/development of real estate and property additions/improvements	(37,110)	(18,805)
Proceeds from sales of investment properties	—	6,392
Increase in investments in Real Estate Affiliates	(8)	(1,230)
Decrease in restricted cash	—	202
Net cash used in investing activities	<u>(37,118)</u>	<u>(13,441)</u>
Cash Flows from Financing Activities:		
Change in GGP investment, net	90,715	39,373
Principal payments on mortgages, notes and loans payable	(2,519)	(6,836)
Distributions to noncontrolling interests	(138)	(103)
Net cash provided by financing activities	<u>88,058</u>	<u>32,434</u>
Net change in cash and cash equivalents	(222)	9,827
Cash and cash equivalents at beginning of period	3,204	4,963
Cash and cash equivalents at end of period	<u>\$ 2,982</u>	<u>\$ 14,790</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 21,022	\$ 26,422
Interest capitalized	20,412	26,002
Reorganization items paid	1,231	—
Non-Cash Transactions:		
Change in accrued capital expenditures included in accounts payable and accrued expenses	\$ (33,718)	\$ 5,191
Mortgage debt market rate adjustment related to emerged entities	876	—
Other non-cash GGP equity transactions	(25,024)	(17,688)
Recognition of note payable in conjunction with land held for development and sale	—	6,520

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

NOTES TO UNAUDITED COMBINED FINANCIAL STATEMENTS**NOTE 1 ORGANIZATION****General**

Spinco, Inc. ("Spinco" or the "Company") is a newly formed Delaware corporation that was created to hold certain assets and liabilities of General Growth Properties, Inc. ("GGP") and its subsidiaries (collectively, the "Predecessors"). On April 16, 2009 and April 22, 2009 collectively, (the "Petition Date"), GGP and certain of its subsidiaries (the "Debtors") filed voluntary petitions under Chapter 11 of title 11 of the United States Code (the "Chapter 11 Cases"). On August 17, 2010, GGP filed with the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") its second amended and restated plan of reorganization (as the same may be amended, modified or supplemented from time to time, the "Plan") for the Debtors remaining in the Chapter 11 Cases (the "TopCo Debtors"). Spinco is currently a wholly owned subsidiary of GGP Limited Partnership ("GGPLP"), which is majority-owned by GGP. Pursuant to the Plan, Spinco will receive certain of the assets and liabilities of the Predecessors (the "Separation"), which we refer to as our business or "the Spinco Businesses." We expect the reorganization of GGP to be completed during the fourth quarter of 2010 (such time of completion being referred to as the "Effective Date"). On or prior to the Effective Date, approximately 32.5 million shares of common stock of Spinco will be distributed to the common and preferred unit holders of GGPLP, which includes GGP, and then GGP will distribute its portion of such shares pro rata to holders of GGP common stock (the "Distribution"). GGP will not retain any ownership interest in Spinco. The Plan generally provides for the payment/settlement or reinstatement of claims against the TopCo Debtor's, funded with new equity capital provided by investors sponsoring the Plan (the "Plan Sponsors"). As part of the Plan Sponsors' commitments, the Plan Sponsors will purchase approximately 5.3 million shares of our common stock for \$250 million. The Predecessors' bankruptcies are being jointly administered under the case In re: General Growth Properties, Inc., et al., Case No. 09-11977 in the Bankruptcy Court.

To date, we have not conducted any business as a separate company and have no material assets or liabilities. The operations of the business to be transferred to us by the Predecessors is presented as if the transferred business was our business for all historical periods described and at the historical cost/carrying value of such assets and liabilities reflected in GGP's books and records. Unless the context otherwise requires, references to "we," "us" and "our" refer to Spinco and its combined subsidiaries after giving effect to the transfer of assets and liabilities from the Predecessors.

On the Effective Date, our assets are expected to consist of the following:

- four master planned communities with an aggregate of 14,704 remaining saleable acres;
- nine mixed-use development opportunities comprised of 1,129 acres;
- four mall developmental projects comprised of 647 acres;
- five redevelopment-opportunity retail malls with approximately 1 million square feet of existing gross leasable space; and
- interests in nine other real estate assets.

Our ownership interests in properties in which we own a majority or controlling interest are combined under accounting principles generally accepted in the United States of America ("GAAP"). Our interests in TWCPC Holdings, L.P., ("The Woodlands Commercial"), the Woodlands Operating Company, LP ("The Woodlands Operating") and the Woodlands Land Development Company, LP ("The Woodlands MPC"), all located in Houston, Texas and, collectively, the "Woodlands Partnerships", and our interests in Westlake Retail Associates, Ltd ("Circle T Ranch") and 170 Retail Associates Ltd ("Circle T Power Center") and, together with Circle T Ranch, "Circle T", located in

NOTE 1 ORGANIZATION (Continued)

Dallas/Fort Worth, Texas, are held through joint venture entities in which we own non-controlling interests and are accounted for on the equity method. The Woodlands Partnerships, Circle T and certain cost method (see Note 3) and non-ownership rights are collectively referred to in this registration statement as our "Real Estate Affiliates".

Principles of Combination and Basis of Presentation

The accompanying combined financial statements include the accounts of the Spinco Businesses in which we have a controlling interest and are presented on a combined basis as all such Spinco Businesses have common control and ownership by GGP. The noncontrolling equity holders' share of the assets, liabilities and operations are reflected in noncontrolling interests within permanent equity of the Company. All significant intercompany balances and transactions between the Spinco Businesses have been eliminated.

As discussed above, we were formed for the purpose of receiving, via a tax-free distribution, certain assets and assuming certain liabilities of GGP pursuant to the Plan. We have conducted no business and will have no material assets or liabilities until the Distribution is consummated. No previous historical financial statements for the Spinco Businesses have been prepared and, accordingly, our combined financial statements are derived from the books and records of GGP and were carved-out from GGP at a carrying value reflective of such historical cost in such GGP records. Our historical financial results reflect allocations for certain corporate costs and we believe such allocations are reasonable; however, such results do not reflect what our expenses would have been had the Company been operating as a separate stand-alone public company. In addition, the Spinco Businesses were operated as subsidiaries of GGP, which operates as a real estate investment trust ("REIT"). We are expected to operate as a taxable corporation. The historical combined financial information presented will therefore not be indicative of the results of operations, financial position or cash flows that would have been obtained if we had been an independent, stand-alone entity during the periods shown or of our future performance as an independent, stand-alone entity.

The Predecessors' Bankruptcy

In the fourth quarter of 2008 the Predecessors halted or slowed nearly all development and redevelopment at our properties due to liquidity concerns, other than those that were substantially complete or could not be deferred as a result of contractual commitments. As described above, as the Predecessors had significant past due, or imminently due, and cross-collateralized or cross-defaulted debt, on the Petition Date, GGP, on behalf of itself and certain of its domestic subsidiaries including certain wholly-owned Spinco Businesses, filed voluntary petitions for the Chapter 11 Cases (collectively with the entities filing on the Petition Date, the "Debtors"). The Debtors that sought protection under Chapter 11 that are part of Spinco are collectively referred to as the "Spinco Debtors" and comprise 33 entities with approximately \$268.4 million of secured mortgage loans. However, the entities that own our Bridgeland and Columbia master planned communities, the entities which own substantially all of our eight undeveloped land parcels and our joint ventures, The Woodlands Partnerships and Circle T, among others (collectively, the "Spinco Non-Debtors"), did not seek such relief.

During the pendency of the Chapter 11 Cases, the Debtors' are operating as Debtors in Possession. A debtor is afforded certain protection against its creditors and creditors are prohibited from taking certain actions (such as pursuing collection efforts or proceeding to foreclose on secured obligations) related to debts that were owed prior to the commencement of the Chapter 11 Cases. Accordingly, although the commencement of the Chapter 11 Cases triggered defaults on substantially all debt obligations of the Debtors, creditors are stayed from taking any action as a result of such

NOTE 1 ORGANIZATION (Continued)

defaults. Absent an order of the Bankruptcy Court, these pre-petition liabilities are subject to settlement under a plan of reorganization.

Since the Petition Date, the Bankruptcy Court has granted a variety of Debtors' motions that allow them to continue to operate their businesses in the ordinary course without interruption, and covering, among other things, employee obligations, critical service providers, tax matters, insurance matters, tenant and contractor obligations, claim settlements, ordinary course property sales, cash management, cash collateral, alternative dispute resolution, settlement of pre-petition mechanics liens and department store transactions.

During December 2009, three of the Spinco Debtors (the "Emerged Debtors") with \$215.3 million of secured mortgage loans filed consensual plans of reorganization (the "Emerged Plans"). As of December 31, 2009, two of the Emerged Debtors with \$146.8 million secured debt had emerged from bankruptcy. The plan of reorganization and emergence from bankruptcy of the remaining Emerged Debtor occurred on July 23, 2010. The Spinco Debtors that remain in Chapter 11 at August 2, 2010 (the "Remaining Spinco Debtors") are expected to emerge from bankruptcy pursuant to the Plan.

As described above, we have received legal protection from our creditors pursuant to the Chapter 11 Cases. This protection is limited in duration and the Predecessors are currently negotiating the terms of the Plan with their lenders and other stakeholders.

The Company was formed in July 2010 to hold the Spinco Businesses pursuant to the Plan. The consummation of the Plan, and therefore the receipt of assets and liabilities related to the Spinco Businesses by the Company, depends, in part, on GGP's potential ability to obtain confirmation of the Plan. Uncertainties about the consummation of GGP's plan of reorganization raise substantial doubts as to the ability of the Spinco Businesses to continue as a going concern. The accompanying combined financial statements have been prepared in conformity with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, as a result of the Chapter 11 Cases, such realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. Our combined financial statements do not reflect any adjustments related to the recoverability of assets and satisfaction of liabilities that might be necessary should we be unable to continue as a going concern.

Accounting for Reorganization

The accompanying combined financial statements and the combined condensed financial statements of the Spinco Debtors presented below have been prepared in accordance with GAAP related to financial reporting by entities in reorganization under the Bankruptcy Code, and on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Such accounting guidance also provides that if a debtor, or group of debtors, has significant combined assets and liabilities of entities which have not sought Chapter 11 bankruptcy protection, the debtors and non-debtors should continue to be combined. However, separate disclosure of financial statement information solely relating to the debtor entities should be presented. Therefore, the combined condensed financial statements presented below solely reflect the financial position and results of operations for the Spinco Debtors which have not emerged from bankruptcy as of June 30, 2010.

NOTE 1 ORGANIZATION (Continued)

Unaudited Combined Condensed Balance Sheets

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
	(In thousands)	
Net investment in real estate	\$ 1,829,155	\$ 1,836,995
Cash and cash equivalents	1,109	1,285
Accounts and notes receivable, net	2,025	7,966
Other	117,581	111,977
Total assets	<u>\$ 1,949,870</u>	<u>\$ 1,958,223</u>
Liabilities not subject to compromise:		
Deferred tax liabilities	\$ 770,556	\$ 827,264
Accounts payable and accrued expenses	206,550	121,903
Liabilities subject to compromise	233,623	275,839
Equity	739,141	733,217
Total liabilities and equity	<u>\$ 1,949,870</u>	<u>\$ 1,958,223</u>

As described above, certain of the Spinco Debtors have emerged from bankruptcy protection as of June 30, 2010. The unaudited combined condensed statements of operations, for the three and six months ended June 30, 2010 and the unaudited combined condensed statements of cash flows for the six months ended June 30, 2010 presented below includes the Topco Debtors that are Spinco Businesses, and excludes Emerged Debtors. Since the Spinco Debtors commenced their respective Chapter 11 Cases on two different dates in April 2009, the unaudited combined condensed statements of operations and cash flows have been prepared for the period May 1, 2009 to June 30, 2009.

Unaudited Combined Condensed Statements of Operations

	<u>Six Months Ended June 30, 2010</u>	<u>Three Months Ended June 30, 2010</u>	<u>May 1, 2009 to June 30, 2009</u>
	(In thousands)		
Operating revenues	\$ 31,396	\$ 15,886	\$ 10,870
Operating expenses	50,115	26,385	71,872
Provision for impairment	486	208	235
Operating loss	(19,205)	(10,707)	(61,237)
Interest income, net	1,013	293	460
(Provision for) benefit from for income taxes	(17,439)	(16,166)	730
Equity in income (loss) of Real Estate Affiliates	615	478	(67)
Reorganization items	(26,115)	(9,559)	(1,327)
Net loss	(61,131)	(35,661)	(61,441)
Allocation to noncontrolling interests	(189)	(28)	(206)
Net loss attributable to GGP	<u>\$ (61,320)</u>	<u>\$ (35,689)</u>	<u>\$ (61,647)</u>

NOTE 1 ORGANIZATION (Continued)

Unaudited Combined Condensed Statements of Cash Flows

	<u>Six Months Ended</u> <u>June 30, 2010</u>	<u>May 1, 2009 to</u> <u>June 30, 2009</u>
	(In thousands)	
Net cash used in:		
Operating activities	\$ (176)	\$ (4,090)
Investing activities	—	—
Financing activities	—	—
Net decrease in cash and cash equivalents	(176)	(4,090)
Cash and cash equivalents, beginning of period	1,285	6,065
Cash and cash equivalents, end of period	<u>\$ 1,109</u>	<u>\$ 1,975</u>
Cash paid for reorganization items	<u>\$ (255)</u>	<u>\$ —</u>

Classification of Liabilities Not Subject to Compromise

Liabilities not subject to compromise include: (1) liabilities held by Spinco Non-Debtor entities; (2) liabilities incurred after the Petition Date; (3) pre-Petition Date liabilities the Emerged Debtors expect to pay in full, even though certain of these amounts may not be paid until a plan of reorganization is effective; and (4) liabilities related to pre-petition contracts that affirmatively have not been rejected.

All liabilities incurred by the Debtors prior to the Petition Date other than those specified above are considered liabilities subject to compromise. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimates of known or potential pre-Petition Date claims that are likely to be resolved in connection with the bankruptcy filings. Such claims remain subject to future adjustments. Adjustments may result from negotiations, actions of the Bankruptcy Court, rejection of executory contracts and unexpired leases, the determination as to the value of any collateral securing claims, proofs of claim, or other events. There can be no assurance that the equity of the Company's stockholders will not be diluted. The amounts subject to compromise consisted of the following items:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
	(In thousands)	
Mortgages and secured notes	\$ 132,849	\$ 133,973
Accounts payable and accrued liabilities	100,774	141,866
Total liabilities subject to compromise	<u>\$ 233,623</u>	<u>\$ 275,839</u>

The classification of liabilities "not subject to compromise" versus liabilities "subject to compromise" is based on currently available information and analysis. As the remaining Chapter 11 Cases proceed and additional information is received and analysis is completed, or as the Bankruptcy Court rules on relevant matters, the classification of amounts between these two categories may change. The amount of any such changes could be material.

NOTE 1 ORGANIZATION (Continued)**Reorganization Items**

Reorganization items under the Chapter 11 Cases are expense or income items that were incurred or realized by the Spinco Debtors as a result of the Chapter 11 Cases and are presented separately in the Combined Statements of Loss and Comprehensive Loss and in the condensed combined statements of operations of the Spinco Debtors presented above. These items include professional fees and similar types of expenses and gains directly related to the Chapter 11 Cases, resulting from activities of the reorganization process, and interest earned on cash accumulated by the Spinco Debtors as a result of the Chapter 11 Cases. Reorganization items specific to the Spinco Businesses have been allocated to us and have been reflected in our combined financial statements and in the tables presented below.

In addition, the key employee incentive program (the "KEIP") was subject to approval by the Bankruptcy Court. The KEIP is intended to retain certain key employees of GGP and provides for payment to these GGP employees upon successful emergence from bankruptcy. A portion of the KEIP has been deemed to relate specifically to our properties' deemed probable of being paid and therefore, we are recognizing our estimated KEIP expense in the period from the date the KEIP was approved by the Bankruptcy Court to our estimated date of successful emergence from bankruptcy. We accrued a liability for the KEIP in Accounts payable and accrued expenses on the Combined Balance Sheets of \$8.1 million as of June 30, 2010 and \$2.3 million as of December 31, 2009. In addition, we recognized the resulting expense in Reorganization items on the Combined Statements of Loss and Comprehensive Loss of \$1.5 million for the three months ended June 30, 2010 and \$5.8 million for the six months ended June 30, 2010.

Reorganization items are as follows:

<u>Reorganization Items</u>	<u>Three Months Ended June 30, 2010</u>	<u>Six Months Ended June 30, 2010</u>	<u>Three Months Ended June 30, 2009</u>	<u>Six Months Ended June 30, 2009</u>
	(In thousands)		(In thousands)	
Gains on liabilities subject to compromise—vendors(1)	\$ (36)	\$ (282)	\$ (76)	\$ (76)
Losses on liabilities subject to compromise—mortgage debt(2)	365	365	—	—
Interest income(3)	(1)	(1)	(1)	(1)
U.S. Trustee fees(4)	131	270	—	—
Restructuring costs(5)	9,560	26,262	2,094	2,094
Total reorganization items	<u>\$ 10,019</u>	<u>\$ 26,614</u>	<u>\$ 2,017</u>	<u>\$ 2,017</u>

(1) This amount includes gains from repudiation, rejection or termination of contracts or guarantee of obligations. Such gains reflect agreements reached with certain critical vendors, which were authorized by the Bankruptcy Court and for which payments on an installment basis began in July 2009.

(2) Such net losses include the Fair Value adjustments of mortgage debt relating to entities that emerged from bankruptcy.

(3) Interest income primarily reflects amounts earned on cash accumulated as a result of our Chapter 11 cases.

(4) Estimate of fees due remain subject to confirmation and review by the Office of the United States Trustee ("U.S. Trustee").

NOTE 1 ORGANIZATION (Continued)

- (5) Restructuring costs primarily include professional fees incurred related to the bankruptcy filings, the estimated KEIP payment, finance costs incurred by the Emerged Debtors and the write off of unamortized deferred finance costs related to the Emerged Debtors.

Impairment

Properties held for development, redevelopment and sale and developments in progress

GAAP related to accounting for the impairment or disposal of long-lived assets require that if impairment indicators exist and the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment provision should be recorded to write down the carrying amount of such asset to its Fair Value. We review our combined and uncombined real estate assets, including operating properties, land held for development and sale and developments in progress, for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment indicators for our Master Planned Communities segment are assessed separately for each community and include, but are not limited to, significant decreases in sales pace or average selling prices, significant increases in expected land development and construction costs or cancellation rates, and projected losses on expected future sales.

Impairment indicators for our Strategic Development segment are assessed separately for each property and include, but are not limited to, significant decreases in comparable property sale prices, in real estate property net operating income and occupancy percentages.

Impairment indicators for pre-development costs, which are typically costs incurred during the beginning stages of a potential development, and developments in progress are assessed by project and include, but are not limited to, significant changes in projected completion dates, revenues or cash flows, development costs, market factors and sustainability of development projects.

If an indicator of potential impairment exists, the asset is tested for recoverability by comparing its carrying amount to the estimated future undiscounted cash flows. The cash flow estimates used both for determining recoverability and estimating Fair Value (defined below) are inherently judgmental and reflect current and projected trends in rental, occupancy and capitalization rates, and estimated holding periods for the applicable assets. Although the estimated value of certain assets may be exceeded by the carrying amount, a real estate asset is only considered to be impaired when its carrying amount cannot be recovered through estimated future undiscounted cash flows. To the extent an impairment provision is necessary, the excess of the carrying amount of the asset over its estimated Fair Value is expensed to operations. In addition, the impairment provision is allocated proportionately to adjust the carrying amount of the asset. The adjusted carrying amount, which represents the new cost basis of the asset, is depreciated over the remaining useful life of the asset.

We recorded impairment charges related to our properties held for development, redevelopment and sale, and developments in progress of \$0.2 million and \$0.5 million for the three and six months ended June 30, 2010 and \$56.2 and \$140.2 million for the three and six months ended June 30, 2009, respectively, as presented in the table below. All of these impairment charges are included in provisions for impairment in our combined financial statements.

Investment in Real Estate Affiliates

In accordance with GAAP related to the equity method of accounting for investments, a series of operating losses of an investee or other factors may indicate that a decrease in value of our investment

NOTE 1 ORGANIZATION (Continued)

in the Real Estate Affiliates has occurred which is other-than-temporary. The investment in each of the Real Estate Affiliates is evaluated periodically and as deemed necessary for recoverability and valuation declines that are other than temporary. Accordingly, in addition to the property-specific impairment analysis that we perform on the investment properties, land held for development and sale and developments in progress owned by such joint ventures (as part of our investment property impairment process described above), we also considered the ownership and distribution preferences and limitations and rights to sell and repurchase our ownership interests. Based on such evaluations, no provisions for impairment were recorded for the three and six months ended June 30, 2010 and 2009 related to our investments in Real Estate Affiliates. See Note 3 for further disclosure of the provisions for impairment related to certain properties within our Real Estate Affiliates.

General

Certain of our properties had Fair Values less than their carrying amounts. However, based on the Company's plans with respect to those properties, we believe that the carrying amounts are recoverable and therefore, under applicable GAAP guidance, no additional impairments were taken. Nonetheless, due to the tight credit markets and the uncertain economic environment, as well as other uncertainties, or if our plans regarding our assets change, additional impairment charges in the future could result. Therefore, we can provide no assurance that material impairment charges with respect to our properties held for development, redevelopment and sale and development in progress and our investment in Real Estate Affiliates will not occur in future periods. Accordingly, we will continue to monitor circumstances and events in future periods to determine whether additional impairments are warranted.

<u>Impaired Asset</u>	<u>Location</u>	<u>Method of Determining Fair Value</u>	<u>Three Months</u>	<u>Six Months</u>
			<u>Ended</u>	<u>Ended</u>
			<u>June 30, 2010</u>	<u>June 30, 2010</u>
(In thousands)				
Strategic Development:				
Various pre-development costs		(2)	\$ 208	\$ 486

<u>Impaired Asset</u>	<u>Location</u>	<u>Method of Determining Fair Value</u>	<u>Three Months</u>	<u>Six Months</u>
			<u>Ended</u>	<u>Ended</u>
			<u>June 30, 2009</u>	<u>June 30, 2009</u>
(In thousands)				
Master Planned Communities:				
Maryland-Fairwood Community	Columbia, MD	Projected sales price analysis(1)	\$ —	\$ 52,767
Strategic Development:				
Allen Towne Mall	Allen, TX	Projected sales price analysis(1)	—	24,166
Nouvelle at Natick	Natick, MA	Discounted cash flow analysis	55,923	55,923
Redlands Promenade	Redlands, CA	Projected sales price analysis(1)	—	6,667
Various pre-development costs		(2)	234	657
Total Strategic Development			<u>56,157</u>	<u>87,413</u>
Total Provisions for impairment			<u>\$ 56,157</u>	<u>\$ 140,180</u>

(1) Projected sales price analysis incorporates available market information and other management assumptions.

(2) Related to the write down of various pre-development costs that were determined to be non-recoverable due to the related projects being terminated.

NOTE 1 ORGANIZATION (Continued)

Fair Value Measurements

Fair Value is defined as the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The accounting principles for Fair Value measurements establish a three-tier Fair Value hierarchy, which prioritizes the inputs used in measuring Fair Value. These tiers include:

- Level 1—defined as observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2—defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3—defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset or liability Fair Value measurement level within the Fair Value hierarchy is based on the lowest level of any input that is significant to the Fair Value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Any Fair Values utilized or disclosed in our combined financial statements were developed for the purpose of complying with the accounting principles established for Fair Value measurements. The Fair Values of our assets or liabilities for enterprise value in our Chapter 11 Cases or as a component of our reorganization plan (see Note 1) will reflect differing assumptions and methodologies. These estimates will be subject to a number of approvals and reviews and therefore may be materially different.

The following table summarizes our assets that are measured at Fair Value on a nonrecurring basis as of June 30, 2009.

	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Loss Three Months Ended June 30, 2009	Total Loss Six Months Ended June 30, 2009
(In thousands)						
Investments in real estate:						
Allen Towne Mall	\$ 29,511	\$ —	\$ 29,511	\$ —	\$ —	\$ (24,166)
Maryland-Fairwood Master Planned Community	12,629	—	12,629	—	—	(52,767)
Nouvelle At Natick(1)	64,661	—	—	64,661	(55,923)	(55,923)
Redlands Promenade	6,727	—	—	6,727	—	(6,667)
Total investments in real estate	<u>\$ 113,528</u>	<u>\$ —</u>	<u>\$ 42,140</u>	<u>\$ 71,388</u>	<u>\$ (55,923)</u>	<u>\$ (139,523)</u>

(1) The Fair Value is based on estimated sales value.

Fair Value of Financial Instruments

The Fair Values of our financial instruments approximate their carrying amount in our financial statements except for debt. Notwithstanding that we do not believe that a fully-functioning market for real property financing exists currently, GAAP guidance requires that management estimate the Fair

NOTE 1 ORGANIZATION (Continued)

Value of our debt. However, as a result of the Spinco Debtors' Chapter 11 filings, the Fair Value for the outstanding debt that is included in liabilities subject to compromise in our Combined Balance Sheets cannot be reasonably determined at June 30, 2010 as the timing and amounts to be paid are subject to confirmation by the Bankruptcy Court. For the \$207.6 million of mortgages, notes and loans payable outstanding that are not subject to compromise at June 30, 2010, management's required estimates of Fair Value are presented below. This Fair Value was estimated solely for financial statement reporting purposes and should not be used for any other purposes, including to estimate the value of any of the Company's securities or to estimate the appropriate interest rate for consensual and non-consensual restructuring of secured debt in our Chapter 11 Cases. We estimated the Fair Value of this debt based on quoted market prices for publicly-traded debt, recent financing transactions (which may not be comparable), estimates of the Fair Value of the property that serves as collateral for such debt, historical risk premiums for loans of comparable quality, current London Interbank Offered Rate ("LIBOR"), a widely quoted market interest rate which is frequently the index used to determine the rate at which we borrow funds and US treasury obligation interest rates, and on the discounted estimated future cash payments to be made on such debt. The discount rates estimated reflect our judgment as to what the approximate current lending rates for loans or groups of loans with similar maturities and credit quality would be if credit markets were operating efficiently and assume that the debt is outstanding through maturity. We have utilized market information as available or present value techniques to estimate the amounts required to be disclosed, or, in the case of the debt of the Emerged Debtors, recorded due to GAAP bankruptcy emergence guidance. Since such amounts are estimates that are based on limited available market information for similar transactions and do not acknowledge transfer or other repayment restrictions that may exist in specific loans, it is unlikely that the estimated Fair Value of any of such debt could be realized by immediate settlement of the obligation.

	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Fixed-rate debt	\$ 207,646	\$ 218,624	\$ 208,860	\$ 205,406

Revenue Recognition and Related Matters

Nouvelle at Natick is a 215 unit residential condominium project, located in Natick, Massachusetts. Pursuant to the Plan, only the unsold units at Nouvelle at Natick on the Effective Date will be distributed to us and no deferred revenue or sales proceeds from unit closings prior to the Effective Date will be allocated to us. As of June 30, 2010, 87 units were unsold at Nouvelle at Natick. Income related to unit sales subsequent to the Effective Date is expected to be accounted for on the percentage-of-completion method.

Minimum rent revenues are recognized on a straight-line basis over the terms of the related leases. Minimum rent revenues also include amounts collected from tenants to allow the termination of their leases prior to their scheduled termination dates and accretion related to above and below-market tenant leases on acquired properties.

Straight-line rent receivables, which represent the current net cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases, of \$3.0 million as of June 30, 2010 and \$3.2 million as of December 31, 2009, are included in Accounts and notes receivable, net in our combined financial statements. Percentage rent in lieu of fixed minimum rent received from tenants was \$1.1 million and \$1.8 million for the three and six months ended June 30, 2010 and \$0.8 million

NOTE 1 ORGANIZATION (Continued)

and \$1.6 million for the three and six months ended June 30, 2009, and is included in Minimum Rents in our combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, estimates and assumptions have been made with respect to useful lives of assets, capitalization of development and leasing costs, provision for income taxes, recoverable amounts of receivables and deferred taxes, initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to acquisitions, impairment of long-lived assets, Fair Value of debt of the Emerged Debtors and cost ratios and completion percentages used for land sales. Actual results could differ from these and other estimates.

Earnings Per Share ("EPS")

Presentation of EPS information is not applicable as all of our common stock, since the date of our formation on July 1, 2010, is owned by GGP.

Debt Market Rate Adjustments

We record market rate adjustments related to our mortgages, notes and loans payable primarily for debt held by the Spinco Debtors upon emergence from bankruptcy. Such debt market rate adjustments are recorded based on the estimated Fair Value of the debt at the time of emergence and are recorded within mortgages, notes and loans payable on our Combined Balance Sheets. The debt market rate adjustments are amortized as interest expense over the remaining term of the loans using the effective interest method.

