PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

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November 17, 2010

Dear Pershing Square Investor:

The Pershing Square funds' performance trailed the major market indexes for the third quarter of 2010, but continued to outperform the market year to date and since inception as set forth below:[1]

	For the Quarter July 1 - September 30	Year to Date January 1 - September 30	Since Inception
Pershing Square, L.P.			01/01/04 - 09/30/10
Gross Return	5.8%	10.7%	480.8%
Net of All Fees	4.4%	7.6%	292.7%
Pershing Square II, L.P.			01/01/05 - 09/30/10
Gross Return	6.5%	10.3%	318.7%
Net of All Fees	4.9%	7.3%	203.4%
Pershing Square International, Ltd.			01/01/05 - 09/30/10
Gross Return	4.7%	9.3%	265.3%
Net of All Fees	3.5%	6.5%	170.5%
Indexes (including dividend reinvestment)			01/01/04 - 09/30/10
S&P 500 Index	11.3%	3.9%	17.6%
NASDAQ Composite Index	12.6%	5.2%	24.9%
Russell 1000 Index	11.6%	4.4%	21.2%
Dow Jones Industrial Average	11.1%	5.6%	22.4%

Portfolio Update

General Growth Properties Inc.

GGP emerged from bankruptcy on November 9 and distributed shares in The Howard Hughes Corporation (HHC) to old GGP shareholders including Pershing Square. The company subsequently launched an offering of new GGP shares. The proceeds are to be used to "claw back" a portion of the shares from Pershing Square, the Fairholme Funds, and Texas Teachers that were purchased on November 9 at $10.00 per share ($10.25 for Texas Teachers), and any remaining funds will be used for general corporate purposes.

On November 15, the offering was priced at $14.75 per share. Net of the claw back shares, we acquired an additional 46 or 48 million shares (depending on whether the greenshoe is exercised)

[1] Past performance is not necessarily indicative of future results. Please see the additional disclaimers and notes to performance results at the end of this letter.

of new GGP for $10.00 per share that traded at $14.31 per share as of yesterday's close. In connection with the offering, we also lent GGP $350 million at 6% interest which will shortly be repaid from the proceeds of the offering. We are pleased to note that GGP stock initially purchased for 34 cents per share in November of 2008 (and at an average price of less than $1.00 per share) now trades for more than $18.00 per share including the shares received in the HHC spinoff. We no longer own any old GGP bonds, having sold and/or exchanged the debt to fulfill our equity commitment to the company.

Prior to the offering, GGP hired Sandeep Mathrani, the Executive Vice President of Vornado Realty Trust's retail real estate division, as CEO. He will join the company full time on January 1, 2011. We met Sandeep years ago, having previously shared the 29th floor of 888 Seventh Avenue with Vornado's retail group. We hold Sandeep in extremely high regard and had recommended him to the GGP search committee. We expect that Sandeep will prove to be a superb leader for GGP as it works to improve its operational performance. We will also benefit from the oversight of Brookfield Asset Management, led by Bruce Flatt, its CEO, who will serve as Chairman of GGP, and Cyrus Madon and Ric Clark, two Brookfield managing directors, who will also serve on the board.

Now that the transaction has closed and we have no more deal issues to negotiate with Brookfield, we can speak with candor about our colleagues at Brookfield without weakening our negotiating position. I have known Bruce Flatt since the 1990s, but had never worked on a transaction with him. Bruce and his team proved to be extraordinary transaction participants in consummating an extremely complicated deal. While the original deal was struck in March of this year, the transaction was amended numerous times to accommodate bankruptcy, tax, and other issues. In each instance, Brookfield worked in good faith to optimize a transaction for the collective benefit of all parties and never used its negotiating leverage to extract concessions that would have been inconsistent with the original transaction it shook hands on many months earlier. Brookfield always worked to expand the pie for the benefit of all, and for that we, and the other shareholders of GGP, are extremely grateful.

Bruce Berkowitz of Fairholme Capital was the other key participant in the GGP recapitalization without whom we would have been materially worse off. While Bruce is not well known in the hedge fund community, he is the star of the mutual fund world, with his fund recently named US Equity Mutual Fund of the decade. Bruce manages approximately $20 billion in a highly concentrated fashion. At a critical juncture in the transaction, when GGP was subject to a competitive take-under bid from Simon Properties, Bruce stepped up with a $2.7 billion commitment that provided the remaining capital necessary to guarantee GGP's bankruptcy emergence. Bruce and his partner Charlie Fernandez have been exemplary transaction partners in the recapitalization, calling us early on to offer support and then later making an ironclad, multi-billion dollar commitment that we knew GGP could rely on, long before the papers were finalized. Fairholme's commitment remained firm despite the enormous economic and capital markets uncertainty.

As part of the recapitalization, we obtained the right to appoint a director to the GGP board. We chose to forgo that right and instead allow the Blackstone Group to appoint John Schreiber in lieu of a Pershing Square representative because he is an extremely experienced retail real estate investor who will best represent the interests of all shareholders. We no longer believe that our involvement on the GGP board is necessary for the long-term success of this investment. We have worked closely with Blackstone for many years and, in particular, with members of their real estate private equity group, Jon Gray and A.J. Agarwal. In light of our comfort with Blackstone and their combined $500 million investment in GGP and HHC, we believe they will be a highly value-added co-investor.