NOTE 2 INTANGIBLE ASSETS AND LIABILITIES

The following table summarizes our intangible assets and liabilities:

	<u>Gross Asset (Liability)</u>	<u>Accumulated (Amortization)/ Accretion</u>	<u>Net Carrying Amount</u>
	(In thousands)		
As of June 30, 2010			
Tenant leases:			
In-place value	\$ 12,005	\$ (10,139)	\$ 1,866
Above-market	2,270	(2,005)	265
Below-market	(78)	70	(8)
Ground leases:			
Above-market	(16,968)	2,660	(14,308)
Below-market	23,096	(1,908)	21,188
As of December 31, 2009			
Tenant leases:			
In-place value	\$ 13,063	\$ (10,875)	\$ 2,188
Above-market	2,323	(1,883)	440
Below-market	(86)	72	(14)
Ground leases:			
Above-market	(16,968)	2,425	(14,543)
Below-market	23,096	(1,739)	21,357

The gross asset balances of the in-place value of tenant leases are included in Buildings and equipment in our Combined Balance Sheets. The above-market and below-market tenant and ground leases are included in Prepaid expenses and other assets and Accounts payable and accrued expenses (Note 7) in our combined financial statements. The decrease in the gross asset (liability) accounts at June 30, 2010 compared to December 31, 2009 is primarily due to the write-off of fully amortized assets/(liabilities) in the six months ended June 30, 2010.

NOTE 3 REAL ESTATE AFFILIATES

We own non-controlling investments in The Woodlands Partnerships and Circle T whereby, generally, we share in the profits and losses, cash flows and other matters relating to our investments in such Real Estate Affiliates in accordance with our respective ownership percentages. Our unaffiliated joint venture partners manage the properties owned by these joint ventures. As we have joint interest and control of these ventures with our venture partners, we account for these joint ventures using the equity method.

As of June 30, 2010, approximately \$373.7 million of the indebtedness was secured by the properties owned by our Real Estate Affiliates, our share of which was approximately \$196.2 million. There can be no assurance that we will be able to refinance or restructure such debt (including the \$171.2 million of debt maturing in 2010) on acceptable terms or otherwise, or that joint venture operations or contributions by us and/or our partners will be sufficient to repay such loans.

NOTE 3 REAL ESTATE AFFILIATES (Continued)**Condensed Combined Financial Information of Certain Real Estate Affiliates**

As The Woodlands Partnerships and Circle T are accounted for on the equity method, the following summarized financial information as of June 30, 2010 and December 31, 2009 and for the three and six months ended June 30, 2010 and 2009 is presented below.

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
	(In thousands)	
Condensed Combined Balance Sheets—Real Estate Affiliates		
Assets:		
Land	\$ 31,077	\$ 31,077
Buildings and equipment	236,381	207,051
Less accumulated depreciation	(77,561)	(73,866)
Developments in progress	29,104	55,996
Net property and equipment	219,001	220,258
Investment property and property held for development and sale	247,488	266,253
Net investment in real estate	466,489	486,511
Cash and cash equivalents	53,818	35,569
Accounts and notes receivable, net	58,857	66,460
Deferred expenses, net	636	1,189
Prepaid expenses and other assets	47,074	40,561
Total assets	<u>\$ 626,874</u>	<u>\$ 630,290</u>
Liabilities and Owners' Equity:		
Mortgages, notes and loans payable	\$ 373,686	\$ 377,964
Accounts payable, accrued expenses and other liabilities	102,783	107,700
Owners' equity	150,405	144,626
Total liabilities and owners' equity	<u>\$ 626,874</u>	<u>\$ 630,290</u>
Investment In and Loans To/From Real Estate Affiliates, Net:		
Owners' equity	\$ 150,405	\$ 144,626
Less joint venture partners' equity	(71,892)	(69,147)
Capital or basis differences and loans	67,225	65,079
Investment in and loans to/from		
Real Estate Affiliates, net	<u>\$ 145,738</u>	<u>\$ 140,558</u>

NOTE 3 REAL ESTATE AFFILIATES (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands)		(In thousands)	
Condensed Combined Statements of Income — Unconsolidated Real Estate Affiliates				
Revenues:				
Minimum rents	\$ 2,554	\$ 5,494	\$ 4,541	\$ 10,794
Land sales	25,405	25,560	49,471	35,276
Management and other fees	16,351	17,037	30,179	34,006
Total revenues	<u>44,310</u>	<u>48,091</u>	<u>84,191</u>	<u>80,076</u>
Expenses:				
Real estate taxes	496	396	986	724
Property maintenance costs	555	606	468	1,222
Other property operating costs	15,024	19,436	28,546	38,816
Land sales operations	19,278	17,487	37,644	27,600
Depreciation and amortization	1,771	1,913	3,676	3,830
Total expenses	<u>37,124</u>	<u>39,838</u>	<u>71,320</u>	<u>72,192</u>
Operating income	7,186	8,253	12,871	7,884
Interest income	571	142	1,339	350
Interest expense	(2,730)	(1,721)	(5,632)	(3,351)
Provision for income taxes	(827)	(110)	(1,137)	(130)
Net income attributable to joint venture partners	<u>\$ 4,200</u>	<u>\$ 6,564</u>	<u>\$ 7,441</u>	<u>\$ 4,753</u>
Equity In Income of Unconsolidated Real Estate Affiliates:				
Net income attributable to joint venture partners	\$ 4,200	\$ 6,564	\$ 7,441	\$ 4,753
Joint venture partners' share of income	(1,995)	(3,117)	(3,534)	(2,255)
Amortization of capital or basis differences	1,475	918	1,265	1,623
Equity in income of Unconsolidated Real Estate Affiliates	<u>\$ 3,680</u>	<u>\$ 4,365</u>	<u>\$ 5,172</u>	<u>\$ 4,121</u>

NOTE 4 MORTGAGES, NOTES AND LOANS PAYABLE

Mortgages, notes and loans payable are summarized as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Fixed-rate debt:		
Collateralized mortgages, notes and loans payable	\$ 340,495	\$ 342,833
Less: Mortgages, notes and loans payable subject to compromise	(132,849)	(133,973)
Total mortgages, notes and loans payable not subject to compromise	<u>\$ 207,646</u>	<u>\$ 208,860</u>

NOTE 4 MORTGAGES, NOTES AND LOANS PAYABLE (Continued)

As previously discussed, on April 16 and 22, 2009, the Debtors filed voluntary petitions for relief under Chapter 11, which triggered defaults on substantially all debt obligations of the Debtors. However, under section 362 of Chapter 11, the filing of a bankruptcy petition automatically stays most actions against the debtor's estate. Absent an order of the Bankruptcy Court, these pre-petition liabilities are subject to settlement under a plan of reorganization, and therefore are presented as Liabilities subject to compromise on the Combined Balance Sheets as of June 30, 2010 and December 31, 2009. Of the total amount of debt presented above, \$207.6 million and 208.9 million is not subject to compromise, consisting of the collateralized mortgages of the Spinco Debtors that have emerged from bankruptcy as of June 30, 2010 and December 31, 2009, respectively. Also, as discussed in Note 1, the \$68.5 million of mortgage debt of the remaining Emerged Debtor was reflected as subject to compromise at June 30, 2010 as the effective date of its plan of reorganization did not occur as of June 30, 2010. Such mortgage loan amount was reclassified to be reflected as not subject to compromise in July 2010.

As of December 31, 2009, as described in Note 1, plans of reorganization for the Emerged Debtors, secured by approximately \$146.8 million of mortgage debt, had been declared effective. The Emerged Plans for such Emerged Debtors provided for, in exchange for payment of certain extension fees and cure of previously unpaid amounts due on the applicable mortgage loans (primarily, principal amortization otherwise scheduled to have been paid since the Petition Date), the extension of the secured mortgage loans at previously existing non-default interest rates. As a result of the extensions, weighted average remaining duration of the secured loans associated with these properties is 5.17 years as of June 30, 2010. In conjunction with these extensions, certain financial and operating covenants and guarantees were created or reinstated. With respect to the loans of the Spinco Debtors that remain in bankruptcy at June 30, 2010, we are currently recognizing interest expense based on contract rates in effect prior to bankruptcy as the Bankruptcy Court has ruled that interest payments based on such contract rates constitutes adequate protection to the secured lenders. Such debt that remains subject to compromise at June 30, 2010 is expected to be reinstated or satisfied pursuant to the Plan.

The Plan Debtors, pursuant to their debt obligations, are required to comply with certain customary financial covenants and affirmative representations and warranties including, but not limited to, stipulations relating to leverage, net equity, cross-defaults to certain other indebtedness and interest or fixed charge coverage ratios. Such financial covenants are calculated from applicable information computed in accordance with GAAP, subject to certain exclusions or adjustments, as defined. As discussed in Note 1, the Predecessors were unable to repay or refinance certain debt as it became due, and our Chapter 11 Cases have stayed the enforcement of the default provisions of such covenants with respect to our properties.

Collateralized Mortgages, Notes and Loans Payable

As of June 30, 2010, \$330.9 million of land, buildings and equipment and developments in progress (before accumulated depreciation) have been pledged as collateral for our mortgages, notes and loans payable. Certain of these secured loans are cross-collateralized with other properties. Substantially all of the \$340.5 million of fixed and variable rate secured mortgage notes and loans payable are non-recourse. In addition, certain mortgage loans as of June 30, 2010 contain other credit enhancement provisions which have been provided by the TopCo Debtors upon which GGP does not expect to perform during the pendency of the Chapter 11 Cases. These security or credit enhancement provisions are to be modified pursuant to the Plan, including, among other things, to substitute us for GGP. Certain mortgage notes payable may be prepaid but are generally subject to a prepayment penalty equal to a yield-maintenance premium, defeasance or a percentage of the loan balance.

NOTE 4 MORTGAGES, NOTES AND LOANS PAYABLE (Continued)

Letters of Credit and Surety Bonds

We had outstanding letters of credit and surety bonds of \$86.7 million as of June 30, 2010 and \$76.5 million as of December 31, 2009. These letters of credit and bonds were issued primarily in connection with insurance requirements, special real estate assessments and construction obligations.

NOTE 5 INCOME TAXES

Although GGP operated as a REIT, certain of the Spinco Businesses operated as taxable REIT subsidiaries. Given the overall make-up of the Spinco Businesses, particularly the undeveloped land in our Master Planned Community segment, we will not elect to be treated as a REIT and thus will generally be taxed as a C corporation. However, one of our combined entities, Victoria Ward, Ltd. ("Ward", substantially all of which is owned by us) elected to be taxed as a REIT under sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year beginning January 1, 2002. To qualify as a REIT, Ward must meet a number of organizational and operational requirements, including requirements to distribute at least 90% of its ordinary taxable income and to distribute to stockholders or pay tax on 100% of capital gains and to meet certain asset and income tests. Ward has satisfied such REIT distribution requirements for 2009.

The deferred tax liability associated with the master planned communities is largely attributable to the difference between the basis and value determined as of the date of the acquisition by the Predecessors of The Rouse Company ("TRC") in 2004 adjusted for sales that have occurred since that time. The cash cost related to this deferred tax liability is dependent upon the sales price of future land sales and the method of accounting used for income tax purposes. The deferred tax liability related to deferred income is the difference between the income tax method of accounting and the financial statement method of accounting for prior sales of land in our Master Planned Communities.

Unrecognized tax benefits recorded pursuant to uncertain tax positions were \$126.2 million and \$56.5 million as of June 30, 2010 and December 31, 2009, respectively, excluding interest, of which \$0.4 million and \$0 as of June 30, 2010 and December 31, 2009, respectively, would impact our effective tax rate. Accrued interest related to these unrecognized tax benefits amounted to \$25.4 million as of June 30, 2010 and \$9.6 million as of December 31, 2009. We recognized an increase of interest expense related to the unrecognized tax benefits of \$14.8 million for the three months ended June 30, 2010; \$15.7 million for the six months ended June 30, 2010; \$0.7 million for the three months ended June 30, 2009 and \$1.0 million for the six months ended June 30, 2009.

Generally, we are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2005 through 2009 and are open to audit by state taxing authorities for years ending December 31, 2004 through 2009. Two of our subsidiaries are subject to IRS audit for the years ended December 31, 2007 and December 31, 2008, and in connection with such audits, the IRS has proposed changes resulting in \$148.2 million of additional tax. We have disputed the proposed changes and it is the Company's position that the tax law in question has been properly applied and reflected in the 2007 and 2008 returns for these two subsidiaries. We are currently considering a settlement offer from the IRS and cannot predict when these audits will be resolved. We have previously provided for the additional taxes sought by the IRS, through our uncertain tax position liability or deferred tax liabilities. Although we believe our tax returns are correct, the final determination of tax examinations and any related litigation could be different than what was reported on the returns. In the opinion of management, we have made adequate tax provisions for years subject to examination.

NOTE 5 INCOME TAXES (Continued)

Based on our assessment of the expected outcome of these examinations or examinations that may commence, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits, excluding accrued interest, for tax positions taken regarding previously filed tax returns will materially change from those recorded at June 30, 2010. A material change in unrecognized tax benefits could have a material effect on our statements of income and comprehensive income. As of June 30, 2010, there are \$126.2 million of unrecognized tax benefits, excluding accrued interest, which due to the reasons above, could significantly increase or decrease during the next twelve months.

There are certain tax attributes, such as net operating loss carry forwards, that may be limited in the event of an ownership change as defined under section 382 of the Internal Revenue Code. If an ownership change were to occur, there could be significant valuation allowances placed on deferred tax assets that do not have valuation allowances as of June 30, 2010.

NOTE 6 TRANSACTIONS WITH GGP AND OTHER GGP SUBSIDIARIES

Intercompany Transactions

As described in Note 1, the accompanying combined financial statements present the operations of the Spinco Businesses as carved-out from the consolidated financial statements of GGP. Transactions between the Spinco Businesses have been eliminated in the combined presentation. Also as described in Note 1, an allocation of certain centralized GGP costs incurred for activities such as employee benefit programs, property management and asset management functions, centralized treasury, payroll and administrative functions have been made to the property operating costs of Spinco Businesses. Accordingly, transactions between the Spinco Businesses and GGP or other GGP subsidiaries have not been eliminated except that end-of-period intercompany balances between GGP and the Spinco Businesses have been considered elements of Spinco equity.

Incentive Stock Plans

Prior to the Chapter 11 Cases, the Predecessors granted qualified and non-qualified stock options and restricted stock to certain GGP officers and key employees whose compensation costs related specifically to our assets. Accordingly, stock-based compensation costs pertaining to such employees have been reflected in our combined financial statements for the applicable periods. A similar stock option and restricted stock plan is expected to be in place for our employees after the Effective Date.

Pursuant to the Plan, each outstanding option to acquire shares of GGP stock will be converted into (i) an option to acquire the same number of shares of common stock of reorganized GGP and (ii) a separate option to acquire 0.0983 shares of our common stock for each existing option for one share of GGP common stock. The replacement options will have the same terms and conditions as the outstanding GGP Options. As of the Effective Date, we expect 507,307 shares of our common stock to be issuable upon exercise of the Spinco Options. The exercise price per share of a Spinco Option that is converted from a GGP Option shall be computed based upon the relative trading prices of our common stock and reorganized GGP's common stock during the last ten-day trading period ending on or before the sixtieth calendar day following the Effective Date. As the majority of the current outstanding options to acquire shares of GGP have an exercise price in excess of the current trading price of GGP stock, we do not expect such outstanding options for our stock to be materially dilutive as of the Effective Date. In addition, with respect to certain of the currently outstanding GGP options, the Plan provides that the holders of such options will be given the alternative of receiving, in cash, the excess of the highest reported share price of GGP stock during the sixty day period prior to the Effective Date over the exercise price of such option, and, accordingly, the amount of Spinco common

NOTE 6 TRANSACTIONS WITH GGP AND OTHER GGP SUBSIDIARIES (Continued)

stock issuable on the Effective Date as a result of the currently outstanding GGP options will be less than the 507,307 shares to the extent such alternative is elected.

Stock-Based Compensation Expense

The Predecessors evaluated stock-based compensation expense in accordance with the GAAP related to share-based payments, which requires companies to estimate the Fair Value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of an award to our employees that is ultimately expected to vest is recognized as expense over the requisite service periods in the Combined Statements of Loss and Comprehensive Loss. The compensation expense for employees specifically attributed to the Spinco Businesses have been included in the accompanying combined financial statements.

NOTE 7 OTHER ASSETS AND LIABILITIES

The following table summarizes the significant components of prepaid expenses and other assets.

	June 30, 2010	December 31, 2009
	(In thousands)	
Special Improvement District receivable	\$ 48,765	\$ 48,713
Receivables—other	41,995	37,355
Below-market ground leases (Note 2)	21,188	21,357
Prepaid expenses	17,088	9,465
Security and escrow deposits	6,818	9,487
Other	4,403	8,668
	<u>\$ 140,257</u>	<u>\$ 135,045</u>

The following table summarizes the significant components of accounts payable, accrued expenses and other liabilities.

	June 30, 2010	December 31, 2009
	(In thousands)	
Uncertain tax position liability	\$ 151,575	\$ 66,129
Construction payable	57,656	108,437
Payables to GGP	31,712	30,359
Accounts payable and accrued expenses	25,483	23,087
Above-market ground leases	14,308	14,543
Deferred gains/income	7,465	9,045
Accrued interest	5,650	3,816
Insurance reserve	5,409	5,640
Tenant and other deposits	4,132	4,322
Accrued real estate taxes	4,026	4,548
Accrued payroll and other employee liabilities	2,264	2,754
Other	8,421	3,377
Total accounts payable and accrued expenses	318,101	276,057
Less: amounts subject to compromise (Note 1)	(100,774)	(141,866)
Accounts payable and accrued expenses not subject to compromise	<u>\$ 217,327</u>	<u>\$ 134,191</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on our combined financial position, results of operations or liquidity.

We lease land or buildings at certain properties from third parties. The leases generally provide us with a right of first refusal in the event of a proposed sale of the property by the landlord. Rental payments are expensed as incurred and have, to the extent applicable, been straight-lined over the term of the lease. Contractual rental expense, including participation rent, was \$0.7 million for the three months ended June 30, 2010; \$1.3 million for the six months ended June 30, 2010; \$0.8 million for the three months ended June 30, 2009 and \$2.1 million for the six months ended June 30, 2009. The same rent expense excluding amortization of above and below-market ground leases and straight-line rents, as presented in our combined financial statements, was \$0.7 million for the three months ended June 30, 2010; \$1.4 million for the six months ended June 30, 2010; \$0.8 million for the three months ended June 30, 2009 and \$2.2 million for the six months ended June 30, 2009.

See Note 5 for our obligations related to uncertain tax positions for disclosure of additional contingencies.

Contingent Stock Agreement

In conjunction with GGP's acquisition of The Rouse Company ("TRC") in November 2004, GGP assumed TRC's obligations under the Contingent Stock Agreement, (the "CSA"). TRC entered into the CSA in 1996 when it acquired The Hughes Corporation ("Hughes"). This acquisition included various assets, including Summerlin (the "CSA Assets"), a development in our Master Planned Communities segment. The CSA is an unsecured obligation of GGP and therefore, GGP's obligations to the former Hughes owners or their successors (the "Beneficiaries") under the CSA are subject to treatment in accordance with applicable requirements of the bankruptcy law and any plan of reorganization that will be confirmed by the Bankruptcy Court.

Under the terms of the CSA, GGP was required through August 2009 to issue shares of its common stock semi-annually (February and August) to the Beneficiaries with the number of shares to be issued in any period based on cash flows from the development and/or sale of the CSA Assets and GGP's stock price. The Beneficiaries' share of earnings from the CSA Assets has been accounted for in our combined financial statements as a land sales operations expense, with the difference between such share of operations and the share of cash flows paid remaining as a contingent obligation. During 2009, GGP was not obligated to deliver any shares of its common stock under the CSA as the net development and sales cash flows were negative for the applicable periods. During 2008, 356,661 shares of GGP common stock (from treasury shares) were delivered to the Beneficiaries pursuant to the CSA.

Under the terms of the CSA, GGP was also required to make a final distribution to the Beneficiaries in 2010, following a final valuation of the remaining CSA Assets as of December 31, 2009. The CSA set forth a methodology for establishing this final valuation and required the payment be made in shares of GGP common stock. On August 4, 2010, the Bankruptcy Court entered an order directing the parties to proceed with an expedited appraisal process for the CSA assets and directing the parties to choose an independent appraiser to assist in the valuation process. Although the final payment may be in a range of amounts, we have estimated an amount to satisfy the obligations with respect to the final CSA distribution requirement. Accordingly, as of December 31, 2009, we recorded an incremental intercompany liability from GGP classified in our equity net of the accrued contingent obligation related to the share of previous earnings of the CSA assets, with such amount reflected as additional investment (approximately \$178 million) in the CSA Assets (that is, contingent

NOTE 8 COMMITMENTS AND CONTINGENCIES (Continued)

consideration) that are to be transferred to us pursuant to the Plan and as an intercompany transaction with GGP. The actual amount of the final distribution by GGP to the Beneficiaries remains subject to determination by the Bankruptcy Court.

NOTE 9 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of January 1, 2009, we adopted new GAAP related to business combinations, which will change how business acquisitions are accounted for and will impact our financial statements both on the acquisition date and in subsequent periods.

On June 12, 2009, the FASB issued new generally accepted accounting guidance that amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities and enterprises currently within the scope of the previous guidance and are effective to the Company on January 1, 2010. We have adopted this new pronouncement and it did not have a material impact on our combined financial statements.

In June 2009, the FASB issued new GAAP guidance related to the accounting standards codification and the hierarchy of GAAP. The codification's content will carry the same level of authority, effectively superseding previous related guidance. The GAAP hierarchy has been modified to include only two levels of GAAP: authoritative and nonauthoritative. This new guidance was effective for us in the third quarter of 2009. The effect of the implementation of this new guidance on our combined financial statements resulted in the conversion of previously referenced specific accounting guidance to a "plain English" reference.

NOTE 10 SEGMENTS

We have two business segments which offer different products and services. Our segments are managed separately because each requires different operating strategies or management expertise. We do not distinguish or group our combined operations on a geographic basis. Further, all operations are within the United States and no customer or tenant comprises more than 10% of combined revenues. Our reportable segments are as follows:

- Master Planned Communities—includes the development and sale of land, primarily in large-scale, long-term community development projects in and around Columbia, Maryland; Summerlin, Nevada; and Houston, Texas
- Strategic Development—includes the operation, development and management of our land holdings and redevelopment sites, including the current incidental rental property operations (primarily retail and other interests in real estate at such locations) as well as our one residential condominium project located in Natick (Boston), Massachusetts

The operating measure used to assess operating results for the business segments is adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"). Adjusted EBITDA also excludes reorganization items, strategic initiatives, provisions for impairment and allocation to noncontrolling interest and, accordingly, management believes that Adjusted EBITDA provides useful information about a property's operating performance.

The accounting policies of the segments are the same as those described in Note 1, except that we report the operations of our Real Estate Affiliates using the proportionate share method rather than the equity method. Under the proportionate share method, our share of the revenues and expenses of our Real Estate Affiliates are aggregated with the revenues and expenses of combined properties. Under the equity method, our share of the net revenues and expenses of our Real Estate Affiliates are

NOTE 10 SEGMENTS (Continued)

reported as a single line item, Equity in income (loss) of Real Estate Affiliates, in our Combined Statements of Loss and Comprehensive loss. This difference affects only the reported revenues and operating expenses of the segments and has no effect on our reported net earnings. In addition, other revenue includes the Adjusted EBITDA of discontinued operations and is reduced by the Adjusted EBITDA attributable to our noncontrolling interests.

The total cash expenditures for additions to long-lived assets for the Master Planned Communities segment was \$30.6 million for the six months ended June 30, 2010 and \$24.4 million for the six months ended June 30, 2009. Similarly, cash expenditures for long-lived assets for the Strategic Development segment were \$37.1 million for the six months ended June 30, 2010 and \$18.8 million for the six months ended June 30, 2009. Such amounts for the Master Planned Communities segment and the Strategic Development segment are included in the amounts listed as Land/residential development and acquisitions expenditures and Acquisition/development of real estate and property additions/improvements, respectively, in our Combined Statements of Cash Flows.

Segment operating results are as follows:

	Three Months Ended June 30, 2010		
	Combined Properties	Real Estate Affiliates	Segment Basis
	(In thousands)		
Master Planned Communities			
Land sales	\$ 7,037	\$ 13,337	\$ 20,374
Land sales operations	(10,780)	(8,759)	(19,539)
Master Planned Communities Adjusted EBITDA	<u>(3,743)</u>	<u>4,578</u>	<u>835</u>
Strategic Development			
Property revenues:			
Minimum rents	\$ 16,969	\$ 1,341	\$ 18,310
Tenant recoveries	4,433	—	4,433
Overage rents	452	—	452
Other, including noncontrolling interests	1,738	8,585	10,323
Total property revenues	<u>23,592</u>	<u>9,926</u>	<u>33,518</u>
Property operating expenses:			
Real estate taxes	4,051	261	4,312
Property maintenance costs	1,439	291	1,730
Marketing	250	—	250
Other property operating costs	9,479	7,886	17,365
Provision for doubtful accounts	256	—	256
Property management and other costs	4,861	—	4,861
Total property operating expenses	<u>20,336</u>	<u>8,438</u>	<u>28,774</u>
Strategic Development Adjusted EBITDA	<u>3,256</u>	<u>1,488</u>	<u>4,744</u>
Total Segments Adjusted EBITDA	<u><u>\$ (487)</u></u>	<u><u>\$ 6,066</u></u>	<u><u>\$ 5,579</u></u>

NOTE 10 SEGMENTS (Continued)

	Three Months Ended June 30, 2009		
	Combined Properties	Real Estate Affiliates (In thousands)	Segment Basis
Master Planned Communities			
Land sales	22,448	13,419	35,867
Land sales operations	(21,845)	(9,705)	(31,550)
Master Planned Communities Adjusted EBITDA	603	3,714	4,317
Strategic Development			
Property revenues:			
Minimum rents	\$ 17,169	\$ 4,172	\$ 21,341
Tenant recoveries	4,629	—	4,629
Overage rents	284	—	284
Other, including noncontrolling interests	1,622	8,944	10,566
Total property revenues	23,704	13,116	36,820
Property operating expenses:			
Real estate taxes	3,407	206	3,613
Property maintenance costs	1,125	318	1,443
Marketing	182	—	182
Other property operating costs	7,287	10,213	17,500
Provision for doubtful accounts	607	—	607
Property management and other costs	4,276	—	4,276
Total property operating expenses	16,884	10,737	27,621
Strategic Development Adjusted EBITDA	6,820	2,379	9,199
Total Segments Adjusted EBITDA	\$ 7,423	\$ 6,093	\$ 13,516

NOTE 10 SEGMENTS (Continued)

	Six Months Ended June 30, 2010		
	Combined Properties	Real Estate Affiliates (In thousands)	Segment Basis
Master Planned Communities			
Land sales	12,107	25,972	38,079
Land sales operations	(20,597)	(18,741)	(39,338)
Master Planned Communities Adjusted EBITDA	(8,490)	7,231	(1,259)
Strategic Development			
Property revenues:			
Minimum rents	\$ 34,000	\$ 2,384	\$ 36,384
Tenant recoveries	9,252	—	9,252
Overage rents	912	—	912
Other, including noncontrolling interests	3,148	15,844	18,992
Total property revenues	47,312	18,228	65,540
Property operating expenses:			
Real estate taxes	7,029	518	7,547
Property maintenance costs	3,283	246	3,529
Marketing	507	—	507
Other property operating costs	17,694	14,986	32,680
Provision for doubtful accounts	357	—	357
Property management and other costs	8,996	—	8,996
Total property operating expenses	37,866	15,750	53,616
Strategic Development Adjusted EBITDA	9,446	2,478	11,924
Total Segments Adjusted EBITDA	\$ 956	\$ 9,709	\$ 10,665

NOTE 10 SEGMENTS (Continued)

	Six Months Ended June 30, 2009		
	Combined Properties	Real Estate Affiliates	Segment Basis
(In thousands)			
Master Planned Communities			
Land sales	31,434	18,520	49,954
Land sales operations	(32,454)	(14,473)	(46,927)
Master Planned Communities Adjusted EBITDA	(1,020)	4,047	3,027
Strategic Development			
Property revenues:			
Minimum rents	\$ 33,517	\$ 6,954	\$ 40,471
Tenant recoveries	9,782	—	9,782
Overage rents	850	—	850
Other, including minority interest	(463)	17,853	17,390
Total property revenues	43,686	24,807	68,493
Property operating expenses:			
Real estate taxes	6,282	377	6,659
Property maintenance costs	2,228	641	2,869
Marketing	460	—	460
Other property operating costs	16,020	20,397	36,417
Provision for doubtful accounts	1,212	—	1,212
Property management and other costs	8,431	—	8,431
Total property operating expenses	34,633	21,415	56,048
Strategic Development Adjusted EBITDA	9,053	3,392	12,445
Total Segments Adjusted EBITDA	\$ 8,033	\$ 7,439	\$ 15,472

NOTE 10 SEGMENTS (Continued)

The following reconciles Adjusted EBITDA to GAAP-basis operating loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In thousands)				
Reconciliation of Segment Basis Adjusted EBITDA ("AEBITDA") and EBITDA to GAAP Net (Loss) Income Attributable to GGP				
AEBITDA	\$ 5,579	\$ 13,516	\$ 10,665	\$ 15,472
Strategic initiatives	—	(2,054)	—	(5,114)
Provisions for impairment	(208)	(56,157)	(486)	(140,180)
Debt extinguishment costs	—	(9)	—	(9)
Reorganization items (a)	(10,019)	(2,017)	(26,614)	(2,017)
EBITDA	(4,648)	(46,721)	(16,435)	(131,848)
Depreciation and amortization	(4,946)	(5,966)	(10,421)	(12,805)
Amortization of deferred finance costs	(152)	(119)	(305)	(552)
Interest income	253	233	762	516
Interest expense	(1,623)	(752)	(3,549)	(1,437)
Provision for income taxes	(16,901)	(4,600)	(18,550)	2,845
Allocation to noncontrolling interests	(25)	(21)	(73)	(65)
Net loss attributable to GGP	<u>\$ (28,042)</u>	<u>\$ (57,946)</u>	<u>\$ (48,571)</u>	<u>\$ (143,346)</u>

The following reconciles segment revenues to GAAP-basis combined revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
(In thousands)				
Reconciliation of Segment Basis Revenues to GAAP Revenues				
Master Planned Communities—Total Segment	\$ 20,374	\$ 35,867	\$ 38,079	\$ 49,954
Strategic Development—Total Segment	33,518	36,820	65,540	68,493
Total Segment revenues	53,892	72,687	103,619	118,447
less:				
Woodlands land sales revenues	13,337	13,419	25,972	18,520
Strategic Development Real Estate Affiliates revenues	9,926	13,116	18,228	24,807
Total combined revenues—GAAP basis	<u>\$ 30,629</u>	<u>\$ 46,152</u>	<u>\$ 59,419</u>	<u>\$ 75,120</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
General Growth Properties, Inc.
Chicago, Illinois

We have audited the accompanying combined balance sheets of certain entities that are expected to be transferred to Spinco, Inc., an indirect subsidiary of General Growth Properties, Inc., and are under common ownership and common control of General Growth Properties, Inc., (the "Spinco Businesses"), as of December 31, 2009 and 2008, and the related combined statements of loss and comprehensive loss, equity and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Spinco Businesses' management. Our responsibility is to express an opinion on these financial statements based on our audits. Certain entities within the Spinco Businesses and General Growth Properties, Inc. are Debtors-in-Possession.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. The Spinco Businesses are not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Spinco Businesses' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial statements present fairly, in all material respects, the combined financial position of the Spinco Businesses as of December 31, 2009 and 2008, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the combined financial statements, the combined financial statements of the Spinco Businesses include allocations of certain operating expenses from General Growth Properties, Inc. These costs may not be reflective of the actual level of costs which would have been incurred had the Spinco Businesses operated as an independent, stand-alone entity separate from General Growth Properties, Inc.

As discussed in Note 1 to the combined financial statements, certain entities of the Spinco Businesses as well as General Growth Properties, Inc. and certain of its subsidiaries have filed for reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"). The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to equity accounts, the effect of any changes that may be made in the capitalization of the Spinco Businesses; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the Spinco Businesses will continue as a going concern. Spinco, Inc. was formed in 2010 to hold the Spinco Businesses

pursuant to the General Growth Properties, Inc. plan of reorganization under Chapter 11 (the "Plan"). The consummation of the Plan, and therefore the receipt of such assets and liabilities by Spinco, Inc., depends, in part, on General Growth Properties, Inc.'s ability to negotiate and obtain confirmation of the Plan. Uncertainties about the consummation of General Growth Properties, Inc.'s plan of reorganization raise substantial doubt about the Spinco Businesses' ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1 to the combined financial statements. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP

Chicago, Illinois
August 24, 2010

SPINCO, INC.

COMBINED BALANCE SHEETS

	December 31,	
	2009	2008
(In thousands)		
Assets:		
Investment in real estate:		
Land	\$ 194,700	\$ 205,033
Buildings and equipment	451,279	522,780
Less accumulated depreciation	(85,639)	(103,293)
Developments in progress	258,807	767,228
Net property and equipment	819,147	1,391,748
Investment in and loans to/from Real Estate Affiliates	140,558	169,885
Investment property and property held for development and sale	1,782,470	1,711,395
Net investment in real estate	2,742,175	3,273,028
Cash and cash equivalents	3,204	4,963
Accounts and notes receivable, net	17,359	17,362
Deferred expenses, net	7,444	9,206
Prepaid expenses and other assets	135,045	139,397
Total assets	<u>\$ 2,905,227</u>	<u>\$ 3,443,956</u>
Liabilities and Equity:		
Liabilities not subject to compromise:		
Mortgages, notes and loans payable	\$ 208,860	\$ 358,467
Deferred tax liabilities	782,817	794,820
Accounts payable and accrued expenses	134,191	304,854
Liabilities not subject to compromise	1,125,868	1,458,141
Liabilities subject to compromise	275,839	—
Total liabilities	<u>1,401,707</u>	<u>1,458,141</u>
Equity:		
GGP Equity	1,504,364	1,986,938
Accumulated other comprehensive loss	(1,744)	(2,926)
Total GGP equity	1,502,620	1,984,012
Noncontrolling interests in Combined Real Estate Affiliates	900	1,803
Total equity	<u>1,503,520</u>	<u>1,985,815</u>
Total liabilities and equity	<u>\$ 2,905,227</u>	<u>\$ 3,443,956</u>

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

SPINCO, INC.

COMBINED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Years Ended December 31,		
	2009	2008	2007
	(In thousands)		
Revenues:			
Minimum rents	\$ 65,653	\$ 68,441	\$ 78,209
Tenant recoveries	19,642	21,592	22,449
Overage rents	2,701	3,519	5,194
Land sales	45,996	66,557	142,360
Other	2,356	12,398	12,286
Total revenues	<u>136,348</u>	<u>172,507</u>	<u>260,498</u>
Expenses:			
Real estate taxes	13,813	10,418	9,824
Property maintenance costs	5,586	6,113	7,232
Marketing	1,071	1,530	1,646
Other property operating costs	33,739	36,584	35,109
Land sales operations	49,062	63,421	114,210
Provision for doubtful accounts	2,539	1,174	1,301
Property management and other costs	17,643	20,656	26,799
Strategic Initiatives	5,380	1,496	—
Provisions for impairment	680,349	52,511	125,879
Depreciation and amortization	19,841	18,421	22,995
Total expenses	<u>829,023</u>	<u>212,324</u>	<u>344,995</u>
Operating loss	(692,675)	(39,817)	(84,497)
Interest income	1,689	1,914	1,650
Interest expense	(977)	(809)	(146)
Loss before income taxes, equity in income (loss) of Real Estate Affiliates, reorganization items and noncontrolling interests	(691,963)	(38,712)	(82,993)
Benefit from (provision for) income taxes	23,969	(2,703)	10,643
Equity in income (loss) of Real Estate Affiliates	(28,209)	23,506	68,451
Reorganization items	(6,674)	—	—
Loss from continuing operations	(702,877)	(17,909)	(3,899)
Discontinued operations — loss on disposition	(939)	—	—
Net loss	(703,816)	(17,909)	(3,899)
Allocation to noncontrolling interests	204	(100)	(101)
Net loss attributable to GGP	<u>\$ (703,612)</u>	<u>\$ (18,009)</u>	<u>\$ (4,000)</u>
Comprehensive Income (loss), Net:			
Net loss	\$ (703,816)	\$ (17,909)	\$ (3,899)
Other comprehensive income (loss)	1,182	(1,956)	253
Comprehensive loss	(702,634)	(19,865)	(3,646)
Comprehensive income (loss) allocated to noncontrolling interests	204	(100)	(101)
Comprehensive loss attributable to GGP	<u>\$ (702,430)</u>	<u>\$ (19,965)</u>	<u>\$ (3,747)</u>

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

SPINCO, INC.

COMBINED STATEMENTS OF EQUITY

	GGP Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Combined Real Estate Affiliates	Total Equity
	(In thousands)			
Balance, January 1, 2007	\$ 1,362,511	\$ (1,223)	\$ 3,950	\$ 1,365,238
Net income (loss)	(4,000)		101	(3,899)
Distributions to noncontrolling interests			(2,105)	(2,105)
Other comprehensive income		253		253
Preferred dividends declared			(12)	(12)
Common dividends declared	(114,831)			(114,831)
Contributions from GGP, net	366,028			366,028
Balance, December 31, 2007	<u>\$ 1,609,708</u>	<u>\$ (970)</u>	<u>\$ 1,934</u>	<u>\$ 1,610,672</u>
Net income (loss)	(18,009)		100	(17,909)
Distributions to noncontrolling interests			(219)	(219)
Other comprehensive loss		(1,956)		(1,956)
Preferred dividends declared			(12)	(12)
Common dividends declared	(77,807)			(77,807)
Contributions from GGP, net	473,046			473,046
Balance, December 31, 2008	<u>\$ 1,986,938</u>	<u>\$ (2,926)</u>	<u>\$ 1,803</u>	<u>\$ 1,985,815</u>
Net loss	(703,612)		(204)	(703,816)
Distributions to noncontrolling interests			(687)	(687)
Other comprehensive income		1,182		1,182
Preferred dividends declared			(12)	(12)
Contributions from GGP, net	221,038			221,038
Balance, December 31, 2009	<u>\$ 1,504,364</u>	<u>\$ (1,744)</u>	<u>\$ 900</u>	<u>\$ 1,503,520</u>

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

SPINCO, INC.

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2009	2008	2007
	(In thousands)		
Cash Flows from Operating Activities:			
Net loss	\$ (703,816)	\$ (17,909)	\$ (3,899)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in income of Real Estate Affiliates (including provisions for impairment in 2009)	28,209	(23,506)	(68,451)
Provision for doubtful accounts	2,539	1,174	1,301
Distributions received from Real Estate Affiliates	1,406	2,478	73,856
Depreciation	17,145	15,637	20,883
Amortization	2,696	2,784	2,112
Amortization of deferred financing costs and debt market rate adjustments	978	810	147
Amortization (accretion) of intangibles other than in-place leases	220	268	(247)
Straight-line rent amortization	(49)	(306)	(138)
Deferred income taxes including tax restructuring benefit	(23,120)	(6,811)	(53,229)
Loss on dispositions	939	—	—
Provisions for impairment	680,349	52,511	125,879
Land/residential development and acquisitions expenditures	(61,226)	(147,757)	(216,176)
Cost of land sales	22,019	24,516	48,794
Reorganization items-finance costs related to emerged entities	2,158	—	—
Non-cash reorganization items	(11,835)	—	—
Net changes:			
Accounts and notes receivable	(2,487)	3,215	3,810
Prepaid expenses and other assets	24,867	26,387	30,298
Deferred expenses	(1,850)	(3,516)	(2,764)
Accounts payable and accrued expenses	1,941	15,658	(15,710)
Other, net	1,047	3,668	1,493
Net cash used in operating activities	(17,870)	(50,699)	(52,041)
Cash Flows from Investing Activities:			
Acquisition/development of real estate and property additions/improvements	(27,738)	(314,103)	(144,860)
Proceeds from sales of investment properties	6,392	14,821	—
Increase in investments in Real Estate Affiliates	(288)	(717)	(1,348)
Decrease (increase) in restricted cash	202	(202)	—
Net cash used in investing activities	(21,432)	(300,201)	(146,208)
Cash Flows from Financing Activities:			
Principal payments on mortgages, notes and loans payable	(10,465)	(15,509)	(59,276)
Change in GGP investment, net	50,865	374,154	259,297
Finance costs related to emerged entities	(2,158)	—	—
Cash distributions paid to preferred stockholders of Victoria Ward, Ltd.	(12)	(12)	(12)
Cash distributions paid to common stockholders of Victoria Ward, Ltd.	—	(9,990)	(14,831)
Distributions to noncontrolling interests	(687)	(219)	(2,105)
Net cash provided by financing activities	37,543	348,424	183,073
Net change in cash and cash equivalents	(1,759)	(2,476)	(15,176)
Cash and cash equivalents at beginning of period	4,963	7,439	22,615
Cash and cash equivalents at end of period	\$ 3,204	\$ 4,963	\$ 7,439
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$ 48,100	\$ 38,200	\$ 33,643
Interest capitalized	46,976	38,088	27,918
Reorganization items paid	2,384	—	—
Non-Cash Transactions:			
Change in accrued capital expenditures included in accounts payable and accrued expenses	\$ (15,222)	\$ 81,376	\$ 21,047
Change in CSA accrual	178,130	(13,031)	(5,268)
Mortgage debt market rate adjustment related to emerged entities	11,723	—	—
Other non-cash GGP equity transactions	2,612	44,106	12,009
Recognition of note payable in conjunction with land held for development and sale	6,520	—	—
Non-cash dividends	—	67,817	100,000

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

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

General

Spinco, Inc. ("Spinco" or the "Company") is a newly formed Delaware corporation that was created to hold certain assets and liabilities of General Growth Properties, Inc. ("GGP") and its subsidiaries (collectively, the "Predecessors"). On April 16, 2009 and April 22, 2009 (collectively, the "Petition Date"), GGP and certain of its subsidiaries (the "Debtors") filed voluntary petitions under Chapter 11 of title 11 of the United States Code (the "Chapter 11 Cases"). On August 17, 2010, GGP filed with the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") its second amended and restated plan of reorganization (as the same may be amended, modified or supplemented from time to time, the "Plan") for the Debtors remaining in the Chapter 11 Cases (the "TopCo Debtors"). Spinco is currently a wholly owned subsidiary of GGP Limited Partnership ("GGPLP"), which is majority owned by GGP. Pursuant to the Plan, Spinco will receive certain of the assets and liabilities of the Predecessors (the "Separation"), which we refer to as our business or "the Spinco Businesses." We expect the reorganization of GGP to be completed during the fourth quarter of 2010 (such time of completion being referred to as the "Effective Date"). On or prior to the Effective Date, approximately 32.5 million shares of common stock of Spinco will be distributed to the common and preferred unit holders of GGPLP, which includes GGP, and then GGP will distribute its portion of such shares pro rata to holders of GGP common stock (the "Distribution"). GGP will not retain any ownership interest in Spinco. The Plan generally provides for the payment/settlement or reinstatement of claims against the TopCo Debtor's, funded with new equity capital provided by investors sponsoring the Plan (the "Plan Sponsors"). As part of the Plan Sponsors commitments, the Plan Sponsors will purchase approximately 5.3 million shares of our common stock for \$250 million. The Predecessors' bankruptcies are being jointly administered under the case In re: General Growth Properties, Inc., et al., Case No. 09-11977 in the Bankruptcy Court.

To date, we have not conducted any business as a separate company and have no material assets or liabilities. The operations of the business to be transferred to us by the Predecessors is presented as if the transferred business was our business for all historical periods described and at the historical cost/ carrying value of such assets and liabilities reflected in GGP's books and records. Unless the context otherwise requires, references to "we," "us" and "our" refer to Spinco and its combined subsidiaries after giving effect to the transfer of assets and liabilities from the Predecessors.

On the Effective Date, our assets are expected to consist of the following:

- Four master planned communities with an aggregate of 14,704 remaining saleable acres;
- nine mixed-use development opportunities comprised of 1,129 acres;
- four mall developmental projects comprised of 647 acres;
- seven redevelopment-opportunity retail malls with approximately 1 million square feet of existing gross leasable space; and
- interests in nine other real estate assets.

Our ownership interests in properties in which we own a majority or controlling interest are combined under accounting principles generally accepted in the United States of America ("GAAP"). Our interests in TWPC Holdings, L.P., ("The Woodlands Commercial"), the Woodlands Operating Company, LP ("The Woodlands Operating") and the Woodlands Land Development Company, LP ("The Woodlands MPC"), all located in Houston, Texas and, collectively, the "Woodlands

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 1 ORGANIZATION (Continued)

Partnerships", and our interests in Westlake Retail Associates, Ltd ("Circle T Ranch") and 170 Retail Associates Ltd ("Circle T Power Center") and, together with Circle T Ranch, "Circle T", located in Dallas/Fort Worth, Texas, are held through joint venture entities in which we own non-controlling interests and are accounted for on the equity method. The Woodlands Partnerships, Circle T and certain cost method (see Note 5) and non-ownership rights are collectively referred to as our "Real Estate Affiliates".

The Predecessors' Bankruptcy

In the fourth quarter of 2008 the Predecessors' halted or slowed nearly all development and redevelopment at our properties due to liquidity concerns, other than those that were substantially complete or could not be deferred as a result of contractual commitments. As described above, as the Predecessors had significant past due, or imminently due, and cross-collateralized or cross-defaulted debt, on the Petition Date, GGP, on behalf of itself and certain of its domestic subsidiaries including certain wholly-owned Spinco Businesses, filed voluntary petitions for the Chapter 11 Cases. The Debtors that sought protection under Chapter 11 that are part of Spinco are collectively referred to as the "Spinco Debtors" and on the Petition Date comprised 33 entities with approximately \$268.4 million of secured mortgage loans. However, the entities that own our Bridgeland and Columbia master planned communities, the entities which own substantially all of our eight undeveloped land parcels and our joint ventures, The Woodlands Partnerships and Circle T, among others (collectively, the "Spinco Non-Debtors"), did not seek such relief.

During the pendency of the Chapter 11 Cases, the Debtors' are operating as Debtors in Possession and a debtor is afforded certain protection against its creditors and creditors are prohibited from taking certain actions (such as pursuing collection efforts or proceeding to foreclose on secured obligations) related to debts that were owed prior to the commencement of the Chapter 11 Cases. Accordingly, although the commencement of the Chapter 11 Cases triggered defaults on substantially all debt obligations of the Debtors, creditors are stayed from taking any action as a result of such defaults. Absent an order of the Bankruptcy Court, these pre-petition liabilities are subject to settlement under a plan of reorganization.

Since the Petition Date, the Bankruptcy Court has granted a variety of Debtors' motions that allow them to continue to operate its business in the ordinary course without interruption; and covering, among other things, employee obligations, critical service providers, tax matters, insurance matters, tenant and contractor obligations, claim settlements, ordinary course property sales, cash management, cash collateral, alternative dispute resolution, settlement of pre-petition mechanics liens and department store transactions.

During December 2009, three of the Spinco Debtors (the "Emerging Debtors") with \$215.3 million of secured mortgage loans filed consensual plans of reorganization (the "Emerging Plans"). As of December 31, 2009, two of the Emerging Debtors with \$146.8 million secured debt had emerged from bankruptcy. The plan of reorganization and emergence from bankruptcy of the remaining Emerging Debtor occurred on July 23, 2010. The Spinco Debtors that remain in Chapter 11 at July 23, 2010 (the "Remaining Spinco Debtors") are expected to emerge from bankruptcy pursuant to the Plan.

The Company was formed in 2010 to hold the Spinco Businesses pursuant to the Plan. The consummation of such plan, and therefore the receipt of such assets and liabilities by the Company, depends, in part, on GGP's ability to obtain confirmation of the Plan. Uncertainties about the

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 1 ORGANIZATION (Continued)

consummation of the Plan raise substantial doubts as to the ability of the Spinco Businesses to continue as a going concern. The accompanying combined financial statements have been prepared in conformity with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, as a result of the Chapter 11 Cases, such realization of assets and satisfaction of liabilities are subject to a significant number of uncertainties. Our combined financial statements do not reflect any adjustments related to the recoverability of assets and satisfaction of liabilities that might be necessary should we be unable to continue as a going concern.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination and Basis of Presentation

The accompanying combined financial statements include the accounts of the Spinco Businesses in which we have a controlling interest and are presented on a combined basis as the Spinco Businesses have common control and ownership by GGP. The noncontrolling equity holders' share of the assets, liabilities and operations are reflected in noncontrolling interests within permanent equity of the Company. All significant intercompany balances and transactions between the Spinco businesses have been eliminated.

As discussed in Note 1, we were formed for the purpose of holding certain assets and assuming certain liabilities of the Predecessors pursuant to the Plan. We have not conducted any business and will not have any material assets or liabilities until the Separation and the Distribution are completed. No previous historical financial statements for the Spinco Businesses have been prepared and, accordingly, our combined financial statements are derived from the books and records of GGP and were carved-out from GGP at a carrying value reflective of such historical cost in such GGP records. Our historical financial results reflect allocations for certain corporate costs and we believe such allocations are reasonable; however, such results do not reflect what our expenses would have been had the Company been operating as a separate stand-alone public company. In addition, the Spinco Businesses were operated as subsidiaries of GGP, which operates as a real estate investment trust ("REIT"). We are expected to operate as a taxable corporation. The historical combined financial information presented will therefore not be indicative of the results of operations, financial position or cash flows that would have been obtained if we had been an independent, stand-alone public entity during the periods shown or of our future performance as an independent, stand-alone public entity.

Accounting for Reorganization

The accompanying combined financial statements and the combined condensed financial statements of the Spinco Debtors presented below have been prepared in accordance with the generally accepted accounting principles related to financial reporting by entities in reorganization under the Bankruptcy Code, and on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Such accounting guidance also provides that if a debtor, or group of debtors, has significant combined assets and liabilities of entities which have not sought Chapter 11 bankruptcy protection, the debtors and non-debtors should continue to be combined. However, separate disclosure of financial statement information solely relating to the debtor entities should be presented. Therefore, the combined condensed financial statements presented below

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

solely reflect the financial position and results of operations for the Spinco Debtors which have not emerged from bankruptcy as of December 31, 2009.

Combined Condensed Balance Sheet

	<u>December 31, 2009</u>
	(In thousands)
Net investment in real estate	\$ 1,859,815
Cash and cash equivalents	1,194
Accounts and notes receivable, net	7,968
Other	111,977
Total assets	<u>\$ 1,980,954</u>
Liabilities not subject to compromise:	
Deferred tax liabilities	\$ 827,264
Accounts payable and accrued expenses	120,139
Liabilities subject to compromise	275,839
Equity	757,712
Total liabilities and equity	<u>\$ 1,980,954</u>

As described above, since the Spinco Debtors commenced their respective Chapter 11 Cases on two different dates in April 2009, combined condensed statements of operations and the combined condensed statement of cash flows is presented from May 1, 2009 to December 31, 2009.

Combined Condensed Statement of Loss

	<u>May 1, 2009 to</u> <u>December 31, 2009</u>
Operating revenues	\$ 44,891
Operating expenses	(64,791)
Provision for impairment	(569,199)
Operating loss	(589,099)
Interest income, net	1,081
Provision for income taxes	(4,672)
Equity in loss of Real Estate Affiliates	(1,347)
Reorganization items	(10,922)
Net loss attributable to GGP	<u>\$ (604,959)</u>

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Condensed Statement of Cash Flows

	May 1, 2009 to December 31, 2009
	(In thousands)
Net cash provided by (used in):	
Operating activities	\$ (5,695)
Investing activities	1,347
Financing activities	—
Net decrease in cash and cash equivalents	(4,348)
Cash and cash equivalents, beginning of period	5,542
Cash and cash equivalents, end of period	\$ 1,194

Pre-Petition Date claims and Classification of Liabilities Subject to Compromise

During September 2009, the Debtors, including the Spinco Debtors, filed with the Bankruptcy Court their schedules of the assets and liabilities existing on the Petition Date. In addition, November 12, 2009 was established by the Bankruptcy Court as the general bar date (the date by which most entities that wished to assert a pre-petition claim against a Debtor had to file a proof of claim in writing). The Debtors have made subsequent amendments to those schedules and, as the bar date has passed, are now in the process of evaluating, reconciling and resolving all claims that were timely submitted. The substantial majority of the claims submitted were erroneous, duplicative or protective and the Debtors have filed, and will continue to file, claim objections with the Bankruptcy Court. Claim objections, that is, differences between liability amounts estimated by the Debtors and claims submitted by creditors that cannot be resolved, will be submitted to the Bankruptcy Court which will make a final determination of the allowable claim. The plans of reorganization for the Emerged Debtors provide that all allowed claims, that is, undisputed or Bankruptcy Court affirmed claims of creditors against the Emerged Debtors, are to be paid in full. Our aggregate liabilities (consisting of Liabilities Subject to Compromise ("LSTC") and not subject to compromise as further described below) include provisions for claims against both the Emerged Debtors and the Remaining Spinco Debtors that were timely submitted to the Bankruptcy Court and have been recorded, as appropriate, based upon the GAAP guidance for the recognition of contingent liabilities and on our evaluations of such claims. Accordingly, although submitted proofs of claim against all Spinco Debtors exceed the amounts recorded for such claims, we currently believe that the aggregate amount of claims recorded by the Spinco Debtors will not vary materially from the amount of claims that will ultimately be allowed or resolved by the Bankruptcy Court.

Liabilities not subject to compromise at December 31, 2009 include: (1) Liabilities of the Spinco non-Debtors; (2) liabilities incurred after the Petition Date; (3) pre-petition liabilities that the Emerged Debtors which have emerged from Bankruptcy at December 31, 2009 expect to pay in full, even though certain of these amounts may not be paid until after the applicable Emerged Debtor's plan of reorganization is effective; and (4) liabilities related to pre-petition contracts that affirmatively have not been rejected. Unsecured liabilities not subject to compromise as of December 31, 2009 with respect to the Emerged Debtors are reflected at the current estimate of the probable amounts to be paid. However, the amounts of such unsecured liabilities related to the associated liabilities not subject to

SPINCO, INC.**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

compromise resolved or allowed by the Bankruptcy Court has not yet been determined. In such regard, during February 2010, payments commenced on the Emerged Debtor claims, a process expected to continue for several months as the amounts to be allowed are confirmed by the Bankruptcy Court. With respect to secured liabilities, GAAP bankruptcy guidance provides that Emerged Debtor mortgage loans should be recorded at their estimated Fair Value upon emergence. A discount of approximately \$11.7 million was recorded on such \$146.8 million of secured debt, with the resulting gain classified as a reorganization item for the year ended December 31, 2009. This discount will be accreted on an effective yield basis into interest expense in future periods as a non-cash item until maturity of the related debt obligation. With respect to the \$68.5 million of mortgage loans related to the Emerged Debtor that emerged on July 23, 2010, an additional gain is expected to be recognized. The remaining debt subject to compromise at December 31, 2009 is expected to be reinstated or repaid as provided by the Plan.

All liabilities incurred prior to the Petition Date other than those specified immediately above are considered LSTC. The amounts of the various categories of liabilities that are subject to compromise are set forth below. As described above, these amounts represent the Company's estimates of known or potential pre-petition claims that are likely to be resolved in connection with the Chapter 11 Cases. Such claims remain subject to future adjustments which may result from Plan Debtor/creditor negotiations, actions of the Bankruptcy Court, the determination as to the value of any collateral securing claims, amended proofs of claim, or other events. There can be no assurance that the liabilities represented by claims against a particular Debtor will not be found to exceed the Fair Value of its respective assets. This could result in claims being paid at less than 100% of their face value and the equity of the applicable Debtor being diluted or eliminated entirely. The amounts subject to compromise consisted of the following items:

	<u>December 31, 2009</u>
	<u>(In thousands)</u>
Mortgages and secured notes	\$ 133,973
Accounts payable and accrued liabilities	141,866
Total liabilities subject to compromise	<u>\$ 275,839</u>

The classification of liabilities as LSTC or as liabilities not subject to compromise is based on currently available information and analysis. As the Chapter 11 Cases proceed and additional information is received and analysis is completed, or as the Bankruptcy Court rules on relevant matters, the classification of amounts between LSTC and liabilities not subject to compromise may change. The amount of any such changes could be material.

Reorganization Items

Reorganization items are expense or income items that were incurred or realized by the Spinco Debtors as a result of the Chapter 11 Cases and are presented separately in the Combined Statements of Loss and Comprehensive Loss and in the condensed combined statements of operations of the Spinco Debtors presented above. These items include professional fees and similar types of expenses and gains directly related to the Chapter 11 Cases, resulting from activities of the reorganization process, and interest earned on cash accumulated by the Spinco Debtors as a result of the Chapter 11 Cases. Reorganization items included in our Combined Statement of Loss and Comprehensive Loss

SPINCO, INC.**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

and in the condensed combined statement of operations of the Spinco Debtors presented above are specific to the Spinco Businesses have been allocated to us and have been reflected in our combined financial statements and in the tables presented below.

In addition, the key employee incentive program (the "KEIP") was subject to approval by the Bankruptcy Court. The KEIP is intended to retain certain key employees of GGP and provides for payment to these GGP employees upon successful emergence from bankruptcy. A portion of the KEIP has been deemed to relate specifically to our employees and probable of being paid and therefore, as of December 31, 2009, we have reflected \$2.3 million of KEIP expenses in our combined financial statements.