It is important to mention the critical role that GGP's senior management, led by Adam Metz and Tom Nolan, played in overseeing the company during this challenging period. They, along with a motivated and talented workforce, and the superb legal and bankruptcy advisors at Weil Gotshal, Kirkland & Ellis, Miller Buckfire, UBS, and AlixPartners, accomplished what many have come to regard as the most successful bankruptcy restructuring of all time.

We must also mention the remarkable work of the GGP Equity Committee and the sage advice of its counsel Saul Ewing and financial advisor Cantor Fitzgerald. Our small legal team at Sullivan & Cromwell did a superb job representing our interests, including in negotiations with the talented lawyers at Willkie Farr, who served as Brookfield's counsel. We are delighted to have worked alongside such an outstanding group of principals and professionals on this extraordinary project.

Looking ahead, we continue to believe the superregional mall business and GGP in particular will be attractive investments over the long term. Furthermore, GGP possesses certain unique attributes that should allow it to outperform its competitors over the intermediate term. GGP is underearning its potential because a substantial amount of its space is currently leased on a short-term basis at below-market terms, and occupancy costs, particularly for its best assets, are meaningfully lower than its competitors', providing the potential for significant increases in net operating income. In addition, as a result of the bankruptcy negotiations, a large percentage of GGP's secured mortgage indebtedness is prepayable without penalty. As rates have continued to decline since these mortgages were restructured, the opportunity may exist to refinance at significantly lower rates, which could have a meaningfully positive impact on GGP shareholder value. We look forward to a reenergized GGP tackling these opportunities. Combined, these attributes should allow GGP's NOI and FFO growth to exceed that of other mall REITs, and despite the recent run up in GGP's share price, it continues to trade at a substantial discount to its relevant peer group.

We continue to maintain a short position in the REIT index and certain REIT equities which mitigate, to some extent, our exposure to overall REIT valuations. We expect that GGP will outperform its competitors and the REIT index as a whole because of its unique attributes.

Howard Hughes Corporation

As part of the recapitalization, we received a distribution of HHC stock and committed an additional $58 million of capital, which along with investments from Brookfield, Fairholme, and Blackstone cumulatively totaled $250 million. In connection with this commitment, we received seven-year warrants to purchase HHC stock at $50 per share. Our combined economic stake in the company including stock, warrants, and cash-settled total return swaps represents approximately 28% of shares outstanding.

We have the right to appoint three directors to the company as long as we maintain a 17.5% or greater economic stake in the company. We have appointed Allen Model, a member of Pershing Square's advisory board, and Gary Krow, formerly the President of Comdata, a subsidiary of Ceridian Corporation, to represent our interests. I have joined the board as the company's chairman.

As part of the restructuring of GGP, the company contributed to HHC its redevelopment assets, its master planned community portfolio, and certain other properties whose cash flows were not reflective of their potential value. We designed the restructuring of GGP to incorporate the HHC spinoff because we believed that these assets would be attributed little, if any, value if they remained within GGP, and more appropriately valued in the spinoff company.

The market appears to have begun to recognize the value inherent in HHC's portfolio as it trades as of yesterday's close at $40.30 per share, an enterprise value of $1.8 billion, net of the $250 million equity investment from new investors. This 'found' value inures solely to the benefit of pre-emergence GGP shareholders, meaningfully improving their recoveries.

We are in the process of hiring a senior management team for HHC and hope to accomplish this critical objective shortly. In the interim, the company is overseen by affiliates of Brookfield and TPMC, a Dallas-based private real estate investment firm. We are excited by the potential to create a business backed by this unique portfolio of assets owned by a well-capitalized public company.

Kraft Corporation

After acquiring Cadbury earlier this year, Kraft is now the largest global snacks company with roughly 50% of its sales coming from highly branded confectionary, cookies and crackers. We continue to like the "new Kraft" for its underappreciated international growth opportunities, as Kraft leverages Cadbury's well-established distribution network particularly in emerging markets. We also believe the company will significantly improve its profit margins, which are among the lowest of its peers.

Thus far, our thesis appears to be on track. Year to date, base Kraft EBIT margins (excluding corporate expense) are up from 14.8% to 15.4%. We believe margins will continue to increase in the coming quarters, particularly as the company delivers its expected $750 million of cost savings from the combined Kraft/Cadbury operations.

From a valuation perspective, based on the attractiveness of the categories in which Kraft participates, and its strong and growing emerging market presence, we think the stock is inexpensive at roughly 11x 2012 earnings.

We have reduced our investment in Kraft somewhat to raise capital for two new commitments, Fortune Brands and J.C. Penney, which we discuss further below. We sold not because we believe that Kraft is no longer an interesting investment – it remains a core holding of the funds – but rather because we believe that these new investments present an even more attractive use of capital.