Reorganization items are as follows:

<u>Reorganization Items</u>	<u>Post-Petition Period Ended December 31, 2009 (In thousands)</u>
Gains on liabilities subject to compromise(1)	\$ (11,822)
U.S. Trustee fees(2)	226
Restructuring costs(3)	18,270
Total reorganization items	<u>\$ 6,674</u>

- (1) This amount primarily relates to a \$11.7 million gain that resulted from the required Fair Value of debt adjustment for the entities that emerged from bankruptcy in December 2009. This amount also includes gains from repudiation, rejection or termination of contracts or guarantee of obligations. In addition, such gains reflect agreements reached with certain critical vendors (as defined), which were authorized by the Bankruptcy Court and for which payments on an installment basis began in July 2009.
- (2) Estimate of fees due remain subject to confirmation and review by the Office of the United States Trustee ("U.S. Trustee").
- (3) Restructuring costs primarily includes (i) professional fees incurred related to the bankruptcy filings, including an allocation of KEIP costs and certain fees estimated to be payable upon successful emergence of all Debtors from bankruptcy and (ii) finance costs incurred by and the write off of unamortized deferred finance costs related to our properties that emerged from bankruptcy in December 2009.

Properties

Real estate assets are stated at cost less any provisions for impairments. Construction and improvement costs incurred in connection with the development of new properties or the redevelopment of existing properties are capitalized to the extent the total carrying amount of the property does not exceed the estimated Fair Value of the completed property. Real estate taxes and interest costs incurred during construction periods are capitalized. Capitalized interest costs are based on qualified expenditures and interest rates in place during the construction period. Capitalized real estate taxes and interest costs are amortized over lives which are consistent with the constructed assets.

SPINCO, INC.**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pre-development costs, which generally include legal and professional fees and other directly-related third-party costs, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable, the costs previously capitalized are expensed (see also our impairment policies in this Note 2 below).

Tenant improvements, either paid directly or in the form of construction allowances paid to tenants, are capitalized and depreciated over the applicable lease term. Maintenance and repairs are charged to expense when incurred. Expenditures for significant betterments and improvements are capitalized.

Depreciation or amortization expense is computed using the straight-line method based upon the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40 - 45
Equipment, tenant improvements and fixtures	5 - 10

Impairment*Properties held for development, redevelopment and sale and developments in progress*

The generally accepted accounting principles related to accounting for the impairment or disposal of long-lived assets require that if impairment indicators exist and the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment provision should be recorded to write down the carrying amount of such asset to its Fair Value. We review our real estate assets (including those held by our Real Estate Affiliates), including operating properties, land held for development and sale and developments in progress, for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment indicators for our Master Planned Communities segment are assessed separately for each community and include, but are not limited to, significant decreases in sales pace or average selling prices, significant increases in expected land development and construction costs or cancellation rates, and projected losses on expected future sales. Impairment indicators for our Strategic Development segment are assessed separately for each property and include, but are not limited to, significant decreases in comparable property sale prices, real estate property net operating income and occupancy percentages.

Impairment indicators for pre-development costs, which are typically costs incurred during the beginning stages of a potential development, and developments in progress are assessed by project and include, but are not limited to, significant changes in projected completion dates, revenues or cash flows, development costs, market factors and sustainability of development projects.

If an indicator of potential impairment exists, the asset is tested for recoverability by comparing its carrying amount to the estimated future undiscounted cash flow. The cash flow estimates used both for determining recoverability and estimating Fair Value are inherently judgmental and reflect current and projected trends in rental, occupancy and capitalization rates, and estimated holding periods for the applicable assets. Although the estimated value of certain assets may be exceeded by the carrying amount, a real estate asset is only considered to be impaired when its carrying amount cannot be

SPINCO, INC.**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

recovered through estimated future undiscounted cash flows. To the extent an impairment provision is necessary, the excess of the carrying amount of the asset over its estimated Fair Value is expensed to operations. In addition, the impairment provision is allocated proportionately to adjust the carrying amount of the asset. The adjusted carrying amount, which represents the new cost basis of the asset, is depreciated over the remaining useful life of the asset.

We recorded impairment charges of \$680.3 million, \$52.5 million and \$125.9 million for the years ended December 31, 2009, 2008 and 2007, as presented in the table below. All of these impairment charges are included in provisions for impairment in our combined statement of loss and comprehensive loss for the years ended December 31, 2009, 2008 and 2007. Circle T also recorded impairment charges of \$38.1 million for the year ended December 31, 2009 on the assets of our Real Estate Affiliates, our share of which, \$19.0 million, was included in our equity in earnings of such Real Estate Affiliates.

Investment in Real Estate Affiliates

In accordance with the GAAP related to the equity method of accounting for investments, a series of operating losses of an investee or other factors may indicate that a decrease in value of our investment in the Real Estate Affiliates has occurred which is other-than-temporary. The investment in each of the Real Estate Affiliates is evaluated periodically and as deemed necessary for recoverability and valuation declines that are other than temporary. Accordingly, in addition to the property-specific impairment analysis that we perform on the investment properties, land held for development and sale and developments in progress owned by such joint ventures (as part of our investment property impairment process described above), we also considered the ownership and distribution preferences and limitations and rights to sell and repurchase our ownership interests. We recorded impairment charges related to our investment in Circle T of \$10.6 million for the year ended December 31, 2009 to write these investments down to their estimated Fair Value, with such provisions reflected in our equity in income (loss) of Real Estate Affiliates. Based on such evaluations, no provisions for impairment were recorded for the years ended December 31, 2008 and 2007 related to our investments in Real Estate Affiliates. See Note 5 for further disclosure of the provisions for impairment related to certain properties within our Real Estate Affiliates.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of all Impairment Provisions:

Impaired Asset	Location	Method of Determining Fair Value	Years Ended December 31,		
			2009	2008	2007
(In thousands)					
Master Planned Communities:					
Maryland-Columbia Community	Columbia, MD	Projected sales price analysis(1)	\$ —	\$ —	\$ 75,726
Maryland-Fairwood Community	Columbia, MD	Projected sales price analysis(1)	52,767	—	50,075
Total Master Planned Communities			\$ 52,767	\$ —	\$ 125,801
Strategic Development:					
Allen Towne Mall	Allen, TX	Projected sales price analysis(1)	29,063	—	—
Century Plaza	Birmingham, AL	Projected sales price analysis(1)	—	7,819	—
Cottonwood Mall	Holladay, UT	Comparable property market analysis	50,768	—	—
Elk Grove Promenade	Elk Grove, CA	Comparable property market analysis	175,280	—	—
Kendall Town Center	Miami, FL	Projected sales price analysis(1)	35,089	—	33
Landmark Mall	Alexandria, VA	Discounted cash flow analysis	27,323	—	—
Nouvelle at Natick	Natick, MA	Discounted cash flow analysis	55,923	40,346	—
Princeton Land East, LLC	Princeton, NJ	Comparable property market analysis	8,904	—	—
Princeton Land LLC	Princeton, NJ	Comparable property market analysis	13,356	—	—
Redlands Promenade	Redlands, CA	Projected sales price analysis(1)	6,667	—	—
The Bridges At Mint Hill	Charlotte, NC	Comparable property market analysis	16,636	—	—
The Shops At Summerlin Centre	Las Vegas, NV	Comparable property market analysis	176,141	—	—
The Village At Redlands	Redlands, CA	Projected sales price analysis(1)	5,537	—	—
Various pre-development costs		(2)	26,895	4,346	45
Total Strategic Development			627,582	52,511	78
Total Provisions for impairment			\$ 680,349	\$ 52,511	\$ 125,879
Real Estate Affiliates					
Circle T Power Center	Dallas, TX	Projected sales price analysis(1)	\$ 17,062	\$ —	\$ —
The Shops at Circle T Ranch	Dallas, TX	Projected sales price analysis(1)	21,020	—	—
Total			\$ 38,082	\$ —	\$ —
Property held by Real Estate Affiliates, provisions for impairment at our ownership share					
Impairment of Circle T Investment			19,041	—	—
			10,600	—	—
Real Estate Affiliates provisions for impairment, at our ownership share(3)			\$ 29,641	\$ —	\$ —

- (1) Projected sales price analysis incorporates available market information and other management assumptions.
- (2) Related to the write down of various pre-development costs that were determined to be non-recoverable due to the related projects being terminated.
- (3) Reflected in our equity in income (loss) of Real Estate Affiliates.

General

Certain of our properties had Fair Values less than their carrying amounts. However, based on the Company's plans with respect to those properties, we believe that the carrying amounts are recoverable and therefore, under applicable GAAP guidance, no additional impairments were taken. Nonetheless, due to the tight credit markets, the uncertain economic environment, as well as other uncertainties, or if our plans regarding our assets change, additional impairment charges may be taken in the future.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Therefore, we can provide no assurance that material impairment charges with respect to operating properties, Real Estate Affiliates, development in progress or property held for development and sale will not occur in future periods. We will continue to monitor circumstances and events in future periods to determine whether additional impairments are warranted.

Acquisitions of Properties

Certain of the Spinco Businesses, particularly those properties in our Master Planned Communities segment, were purchased by the Predecessors rather than developed. Accordingly, the acquisitions of such properties were accounted for utilizing the acquisition method. Estimates of future cash flows and other valuation techniques were used to allocate the purchase price of acquired property between land, buildings and improvements, equipment, debt liabilities assumed and identifiable intangible assets and liabilities such as amounts related to in-place at-market tenant leases, acquired above and below-market tenant and ground leases and tenant relationships.

Investments in Real Estate Affiliates

We account for investments in joint ventures where we own a non-controlling participating interest using the equity method and, investments in joint ventures where we have virtually no influence on the joint venture's operating and financial policies, on the cost method. Under the equity method, the cost of our investment is adjusted for our share of the equity in earnings (losses) of such Real Estate Affiliates from the date of acquisition and reduced by distributions received. Generally, the operating agreements with respect to our Real Estate Affiliates provide that assets, liabilities and funding obligations are shared in accordance with our ownership percentages. Therefore, we generally also share in the profit and losses, cash flows and other matters relating to our Real Estate Affiliates in accordance with our respective ownership percentages. Differences between the carrying amount of our investment in the Real Estate Affiliates and our share of the underlying equity of such Real Estate Affiliates are amortized over lives ranging from five to forty five years. For cost method investments, we recognize earnings to the extent of distributions received from such investments.

Cash and Cash Equivalents

Highly-liquid investments with maturities at dates of purchase of three months or less are classified as cash equivalents.

Deferred Expenses

Deferred expenses consist principally of financing fees and leasing costs and commissions. Deferred financing fees are amortized to interest expense using the effective interest method (or other methods which approximate the effective interest method) over the terms of the respective financing agreements. Deferred leasing costs and commissions are amortized using the straight-line method over periods that approximate the related lease terms. Deferred expenses in our Combined Balance Sheets are shown at cost, net of accumulated amortization, of \$7.4 million as of December 31, 2009 and \$9.2 million as of December 31, 2008.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Related Matters

Minimum rent revenues are recognized on a straight-line basis over the terms of the related leases. Minimum rent revenues also include amounts collected from tenants to allow the termination of their leases prior to their scheduled termination dates and accretion related to above and below-market tenant leases on acquired properties. Termination income recognized for the years ended December 31, 2009, 2008 and 2007 was \$0.3 million, \$0.4 million and \$0.3 million, respectively. Net accretion related to above and below-market tenant leases for the years ended December 31, 2009 and 2008, respectively, yielded reductions in minimum rents of approximately \$0.4 million in each year and an increase in minimum rents of \$0.1 million for the year ended December 31, 2007.

Straight-line rent receivables, which represent the current net cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases, of \$3.2 million as of December 31, 2009 and \$4.8 million as of December 31, 2008, are included in Accounts and notes receivable, net in our combined financial statements.

Percentage rent in lieu of fixed minimum rent received from tenants for the years ended December 31, 2009, 2008 and 2007 was \$3.0 million, \$3.7 million and \$4.3 million, respectively, and is included in Minimum rents in our combined financial statements.

We provide an allowance for doubtful accounts against the portion of accounts receivable, including straight-line rents, which is estimated to be uncollectible. Such allowances are reviewed periodically based upon our recovery experience. We also evaluate the probability of collecting future rent which is recognized currently under a straight-line methodology. This analysis considers the long-term nature of our leases, as a certain portion of the straight-line rent currently recognizable will not be billed to the tenant until future periods. Our experience relative to unbilled deferred rent receivable is that a certain portion of the amounts recorded as straight-line rental revenue are never collected from (or billed to) tenants due to early lease terminations. For that portion of the otherwise recognizable deferred rent that is not deemed to be probable of collection, no revenue is recognized. Accounts receivable in our Combined Balance Sheets are shown net of an allowance for doubtful accounts of \$16.8 million as of December 31, 2009 and \$21.7 million as of December 31, 2008. The following table summarizes the changes in allowance for doubtful accounts:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Balance as of January 1	\$ 21,712	\$ 22,041
Provisions for doubtful accounts	2,539	1,174
Write-offs	(7,439)	(1,503)
Balance as of December 31	<u>\$ 16,812</u>	<u>\$ 21,712</u>

Overage Rent ("Overage Rent") is paid by a tenant when its sales exceed an agreed upon minimum amount. Overage Rent is calculated by multiplying the sales in excess of the minimum amount by a percentage defined in the lease. Overage Rent is recognized on an accrual basis once tenant sales exceed contractual tenant lease thresholds. Recoveries from tenants are established in the leases or computed based upon a formula related to real estate taxes, insurance and other shopping center operating expenses and are generally recognized as revenues in the period the related costs are incurred.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and our subsequent involvement with the land sold are met. Revenues relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. Revenues and cost of sales are recognized on a percentage of completion basis for land sale transactions in which we are required to perform additional services and incur significant costs after title has passed.

Cost of land sales is determined as a specified percentage of land sales revenues recognized for each community development project. These cost ratios used are based on actual costs incurred and estimates of future development costs and sales revenues to completion of each project. The ratios are reviewed regularly and revised for changes in sales and cost estimates or development plans. Significant changes in these estimates or development plans, whether due to changes in market conditions or other factors, could result in changes to the cost ratio used for a specific project. The specific identification method is used to determine cost of sales for certain parcels of land, including acquired parcels we do not intend to develop or for which development was complete at the date of acquisition.

Nouvelle at Natick is a 215 unit residential condominium project, located in Natick, Massachusetts. Pursuant to the Plan, only the unsold units at Nouvelle at Natick on the Effective Date will be distributed to us and no deferred revenue or sales proceeds from unit closings prior to the Effective Date will be allocated to us. As of June 30, 2010, 87 units were unsold at Nouvelle at Natick. Income related to unit sales subsequent to the Effective Date is expected to be accounted for on the percentage-of-completion method.

Income Taxes (Note 7)

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance that results from a change in circumstances, and which causes a change in our judgment about the realizability of the related deferred tax asset, is included in the current deferred tax provision. It is possible at or after the Effective Date that the Company could experience a change in control, as defined for federal income tax purposes, that could limit the benefit of deferred tax assets. In addition, we recognize and report interest and penalties, if necessary, related to uncertain tax positions within our provision for income tax expense.

In many of our Master Planned Communities, gains with respect to sales of land for commercial use are reported for tax purposes on the percentage of completion method. Under the percentage of completion method, gain is recognized for tax purposes as costs are incurred in satisfaction of contractual obligations. The method used for determining the percentage complete for income tax purposes is different than that used for financial statement purposes. In addition, gains with respect to sales of land for single family residences are reported for tax purposes under the completed contract

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

method. Under the completed contract method, gain is recognized for tax purposes when 95% of the costs of our contractual obligations are incurred or the contractual obligation is transferred.

Earnings Per Share ("EPS")

Presentation of EPS information is not applicable as all of our common stock (100 shares, authorized and issued), since the date of our formation on July 1, 2010, is owned by GGP.

Fair Value Measurements

We adopted the generally accepted accounting principles related to Fair Value measurements as of January 1, 2008 for our financial assets and liabilities and as of January 1, 2009 for our non-financial assets and liabilities. We do not have any derivative financial instruments and our investments in marketable securities are immaterial to our combined financial statements.

The accounting principles for Fair Value measurements establish a three-tier Fair Value hierarchy, which prioritizes the inputs used in measuring Fair Value. These tiers include:

- Level 1—defined as observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2—defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3—defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset or liability Fair Value measurement level within the Fair Value hierarchy is based on the lowest level of any input that is significant to the Fair Value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Any Fair Values utilized or disclosed in our combined financial statements were developed for the purpose of complying with the accounting principles established for Fair Value measurements.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table summarizes our assets and liabilities that are measured at Fair Value on a nonrecurring basis:

	<u>Total Fair Value Measurement</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u> (In thousands)	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total (Loss) Gain Year Ended December 31, 2009</u>
Investments in real estate:					
Allen Towne Mall	\$ 25,900	\$ —	\$ 25,900	\$ —	\$ (29,063)
The Bridges At Mint Hill	14,100	—	14,100	—	(16,636)
Cottonwood Mall(1)	21,500	—	—	21,500	(50,768)
Elk Grove Promenade	21,900	—	21,900	—	(175,280)
Fairwood Master Planned Community	12,629	—	12,629	—	(52,767)
Kendall Town Center(2)	13,931	—	—	13,931	(35,089)
Landmark Mall(1)	49,501	—	—	49,501	(27,323)
Nouvelle At Natick(2)	64,661	—	—	64,661	(55,923)
Princeton Land East, LLC	8,802	—	8,802	—	(8,904)
Princeton Land LLC	11,948	—	11,948	—	(13,356)
Redlands Promenade	6,727	—	—	6,727	(6,667)
The Shops At Summerlin Centre	46,300	—	46,300	—	(176,141)
The Village At Redlands	7,545	—	—	7,545	(5,537)
Total investments in real estate	\$ 305,444	\$ —	\$ 141,579	\$ 163,865	\$ (653,454)
Debt:(3)					
Fair value of emerged entity mortgage debt	\$ 134,089	\$ —	\$ —	\$ 134,089	\$ 11,723
Total liabilities	\$ 134,089	\$ —	\$ —	\$ 134,089	\$ 11,723

- (1) The Fair Value was calculated based on a discounted cash flow analysis using property specific discount rates ranging from 9.25% to 12.00% and residual capitalization rates ranging from 8.50% to 11.50%.
- (2) The Fair Value is based on estimated sales value.
- (3) The Fair Value of debt relates to the 2 properties that emerged from bankruptcy in December 2009.

Fair Value of Financial Instruments

The Fair Values of our financial instruments approximate their carrying amount in our financial statements except for debt. Notwithstanding that we do not believe that a fully-functioning market for real property financing exists at December 31, 2009, GAAP guidance requires that management estimate the Fair Value of our debt. However, as a result of the Spinco Debtors' Chapter 11 filings, the Fair Value for the outstanding debt that is included in liabilities subject to compromise in our Combined Balance Sheets cannot be reasonably determined at December 31, 2009 as the timing and amounts to be paid are subject to confirmation by the Bankruptcy Court. For the \$208.9 million of

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

mortgages, notes and loans payable outstanding that are not subject to compromise at December 31, 2009, management's required estimates of Fair Value are presented below. This Fair Value was estimated solely for financial statement reporting purposes and should not be used for any other purposes, including to estimate the value of any of the Company's securities or to estimate the appropriate interest rate for consensual and non consensual restructuring of secured debt in our Chapter 11 Cases. We estimated the Fair Value of this debt based on quoted market prices for publicly-traded debt, recent financing transactions (which may not be comparable), estimates of the Fair Value of the property that serves as collateral for such debt, historical risk premiums for loans of comparable quality, current London Interbank Offered Rate ("LIBOR"), a widely quoted market interest rate which is frequently the index used to determine the rate at which we borrow funds and US treasury obligation interest rates, and on the discounted estimated future cash payments to be made on such debt. The discount rates estimated reflect our judgment as to what the approximate current lending rates for loans or groups of loans with similar maturities and credit quality would be if credit markets were operating efficiently and assume that the debt is outstanding through maturity. We have utilized market information as available or present value techniques to estimate the amounts required to be disclosed, or, in the case of the debt of the Emerged Debtors, recorded due to GAAP bankruptcy emergence guidance (as described above and in Note 6). Since such amounts are estimates that are based on limited available market information for similar transactions and do not acknowledge transfer or other repayment restrictions that may exist in specific loans, it is unlikely that the estimated Fair Value of any of such debt could be realized by immediate settlement of the obligation.

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Fixed-rate debt	\$ 208,860	\$ 205,406	\$ 354,803	\$ 358,447
Variable-rate debt	—	—	3,664	3,675
	<u>\$ 208,860</u>	<u>\$ 205,406</u>	<u>\$ 358,467</u>	<u>\$ 362,122</u>

Included in such amounts for 2009 is \$134.1 million of debt that relates to the 2 properties that emerged from bankruptcy in December 2009 where the carrying value of the debt was adjusted by \$11.7 million to an estimated Fair Value of such debt (based on significant unobservable Level 3 Inputs).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to useful lives of assets, capitalization of development and leasing costs, provision for income taxes, recoverable amounts of receivables and deferred taxes, initial valuations and related amortization periods of deferred costs and intangibles, allocations of the Predecessors' property and asset management costs to the Spinco Businesses, impairment of long-lived assets, valuation of debt of emerged entities and cost ratios and completion percentages used for land sales. Actual results could differ from these and other estimates.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 3 INTANGIBLES

Intangible Assets and Liabilities

The following table summarizes our intangible assets and liabilities:

	<u>Gross Asset (Liability)</u>	<u>Accumulated (Amortization)/ Accretion</u>	<u>Net Carrying Amount</u>
	(In thousands)		
As of December 31, 2009			
Tenant leases:			
In-place value	\$ 13,063	\$ (10,875)	\$ 2,188
Above-market	2,323	(1,883)	440
Below-market	(86)	72	(14)
Ground leases:			
Above-market	(16,968)	2,425	(14,543)
Below-market	23,096	(1,739)	21,357
As of December 31, 2008			
Tenant leases:			
In-place value	\$ 18,062	\$ (15,033)	\$ 3,029
Above-market	2,858	(2,052)	806
Below-market	(125)	97	(28)
Ground leases:			
Above-market	(16,968)	1,367	(15,601)
Below-market	23,096	(1,400)	21,696

Changes in gross asset (liability) balances in 2009 are the result of the allocation of provisions for impairment (Note 2) and our policy of writing off fully amortized intangible assets.

The gross asset balances of the in-place value of tenant leases are included in Buildings and equipment in our Combined Balance Sheets. Acquired in-place at-market tenant leases are amortized over periods that approximate the related lease terms. The above-market and below-market tenant and ground leases are included in Prepaid expenses and other assets and Accounts payable and accrued expenses as detailed in Note 10. Above and below-market lease values are amortized over the remaining non-cancelable terms of the respective leases.

Amortization/accretion of these intangible assets and liabilities, and similar assets and liabilities from our Real Estate Affiliates at our share, decreased our income (excluding the impact of noncontrolling interest and the provision for income taxes) by \$0.3 million in 2009, \$1.4 million in 2008 and \$6.7 million in 2007.

Future amortization, including our share of such items from Real Estate Affiliates, is estimated to decrease income (excluding the impact of noncontrolling interest and the provision for income taxes) by \$0.8 million in 2010, \$0.5 million in 2011, \$0.3 million in 2012, \$0.2 million in 2013 and \$0.1 million in 2014.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 4 DISCONTINUED OPERATIONS AND LOSS ON DISPOSITION OF INTEREST IN PROPERTY

On December 21, 2009, we sold one office building (which, although located in Woodlands Texas, was owned separately from the Woodlands Partnerships) totaling approximately 38,400 square feet and 4.1995 acres of land for a total sales price of \$2.0 million, resulting in a total loss of \$0.9 million.

We evaluated the operations of this property pursuant to the requirements of the generally accepted accounting principles related to business combinations and concluded that the operations of this office building did not materially impact the prior period results and therefore have not reported any prior operations of this property as discontinued operations in the accompanying combined financial statements.

NOTE 5 REAL ESTATE AFFILIATES

We own noncontrolling investments in The Woodlands Partnerships and Circle T. We share in the profits and losses, cash flows and other matters relating to our investments in such Real Estate Affiliates in accordance with our respective ownership percentages. Our unaffiliated joint venture partners manage the properties owned by these joint ventures. As we have joint interest and control of these ventures with our venture partners, we account for these joint ventures using the equity method.

As of December 31, 2009, approximately \$377.9 million of indebtedness was secured by the properties owned by our Real Estate Affiliates, our share of which was approximately \$198.4 million. There can be no assurance that we will be able to refinance or restructure such debt (including the \$171.2 million of debt maturing in 2010) on acceptable terms or otherwise, or that joint venture operations or contributions by us and/or our partners will be sufficient to repay such loans.

Circle T recorded a \$38.1 million provision for impairment related to the properties and we recorded a \$10.6 million provision for impairment with respect to our investment in such joint venture, for the year ended December 31, 2009 based on a projected sales price analysis incorporating available market information and other management assumptions. Such impairment charges are included in equity in income (loss) from Real Estate Affiliates in our combined financial statements.

Condensed Combined Financial Information of Certain Real Estate Affiliates

We own a 52.5% economic interest in The Woodlands Partnerships. The Woodlands Partnerships include the venture developing the master planned community known as The Woodlands (whose operations are included in the Master Planned Community segment) and also hold the beneficial interests in other commercial real estate within the Woodlands community, including the conference center (whose operations are reflected in the Strategic Development segment), all located near Houston, Texas. The remaining 47.5% economic interests in The Woodlands Partnerships are owned by Morgan Stanley Real Estate Fund II, L.P., a majority owned subsidiary of which provides all the management services for The Woodlands Partnerships.

We own a 50% interest in the two Circle T ventures with AIL Investment, L.P., an investment partnership owned by Hillwood Development Company of Dallas, Texas. When developed, Circle T Ranch is envisioned to be a 1 million square foot, open-air regional mall and Circle T Power Center would be a 750,000 square feet big-box retail complex.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 5 REAL ESTATE AFFILIATES (Continued)

As The Woodlands Partnerships and Circle T are accounted for on the equity method, the following summarized financial information as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 is presented below:

	December 31, 2009	December 31, 2008
(In thousands)		
Condensed Combined Balance Sheets—Real Estate Affiliates		
Assets:		
Land	\$ 31,077	\$ 27,809
Buildings and equipment	207,051	170,813
Less accumulated depreciation	(73,866)	(71,307)
Developments in progress	55,996	131,661
Net property and equipment	220,258	258,976
Investment property and property held for development and sale	266,253	282,636
Net investment in real estate	486,511	541,612
Cash and cash equivalents	35,569	52,888
Accounts and notes receivable, net	66,460	20,630
Deferred expenses, net	1,189	2,243
Prepaid expenses and other assets	40,561	103,333
Total assets	<u>\$ 630,290</u>	<u>\$ 720,706</u>
Liabilities and Owners' Equity:		
Mortgages, notes and loans payable	\$ 377,964	\$ 443,379
Accounts payable, accrued expenses and other liabilities	107,700	125,022
Owners' equity	144,626	152,305
Total liabilities and owners' equity	<u>\$ 630,290</u>	<u>\$ 720,706</u>
Investment In and Loans To/From Real Estate Affiliates, Net:		
Owners' equity	\$ 144,626	\$ 152,305
Less joint venture partners' equity	(69,147)	(73,744)
Capital or basis differences and loans	65,079	91,324
Investment in and loans to/from Real Estate Affiliates, net	<u>\$ 140,558</u>	<u>\$ 169,885</u>

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 5 REAL ESTATE AFFILIATES (Continued)

	Years Ended December 31,		
	2009	2008 (In thousands)	2007
Condensed Combined Statements of Income (Loss)—Real Estate Affiliates			
Revenues:			
Minimum rents	\$ 21,713	\$ 19,779	\$ 15,136
Land sales	72,367	137,504	161,938
Other	62,762	80,360	210,723
Total revenues	<u>156,842</u>	<u>237,643</u>	<u>387,797</u>
Expenses:			
Real estate taxes	1,314	1,180	686
Repairs and maintenance	4,778	2,985	1,827
Other property operating costs	72,607	86,968	114,936
Land sales operations	60,717	81,833	91,539
Provisions for impairment	38,082	—	—
Depreciation and amortization	10,004	8,075	9,500
Total expenses	<u>187,502</u>	<u>181,041</u>	<u>218,488</u>
Operating (loss) income	<u>(30,660)</u>	<u>56,602</u>	<u>169,309</u>
Interest income	1,265	814	1,246
Interest expense	(6,905)	(11,297)	(17,999)
Benefit from (provision for) income taxes	678	(1,575)	(5,955)
(Loss) income from continuing operations	<u>(35,622)</u>	<u>44,544</u>	<u>146,601</u>
Net (loss) income attributable to joint venture partners	<u>\$ (35,622)</u>	<u>\$ 44,544</u>	<u>\$ 146,601</u>
Equity In Income (Loss) of Real Estate Affiliates:			
Net (loss) income attributable to joint venture partners	\$ (35,622)	\$ 44,544	\$ 146,601
Joint venture partners' share of loss (income)	17,874	(21,157)	(69,638)
Amortization of capital or basis differences	(10,461)	119	(8,512)
Equity in (loss) income of Real Estate Affiliates	<u>\$ (28,209)</u>	<u>\$ 23,506</u>	<u>\$ 68,451</u>

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 6 MORTGAGES, NOTES AND LOANS PAYABLE

Mortgages, notes and loans payable are summarized as follows (see Note 12 for the maturities of our long term commitments):

	December 31, 2009	December 31, 2008
	(In thousands)	
Fixed Rate debt:		
Collateralized mortgages, notes and loans payable	\$ 342,833	\$ 354,803
Variable Rate debt:		
Collateralized mortgages, notes and loans payable	—	3,664
Total Mortgages, notes and loans payable	<u>342,833</u>	<u>358,467</u>
Less: Mortgages, notes and loans payable subject to compromise	<u>(133,973)</u>	<u>—</u>
Total mortgages, notes and loans payable not subject to compromise	<u>\$ 208,860</u>	<u>\$ 358,467</u>

As previously discussed, on April 16 and 22, 2009, the Debtors filed voluntary petitions for relief under Chapter 11, which triggered defaults on substantially all debt obligations of the Debtors. However, under section 362 of Chapter 11, the filing of a bankruptcy petition automatically stays most actions against the debtor's estate. Absent an order of the Bankruptcy Court, these pre-petition liabilities are subject to settlement under a plan of reorganization, and therefore are presented as Liabilities subject to compromise on the Combined Balance Sheet as of December 31, 2009. Of the total amount of debt presented above, \$208.9 million is not subject to compromise, consisting of the collateralized mortgages of the Spinco Debtors that emerged from bankruptcy as of December 31, 2009. Also, as discussed in Note 1, \$68.5 million of mortgages of the Emerged Debtors were reflected as subject to compromise at December 31, 2009 as the effective dates of their plans of reorganization did not occur as of December 31, 2009. Such mortgage loan amounts will be reclassified to be reflected as not subject to compromise in 2010. The remaining debt subject to compromise at December 31, 2009 is expected to be reinstated or repaid as provided by the Plan.

As of December 31, 2009, as described in Note 1, plans of reorganization for the Emerged Debtors, associated with approximately \$146.8 million of mortgage debt, were effective. The Emerged Plans for such Emerged Debtors provided for, in exchange for payment of certain extension fees and cure of previously unpaid amounts due on the applicable mortgage loans (primarily, principal amortization otherwise scheduled to have been paid since the Petition Date), the extension of the secured mortgage loans at previously existing non-default interest rates. As a result of the extensions, weighted average remaining duration of the secured loans associated with these properties is 4.61 years. In conjunction with these extensions, certain financial and operating covenants were agreed to or reinstated. With respect to those loans and Spinco Debtors that remain in bankruptcy at December 31, 2009, we are currently recognizing interest expense on our loans based on contract interest rate payments rates in effect prior to bankruptcy as the Bankruptcy Court has ruled that such contract rates constitutes adequate protection to the secured lenders. In addition, our Chapter 11 Cases have stayed the enforcement of the default provisions of certain covenants with respect to the Remaining Spinco Debtors.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 6 MORTGAGES, NOTES AND LOANS PAYABLE (Continued)

Collateralized Mortgages, Notes and Loans Payable

As of December 31, 2009, \$315.8 million of land, buildings and equipment and developments in progress (before accumulated depreciation) have been pledged as collateral for our mortgages, notes and loans payable. Substantially all of the \$342.8 million of fixed and variable rate secured mortgage notes and loans payable are non-recourse. In addition, certain mortgage loans as of December 31, 2009 contain other credit enhancement provisions which have been provided by the TopCo Debtors upon which GGP does not expect to perform during the pendency of the Chapter 11 Cases. These security or credit enhancement provisions are to be modified pursuant to the Plan, including, among other things, to substitute us for GGP. Certain mortgage notes payable may be prepaid but are generally subject to a prepayment penalty equal to a yield-maintenance premium, defeasance or a percentage of the loan balance.

Letters of Credit and Surety Bonds

We had outstanding letters of credit and surety bonds of \$76.5 million as of December 31, 2009 and \$109.0 million as of December 31, 2008. These letters of credit and bonds were issued primarily in connection with insurance requirements, special real estate assessments and construction obligations.

NOTE 7 INCOME TAXES

Although GGP operated as a REIT, certain of the Spinco Businesses operated as taxable REIT subsidiaries. Given the overall make-up of the Spinco Businesses, particularly the business of our Master Planned Communities segment, we will not elect to be treated as a REIT and thus will generally be taxed as a C corporation. However, one of our combined entities, Victoria Ward, Ltd. ("Ward", substantially all of which is owned by us) elected to be taxed as a REIT under sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year beginning January 1, 2002. To qualify as a REIT, Ward must meet a number of organizational and operational requirements, including requirements to distribute at least 90% of its ordinary taxable income and to distribute to stockholders or pay tax on 100% of capital gains and to meet certain asset and income tests. Ward has satisfied such REIT distribution requirements for 2009.

As a REIT, Ward will generally not be subject to corporate level Federal income tax on taxable income distributed currently to its stockholders. If Ward fails to qualify as a REIT in any taxable year, it will be subject to Federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if it qualified for taxation as a REIT, Ward may be subject to certain state and local taxes on its income or property, and to Federal income and excise taxes on undistributed taxable income. In addition, Ward is subject to rules which may impose corporate income tax on certain built-in gains recognized upon the disposition of assets owned by Ward or its qualified REIT subsidiaries where such entities (or other predecessors) had formerly been C corporations. These rules apply only where the disposition occurs within certain specified recognition periods. However, to the extent that any such properties subject to the built-in gain tax are to be sold, Ward intends to utilize tax strategies when prudent, such as dispositions through like-kind exchanges to limit or offset the amount of such gains and therefore the amount of tax paid, although the market climate and our business needs may not allow for such strategies to be implemented.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 7 INCOME TAXES (Continued)

The provision for (benefit from) income taxes for the years ended December 31, 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Current	(849)	9,514	42,586
Deferred	(23,120)	(6,811)	(53,229)
Total	<u>(23,969)</u>	<u>2,703</u>	<u>(10,643)</u>

Income tax expense computed by applying the Federal corporate tax rate for the years ended December 31, 2009, 2008 and 2007 is reconciled to the provision for income taxes as follows:

	2009	2008	2007
Tax at statutory rate on earnings from continuing operations before income taxes	(254,653)	(5,356)	(5,123)
Increase (decrease) in valuation allowances, net.	7,267	1,470	—
State income taxes, net of Federal income tax benefit	(2,728)	476	(5,641)
Tax at statutory rate on REIT earnings (losses) not subject to Federal income taxes	220,836	18,589	6,082
Tax expense (benefit) from change in tax rates, permanent differences and other	257	(11,241)	(1,631)
Tax benefit from Private REIT/TRS restructuring	—	—	(7,433)
Expiration of capital loss carryforwards	3,726	—	—
Uncertain tax position expense, excluding interest	—	200	(532)
Uncertain tax position interest, net of Federal income tax benefit	1,326	(1,435)	3,635
Income tax expense (benefit)	<u>(23,969)</u>	<u>2,703</u>	<u>(10,643)</u>

Realization of a deferred tax benefit is dependent upon generating sufficient taxable income in future periods. Our net operating loss carryforwards are currently scheduled to expire in subsequent years through 2030. Some of the net operating loss carryforward amounts are subject to annual limitations under Section 382 of the Code. This annual limitation under Section 382 is subject to modification if a taxpayer recognizes what are called "built-in gain items." It is possible that the Company could, in the future, experience a change in control pursuant to Section 382 that could put additional limits on the benefit of deferred tax assets.

The amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes for the TRS's are as follows:

	<u>Amount</u> (In thousands)	<u>Expiration Dates</u>
Net operating loss carryforwards—Federal	61,868	2023 - 2030
Net operating loss carryforwards—State	11,862	2010 - 2030
Tax credit carryforwards—Federal AMT	847	n/a

As of December 31, 2009 and 2008, the Company had gross deferred tax assets totaling \$200.8 million and \$178.0 million, and gross deferred tax liabilities of \$975.0 million and \$971.3 million,

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 7 INCOME TAXES (Continued)

respectively. We have established a valuation allowance in the amount of \$8.7 million and \$1.5 million as of December 31, 2009 and 2008, respectively, against certain deferred tax assets for which it is more likely than not that such deferred tax assets will not be realized.

The tax effects of temporary differences and carryforwards included in the net deferred tax liabilities at December 31, 2009 and 2008 are summarized as follows:

	2009	2008
Property Associated with Master Planned Communities, primarily differences in the tax basis of land assets and treatment of interest and other costs	(704,541)	(714,409)
Operating Property, primarily differences in basis of assets and liabilities	30,524	14,667
Deferred income	(270,382)	(256,921)
Interest deduction carryforwards	142,073	142,073
Operating loss and tax credit carryforwards	28,246	21,241
Valuation allowance	(8,737)	(1,471)
Net deferred tax liabilities	<u>(782,817)</u>	<u>(794,820)</u>

The deferred tax liability associated with the master planned communities is largely attributable to the difference between the basis and value determined as of the date of the acquisition by the Predecessors of The Rouse Company ("TRC") in 2004 adjusted for sales that have occurred since that time. The cash cost related to this deferred tax liability is dependent upon the sales price of future land sales and the method of accounting used for income tax purposes. The deferred tax liability related to deferred income is the difference between the income tax method of accounting and the financial statement method of accounting for prior sales of land in our Master Planned Communities.

Although we believe our tax returns are correct, the final determination of tax examinations and any related litigation could be different than what was reported on the returns. In the opinion of management, we have made adequate tax provisions for years subject to examination. Generally, we are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2005 through 2009 and are open to audit by state taxing authorities for years ending December 31, 2004 through 2009.

Two of our subsidiaries are subject to IRS audit for the years ended December 31, 2007 and December 31, 2008, and in connection with such audits, the IRS has proposed changes resulting in \$148.2 million of additional tax. We have disputed the proposed changes and it is the Company's position that the tax law in question has been properly applied and reflected in the 2007 and 2008 returns for these two subsidiaries. We are currently considering a settlement offer from the IRS and cannot predict when these audits will be resolved. We have previously provided for the additional taxes sought by the IRS, through our uncertain tax position liability or deferred tax liabilities. Although we believe our tax returns are correct, the final determination of tax examinations and any related litigation could be different than what was reported on the returns. In the opinion of management, we have made adequate tax provisions for years subject to examination.

On January 1, 2007, we adopted a generally accepted accounting principle related to accounting for uncertainty in income taxes, which prescribes a recognition threshold that a tax position is required to meet before recognition in the financial statements and provides guidance on derecognition,

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 7 INCOME TAXES (Continued)

measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

At January 1, 2007, we had total unrecognized tax benefits of \$64.1 million, excluding accrued interest, of which none would impact our effective tax rate. These unrecognized tax benefits increased our income tax liabilities by \$0.4 million, and cumulatively reduced retained earnings by \$0.4 million. As of January 1, 2007, we had accrued interest of \$4.1 million related to these unrecognized tax benefits and no penalties. Prior to adoption of the generally accepted accounting principle related to accounting for uncertainty in income taxes, we did not treat either interest or penalties related to tax uncertainties as part of income tax expense. With the adoption of the generally accepted accounting principle related to accounting for uncertainty in income taxes, we have chosen to change this accounting policy. As a result, we will recognize and report interest and penalties, if necessary, within our provision for income tax expense from January 1, 2007 forward. We recognized potential interest expense (benefit) related to the unrecognized tax benefits of \$2.0 million, \$(2.2) million and \$5.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. At December 31, 2009, we had total unrecognized tax benefits of \$56.5 million, excluding interest, of which none would impact our effective tax rate.

	2009	2008	2007
	(In thousands)		
Unrecognized tax benefits, opening balance	\$ 69,665	\$ 69,967	\$ 64,145
Gross increases—tax positions in prior period	41	—	—
Gross increases—tax positions in current period	—	3,247	6,270
Gross decreases—tax positions in prior period	(13,198)	(3,549)	(448)
Unrecognized tax benefits, ending balance	\$ 56,508	\$ 69,665	\$ 69,967

Based on our assessment of the expected outcome of existing examinations or examinations that may commence, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits, excluding accrued interest, for tax positions taken regarding previously filed tax returns will materially change from those recorded at December 31, 2009. A material change in unrecognized tax benefits could have a material effect on our statements of income and comprehensive income. As of December 31, 2009, there is approximately \$56.5 million of unrecognized tax benefits, excluding accrued interest, which due to the reasons above, could significantly increase or decrease during the next twelve months.

Earnings and profits, which determine the taxability of dividends to stockholders, differ from net income reported for financial reporting purposes due to differences for Federal income tax reporting purposes in, among other things, estimated useful lives, depreciable basis of properties and permanent and temporary differences on the inclusion or deductibility of elements of income and deductibility of expense for such purposes.

SPINCO, INC.**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)****NOTE 8 RENTALS UNDER OPERATING LEASES**

We receive rental income from the leasing of retail and other space under operating leases. The minimum future rentals based on operating leases of our combined properties held as of December 31, 2009 are as follows:

<u>Year</u>	<u>Total Minimum Rent</u> <u>(in thousands)</u>
2010	\$ 43,030
2011	36,053
2012	31,531
2013	26,247
2014	21,231
Subsequent	71,656

Minimum future rentals exclude amounts which are payable by certain tenants based upon a percentage of their gross sales or as reimbursement of operating expenses and amortization of above and below-market tenant leases. Such operating leases are with a variety of tenants, the majority of which are national and regional retail chains and local retailers, and consequently, our credit risk is concentrated in the retail industry.

NOTE 9 TRANSACTIONS WITH GGP AND OTHER GGP SUBSIDIARIES**Intercompany Transactions**

As described in Note 2, the accompanying combined financial statements present the operations of the Spinco Businesses as carved-out from the consolidated financial statements of GGP. Transactions between the Spinco Businesses have been eliminated in the combined presentation. Also as described in Note 2, an allocation of certain centralized GGP costs incurred for activities such as employee benefit programs, property management and asset management functions, centralized treasury, payroll and administrative functions have been made to the property operating costs of Spinco Businesses. Transactions between the Spinco Businesses and GGP or other GGP subsidiaries (for example, for rental income from GGP) have not been eliminated except that end-of-period intercompany balances between GGP and the Spinco Businesses have been considered elements of Spinco equity.

Incentive Stock Plans

Prior to the Chapter 11 Cases, the Predecessors granted qualified and non-qualified stock options and restricted stock to certain GGP officers and key employees whose compensation costs related specifically to our assets. Accordingly, an allocation of stock-based compensation costs pertaining to such employees has been reflected in our combined financial statements for the applicable periods. A similar equity incentive plan is expected to be in place for our employees after the Effective Date.

Pursuant to the Plan, each outstanding option to acquire shares of GGP stock will be converted into (i) an option to acquire the same number of shares of common stock of reorganized GGP and (ii) a separate option to acquire 0.0983 shares of our common stock for each existing option for one share of GGP common stock. The replacement options will have the same terms and conditions as the outstanding GGP Options. As of the Effective Date, we expect 507,307 shares of our common stock to be issuable upon exercise of the Spinco Options. The exercise price per share of a Spinco Option that is converted from a GGP Option shall be computed based upon the relative trading prices of our

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 9 TRANSACTIONS WITH GGP AND OTHER GGP SUBSIDIARIES (Continued)

common stock and reorganized GGP's common stock during the last ten-day trading period ending on or before the sixtieth calendar day following the Effective Date. As the majority of the current outstanding options to acquire shares of GGP have an exercise price in excess of the current trading price of GGP stock, we do not expect that such outstanding options for our stock to be materially dilutive as of the Effective Date. In addition, with respect to certain of the currently outstanding GGP options, the Plan provides that the holders of such options will be given the alternative of receiving, in cash, the excess of the highest reported share price of GGP stock during the sixty day period prior to the Effective Date over the exercise price of such option, and, accordingly, the amount of Spinco common stock issuable on the Effective Date as a result of the currently outstanding GGP options will be less than the 507,307 shares to the extent such alternative is elected.

Stock-Based Compensation Expense

The Predecessors evaluated stock-based compensation expense in accordance with the generally accepted accounting principles related to share-based payments, which requires companies to estimate the Fair Value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of an award to our employees that is ultimately expected to vest is recognized as expense over the requisite service periods in the Combined Statements of Loss and Comprehensive Loss. The compensation expense for employees specifically attributed to the Spinco Businesses have been included in the accompanying combined financial statements.

NOTE 10 OTHER ASSETS AND LIABILITIES

The following table summarizes the significant components of prepaid expenses and other assets.

	December 31, 2009	December 31, 2008
	(In thousands)	
Special Improvement District receivable	\$ 48,713	\$ 51,314
Receivables—other	37,355	36,231
Below-market ground leases (Note 2)	21,357	21,696
Prepaid expenses	9,465	11,562
Security and escrow deposits	9,487	9,784
Other	8,668	8,810
	<u>\$ 135,045</u>	<u>\$ 139,397</u>

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 10 OTHER ASSETS AND LIABILITIES (Continued)

The following table summarizes the significant components of accounts payable and accrued expenses.

	December 31, 2009	December 31, 2008
	(In thousands)	
Construction payable	\$ 108,437	\$ 123,659
Uncertain tax position liability	66,129	77,245
Payables to GGP*	30,359	28,450
Accounts payable and accrued expenses	23,087	31,791
Above-market ground leases (Note 3)	14,543	15,601
Deferred gains/income	9,045	5,422
Insurance reserve	5,640	5,868
Accrued real estate taxes	4,548	4,040
Tenant and other deposits	4,322	5,672
Accrued interest	3,816	1,684
Accrued payroll and other employee liabilities	2,754	1,343
Other	3,377	4,079
Total accounts payable and accrued expenses	276,057	304,854
Less: amounts subject to compromise (Note 2)	(141,866)	—
Accounts payable and accrued expenses not subject to compromise	\$ 134,191	\$ 304,854

* Expected to be eliminated pursuant to the Plan.

NOTE 11 COMMITMENTS AND CONTINGENCIES

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on our combined financial position, results of operations or liquidity.

We lease land or buildings at certain properties from third parties. The leases generally provide us with a right of first refusal in the event of a proposed sale of the property by the landlord. Rental payments are expensed as incurred and have, to the extent applicable, been straight-lined over the term of the lease. Contractual rental expense, including participation rent, was \$3.5 million in 2009, \$3.7 million in 2008 and \$3.6 million in 2007, while the same rent expense excluding amortization of above and below-market ground leases and straight-line rents, as presented in our combined financial statements, was \$3.6 million in 2009, \$3.8 million in 2008 and \$3.6 million in 2007.

See Note 7 for our obligations related to uncertain tax positions for disclosure of additional contingencies.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 11 COMMITMENTS AND CONTINGENCIES (Continued)

The following table summarizes the contractual maturities of our long-term commitments. Both long-term debt and ground leases include the related purchase accounting Fair Value adjustments:

	2010	2011	2012	2013	2014	Subsequent / Other	Total
	(In thousands)						
Long-term debt-principal(*)	\$ 48,196	\$ 10,130	\$ 3,740	\$ 4,855	\$ 54,975	\$ 86,964	\$ 208,860
Ground lease payments	2,802	2,801	2,809	2,825	2,825	105,921	119,983
Uncertainty in income taxes, including interest	—	—	—	—	—	66,129	66,129
Total	<u>\$ 50,998</u>	<u>\$ 12,931</u>	<u>\$ 6,549</u>	<u>\$ 7,680</u>	<u>\$ 57,800</u>	<u>\$ 259,014</u>	<u>\$ 394,972</u>

(*) Excludes approximately \$134 million of long-term debt-principal that is subject to compromise.

Contingent Stock Agreement

In conjunction with GGP's acquisition of The Rouse Company ("TRC") in November 2004, GGP assumed TRC's obligations under the Contingent Stock Agreement, (the "CSA"). TRC entered into the CSA in 1996 when it acquired The Hughes Corporation ("Hughes"). This acquisition included various assets, including Summerlin (the "CSA Assets"), a commitment in our Master Planned Communities segment. GGP's obligations to the former Hughes owners or their successors (the "Beneficiaries") under the CSA are subject to treatment in accordance with applicable requirements of the bankruptcy law and any plan of reorganization that may be confirmed by the Bankruptcy Court.

Under the terms of the CSA, GGP was required through August 2009 to issue shares of its common stock semi-annually (February and August) to the Beneficiaries with the number of shares to be issued in any period based on cash flows from the development and/or sale of the CSA Assets and GGP's stock price. The Beneficiaries' share of earnings from the CSA Assets has been accounted for in our consolidated financial statements as a land sales operations expense, with the difference between such share of operations and the share of cash flows paid remaining as a contingent obligation. During 2009, GGP was not obligated to deliver any shares of its common stock under the CSA as the net development and sales cash flows were negative for the applicable periods. During 2008, 356,661 shares and during 2007, 698,601 shares of GGP common stock were delivered to the Beneficiaries pursuant to the CSA.

Under the terms of the CSA, GGP was also required to make a final distribution to the Beneficiaries in 2010, following a final valuation of the remaining CSA Assets as of December 31, 2009. The CSA set forth a methodology for establishing this final valuation and required the payment be made in shares of GGP common stock. On August 4, 2010, the Bankruptcy Court entered an order directing the parties to proceed with an expedited appraisal process for the CSA assets and directing the parties to choose an independent appraiser to assist in the valuation process. Although the final payment may be in a range of amounts, we have estimated an amount to satisfy the obligations with respect to the final CSA distribution requirement. Accordingly, as of December 31, 2009, we recorded an incremental intercompany liability from GGP classified in our equity net of the accrued contingent obligation related to the share of previous earnings of the CSA assets, with such amount reflected as additional investment (approximately \$178 million) in the CSA Assets (that is, contingent consideration) which is included in investment property and property held for development and sale.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 11 COMMITMENTS AND CONTINGENCIES (Continued)

The actual amount of the final distribution by GGP to the Beneficiaries remains subject to determination by the Bankruptcy Court.

NOTE 12 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of January 1, 2009, we adopted a new generally accepted accounting principle related to business combinations, which will change how business acquisitions are accounted for and will impact our financial statements both on the acquisition date and in subsequent periods.

On June 12, 2009, the FASB issued new generally accepted accounting guidance that amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities and enterprises currently within the scope of the previous guidance and are effective to the Company on January 1, 2010. Although the amendments significantly affected the overall consolidation analysis under previously issued guidance, there was no significant impact to our combined financial statements for this new guidance.

In June 2009, the FASB issued new generally accepted accounting guidance related to the accounting standards codification and the hierarchy of generally accepted accounting principles. The codification's content will carry the same level of authority, effectively superseding previous related guidance. The GAAP hierarchy has been modified to include only two levels of GAAP: authoritative and nonauthoritative. This new guidance was effective for us in the third quarter of 2009.

NOTE 13 SEGMENTS

We have two business segments which offer different products and services. Our segments are managed separately because each requires different operating strategies or management expertise. We do not distinguish or group our combined operations on a geographic basis. Further, all operations are within the United States and no customer or tenant comprises more than 10% of combined revenues. Our reportable segments are as follows:

- Master Planned Communities—includes the development and sale of land, in large-scale, long-term community development projects in and around Columbia, Maryland; Summerlin, Nevada; and Houston, Texas
- Strategic Development—includes the operation, development and management of our land holdings and redevelopment sites, including the current incidental rental property operations (primarily retail and other interests in real estate at such locations) as well as our one residential condominium project located in Natick (Boston), Massachusetts

The operating measure used to assess operating results for our business segments is adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"). Adjusted EBITDA also excludes reorganization items, strategic initiatives, provisions for impairment and allocation to noncontrolling interests. Management believes that Adjusted EBITDA provides useful information about a property's operating performance.

The accounting policies of the segments are the same as those described in Note 2, except that we report the operations of our Real Estate Affiliates using the proportionate share method rather than the equity method. Under the proportionate share method, our share of the revenues and expenses of our Real Estate Affiliates are aggregated with the revenues and expenses of combined properties.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 13 SEGMENTS (Continued)

Under the equity method, our share of the net revenues and expenses of our Real Estate Affiliates are reported as a single line item, Equity in income (loss) of Real Estate Affiliates, in our Combined Statements of Loss and Comprehensive Loss. This difference affects only the reported revenues and operating expenses of the segments and has no effect on our reported net earnings. In addition, other revenue includes the Adjusted EBITDA of discontinued operations and is reduced by the Adjusted EBITDA attributable to our noncontrolling interests.

The total cash expenditures for additions to long-lived assets for the Master Planned Communities segment was \$61.1 million for the year ended December 31, 2009, \$147.8 million for the year ended December 31, 2008 and \$216.2 million for the year ended December 31, 2007. Similarly, cash expenditures for long-lived assets for the Strategic Development segment was \$27.7 million for the year ended December 31, 2009, \$314.1 million for the year ended December 31, 2008 and \$144.9 million for the year ended December 31, 2007. Such amounts for the Master Planned Communities segment and the Strategic Development segment are included in the amounts listed as Land/residential development and acquisitions expenditures and Acquisition/development of real estate and property additions/improvements, respectively, in our Combined Statements of Cash Flows.

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 13 SEGMENTS (Continued)

Segment operating results are as follows:

	Year Ended December 31, 2009		
	Combined Properties	Real Estate Affiliates	Segment Basis
	(In thousands)		
Master Planned Communities			
Land sales	\$ 45,996	\$ 37,993	\$ 83,989
Land sales operations	(49,062)	(33,684)	(82,746)
Master Planned Communities Adjusted EBITDA	(3,066)	4,309	1,243
Strategic Development			
Property revenues:			
Minimum rents	65,653	12,686	78,339
Tenant recoveries	19,642	—	19,642
Overage rents	2,701	—	2,701
Other	2,356	32,950	35,306
Total property revenues	90,352	45,636	135,988
Property operating expenses:			
Real estate taxes	13,813	690	14,503
Property maintenance costs	5,586	2,508	8,094
Marketing	1,071	—	1,071
Other property operating costs	33,739	38,119	71,858
Provision for doubtful accounts	2,539	—	2,539
Property management and other costs	17,643	—	17,643
Total property operating expenses	74,391	41,317	115,708
Strategic Development Adjusted EBITDA	15,961	4,319	20,280
Total Segments Adjusted EBITDA	\$ 12,895	\$ 8,628	\$ 21,523

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 13 SEGMENTS (Continued)

	Year Ended December 31, 2008		
	Combined Properties	Real Estate Affiliates (In thousands)	Segment Basis
Master Planned Communities			
Land sales	\$ 66,557	\$ 72,189	\$ 138,746
Land sales operations	(63,421)	(46,311)	(109,732)
Master Planned Communities Adjusted EBITDA	3,136	25,878	29,014
Strategic Development			
Property revenues:			
Minimum rents	68,441	12,557	80,998
Tenant recoveries	21,592	—	21,592
Overage rents	3,519	—	3,519
Other	12,398	42,189	54,587
Total property revenues	105,950	54,746	160,696
Property operating expenses:			
Real estate taxes	10,418	619	11,037
Property maintenance costs	6,113	1,567	7,680
Marketing	1,530	—	1,530
Other property operating costs	36,584	45,658	82,242
Provision for doubtful accounts	1,174	—	1,174
Property management and other costs	20,656	—	20,656
Total property operating expenses	76,475	47,844	124,319
Strategic Development Adjusted EBITDA	29,475	6,902	36,377
Total Segments Adjusted EBITDA	\$ 32,611	\$ 32,780	\$ 65,391

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 13 SEGMENTS (Continued)

	Year Ended December 31, 2007		
	Combined Properties	Real Estate Affiliates (In thousands)	Segment Basis
Master Planned Communities			
Land sales	\$ 142,360	\$ 85,017	\$ 227,377
Land sales operations	(114,210)	(57,813)	(172,023)
Master Planned Communities Adjusted EBITDA	28,150	27,204	55,354
Strategic Development			
Property revenues:			
Minimum rents	78,209	10,504	88,713
Tenant recoveries	22,449	—	22,449
Overage rents	5,194	—	5,194
Other	12,286	58,218	70,504
Total property revenues	118,138	68,722	186,860
Property operating expenses:			
Real estate taxes	9,824	360	10,184
Property maintenance costs	7,232	959	8,191
Marketing	1,646	—	1,646
Other property operating costs	35,109	60,341	95,450
Provision for doubtful accounts	1,301	—	1,301
Property management and other costs	26,799	—	26,799
Total property operating expenses	81,911	61,660	143,571
Strategic Development Adjusted EBITDA	36,227	7,062	43,289
Total Segments Adjusted EBITDA	\$ 64,377	\$ 34,266	\$ 98,643

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 13 SEGMENTS (Continued)

	Historical		
	Year Ended December 31,		
	2009	2008	2007
Reconciliation of Segment Basis Adjusted EBITDA and EBITDA to GAAP Net (Loss) Income Attributable to GGP			
AEBITDA	\$ 21,523	\$ 65,391	\$ 98,643
Strategic Initiatives	(5,380)	(1,496)	—
Provisions for impairment	(709,990)	(52,511)	(125,879)
Debt extinguishment costs	(9)	—	(618)
Reorganization items	(6,674)	—	—
Discontinued operations gains (losses) on dispositions	(939)	—	41,975
EBITDA	(701,469)	11,384	14,121
Depreciation and amortization	(25,110)	(22,470)	(25,690)
Amortization of deferred finance costs	(916)	(720)	(1,194)
Interest income	2,353	2,341	2,304
Interest expense	(2,999)	(4,914)	(957)
Benefit from (provision for) income taxes	24,325	(3,530)	7,517
Allocation to noncontrolling interests	204	(100)	(101)
Net loss attributable to GGP	<u>\$ (703,612)</u>	<u>\$ (18,009)</u>	<u>\$ (4,000)</u>

The following reconciles segment revenues to GAAP-basis combined revenues:

	Years Ended December 31,		
	2009	2008	2007
	(In thousands)		
Master Planned Communities—Total Segment	\$ 83,989	\$ 138,746	\$ 227,377
Strategic Development—Total Segment	135,988	160,696	186,860
Total Segment revenues	219,977	299,442	414,237
less:			
Woodlands land sales revenues	37,993	72,189	85,017
Strategic Development Real Estate Affiliates revenues	45,636	54,746	68,722
Total combined revenues—GAAP basis	<u>\$ 136,348</u>	<u>\$ 172,507</u>	<u>\$ 260,498</u>

The assets by segment and the reconciliation of total segment assets to the total assets in the combined financial statements at December 31, 2009 and 2008 are summarized as follows:

	December 31,	December 31,
	2009	2008
	(In thousands)	
Strategic Development	\$ 1,099,394	\$ 1,775,769
Master Planned Communities	2,006,790	1,908,222
Total segment assets	<u>3,106,184</u>	<u>3,683,991</u>
Real Estate Affiliates	(330,452)	(376,968)
Corporate and other	129,495	136,933
Total combined assets	<u>\$ 2,905,227</u>	<u>\$ 3,443,956</u>

SPINCO, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE 14 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands)			
Total revenues	\$ 28,968	\$ 46,152	\$ 30,260	\$ 30,968
Operating loss(1)	(92,304)	(55,744)	(42,427)	(502,200)
Loss from continuing operations(1)	(85,356)	(57,925)	(24,380)	(535,216)
Loss from discontinued operations	—	—	—	(939)
Net loss attributable to GGP(2)	(85,400)	(57,946)	(24,415)	(535,851)

	2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands)			
Total revenues	\$ 38,283	\$ 39,580	\$ 31,919	\$ 62,725
Operating income (loss)	5,229	2,459	(49,555)	2,050
Income (loss) from continuing operations	8,633	8,286	(43,255)	8,427
Net income (loss) attributable to GGP(2)	8,604	8,264	(43,267)	8,390

- (1) Operating loss and loss from continuing operations in the fourth quarter of 2009 were primarily due to provisions for impairment (Note 2) and property level bankruptcy claims. Such losses were partially offset by gains on liabilities subject to compromise (Note 2).
- (2) Earnings (loss) per share for the quarters have not been presented due to 100% of our equity being owned by GGP for all applicable periods.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
General Growth Properties, Inc.
Chicago, Illinois

We have audited the combined financial statements of certain entities that are expected to be transferred to Spinco, Inc., an indirect subsidiary of General Growth Properties, Inc., and are under common ownership and common control of General Growth Properties, Inc., (the "Spinco Businesses") as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, and have issued our report thereon dated August 24, 2010 (for which the report on the combined financial statements expresses an unqualified opinion and includes explanatory paragraphs regarding the Spinco Businesses' inclusion of allocations of certain operating expenses from General Growth Properties, Inc., the Spinco Businesses' bankruptcy proceedings, and the Spinco Businesses' ability to continue as a going concern); such combined financial statements and report are included elsewhere in this Form 10. Our audits also included the combined financial statement schedule of the Spinco Businesses listed in Item 15 of this Form 10. This combined financial statement schedule is the responsibility of the Spinco Businesses' management. Our responsibility is to express an opinion based on our audits. In our opinion, such combined financial statement schedule, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Chicago, Illinois
August 24, 2010

SPINCO, INC.

SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2009

Name of Center	Location	Encumbrances(a)	Initial Cost(b)		Costs Capitalized Subsequent to Acquisition(c)		Gross Amounts at Which Carried at Close of Period(d)			Accumulated Depreciation(e)	Date of Construction	Date Acquired	Life Upon Which Latest Income Statement is Computed
			Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Total				
Master Planned Communities													
Bridgeland	Houston, TX	29,812	257,222	—	130,053	1,123	387,275	1,123	388,398	412		2004	(e)
Columbia	Howard County, MD	—	457,552	—	(335,898)	66	121,654	66	121,720	6		2004	(e)
Summerlin	Summerlin, NV	52,199	990,179	—	241,532	33	1,231,711	33	1,231,744	2		2004	(e)
Other		—	—	—	16	—	16	—	16	—			
Total Master Planned Communities		82,011	1,704,953	—	35,703	1,222	1,740,656	1,222	1,741,878	420			
Strategic Development:													
110 N. Wacker	Chicago, IL	44,959	—	29,035	—	4,269	—	33,304	33,304	9,007		1997	(e)
Alameda Plaza	Pocatello, ID	—	740	2,060	—	13	740	2,073	2,813	387		2002	(e)
Century Plaza	Birmingham, AL	—	3,164	28,514	—	(14,290)	3,164	14,224	17,388	6		1997	(e)
Columbia Offices	Howard County, MD	—	1,575	31,431	—	1,084	1,575	32,515	34,090	9,161		2005	(e)
Cottonwood Mall	Salt Lake City, UT	—	7,613	42,987	(4,713)	(25,583)	2,900	17,404	20,304	—		2002	(e)
Cottonwood Square	Salt Lake City, UT	—	1,558	4,339	—	218	1,558	4,557	6,115	847		2002	(e)
Landmark Mall	Alexandria, VA	—	28,396	67,235	(10,038)	(36,664)	18,358	30,571	48,929	—		2003	(e)
Park West	Peoria, AZ	—	16,526	77,548	1	(2,915)	16,527	74,633	91,160	5,301	2008		(e)
Rio West Mall	Gallup, NM	—	—	19,500	—	7,469	—	26,969	26,969	15,239		1986	(e)
Nouvelle at Natick	Natick, MA	—	—	—	1,920	39,898	1,920	39,898	41,818	—			
Riverwalk Marketplace	New Orleans, LA	—	—	94,513	—	(2,397)	—	92,116	92,116	11,324		2004	(e)
South Street Seaport	New York, NY	—	—	10,872	—	(5,382)	—	5,490	5,490	2,416		2004	(e)
Ward Centers	Honolulu, HI	202,997	164,007	89,321	(18,429)	114,151	145,578	203,472	349,050	27,361		2002	(e)
Development in progress, and other		12,866	25,895	—	(21,595)	171,532	4,300	171,532	175,832	4,170			
Total Strategic Development		260,822	249,474	497,355	(52,854)	251,403	196,620	748,758	945,378	85,219			
Total Spinco		342,833	1,954,427	497,355	(17,151)	252,625	1,937,276	749,980	2,687,256	85,639			

NOTES TO SCHEDULE III

(a) See description of mortgages, notes and other debt payable in Note 6 of Notes to Combined Financial Statements.

SPINCO, INC.

SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

SPINCO, INC.
NOTES TO SCHEDULE III

- (a) See description of mortgages, notes and other debt payable in Note 6 of Notes to Combined Financial Statements.
- (b) Initial cost for constructed malls is cost at end of first complete calendar year subsequent to opening.
- (c) For retail and other properties, costs capitalized subsequent to acquisitions is net of cost of disposals or other property write-downs. For Master Planned Communities, costs capitalized subsequent to acquisitions are net of land sales.
- (d) The aggregate cost of land, buildings and improvements for federal income tax purposes is approximately \$2.2 billion.
- (e) Depreciation is computed based upon the following estimated lives:

	<u>Years</u>
Buildings, improvements and carrying costs	40-45
Equipment, tenant improvements and fixtures	5-10

	<u>Reconciliation of Real Estate</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
(In thousands)			
Balance at beginning of year	\$ 3,206,436	\$ 2,787,779	\$ 2,609,077
Change in Master Planned			
Communities land	179,765	191,857	84,394
Additions	238,020	630,868	340,171
Impairments	(680,349)	(52,511)	(125,879)
Dispositions and write-offs	(256,616)	(351,557)	(119,984)
Balance at end of year	<u>\$ 2,687,256</u>	<u>\$ 3,206,436</u>	<u>\$ 2,787,779</u>

	<u>Reconciliation of Accumulated Depreciation</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
(In thousands)			
Balance at beginning of year	\$ 103,293	\$ 101,384	\$ 92,208
Depreciation expense	17,145	15,637	20,883
Dispositions and write-offs	(34,799)	(13,728)	(11,707)
Balance at end of year	<u>\$ 85,639</u>	<u>\$ 103,293</u>	<u>\$ 101,384</u>

Independent Accountants' Report

Executive Committee
TWLDC Holdings, L.P.
The Woodlands, Texas

We have audited the accompanying consolidated balance sheets of TWLDC Holdings, L.P., as of December 31, 2009 and 2008, and the related consolidated statements of earnings, changes in partners' equity and cash flows for the years then ended. These financial statements are the responsibility of The Woodlands Partnerships' 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TWLDC Holdings, L.P., as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2009, The Woodlands Partnerships changed its method of accounting for noncontrolling interests in its consolidated financial statements.

/s/ BKD, LLP

April 26, 2010

TWLDC Holdings, L.P.

Consolidated Balance Sheets

December 31, 2009 and 2008

(dollars in thousands)

	2009	2008
Assets		
Cash and cash equivalents	\$ 35,766	\$ 52,886
Trade receivables	7,202	16,096
Inventories	583	666
Prepaid and other current assets	3,377	3,178
Notes and contracts receivable, net	78,791	73,283
Real estate, net	474,858	495,173
Other assets	4,943	5,789
Total assets	<u>\$ 605,520</u>	<u>\$ 647,071</u>
Liabilities and Partners' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 25,583	\$ 47,798
Payables to affiliates	2,400	2,525
Credit facility	306,539	306,539
Other debt	71,424	94,550
Notes payable to partners	34,657	28,449
Deferred revenue	61,625	57,345
Other liabilities	7,607	8,830
Total liabilities	<u>509,835</u>	<u>546,036</u>
Partners' equity:		
TWLDC Holdings, L.P. equity	90,517	93,067
Noncontrolling interests	5,168	7,968
Total partners' equity	<u>95,685</u>	<u>101,035</u>
Total liabilities and partners' equity	<u>\$ 605,520</u>	<u>\$ 647,071</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Consolidated Statements of Earnings

Years Ended December 31, 2009 and 2008

(dollars in thousands)

	2009	2008
Revenues:		
Residential lot sales	\$ 53,585	\$ 92,833
Commercial land sales	12,681	27,590
Hotel and country club operations	38,706	53,148
Other	19,414	17,870
	<u>124,386</u>	<u>191,441</u>
Costs and expenses:		
Residential lot cost of sales	31,968	48,376
Commercial land cost of sales	2,593	7,926
Hotel and country club operations	38,751	47,631
Operating expenses	34,986	36,540
Depreciation and amortization	9,366	7,201
	<u>117,664</u>	<u>147,674</u>
Operating earnings	6,722	43,767
Other (income) expense:		
Interest expense	16,064	24,075
Interest capitalized	(4,988)	(10,050)
Amortization of debt costs	1,930	1,806
Other	(4,966)	(3,590)
	<u>8,040</u>	<u>12,241</u>
Earnings (loss) from continuing operations before income taxes	(1,318)	31,526
Provision (credit) for income taxes	(714)	1,576
Earnings (loss) from continuing operations	<u>(604)</u>	<u>29,950</u>
Discontinued operations:		
Gain from disposal of discontinued operations	1,819	12,225
Gain (loss) from operations of discontinued components, net of tax benefit (expense) of \$37 and \$-0- in 2009 and 2008, respectively	1,830	(2,565)
Gain from discontinued operations	<u>3,649</u>	<u>9,660</u>
Net earnings	3,045	39,610
Less: Net earnings attributable to the noncontrolling interests	(5,595)	(2,082)
Net earnings (loss) attributable to TWLDC Holdings, L.P.	<u>\$ (2,550)</u>	<u>\$ 37,528</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.**Consolidated Statements of Changes in Partners' Equity****Years Ended December 31, 2009 and 2008****(dollars in thousands)**

	<u>TWLDC Holdings, L.P.</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Balance, January 1, 2008	\$ 55,539	\$ 5,886	\$ 61,425
Net earnings	37,528	2,082	39,610
Balance, December 31, 2008	93,067	7,968	101,035
Distribution to noncontrolling interest	—	(8,395)	(8,395)
Net earnings (loss)	(2,550)	5,595	3,045
Balance, December 31, 2009	<u>\$ 90,517</u>	<u>\$ 5,168</u>	<u>\$ 95,685</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Consolidated Statements of Cash Flows

Years Ended December 31, 2009 and 2008

(dollars in thousands)

	2009	2008
Operating Activities		
Net earnings	\$ 3,045	\$ 39,610
Adjustments to reconcile net earnings to cash provided by operating activities:		
Cost of land sold	34,561	56,302
Land development capital expenditures	(18,493)	(48,105)
Depreciation and amortization	10,005	8,528
Amortization of debt costs	2,050	2,025
Gain on disposal of discontinued operations	(1,819)	(12,225)
Increase (decrease) in notes and contracts receivable	1,840	(932)
Other liabilities and deferred revenue	(25)	6,443
Other	2,286	(6,369)
Changes in operating assets and liabilities:		
Trade receivables, inventories and prepaid assets	8,761	(2,036)
Other assets	(1,139)	(3,707)
Accounts payable, accrued liabilities and net payables with affiliates	(16,115)	258
Net cash provided by operating activities	<u>24,957</u>	<u>39,792</u>
Investing Activities		
Distribution from equity investee	—	4,300
Capital expenditures	(44,600)	(110,312)
Proceeds from sales of assets	34,044	80,498
Net cash used in investing activities	<u>(10,556)</u>	<u>(25,514)</u>
Financing Activities		
Distributions to noncontrolling interest	(8,395)	—
Debt borrowings	8,095	118,629
Debt repayments	(31,221)	(119,665)
Net cash used in financing activities	<u>(31,521)</u>	<u>(1,036)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(17,120)</u>	<u>13,242</u>
Cash and Cash Equivalents, Beginning of Year	52,886	39,644
Cash and Cash Equivalents, End of Year	<u>\$ 35,766</u>	<u>\$ 52,886</u>
Supplemental disclosure of cash flow information		
Interest paid (net of amount capitalized)	\$ 13,630	\$ 21,472
Federal income tax paid	—	222
Sale of land in exchange for equity interest in Waterway Avenue Partners, L.L.C.	—	10,700

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Woodlands Partnerships' real estate activities are concentrated in The Woodlands, a master-planned community located north of Houston, Texas. Consequently, these operations and the associated credit risks may be affected, either positively or negatively, by changes in economic conditions in this geographical area. Activities associated with The Woodlands Partnerships include residential and commercial land sales and the construction, operation and management of office and industrial buildings, apartments, golf courses and a hotel facility.

Principles of Consolidation

TWLDC Holdings, L.P. (Woodlands Development), a Texas limited partnership, is owned by entities controlled by The Rouse Company (Rouse) (which is controlled by General Growth Properties, Inc.) and Morgan Stanley Real Estate Fund II, L.P. (Morgan Stanley). Woodlands Development consolidates a variable interest entity (VIE), TWPCPC Holdings, L.P. (Woodlands Commercial), a Texas limited partnership, based on significant debt guarantees provided by Woodlands Development to Woodlands Commercial. Woodlands Commercial consolidates a VIE, The Woodlands Operating Company, L.P. (Woodlands Operating), a Texas limited partnership, from which it receives management and leasing services for its properties. Rouse and Morgan Stanley also own Woodlands Commercial and Woodlands Operating. Woodlands Development, Woodlands Commercial and Woodlands Operating are hereinafter referred to as The Woodlands Partnerships.

Also included in the consolidation is The Woodlands Community Facilities Development Corporation, an entity that has \$14,417,000 in assets and \$10,214,000 in debt, all of which is owed to Woodlands Development. The Woodlands Community Facilities Development Corporation's purpose is to promote the health, safety, common good and social welfare of the residents of The Woodlands, Texas, by developing parks, pathways and other amenities. The Woodlands Partnerships also consolidated 10101 Woodloch Forest LLC in which The Woodlands Partnerships and a third party each had a 50 percent interest. The purpose of this entity was to construct and own an office building that is leased by an affiliate of the third party. The noncontrolling member contributed \$6,393,000 in cash to the entity and The Woodlands' partners contributed a total of \$6,393,000 in cash, land and other assets. The building was sold in 2009 and after repayment of the outstanding debt, the noncontrolling member received a distribution of \$8,395,000.

The consolidated financial statements include the accounts of The Woodlands Partnerships and their majority and wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Trade Receivables

Trade receivables are stated at the amount billed to customers. The Woodlands Partnerships provides an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information and existing economic conditions. Trade receivables are ordinarily due 30 days after the issuance of the billing. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Real Estate

Real estate assets are stated at cost. Costs associated with the acquisition and development of real estate, including holding costs consisting principally of interest and ad valorem taxes, are capitalized as incurred to the extent the total carrying value of the property does not exceed the estimated fair value of the completed property. Capitalization of such holding costs is limited to properties for which active development continues. Capitalization ceases upon completion of a property or cessation of development activities. Where practicable, capitalized costs are specifically assigned to individual assets; otherwise, costs are allocated based on estimated values of the affected assets. Capitalized real estate taxes and interest costs are amortized over lives which are consistent with the related commercial properties or written off as a component of cost of sales for land.

Pre-development costs, which generally include legal and professional fees and other directly related third-party costs, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable, the costs previously capitalized are expensed.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*, long-lived assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable or the useful life has changed. Assets are evaluated based on their cash flows and profitability, including estimated future operating results, and trends or other determinants of fair value. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2009 and 2008, no impairments were recognized.

Sales of Real Estate

Earnings from sales of real estate are recognized when a third-party buyer has made an adequate cash down payment and has attained the attributes of ownership. Capitalized cost related to real estate is determined as a specific percentage of the sales revenues recognized for each land development project. The amount capitalized is based on actual costs incurred, total estimated development costs and sales revenues for each project. These estimates are revised annually and are based on the then-current development strategy and operating assumptions utilizing internally developed projections for product type, revenue and related development cost. Capitalized costs are depreciated over the estimated useful life of the asset.

Land Sales

Revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and our subsequent involvement with the land sold are met. Revenues relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. For land sale transactions in which we are required to perform additional services and incur significant costs after title has passed, revenues and cost of sales are recognized on a percentage of completion basis.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cost of land sales is determined as a specified percentage of land sales revenues recognized for each community development project. The cost ratios used are based on actual costs incurred and estimates of development costs and sales revenues to completion of each project. The ratios are reviewed regularly and revised for changes in sales and cost estimates or development plans. Significant changes in these estimates or future development plans, whether due to changes in market conditions or other factors, could result in changes to the cost ratio used for a specific project.

The specific identification method is used to determine cost of sales for certain parcels of land, including acquired parcels we do not intend to develop or for which development is complete at the date of acquisition.

Hotel and Country Club Revenue

Revenue is recognized as services are performed. Hotel revenue primarily represents room rentals and food and beverage sales. Country club revenues primarily represent dues, green fees, cart rentals, and food and beverage sales. Refundable initiation fees are included in deferred revenues on the consolidated balance sheets.

Sales of Commercial Properties

Sales of commercial properties are generally accounted for under the full accrual method. Under that method, gain is not recognized until the collectibility of the sales price is reasonably assured and the earnings process is complete. When a sale does not meet the requirements for income recognition, gain is deferred until those requirements are met. Sales of real estate are accounted for under the percentage-of-completion method when The Woodlands Partnerships have material obligations under sales contracts to provide improvements after the property is sold. Under the percentage-of-completion method, the gain on sale is recognized as the related obligations are fulfilled.

Lease Revenue

Commercial properties are leased to third-party tenants generally involving multi-year terms. These leases are accounted for as operating leases. See Note 3 for further information.

Depreciation

Depreciation of operating assets is recorded on the straight-line method over the estimated useful lives of the assets. Useful lives range predominantly from 15 to 40 years for land improvements and buildings, 3 to 20 years for leasehold improvements, and 3 to 10 years for furniture, fixtures and equipment. Property and equipment are carried at cost less accumulated depreciation.

Advertising

Advertising costs are charged to operations when incurred. For the years ended December 31, 2009 and 2008, advertising costs totaled \$3,995,000 and \$5,424,000, respectively.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs

Costs incurred to obtain debt financing are deferred and amortized over the estimated term of the related debt using the interest method.

Income Taxes

The Woodlands Partnerships are not income tax-paying entities and all income and expenses are reported by the partners for tax reporting purposes. No provision for federal income taxes is included in the accompanying consolidated financial statements for these entities, except as follows. Effective March 1, 2002, WECCR GP, a wholly owned subsidiary of Woodlands Operating, elected to be classified as an association taxable as a corporation for federal income tax purposes. Accordingly, a provision for federal income tax has been provided.

Significant changes were made to the Texas franchise tax during the 79th and 80th sessions of the Texas Legislature, whereby the Legislature extended the state franchise tax to partnerships (general, limited and limited liability). In previous years, The Woodlands Partnerships did not pay franchise taxes, since they were organized as partnerships and franchise taxes were not imposed. The revised tax base is based on a taxable entity's margin. The margin tax is calculated at a rate of 1 percent on the lesser of three calculations: a) total revenue less cost of goods sold, b) total revenue less compensation, or c) total revenue times 70 percent. For the years ended December 31, 2009 and 2008, The Woodlands Partnerships recorded margin tax expense of \$835,000 and \$1,367,000, respectively.

The tax returns, the qualification of The Woodlands Partnerships for tax purposes and the amount of distributable partnership income or loss are subject to examination by federal taxing authorities. If such examinations result in changes with respect to partnership qualification or in changes to distributable partnership income or loss, the tax liability of the partners could be changed accordingly. The 2007 and 2008 federal income tax returns are subject to examination by the Internal Revenue Service for three years after they were filed. The 2007 and 2008 state franchise tax returns are subject to examination by the Texas Comptroller for four years after they were filed.

During 2009, The Woodlands Partnerships adopted certain portions of FASB ASC 740, *Income Taxes*, concerning the accounting for uncertain tax positions. The Woodlands Partnerships had no material uncertain tax positions.

Inventories

Inventory is carried at the lower of cost or market and consists primarily of golf-related clothing, equipment sold at golf course pro shops, and food and beverages sold at the hotel facility in The Woodlands. Cost is determined based on a first-in, first-out method.

Cash Equivalents

The Woodlands Partnerships considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, cash equivalents consisted primarily of money market accounts.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

One or more of the financial institutions holding The Woodlands Partnerships' cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under the program, through December 31, 2010, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account.

For financial institutions opting out of the FDIC's Transaction Account Guarantee Program or interest-bearing cash accounts, the FDIC's insurance limits increased to \$250,000 effective October 3, 2008. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2009, The Woodlands Partnerships had no cash accounts that exceeded federally insured limits.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Effective January 1, 2009, The Woodlands Partnerships adopted the guidance in FASB ASC 810-10-65, Transition Related to FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB 51. Upon adoption, minority interest previously presented in other liabilities on the consolidated balance sheets has been retrospectively reclassified as noncontrolling interests within equity. In addition, the consolidated net earnings presented in the consolidated statements of earnings and consolidated statements of changes in partners' equity have been retrospectively revised to include the net earnings attributable to the noncontrolling interests. Beginning January 1, 2009, losses attributable to the noncontrolling interests will be allocated to the noncontrolling interests even if the carrying amount of the noncontrolling interests is reduced below zero. Any changes in ownership after January 1, 2009, that do not result in a loss of control will be prospectively accounted for as equity transactions.

In May 2009, the FASB issued ASC Topic 855, *Subsequent Events*. Topic 855 establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or available to be issued. Financial statements are available to be issued when they are in a format that complies with accounting principles generally accepted in the United States and all approvals necessary for issuance have been given. Topic 855 requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. The adoption of Topic 855 did not have a material impact on The Woodlands Partnerships' consolidated financial statements. Subsequent events have been evaluated through April 26, 2010, which is the date the consolidated financial statements were available to be issued.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Future Accounting Pronouncements

In June 2009, the FASB issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Included with Variable Interest Entities*. Topic 810 amends the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity, and requires enhanced disclosures to provide more information about an enterprise's involvement in a variable interest entity. This statement also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. ASU 2009-17 is effective for The Woodlands Partnerships' fiscal year beginning January 1, 2010. The Woodlands Partnerships are currently reviewing the effect of ASU 2009-17 on their consolidated financial statements.

In June 2009, the FASB issued ASC Topic 105, *Generally Accepted Accounting Principals*. Topic 105 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB that are applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The adoption of Topic 105 did not change generally accepted accounting principles and did not have a material impact on The Woodlands Partnerships' consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 consolidated financial statement presentation. These reclassifications had no effect on net earnings.

Note 2: Notes and Contracts Receivable

Notes receivable are carried at cost, net of discounts. At December 31, 2009 and 2008, Woodlands Development held notes and contracts receivable totaling \$78,791,000 and \$73,283,000, respectively. Included in the notes receivable were amounts related to utility district receivables totaling \$74,491,000 and \$71,585,000 at December 31, 2009 and 2008, respectively. Utility district receivables, the collection of which is dependent on the ability of utility districts in The Woodlands to sell bonds, had a market interest rate of approximately 5.25 percent and 5.50 percent at December 31, 2009 and 2008, respectively. Included in the utility district receivables was a reserve of approximately \$4,278,000 and \$4,290,000 at December 31, 2009 and 2008, respectively. The utility district receivables are analyzed on a monthly basis for valuation and collectibility utilizing a review of outstanding receivables, historical bond issuance information and economic conditions of the various districts located in The Woodlands. Utility district receivables are written off when the receivables are known to be uncollectible. At December 31, 2009 and 2008, the other notes receivable totaled \$4,300,000 and \$1,697,000, respectively. The notes bear interest at an average rate of 3.12 percent and 6.41 percent for the years ended December 31, 2009 and 2008, respectively. Maturities of the notes receivable are \$1,689,000 in 2010, \$1,110,000 in 2013 and \$1,500,000 in 2019.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 3: Real Estate**

The following is a summary of real estate at December 31, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Land	\$ 265,183	\$ 282,900
Commercial properties	258,424	261,146
Equity investments	12,841	13,263
Other assets	12,275	9,171
	<u>548,723</u>	<u>566,480</u>
Accumulated depreciation	(73,865)	(71,307)
	<u>\$ 474,858</u>	<u>\$ 495,173</u>

Land

The principal land development is The Woodlands, a mixed-use, master-planned community located north of Houston, Texas. Residential land is divided into eight villages in various stages of development. Each village has or is planned to contain a variety of housing, neighborhood retail centers, schools, parks and other amenities. Woodlands Development controls the development of the residential communities and produces finished lots for sale to qualified builders. Housing is constructed in a wide range of pricing and product styles.

Commercial land is divided into distinct centers that serve or are planned to serve as locations for office buildings, retail and entertainment facilities, industrial and warehouse facilities, research and technology facilities, and college and training facilities. Woodlands Development produces finished sites for third parties or for its own building development activities.

Commercial Properties

Commercial and industrial properties owned or leased by The Woodlands Partnerships are leased to third-party tenants. Lease terms, including renewal periods, range from 4 to 15 years with an average remaining term of 7 years. Contingent rents include pass-throughs of incremental operating costs. Minimum future lease revenues from noncancellable operating leases and subleases exclude contingent rentals that may be received under certain lease agreements. Tenant rents include rent for noncancellable operating leases, cancelable leases and month-to-month rents and are included in other revenue. For the years ended December 31, 2009 and 2008, tenant rents totaled \$6,145,000 and \$7,480,000, respectively. For the years ended December 31, 2009 and 2008, contingent rents totaled \$1,006,000 and \$1,554,000, respectively. Minimum future lease rentals for 2010 through 2014 and thereafter total \$9,871,000, \$9,358,000, \$8,143,000, \$7,710,000, \$7,044,000 and \$26,320,000, respectively.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 3: Real Estate (Continued)

Properties Held for Sale and Discontinued Operations

A summary of the operations from discontinued operations for the years ended December 31, 2009 and 2008, is as follows (in thousands):

	2009	2008
Revenues	\$ 3,514	\$ 4,647
Operating expenses	(34)	(3,850)
Depreciation	(639)	(1,327)
Interest expense	(533)	(1,303)
Other expense	(441)	(732)
Income tax expense	(37)	—
Net earnings (loss)	<u>\$ 1,830</u>	<u>\$ (2,565)</u>

During 2009, Woodlands Development sold an office building for \$42,000,000, recognized a profit of \$2,054,000 and repaid related debt totaling \$28,513,000. A partnership in which Woodlands Commercial has an interest sold an office building for \$2,000,000. Woodlands Commercial recognized a \$235,000 loss on the transaction. During 2008, Woodlands Development sold an office building for \$85,250,000, recognized a profit of \$12,230,000 and repaid related debt totaling \$45,229,000. Additionally, during 2008, Woodlands Development abandoned the Woodlands Athletic Center operations and facility and recognized a net loss of \$652,000.

Operating results for the assets sold and abandoned are reported as discontinued operations on the consolidated statements of earnings.

Note 4: Equity Method Investments

During 2009 and 2008, The Woodlands Partnerships' principal partnership and corporation interests included the items listed below:

	Ownership and Economic Interest	Nature of Operations
Woodlands Development:		
Stewart Title of Montgomery County, Inc.	50%	Title company
Waterway Avenue Partners, L.L.C.	84%	Apartments
Woodlands Commercial:		
Woodlands Office Equities—'95 Limited	25%	Office building in The Woodlands
FV-93 Limited	50%	Apartments
	(economic interest)	

Other partnerships own various commercial properties, all of which are located in The Woodlands. Woodlands Operating provides various management and leasing services to these affiliated entities. The Woodlands Partnerships' net investment in each of these entities is included in the real estate caption

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 4: Equity Method Investments (Continued)

on the consolidated balance sheets and their shares of these entities' pretax earnings is included in other revenues on the consolidated statements of earnings. A summary of The Woodlands Partnerships' net investments as of December 31, 2009 and 2008, and their share of pretax earnings for the years then ended are as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Net investment:		
Waterway Avenue Partners, L.L.C.	\$ 10,376	\$ 10,700
Stewart Title of Montgomery County, Inc.	1,184	1,129
Woodlands Office Equities—'95 Limited	220	1,004
FV-93 Limited	789	788
Woodlands Sarofim #1 Ltd.	—	(629)
Others that own properties in The Woodlands	272	271
	<u>\$ 12,841</u>	<u>\$ 13,263</u>

	<u>2009</u>	<u>2008</u>
Equity in pretax earnings:		
Stewart Title of Montgomery County, Inc.	\$ 404	\$ 498
Woodlands Office Equities—'95 Limited	(97)	100
Waterway Avenue Partners, L.L.C.	(324)	—
Woodlands Sarofim #1 Ltd.	800	82
Others that own properties in The Woodlands	6	6
	<u>\$ 789</u>	<u>\$ 686</u>

Summarized financial statement information (unaudited) for partnerships and a corporation in which The Woodlands Partnerships have an equity ownership interest at December 31, 2009 and 2008, and for the years then ended (in thousands) as follows:

	<u>2009</u>	<u>2008</u>
Assets	\$ 59,619	\$ 47,623
Debt payable to third parties:		
The Woodlands Partnerships' proportionate share:		
Recourse to The Woodlands Partnerships	67	72
Nonrecourse to The Woodlands Partnerships	11,474	3,639
Other parties' proportionate share, of which \$940 was guaranteed by The Woodlands Partnerships	19,071	14,664
Accounts payable and deferred credits	4,772	1,893
Owners' equity	24,235	27,355
Revenues	12,684	13,892
Operating earnings	2,268	3,737
Pretax earnings	1,729	2,916
The Woodlands Partnerships' share of pretax earnings	789	686

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 4: Equity Method Investments (Continued)**

Woodlands Commercial has guaranteed mortgage debt of its unconsolidated affiliates totaling \$1,007,000 and \$1,142,000 at December 31, 2009 and 2008, respectively. These guarantees reduce in varying amounts through 2011 and would require payments only in the event of default on payment by the respective debtors.

Note 5: Debt

A summary of The Woodlands Partnerships' outstanding debt at December 31, 2009 and 2008, is as shown on the following page (in thousands).

	<u>2009</u>	<u>2008</u>
Senior credit facility	\$ 306,539	\$ 306,539
The Woodlands Conference Center debt	40,000	40,000
Other credit facilities	17,798	38,781
Mortgages payable	13,626	15,769
	<u>\$ 377,963</u>	<u>\$ 401,089</u>

Senior Credit Facility

Woodlands Development and Woodlands Commercial have a bank credit agreement consisting of a \$280,000,000 term loan and a \$70,000,000 revolving credit loan. During 2009, the credit agreement was extended one year to August 2010 and has one remaining one-year extension option. Woodlands Development and Woodlands Commercial paid an \$875,000 extension fee. At December 31, 2009 and 2008, approximately \$43,461,000 was unborrowed under the revolving credit agreements. The interest rate, based on the LIBOR plus a margin, was approximately 2.4 percent and 4.1 percent at December 31, 2009 and 2008, respectively. Interest is paid monthly. Commitment fees, based on 0.25 percent of the unused commitment, totaled \$110,000 and \$126,000 for the years ended December 31, 2009 and 2008, respectively.

The credit agreement contains certain restrictions that, among other things, require the maintenance of specified financial ratios, restrict indebtedness and sale, lease or transfer of certain assets and limit the right of Woodlands Development and Woodlands Commercial to merge with other companies and make distributions to their partners. Certain assets of Woodlands Development and Woodlands Commercial, including cash, receivables and real estate, secure the credit agreement. Mandatory debt maturities for 2010 are \$306,539,000. Payments may be made by Woodlands Development or Woodlands Commercial or both at their option. Principal payments may be required based on certain covenant tests. Prepayments can also be made at the discretion of Woodlands Development and Woodlands Commercial without penalty.

Conference Center Debt

The debt consists of a credit facility related to and secured by The Woodlands Conference Center (the Conference Center). The credit facility has an average interest rate of 3.2 percent and 4.4 percent at December 31, 2009 and 2008, respectively. Interest is paid monthly. The credit facility matures in October 2011 or is required to be repaid upon the sale of the Conference Center.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 5: Debt (Continued)**

The Conference Center credit facility contains financial covenants requiring maintenance of minimum debt service coverage and a maximum loan to value ratio. Due to reduced business performance, the debt service coverage ratio at December 31, 2009, was below the minimum 1.40 coverage requirement. The lenders can, among other things, increase the interest rate by 200 basis points and accelerate the loan due date and demand immediate repayment. A default under the Conference Center credit facility is also an event of default under the Senior Credit Facilities and can cause the amounts due under the Senior Credit Facility to be accelerated.

Other Credit Facilities

At December 31, 2009, Town Center Development Company, L.P. (TCDC), a wholly owned subsidiary of Woodlands Development, had two loan commitments totaling \$18,528,000 secured by new commercial construction. At December 31, 2008, TCDC had three loan commitments totaling \$49,203,000. The interest rate, based on the LIBOR plus a margin, was approximately 2.1 percent and 3.3 percent at December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the outstanding balance was \$17,798,000 and \$38,781,000, respectively. Mandatory debt maturities are \$13,142,000 for 2010 and \$4,656,000 for 2011.

Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, The Woodlands Partnerships have entered into various derivative agreements.

Woodlands Development and Woodlands Commercial entered into an interest rate cap agreement with a commercial bank to reduce the impact of increases in interest rates on their bank credit agreement. The interest rate cap agreement effectively limits the interest rate exposure on a notional amount of \$100,000,000 to LIBOR rates of 6.50 percent. The \$100,000,000 interest rate cap agreement expires in 2010.

Management has designated the interest rate cap agreement as a hedging instrument. However, management has deemed amounts associated with the derivatives and hedging transactions to be immaterial to the consolidated financial statements and, as a result, the agreement has not been reflected in the consolidated financial statements.

Mortgages Payable

The mortgages payable had an average interest rate of 6.4 percent and 6.3 percent at December 31, 2009 and 2008, respectively. Debt maturities for 2010 through 2014 and thereafter total \$6,901,000, \$664,000, \$1,548,000, \$4,412,000, \$-0- and \$101,000, respectively. Mortgages payable are all secured by real estate.

Note 6: Notes Payable to Partners

At December 31, 2009 and 2008, Woodlands Development had notes payable to its partners totaling \$34,657,000 and \$28,449,000, respectively. The notes bear interest at 15 percent. Interest is payable quarterly. All outstanding balances are due in 2012. These notes are subordinate to the bank credit agreement and mortgages payable described previously.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 7: Commitments and Contingencies*****Contingent Liabilities***

At December 31, 2009 and 2008, The Woodlands Partnerships issued letters of credit in the amount of \$1,166,000 and \$1,169,000, respectively. The letters of credit act as guarantees of payment to third parties in accordance with specific terms and conditions of each letter. The term of these letters of credit is for a period of 12 months from the date of the original agreement.

At December 31, 2009 and 2008, The Woodlands Partnerships guaranteed road bonds in the amount of \$2,132,000 and \$2,382,000, respectively. These guarantees act as a warranty on the roads for a period of 12 months from the date the roads are completed. Under these agreements, The Woodlands Partnerships have guaranteed they will make all repairs necessary to maintain the roads in good condition.

Leases

The Woodlands Partnerships have various noncancellable facilities and equipment lease agreements that provide for aggregate future payments of approximately \$1,463,000. Capital lease obligations are included as other liabilities in the consolidated balance sheets. Below are minimum rental payments for the years subsequent to December 31, 2009 (in thousands).

	<u>Capital Leases</u>	<u>Operating Leases</u>	
	<u>Woodlands Development</u>	<u>Woodlands Operating</u>	<u>Total</u>
2010	\$ 420	\$ 153	\$ 573
2011	415	103	518
2012	231	80	311
2013	36	21	57
2014	4	—	4
	<u>\$ 1,106</u>	<u>\$ 357</u>	<u>\$ 1,463</u>

Rental expense for operating leases for the years ended December 31, 2009 and 2008, was \$3,758,000 and \$3,310,000, respectively.

General Litigation

The Woodlands Partnerships are subject to claims and legal actions arising in the ordinary course of their business and to recurring examinations by the Internal Revenue Service and other regulatory agencies. Management believes, after consultation with outside counsel, that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of The Woodlands Partnerships.

Commitments

As of December 31, 2009, The Woodlands Partnerships had unrecorded development contract commitments outstanding of approximately \$85,289,000.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 8: Related-party Transactions**

Woodlands Operating provides services to Woodlands Development and Woodlands Commercial under management and advisory services agreements. These agreements are automatically renewed annually. Woodlands Development and Woodlands Commercial pay Woodlands Operating a management and advisory fee equal to cost plus 3 percent. In addition, they reimburse Woodlands Operating for all costs and expenses incurred on their behalf. For the years ended December 31, 2009 and 2008, Woodlands Operating recorded revenues of \$13,839,000 and \$13,301,000, respectively, for services provided to Woodlands Development and \$1,404,000 and \$1,723,000, respectively, for services provided to Woodlands Commercial. These revenues are eliminated in the accompanying consolidated financial statements.

Woodlands Operating, through WECCR GP, operates the Conference Center (the Facilities), which is owned by Woodlands Commercial. The Facilities consist of a 440-room hotel and conference center. Woodlands Commercial also owned golf course facilities that were sold in May 2007. WECCR GP operates the Facilities and pays Woodlands Commercial rent of \$700,000 per month plus percentage rent based on revenue. For the years ended December 31, 2009 and 2008, rent totaled \$9,866,000 and \$9,653,000, respectively. These amounts are eliminated in the accompanying consolidated financial statements. WECCR GP has contracted with an affiliate of Morgan Stanley to manage the Facilities for a management fee equal to 2.5 percent of cash receipts, as defined in the agreement. During 2009 and 2008, the management fee totaled \$824,000 and \$1,092,000, respectively.

Note 9: Partners' Equity

Rouse's ownership interests in The Woodlands Partnerships are through TWC Land Development L.P. (which owns a 42.5 percent interest in Woodlands Development), TWC Commercial Properties L.P. (which owns a 42.5 percent interest in Woodlands Commercial) and TWC Operating L.P. (which owns a 42.5 percent interest in Woodlands Operating). Morgan Stanley's ownership interests are through MS/TWC Joint Venture and MS TWC, Inc., which own the remaining interests in Woodlands Development, Woodlands Commercial and Woodlands Operating. The partners' percentage interests are summarized on the following page.

	<u>General Partner Interest</u>	<u>Limited Partner Interest</u>
Woodlands Development:		
TWC Land Development L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—
Woodlands Commercial:		
TWC Commercial Properties L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—
Woodlands Operating:		
TWC Operating L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 9: Partners' Equity (Continued)

The partnership agreements for each of the partnerships provide, among other things, the following:

- (i) The Woodlands Partnerships are each governed by an Executive Committee composed of equal representation from their respective general partners.
- (ii) Net income and losses from operations are currently allocated based on the payout percentages discussed below.
- (iii) Distributions are made by The Woodlands Partnerships to the partners based on specified payout percentages and include cumulative preferred returns to Morgan Stanley's affiliates. The payout percentage to Morgan Stanley's affiliates is 57.5 percent until the affiliates receive distributions on a consolidated basis equal to their capital contributions and a 12.0 percent cumulative preferred return compounded quarterly. Then, the payout percentage to Morgan Stanley's affiliates is 50.5 percent until the affiliates receive distributions equal to their capital contributions and an 18.0 percent cumulative preferred return compounded quarterly. Thereafter, the payout percentage to Morgan Stanley's affiliates is 47.5 percent. During 2001, Morgan Stanley's affiliates received sufficient cumulative distributions from The Woodlands Partnerships to exceed Morgan Stanley's affiliates' capital contributions plus cumulative returns of 18.0 percent. Accordingly, Morgan Stanley's affiliates are currently receiving a payout percentage of 47.5 percent, and Rouse's affiliates are receiving 52.5 percent from The Woodlands Partnerships.
- (iv) The Woodlands Partnerships will continue to exist until December 31, 2040, unless terminated earlier due to specified events.
- (v) No additional partners may be admitted to The Woodlands Partnerships unless specific conditions in the partnership agreements are met. Partnership interests may be transferred to affiliates of Rouse or Morgan Stanley. Rouse has the right of first refusal to buy the partnership interests of the Morgan Stanley affiliates at the same terms and conditions offered to a third-party purchaser or sell its affiliates' interests to the same third-party purchaser.
- (vi) Rouse and Morgan Stanley have the right to offer to purchase the other partner's affiliates' partnership interests in the event of failure to make specified capital contributions or a specified default by the other. Specified defaults include bankruptcy, breach of partnership covenants, transfer of partnership interests except as permitted by the partnership agreements, and fraud or gross negligence.

Note 10: Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 10: Fair Value of Financial Instruments (Continued)

the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1**— Quoted prices in active markets for identical assets or liabilities.
- Level 2**— Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3**— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash Equivalents

Where quoted market prices are available in an active market, money market funds are classified within Level 1 of the valuation hierarchy. Money market funds are measured at fair value on a recurring basis. Money market funds approximated \$0 and \$46,569,000 at December 31, 2009 and 2008, respectively.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value:

- (i) The carrying value of cash, receivables and payables approximates the estimated fair values of those financial instruments because of the short-term nature of these instruments.
- (ii) Fair values of notes and contracts receivable approximated the carrying value of those financial instruments. Fair values were estimated by discounting future cash flows using interest rates at which similar loans currently could be made for similar maturities to borrowers with comparable credit ratings.
- (iii) Fixed-rate notes payable to partners for Woodlands Development had an estimated fair value of \$29,510,000 and \$28,121,000 at December 31, 2009 and 2008, respectively. Fair values of fixed-rate, long-term debt were based on current interest rates offered to The Woodlands Partnerships for debt with similar remaining maturities.
- (iv) For floating-rate debt obligations, carrying amounts and fair values were assumed to be equal because of the nature of these obligations.
- (v) The carrying amounts of The Woodlands Partnerships' other financial instruments approximate their fair values.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2009 and 2008****Note 11: Employee Plans*****Defined Contribution Plan***

Woodlands Operating has a 401(k) defined contribution plan that is available to all full-time employees who meet specified service requirements. The plan is administered by a third party. Contributions to the plan are based on a match of employee contributions up to a specified limit. For the years ended December 31, 2009 and 2008, Woodlands Operating contributions totaled approximately \$368,000 and \$523,000, respectively.

Supplemental Executive Retirement Plan

Woodlands Operating has deferred compensation arrangements for a select group of management employees that provide the opportunity to defer a portion of their cash compensation. Woodlands Operating's obligations under this plan are unsecured general obligations to pay in the future, the value of the deferred compensation adjusted to reflect the performance of its investments, whether positive or negative, of selected measurement options, chosen by each participant, during the deferral period. Woodlands Operating has established trust accounts on behalf of the participating employees totaling \$912,000 and \$840,000 that are included in other assets at December 31, 2009 and 2008, respectively.

Incentive Plans

Woodlands Operating instituted an incentive compensation plan for certain employees in 2001. The plan is unfunded, and while certain payments are made currently, a portion of these payments is deferred and will be paid based on a vesting period of up to three years. For the years ended December 31, 2009 and 2008, expenses recognized by The Woodlands Partnerships under this plan totaled \$913,000 and \$1,750,000, respectively.

Note 12: Income Taxes

The income tax provision for the years ended December 31, 2009 and 2008, is as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Deferred income tax	\$ (930)	\$ 25
Current income taxes	253	1,551
	<u>\$ (677)</u>	<u>\$ 1,576</u>

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 12: Income Taxes (Continued)

The income tax benefit reflected in the consolidated statements of earnings differs from the amounts computed by applying the federal statutory rate of 35 percent to income before income taxes as follows (in thousands):

	2009	2008
Income tax benefit at statutory rate	\$ (1,530)	\$ 201
Texas margin tax	835	1,367
Permanent differences	18	87
NOL carryforward/change to prior year book/tax differences	—	—
Other	—	(79)
	<u>\$ (677)</u>	<u>\$ 1,576</u>

Deferred taxes are provided for the temporary differences between the financial reporting basis and the tax basis of WECCR GP's assets and liabilities and for operating loss carryforwards. Significant components of WECCR GP's net deferred tax asset at December 31, 2009 and 2008, are as shown on the following page.

	2009	2008
Deferred tax assets:		
Net operating loss	\$ 1,032	\$ —
Other	147	249
Deferred tax liabilities	—	—
Net deferred tax asset	<u>\$ 1,179</u>	<u>\$ 249</u>

Topic 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, management has provided no valuation allowance at December 31, 2009 and 2008.

The net deferred tax assets are included in other assets on the consolidated balance sheets at December 31, 2009 and 2008.

At December 31, 2009, The Woodlands Partnerships had an unused net operating loss carryforward of approximately \$3,000,000, which will expire in 2029.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Municipal Utility District (MUD) Receivables

The State of Texas allows for the creation of MUDs which may reimburse Woodlands Development for construction costs associated with building water distribution and purification systems,

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 13: Significant Estimates and Concentrations (Continued)

sewer facilities and drainage facilities. Woodlands Development constructs the facilities and once the MUDs have enough value on the ground (tax base), the MUDs will issue bonds to reimburse Woodlands Development for costs (including interest) according to the Texas Commission on Environmental Quality (the Commission). Woodlands Development estimates the costs which they believe will be eligible for reimbursement as MUD receivables. Periodically, management evaluates these receivable balances and makes adjustments to reflect changes in conditions related to such receivables. Actual receivables could differ from the estimates recorded in these consolidated financial statements.

Cost of Sales Estimates

During development projects, Woodlands Development estimates sales prices on a per lot basis as villages are developed. These sales estimates are then utilized throughout the project to estimate a percentage of cost of sales to be applied when portions of a development are sold. These cost of sales estimates are updated annually based on actual land costs incurred plus estimates to complete the villages.

Senior Credit Facility

As discussed in Note 5, Woodlands Development and Woodlands Commercial have a bank credit agreement with approximately \$306,539,000 due in August 2010. The agreement has one remaining one-year extension option. However, as of April 26, 2010, The Woodlands Partnerships had not obtained a commitment to extend. Inability to extend the existing agreement, or otherwise renegotiate or refinance the agreement, could adversely affect The Woodlands Partnerships future operations.

Impairment Determinations

In accordance with ASC Topic 360, *Property, Plant and Equipment*, The Woodlands Partnerships evaluates its long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable or the useful life has changed. These assets are evaluated based on their estimated cash flows and profitability, including estimated future operating results, and trends or other determinants of fair value. Actual cash flows, profitability and trends could differ materially from these estimates.

Note 14: Current Economic Conditions

The current protracted economic decline continues to present real estate entities with unprecedented circumstances and challenges, which, in some cases, have resulted in large declines in the fair value of real estate, investments and other assets, declines in occupancy, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to The Woodlands Partnerships.

Current economic and financial market conditions have led many employers to downsize, relocate or cease operations. Such conditions may significantly impact the rate at which our tenants fulfill or renew existing lease agreements and our ability to fill unoccupied space, which could adversely affect our results of operations in future periods. Additionally, the current instability in the financial markets

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009 and 2008

Note 14: Current Economic Conditions (Continued)

may make it difficult for certain builders to obtain financing to fund construction projects. Difficulty in obtaining adequate financing may significantly impact the rate at which builders delay or cancel proposed new construction projects. Such delays or cancellations could also have an adverse impact on The Woodlands Partnership's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in real estate values, investment values and allowances for MUD receivables that could negatively impact The Woodlands Partnerships' ability to meet debt covenants or maintain sufficient liquidity.

During 2009, General Growth Properties, Inc. (GGP), filed bankruptcy on certain of its companies. Due to continued weakness in the credit markets, GGP has indicated there can be no assurance they will be able to continue to refinance a substantial amount of debt on acceptable terms or otherwise. Additionally, GGP has experienced downgrades of their debt by national credit agencies, as well as real or perceived declines in the value of their properties based on deteriorating general and retail economic conditions. Due to these conditions, The Woodlands Partnerships may not be able to obtain future contributions or other funding to support its operations, if needed, from Rouse (which is owned by GGP). Management has indicated The Woodlands Partnerships have not received any capital contributions since inception and do not anticipate receiving any in the future.

Note 15: Subsequent Event

The Conference Center credit facility contains financial covenants including maintenance of minimum debt service coverage. Due to reduced business performance, the debt service coverage ratio at December 31, 2009, was below the minimum coverage requirement. In April 2010, the credit facility was amended to waive the coverage requirement for the year ended December 31, 2009, and reduce the minimum debt service coverage requirement through all of 2010 from 1.40x to 1.10x. In order to effect this change, the interest rate on the credit facility was increased and prohibitions were placed on distributions by Woodlands Development and Woodlands Commercial to their partners until certain debt and liquidity levels are met.

Independent Accountants' Report

Executive Committee
TWLDC Holdings, L.P.
The Woodlands, Texas

We have audited the accompanying consolidated balance sheet of TWLDC Holdings, L.P., as of December 31, 2007, and the related consolidated statements of earnings, changes in partners' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TWLDC Holdings, L.P., as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

February 27, 2009

TWLDC Holdings, L.P.

Consolidated Balance Sheet

December 31, 2007

(dollars in thousands)

Assets	
Cash and cash equivalents	\$ 39,644
Trade receivables	13,596
Inventories	746
Prepaid and other current assets	3,613
Notes and contracts receivable, net	72,351
Real estate, net	457,339
Other assets	4,719
Total assets	<u>\$ 592,008</u>
Liabilities and Partners' Equity	
Liabilities:	
Accounts payable and accrued liabilities	\$ 44,014
Payables to affiliates	2,154
Credit facility	291,539
Other debt	110,586
Notes payable to partners	25,000
Deferred revenue	47,634
Other liabilities	15,276
Total liabilities	<u>536,203</u>
Partners' Equity	55,805
Total liabilities and partners' equity	<u>\$ 592,008</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Consolidated Statement of Earnings

Year Ended December 31, 2007

(dollars in thousands)

Revenues:	
Residential lot sales	\$ 114,253
Commercial land sales	35,470
Hotel and country club operations	52,534
Other	17,907
	<u>220,164</u>
Costs and expenses:	
Residential lot cost of sales	58,865
Commercial land cost of sales	8,609
Hotel and country club operations	48,329
Operating expenses	38,890
Depreciation and amortization	7,876
	<u>162,569</u>
Operating earnings	<u>57,595</u>
Other (income) expense:	
Interest expense	33,552
Interest capitalized	(15,137)
Amortization of debt costs	1,274
Other	(2,154)
	<u>17,535</u>
Earnings from continuing operations before income taxes	40,060
Income taxes	1,972
Earnings from continuing operations	<u>38,088</u>
Discontinued operations:	
Gain from disposal of discontinued operations	102,672
Gain (loss) from operations of discontinued components net of tax expense of \$3,984	934
Gain from discontinued operations	<u>103,606</u>
Net earnings	<u>\$ 141,694</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Consolidated Statement of Changes in Partners' Equity (Deficit)

Year Ended December 31, 2007

(dollars in thousands)

	TWC Land Development L.P.	TWC Commercial Properties, L.P.	TWC Operating L.P.	MS/TWC Joint Venture	MS TWC, Inc.	Total
Balance (Deficit), January 1, 2007	\$ 37,904	\$ (29,443)	\$ (2,394)	\$ 38,742	\$ 450	\$ 45,259
Distributions	(61,363)	(7,875)	—	(60,599)	(1,311)	(131,148)
Net earnings (loss)	74,510	(2,903)	2,783	65,888	1,416	141,694
Balance (Deficit), December 31, 2007	<u>\$ 51,051</u>	<u>\$ (40,221)</u>	<u>\$ 389</u>	<u>\$ 44,031</u>	<u>\$ 555</u>	<u>\$ 55,805</u>

See Notes to Consolidated Financial Statements

TWLDC Holdings, L.P.

Consolidated Statement of Cash Flows

Year Ended December 31, 2007

(dollars in thousands)

Operating activities	
Net earnings	\$ 141,694
Adjustments to reconcile net earnings to cash provided by operating activities:	
Cost of land sold	67,474
Land development capital expenditures	(57,758)
Depreciation and amortization	9,794
Amortization of debt costs	1,500
Gain on disposal of discontinued operations	(102,672)
Increase in notes and contracts receivable	(15,279)
Other liabilities and deferred revenue	5,529
Other	(972)
Changes in operating assets and liabilities:	
Trade receivables, inventories and prepaid assets	(2,007)
Other assets	2,709
Accounts payable, accrued liabilities and net payables with affiliates	(3,482)
Net cash provided by operating activities	<u>46,530</u>
Investing activities	
Capital expenditures	(69,798)
Proceeds from sales of assets	175,761
Net cash provided by investing activities	<u>105,963</u>
Financing activities	
Distributions to partners	(131,148)
Contributions from partners	5,000
Debt borrowings	23,657
Debt repayments	(59,267)
Net cash used in financing activities	<u>(161,758)</u>
Decrease in cash and cash equivalents	<u>(9,265)</u>
Cash and cash equivalents, beginning of year	48,909
Cash and cash equivalents, end of year	<u><u>\$ 39,644</u></u>
Supplemental disclosure of cash flow information	
Interest paid (net of amount capitalized)	\$ 37,359
Federal income tax paid	350

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Woodlands Partnerships' real estate activities are concentrated in The Woodlands, a master-planned community located north of Houston, Texas. Consequently, these operations and the associated credit risks may be affected, either positively or negatively, by changes in economic conditions in this geographical area. Activities associated with The Woodlands Partnerships include residential and commercial land sales and the construction, operation and management of office and industrial buildings, apartments, golf courses and a hotel facility.

Principles of Consolidation

TWLDC Holdings, L.P. (Woodlands Development), a Texas limited partnership, is owned by entities controlled by The Rouse Company (Rouse) (which is controlled by General Growth Properties, Inc.) and Morgan Stanley Real Estate Fund II, L.P. (Morgan Stanley). Woodlands Development consolidates a variable interest entity (VIE), TWPCPC Holdings, L.P. (Woodlands Commercial), a Texas limited partnership, based on significant debt guarantees provided by Woodlands Development to Woodlands Commercial. Woodlands Commercial consolidates a VIE, The Woodlands Operating Company, L.P. (Woodlands Operating), a Texas limited partnership, from which it receives management and leasing services for its properties. Rouse and Morgan Stanley also own Woodlands Commercial and Woodlands Operating. Woodlands Development, Woodlands Commercial and Woodlands Operating are hereinafter referred to as The Woodlands Partnerships.

Also included in the consolidation is The Woodlands Community Facilities Development Corporation, an entity that has \$11,613,000 in assets and \$8,605,000 in debt, all of which is owed to Woodlands Development. The Woodlands Community Facilities Development Corporation's purpose is to promote the health, safety, common good and social welfare of the residents of The Woodlands, Texas, by developing parks, pathways and other amenities. The Woodlands Partnerships also consolidated 10101 Woodloch Forest LLC, a newly formed entity, in which The Woodlands Partnerships and a third party each have a 50 percent interest. The purpose of this entity is to construct and own an office building that will be leased by an affiliate of the third party. The minority member contributed \$5,000,000 in cash to the entity and The Woodlands partners contributed a total of \$5,000,000 in cash, land and other assets. Minority interest is included as a component of other liabilities in the consolidated balance sheets.

The consolidated financial statements include the accounts of The Woodlands Partnerships and their majority and wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Trade Receivables

Trade receivables are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information and existing economic conditions. Trade receivables are ordinarily due 30 days after the issuance of the billing. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Real Estate

Real estate assets are stated at cost. Costs associated with the acquisition and development of real estate, including holding costs consisting principally of interest and ad valorem taxes, are capitalized as incurred to the extent the total carrying value of the property does not exceed the estimated fair value of the completed property. Capitalization of such holding costs is limited to properties for which active development continues. Capitalization ceases upon completion of a property or cessation of development activities. Where practicable, capitalized costs are specifically assigned to individual assets; otherwise, costs are allocated based on estimated values of the affected assets. Capitalized real estate taxes and interest costs are amortized over lives which are consistent with the related commercial properties or written off as a component of cost of sales for land.

Pre-development costs, which generally include legal and professional fees and other directly related third-party costs, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable, the costs previously capitalized are expensed.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable or the useful life has changed. Assets are evaluated based on their cash flows and profitability, including estimated future operating results, and trends or other determinants of fair value. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the year ended December 31, 2007, no impairment was recognized.

Sales of Real Estate

Earnings from sales of real estate are recognized when a third-party buyer has made an adequate cash down payment and has attained the attributes of ownership. Capitalized cost related to real estate is determined as a specific percentage of the sales revenues recognized for each land development project. The amount capitalized is based on actual costs incurred, total estimated development costs and sales revenues for each project. These estimates are revised annually and are based on the then-current development strategy and operating assumptions utilizing internally developed projections for product type, revenue and related development cost. Capitalized costs are depreciated over the estimated useful life of the asset.

Land Sales

Revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and our subsequent involvement with the land sold are met. Revenues relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. For land sale transactions in which we are required to perform additional services and incur significant costs after title has passed, revenues and cost of sales are recognized on a percentage of completion basis.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cost of land sales is determined as a specified percentage of land sales revenues recognized for each community development project. The cost ratios used are based on actual costs incurred and estimates of development costs and sales revenues to completion of each project. The ratios are reviewed regularly and revised for changes in sales and cost estimates or development plans. Significant changes in these estimates or future development plans, whether due to changes in market conditions or other factors, could result in changes to the cost ratio used for a specific project.

The specific identification method is used to determine cost of sales for certain parcels of land, including acquired parcels we do not intend to develop or for which development is complete at the date of acquisition.

Hotel and Country Club Revenue

Revenue is recognized as services are performed. Hotel revenue primarily represents room rentals and food and beverage sales. Country club revenues primarily represent dues, green fees, cart rentals, and food and beverage sales. Revenues may also include non-refundable initiation fees that are considered earned during the period. Non-refundable fees are amortized over the estimated membership life of nine years.

Sales of Commercial Properties

Sales of commercial properties are generally accounted for under the full accrual method. Under that method, gain is not recognized until the collectibility of the sales price is reasonably assured and the earnings process is complete. When a sale does not meet the requirements for income recognition, gain is deferred until those requirements are met. Sales of real estate are accounted for under the percentage-of-completion method when The Woodlands Partnerships have material obligations under sales contracts to provide improvements after the property is sold. Under the percentage-of-completion method, the gain on sale is recognized as the related obligations are fulfilled.

Lease Revenue

Commercial properties are leased to third-party tenants generally involving multi-year terms. These leases are accounted for as operating leases. See Note 3 for further information.

Depreciation

Depreciation of operating assets is recorded on the straight-line method over the estimated useful lives of the assets. Useful lives range predominantly from 15 to 40 years for land improvements and buildings, 3 to 20 years for leasehold improvements, and 3 to 10 years for furniture, fixtures and equipment. Property and equipment are carried at cost less accumulated depreciation.

Advertising

Advertising costs are charged to operations when incurred. For the year ended December 31, 2007, advertising costs totaled \$4,361,000.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs

Costs incurred to obtain debt financing are deferred and amortized over the estimated term of the related debt using the interest method.

Income Taxes

The Woodlands Partnerships are not income tax-paying entities and all income and expenses are reported by the partners for tax reporting purposes. No provision for federal income taxes is included in the accompanying consolidated financial statements for these entities. Effective March 1, 2002, WECCR GP, a wholly owned subsidiary of Woodlands Operating, elected to be classified as an association taxable as a corporation for federal income tax purposes. Accordingly, a provision for federal income tax has been provided.

Significant changes were made to the Texas franchise tax during the 79th and 80th sessions of the Texas legislature, whereby the Legislature extended the state franchise tax to partnerships (general, limited and limited liability). In previous years, The Woodlands Partnerships did not pay franchise taxes, since they were organized as partnerships and franchise taxes were not imposed. The revised tax base is based on a taxable entity's margin. The margin tax is calculated at a rate of 1 percent on the lesser of three calculations: a) total revenue less cost of goods sold, b) total revenue less compensation, or c) total revenue times 70 percent. For the year ended December 31, 2007, The Woodlands Partnerships recorded margin tax expense of \$2,289,000.

The tax returns, the qualification of The Woodlands Partnerships for tax purposes and the amount of distributable partnership income or loss are subject to examination by federal taxing authorities. If such examinations result in changes with respect to partnership qualification or in changes to distributable partnership income or loss, the tax liability of the partners could be changed accordingly.

The Company has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109*, until after its fiscal year ended December 31, 2008. The Company has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as the FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

Inventories

Inventory is carried at the lower of cost or market and consists primarily of golf-related clothing, equipment sold at golf course pro shops, and food and beverages sold at the hotel facility in The Woodlands. Cost is determined based on a first-in, first-out method.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2007, cash equivalents consisted primarily of money market accounts. At December 31, 2007, Woodlands Development cash accounts exceeded federally insured limits by approximately \$9,595,000.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160). The noncontrolling interest shall be reported separately from the parent's equity in the statement of financial position. Revenue, expenses, gains and losses, and net income or loss shall be reported in the consolidated financial statements at the consolidated amounts, which will include amounts attributable to the parent and the noncontrolling interest. The net income or loss attributable to the parent and noncontrolling interest shall also be disclosed. Certain additional disclosures may also be required in the parent's consolidated financial statements or notes thereto. SFAS 160 is effective for consolidated financial statements issued for fiscal years beginning after December 15, 2008. The Woodlands Partnerships are currently reviewing the effect of this statement on their consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures About Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 expands the disclosure requirements in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, regarding an entity's derivative instruments and hedging activities. SFAS 161 is effective for the Company's fiscal year beginning after November 15, 2008. The Company does not expect the adoption of SFAS 161 to have a material effect on its consolidated financial statements.

The FASB has recently issued SFAS No. 141 (revised 2007), *Business Combinations* (FAS 141(R)), which replaces FAS 141. While many of the fundamental requirements of FAS 141 are retained, some of the more significant changes or new requirements include a broadened scope, requiring that all assets acquired and liabilities assumed be measured at fair value at the acquisition date, requiring certain costs be recognized separately from the acquisition as an expense when incurred, changing the requirements for recognition of contingent assets and liabilities, requiring recognition of contingent consideration at the acquisition date and requiring "negative goodwill" to be recognized immediately as a gain at the time of acquisition. FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and may not be applied before that date.

Note 2: Notes and Contracts Receivable

Notes receivable are carried at cost, net of discounts. At December 31, 2007, Woodlands Development held notes and contracts receivable totaling \$72,351,000. Included in the notes receivable were amounts related to utility district receivables totaling \$70,626,000. Utility district receivables, the collection of which is dependent on the ability of utility districts in The Woodlands to sell bonds, had a market interest rate of approximately and 4.8 percent at December 31, 2007. Included in the utility

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 2: Notes and Contracts Receivable (Continued)**

district receivables was a reserve of approximately \$4,340,000 at December 31, 2007. The utility district receivables are analyzed on a monthly basis for valuation and collectibility utilizing a review of outstanding receivables, historical bond issuance information and economic conditions of the various districts located in The Woodlands. Utility district receivables are written off when the receivables are known to be uncollectible. At December 31, 2007, the other note receivable totaled \$1,725,000. This note bears interest at an average rate of 7.3 percent for the year ending December 31, 2007, and matures in 2009.

Note 3: Real Estate

The following is a summary of real estate at December 31, 2007 (in thousands):

Land	\$ 286,971
Commercial properties	222,654
Equity investments	2,709
Other assets	10,359
	<u>522,693</u>
Accumulated depreciation	(65,354)
	<u>\$ 457,339</u>

Land

The principal land development is The Woodlands, a mixed-use, master-planned community located north of Houston, Texas. Residential land is divided into eight villages in various stages of development. Each village has or is planned to contain a variety of housing, neighborhood retail centers, schools, parks and other amenities. Woodlands Development controls the development of the residential communities and produces finished lots for sale to qualified builders. Housing is constructed in a wide range of pricing and product styles.

Commercial land is divided into distinct centers that serve or are planned to serve as locations for office buildings, retail and entertainment facilities, industrial and warehouse facilities, research and technology facilities, and college and training facilities. Woodlands Development produces finished sites for third parties or for its own building development activities.

Commercial Properties

Commercial and industrial properties owned or leased by The Woodlands Partnerships are leased to third-party tenants. Lease terms, including renewal periods, range from 1 to 15 years with an average remaining term of 8 years. Contingent rents include pass-throughs of incremental operating costs. Minimum future lease revenues from noncancellable operating leases and subleases exclude contingent rentals that may be received under certain lease agreements. Tenant rents include rent for noncancellable operating leases, cancelable leases, and month-to-month rents and are included in other revenue. For the year ended December 31, 2007, tenant rents totaled \$5,080,000 and contingent rents totaled \$301,000. Minimum future lease rentals for 2008 through 2012 and thereafter total \$17,987,000, \$18,998,000, \$11,044,000, \$9,299,000, \$8,557,000 and \$37,379,000, respectively.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 3: Real Estate (Continued)*Properties Held for Sale and Discontinued Operations*

A summary of the operations from discontinued operations for the year ended December 31, 2007, is as follows (in thousands):

Revenues	\$ 39,136
Operating expenses	(28,250)
Depreciation	(1,918)
Interest expense	(3,896)
Other expense	(154)
Income tax (expense) benefit	(3,984)
Net earnings	<u>\$ 934</u>

During 2007, Woodlands Development sold a hotel property for \$137,000,000 and recognized a profit of \$99,976,000. Woodlands Development repaid debt totaling \$50,000,000 related to the hotel property. Woodlands Development and Woodlands Commercial sold certain country club assets for \$34,000,000 and recognized a profit of \$1,257,000. Woodlands Commercial repaid \$640,000 of its Conference Center debt as part of the sale. Woodlands Development sold a retail property for \$5,800,000 and recognized a profit of \$1,439,000. Woodlands Development repaid debt totaling \$2,838,000 in connection with this sale.

Operating results for the assets sold and abandoned are reported as discontinued operations on the consolidated statements of earnings.

Note 4: Equity Method Investments

During 2007, The Woodlands Partnerships' principal partnership and corporation interests included the items listed in the table on the following page.

	Ownership and Economic Interest	Nature of Operations
Woodlands Development:		
Stewart Title of Montgomery County, Inc.	50%	Title company
Woodlands Commercial:		
Woodlands Office Equities—'95 Limited	25%	Office buildings in The Woodlands
FV-93 Limited	50% (economic interest)	Apartments

Other partnerships own various commercial properties, all of which are located in The Woodlands. Woodlands Operating provides various management and leasing services to these affiliated entities. The Woodlands Partnerships' net investment in each of these entities is included in the real estate caption on the consolidated balance sheets and their shares of these entities' pretax earnings is included in other revenues on the consolidated statements of earnings. A summary of The Woodlands Partnerships'

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 4: Equity Method Investments (Continued)**

net investments as of December 31, 2007, and their share of pretax earnings for the year then ended are as follows (in thousands):

Net investment:	
Stewart Title of Montgomery County, Inc.	\$ 1,132
Woodlands Office Equities—'95 Limited	1,122
FV-93 Limited	786
Others that own properties in The Woodlands	(331)
	<u>\$ 2,709</u>
Equity in pretax earnings:	
Stewart Title of Montgomery County, Inc.	\$ 816
Woodlands Office Equities—'95 Limited	25
FV-93 Limited	3
Others that own properties in The Woodlands	45
	<u>\$ 889</u>

Summarized financial statement information (unaudited) for partnerships and a corporation in which The Woodlands Partnerships have an equity ownership interest at December 31, 2007, and for the year then ended are as follows (in thousands):

Assets	\$ 32,184
Debt payable to third parties:	
The Woodlands Partnerships' proportionate share:	
Recourse to The Woodlands Partnerships	76
Nonrecourse to The Woodlands Partnerships	1,594
Other parties' proportionate share, of which \$1,006 was guaranteed by The Woodlands Partnerships	13,911
Accounts payable and deferred credits	1,839
Owners' equity	14,764
Revenues	14,709
Operating earnings	4,454
Pretax earnings	3,367
The Woodlands Partnerships' share of pretax earnings	889

Woodlands Commercial has guaranteed mortgage debt of its unconsolidated affiliates totaling \$1,142,000 at December 31, 2007, respectively. These guarantees reduce in varying amounts through 2010 and would require payments only in the event of default on payment by the respective debtors.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 5: Debt**

A summary of The Woodlands Partnerships' outstanding debt at December 31, 2007, is as follows (in thousands):

Senior credit facility	\$ 291,539
Conference Center debt	59,360
Other credit facilities	25,381
Mortgages payable	25,845
	<u>\$ 402,125</u>

Senior Credit Facility

Woodlands Development and Woodlands Commercial have a bank credit agreement consisting of a \$280,000,000 (previously \$230,000,000) term loan and a \$70,000,000 revolving credit loan. The credit agreement has a three-year term expiring in August 2009 with two one-year extension options. At December 31, 2007, approximately \$43,461,000 was available to be borrowed under the revolving credit agreements. The interest rate, based on the LIBOR plus a margin, was approximately 7.2 percent at December 31, 2007. Interest is paid monthly. Commitment fees, based on 0.25 percent of the unused commitment, totaled \$152,000 for the year ended December 31, 2007.

The credit agreement contains certain restrictions that, among other things, require the maintenance of specified financial ratios, restrict indebtedness and sale, lease or transfer of certain assets and limit the right of Woodlands Development and Woodlands Commercial to merge with other companies and make distributions to their partners. Certain assets of Woodlands Development and Woodlands Commercial, including cash, receivables and real estate, secure the credit agreement. Mandatory debt maturities for 2009 are \$306,539,000. Payments may be made by Woodlands Development or Woodlands Commercial or both at their option. Principal payments may be required based on certain covenant tests. Prepayments can also be made at the discretion of Woodlands Development and Woodlands Commercial without penalty.

Conference Center Debt

The debt consists of a credit facility related to and secured by The Woodlands Conference Center. The credit facility has an average interest rate of 8.0 percent at December 31, 2007. Interest is paid monthly. The credit facility matures in October 2011 or is required to be repaid upon the sale of The Woodlands Conference Center.

Other Credit Facilities

At December 31, 2007, Town Center Development Company, L.P. (TCDC), a wholly owned subsidiary of Woodlands Development, had three loan commitments totaling \$74,103,000 secured by new commercial construction. The interest rate, based on the LIBOR plus a margin, was approximately 6.4 percent at December 31, 2007. At December 31, 2007, the outstanding balance was \$25,381,000. Mandatory debt maturities for 2008 to 2010 are \$-0-, \$4,768,000 and \$20,613,000, respectively.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 5: Debt (Continued)

Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, The Woodlands Partnerships have entered into various derivative agreements.

Woodlands Development and Woodlands Commercial entered into interest rate cap agreements with two commercial banks to reduce the impact of increases in interest rates on their bank credit agreements. The interest rate cap agreements effectively limit the interest rate exposure on a notional amount of \$200,000,000 to LIBOR rates of 6.50 percent, and exposure on a notional amount of \$50,000,000 to LIBOR rates of 5.75 percent. The \$200,000,000 interest rate cap agreement expires in 2009 and the \$50,000,000 interest rate cap agreement expires in 2008.

Management has designated the interest rate cap agreements as a hedging instrument. However, management has deemed amounts associated with the derivatives and hedging transactions to be immaterial to the consolidated financial statements and, as a result, the agreements have not been reflected in the consolidated financial statements.

Mortgages Payable

The mortgages payable had an average interest rate of 7.0 percent at December 31, 2007. Debt maturities for 2008 through 2012 and thereafter total \$3,463,000, \$8,473,000, \$13,808,000, \$-0-, \$-0- and \$101,000, respectively. Mortgages payable are all secured by real estate.

Note 6: Notes Payable to Partners

At December 31, 2007, Woodlands Development had notes payable to its partners totaling \$25,000,000. The notes bear interest at 15 percent. Interest is payable quarterly. All outstanding balances are due in 2010. These notes are subordinate to the bank credit agreement and mortgages payable described previously.

Note 7: Commitments and Contingencies

Contingent Liabilities

At December 31, 2007, The Woodlands Partnerships issued letters of credit in the amount of \$801,000. The letters of credit act as guarantees of payment to third parties in accordance with specific terms and conditions of each letter. The term of these letters of credit is for a period of 12 months from the date of the original agreement.

At December 31, 2007, The Woodlands Partnerships guaranteed road bonds in the amount of \$1,932,000. These guarantees act as a warranty on the roads for a period of 12 months from the date the roads are completed. Under these agreements, The Woodlands Partnerships have guaranteed they will make all repairs necessary to maintain the roads in good condition.

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 7: Commitments and Contingencies (Continued)***Leases*

The Woodlands Partnerships have various noncancellable facilities and equipment lease agreements that provide for aggregate future payments of approximately \$4,103,000. Capital lease obligations are included as other liabilities in the consolidated balance sheets. On the following page are minimum rental payments for the years subsequent to December 31, 2007 (in thousands).

	<u>Capital Leases</u>	<u>Operating Leases</u>		<u>Total</u>
	<u>Woodlands Development</u>	<u>Woodlands Commercial</u>	<u>Woodlands Operating</u>	
2008	\$ 366	\$ 2,238	\$ 558	\$ 3,162
2009	131	2,238	561	2,930
2010	37	—	124	161
2011	27	—	70	97
2012	18	—	52	70
	<u>\$ 579</u>	<u>\$ 4,476</u>	<u>\$ 1,365</u>	<u>\$ 6,420</u>

Rental expense for operating leases for the year ended December 31, 2007 was \$4,588,000.

General Litigation

The Woodlands Partnerships are subject to claims and legal actions arising in the ordinary course of their business and to recurring examinations by the Internal Revenue Service and other regulatory agencies. Management believes, after consultation with outside counsel, that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Commitments

As of December 31, 2007, the Woodlands Partnerships had unrecorded development contract commitments outstanding of approximately \$184,687,000.

Note 8: Related-party Transactions

Woodlands Operating provides services to Woodlands Development and Woodlands Commercial under management and advisory services agreements. These agreements are automatically renewed annually. Woodlands Development and Woodlands Commercial pay Woodlands Operating a management and advisory fee equal to cost plus 3 percent. In addition, they reimburse Woodlands Operating for all costs and expenses incurred on their behalf. For the year ended December 31, 2007, Woodlands Operating recorded revenues of \$10,700,000 for services provided to Woodlands Development and \$1,148,000 for services provided to Woodlands Commercial. These revenues are eliminated in the accompanying consolidated financial statements.

Woodlands Operating, through WECCR GP, operates The Woodlands Conference Center (the Facilities) which is owned by Woodlands Commercial. The Facilities consist of a 440-room hotel and

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 8: Related-party Transactions (Continued)**

conference center. Woodlands Commercial also owned golf course facilities that were sold in May 2007. WECCR GP operates the Facilities and pays Woodlands Commercial rent of \$700,000 per month. For the year ended December 31, 2007, rent totaled \$8,650,000. These amounts are eliminated in the accompanying consolidated financial statements. WECCR GP has contracted with an affiliate of Morgan Stanley to manage the Facilities for a management fee equal to 2.5 percent of cash receipts, as defined in the agreement. During 2007, the management fee totaled \$1,107,000.

Note 9: Partners' Equity

Rouse's ownership interests in The Woodlands Partnerships are through TWC Land Development L.P. (which owns a 42.5 percent interest in Woodlands Development), TWC Commercial Properties L.P. (which owns a 42.5 percent interest in Woodlands Commercial), and TWC Operating L.P. (which owns a 42.5 percent interest in Woodlands Operating). Morgan Stanley's ownership interests are through MS/TWC Joint Venture and MS TWC, Inc., which own the remaining interests in Woodlands Development, Woodlands Commercial and Woodlands Operating. The partners' percentage interests are summarized as follows:

	<u>General Partner Interest</u>	<u>Limited Partner Interest</u>
Woodlands Development:		
TWC Land Development L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—
Woodlands Commercial:		
TWC Commercial Properties L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—
Woodlands Operating:		
TWC Operating L.P.	42.5%	—
MS/TWC Joint Venture	—	56.5%
MS TWC, Inc.	1.0%	—

The partnership agreements for each of the partnerships provide, among other things, the following:

- (i) The Woodlands Partnerships are each governed by an Executive Committee composed of equal representation from their respective general partners.
- (ii) Net income and losses from operations are currently allocated based on the payout percentages discussed below.
- (iii) Distributions are made by The Woodlands Partnerships to the partners based on specified payout percentages and include cumulative preferred returns to Morgan Stanley's affiliates. The payout percentage to Morgan Stanley's affiliates is 57.5 percent until the affiliates receive distributions on a consolidated basis equal to their capital contributions and a 12.0 percent cumulative preferred return compounded quarterly. Then, the payout percentage to Morgan

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 9: Partners' Equity (Continued)

Stanley's affiliates is 50.5 percent until the affiliates receive distributions equal to their capital contributions and an 18.0 percent cumulative preferred return compounded quarterly. Thereafter, the payout percentage to Morgan Stanley's affiliates is 47.5 percent. During 2001, Morgan Stanley's affiliates received sufficient cumulative distributions from The Woodlands Partnerships to exceed Morgan Stanley's affiliates' capital contributions plus cumulative returns of 18.0 percent. Accordingly, Morgan Stanley's affiliates are currently receiving a payout percentage of 47.5 percent, and Rouse's affiliates are receiving 52.5 percent from The Woodlands Partnerships.

- (iv) The Woodlands Partnerships will continue to exist until December 31, 2040, unless terminated earlier due to specified events.
- (v) No additional partners may be admitted to The Woodlands Partnerships unless specific conditions in the partnership agreements are met. Partnership interests may be transferred to affiliates of Rouse or Morgan Stanley. Rouse has the right of first refusal to buy the partnership interests of the Morgan Stanley affiliates at the same terms and conditions offered to a third-party purchaser or sell its affiliates' interests to the same third-party purchaser.
- (vi) Rouse and Morgan Stanley have the right to offer to purchase the other partner's affiliates' partnership interests in the event of failure to make specified capital contributions or a specified default by the other. Specified defaults include bankruptcy, breach of partnership covenants, transfer of partnership interests except as permitted by the partnership agreements, and fraud or gross negligence.

Note 10: Fair Value of Financial Instruments

The estimated fair values of The Woodlands Partnerships' financial instruments as of December 31, 2007, approximated their carrying amounts, with the exception of the notes payable to partners for Woodlands Development, which had an estimated fair value of \$29,261,000. Fair values of notes and contracts receivable were estimated by discounting future cash flows using interest rates at which similar loans currently could be made for similar maturities to borrowers with comparable credit ratings. Fair values of fixed-rate, long-term debt were based on current interest rates offered to The Woodlands Partnerships for debt with similar remaining maturities. For floating-rate debt obligations, carrying amounts and fair values were assumed to be equal because of the nature of these obligations. The carrying amounts of The Woodlands Partnerships' other financial instruments approximate their fair values.

Note 11: Employee Plans

Defined Contribution Plan

Woodlands Operating has a 401(k) defined contribution plan that is available to all full-time employees who meet specified service requirements. The plan is administered by a third party. Contributions to the plan are based on a match of employee contributions up to a specified limit. For the year ended December 31, 2007, Woodlands Operating contributions totaled approximately \$783,000.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 11: Employee Plans (Continued)***Supplemental Executive Retirement Plan***

Woodlands Operating has deferred compensation arrangements for a select group of management employees that provide the opportunity to defer a portion of their cash compensation. Woodlands Operating's obligations under this plan are unsecured general obligations to pay in the future, the value of the deferred compensation adjusted to reflect the performance of its investments, whether positive or negative, of selected measurement options, chosen by each participant, during the deferral period. Woodlands Operating has established trust accounts on behalf of the participating employees totaling \$1,447,000 that are included in other assets at December 31, 2007.

Incentive Plans

Woodlands Operating instituted an incentive compensation plan for certain employees in 2001. The plan is unfunded, and while certain payments are made currently, a portion of these payments is deferred and will be paid based on a vesting period of up to three years. For the year ended December 31, 2007, expenses recognized by The Woodlands Partnerships under this plan totaled \$3,506,000.

Note 12: Income Taxes

The income tax provision for the year ended December 31, 2007, is as follows (in thousands):

Deferred income tax	\$ (274)
Current income taxes	6,230
	<u>\$ 5,956</u>

The income tax benefit reflected in the consolidated statements of earnings differs from the amounts computed by applying the federal statutory rate of 35 percent to income before income taxes as follows (in thousands):

Income tax benefit at statutory rate	\$ 3,689
Texas margin tax	2,289
Permanent differences	146
NOL carryforward/change to prior year book/tax differences	(274)
Other	106
	<u>\$ 5,956</u>

Deferred taxes are provided for the temporary differences between the financial reporting basis and the tax basis of WECCR GP's assets and liabilities and for operating loss carryforwards. Significant

TWLDC Holdings, L.P.**Notes to Consolidated Financial Statements (Continued)****December 31, 2007****Note 12: Income Taxes (Continued)**

components of WECCR GP's net deferred tax asset at December 31, 2007, are as follows (in thousands):

Deferred tax assets:	
Other	\$ 274
Deferred tax liabilities	—
Net deferred tax asset	<u>\$ 274</u>

WECCR GP had net operating loss carryforwards of \$784,000 at December 31, 2006, that was applied to reduce taxable income in 2007. There is no net operating loss carryforward at December 31, 2007.

SFAS No. 109, Accounting for Income Taxes, requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, management has provided no valuation allowance at December 31, 2007.

The net deferred tax assets are included in other assets on the consolidated balance sheets at December 31, 2007.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Municipal Utility District (MUD) Receivables

The state of Texas allows for the creation of MUDs which may reimburse Woodlands Development for construction costs associated with building water distribution and purification systems, sewer facilities and drainage facilities. Woodlands Development constructs the facilities and once the MUDs have enough value on the ground (tax base), the MUDs will issue bonds to reimburse Woodlands Development for costs (including interest) according to the Texas Commission on Environmental Quality (TCEQ). Woodlands Development estimates the costs which they believe will be eligible for reimbursement as MUD receivables. Periodically, management evaluates these receivable balances and makes adjustments to reflect changes in conditions related to such receivables. Actual receivables could differ from the estimates recorded in these financial statements.

Cost of Sales Estimates

During development projects, Woodlands Development estimates sales prices on a per lot basis as villages are developed. These sales estimates are then utilized throughout the project to estimate a percentage of cost of sales to be applied when portions of a development are sold. These cost of sales estimates are updated annually based on actual land costs incurred plus estimates to complete the villages.

TWLDC Holdings, L.P.

Notes to Consolidated Financial Statements (Continued)

December 31, 2007

Note 13: Significant Estimates and Concentrations (Continued)

Senior Credit Facility

As discussed in Note 5, Woodlands Development and Woodlands Commercial have a bank credit agreement with approximately \$291,539,000 due in August 2009. The agreement has two one-year extension options. However, as of February 27, 2009, the Partnerships had not obtained a commitment to extend. Inability to extend the existing agreement, or otherwise renegotiate or refinance the agreement, could adversely affect The Woodlands Partnerships future operations.

Impairment Determinations

In accordance with SFAS No. 144, the Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable or the useful life has changed. These assets are evaluated based on their estimated cash flows and profitability, including estimated future operating results, and trends or other determinants of fair value. Actual cash flows, profitability and trends could differ materially from these estimates.

EXHIBIT LIST

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1*	Separation Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
3.1*	Amended and Restated Certificate of Incorporation of Spinco, Inc., filed with the Delaware Secretary of State on _____, 2010.
3.2*	Amended and Restated Bylaws of Spinco, Inc., dated _____, 2010.
4.1*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Brookfield Investor.
4.2*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Fairholme.
4.3*	Registration Rights Agreement dated _____, 2010, between Spinco, Inc. and Pershing Square.
10.1*	Transition Services Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
10.2*	Tax Matters Agreement between Spinco, Inc. and General Growth Properties, Inc., dated _____, 2010.
10.3*	Non-Control Agreement among Spinco, Inc. and Pershing Square Capital management, L.P., dated _____, 2010.
10.4*	Management Services Agreement between Spinco, Inc. and Brookfield Advisors, dated August 6, 2010.
10.5*	Form of Indemnification Agreement for officers and directors.
11.1*	Statement re computation of per share earnings.
21.1*	List of Subsidiaries.

* To be filed by amendment.