Target

We believe that Target is well positioned even if the U.S. economy remains weak. We expect that Target's P-Fresh expansion program and its recently launched 5% off discount program for Target Visa and Red Card customers will drive increased sales and profitability for the company. Target stock trades at about an approximate 8.5% projected free cash flow yield, a valuation which continues to be compelling. We remain one of Target's largest shareholders even though, as with Kraft, we have recently reduced our exposure to raise capital for our J.C. Penney and Fortune Brands investments.

Citigroup

Citigroup reported solid earnings for the third quarter. The credit quality of Citi's asset pool continues to improve and the wind down of Citi Holdings has progressed at a reasonable pace. Other important developments include greater clarity on Basel III rule making which has allowed Citigroup to provide better visibility as to the timing, now targeted to be 2012, of the return of excess capital to shareholders. How and when Citi returns excess capital will likely have a material effect on long-term shareholder value. We believe that management is appropriately focused on this opportunity.

While Citi stock has appreciated substantially in recent weeks, it continues to trade at a discount to our estimate of fair value due to a number of factors, which include continued economic and regulatory uncertainty, and the technical overhang of the government's sale of shares. We expect these issues will be resolved over the short term (in the case of the government's stock sale) and the other issues over the intermediate term. In the meantime, we expect the bank to continue to generate substantial earnings which can be used to absorb remaining losses in its portfolio, while building additional capital for future distribution or investment.

ADP

ADP is a paradigm of a well-managed, stable, predictable, free-cash-flow-generative business. The opportunity to acquire ADP at a discount to intrinsic value arose as ADP's earnings and cash flow weakened with the economy. Retention rates and new business bookings declined substantially as recession-related pressures drove some ADP customers into liquidation, led to headcount reductions, and otherwise delayed new business. Lower average client fund balances coupled with low interest rates also contributed to weakness in ADP's earnings.

We believe that ADP's business performance has improved as evidenced by a substantial increase in customer retention rates and a sharp improvement in new business sales activity. ADP should also continue to be a beneficiary of the stabilization and improvement of the economy. In the interim, ADP continues to wisely deploy capital in high-return acquisitions, substantial share repurchases, and dividends. Over the past five years, the company has repurchased more than 20% of its stock, made a number of intelligent acquisitions of complementary product offerings, while divesting non-core operations through sale or spinoff.

Corrections Corporation of America

Corrections Corp was a significant contributor to performance during the quarter as the stock rose 29.4% on the announcement of several key contract wins including a 1,200 bed contract with the U.S. Marshals Service for its California City facility, a build-to-suit contract with the state of Georgia for 1,150 beds, and its assumption of the management of two new facilities in Florida. CCA and its existing inventory of empty beds will be the beneficiaries of the combination of rising prison populations, overcrowded public facilities, and a lack of new prison builds by either the federal or state governments.

The company has been an aggressive buyer of its own stock, repurchasing more than 5% of its shares since the beginning of the year. As a result of the recent contract wins and its stock repurchase activity, CXW recently increased its guidance for 2010 free cash flow per share. The company now trades at an approximate 9% free cash flow yield, which we find attractive.

Peter Cooper Village/Stuyvesant Town

We were unsuccessful in New York Supreme Court defeating litigation brought by CWCapital, the special servicer for Stuyvesant Town's first mortgage lender. Our efforts to obtain an expedited appeal were similarly unsuccessful. As a result, we were confronted with the choice of pursuing the litigation in the New York Supreme Court and the Appellate Division over the next few years, or alternatively negotiating a settlement with CWCapital.

We had the benefit, in our view, of being right on the law, and ultimately having a reasonable probability of success on appeal. Our senior mezzanine claims were also valuable to the first mortgagee due to several factors: (1) if the first mortgagee were to foreclose on the property, it would have to pay approximately $120 million in New York State and City transfer taxes and then a similar level of transfer taxes on the subsequent sale to a new owner, (2) by foreclosing its lien, the lender would lose the ability to assign its mortgage to a new buyer, foregoing the opportunity to avoid a 2.8% mortgage recording tax, an additional approximate $60 million or more of frictional cost, and furthermore, (3) the securitization trusts, once they foreclose their mortgage, may be limited in their ability to provide seller financing to a buyer of the property by restructuring its existing mortgage, likely reducing the proceeds realized on a sale.

As a result of these factors, we were in a relatively strong bargaining position with CWCapital despite the loss of litigation and the subordinate nature of our claims. We weighed the relative merits of settling the litigation versus pursuing our claims, and concluded that the return-on-invested-brain-damage calculation weighed strongly in favor of a settlement. We subsequently negotiated the sale of our loans to the first mortgage lender at our partnership's original purchase price of $45 million (our share was 77.5% of this amount) and we folded the tent.

I have learned from prior experience that sometimes the better part of valor in an investment situation is to move on. Onward.

Landry's Restaurants

In October, we successfully exited our Landry's investment. We received $24.50 per share in this management led buyout, approximately 66% above our average cost of $14.78 per share.

New Investments

J.C. Penney

As reported in our Schedule13D filed on October 8, during the third quarter and early in the fourth quarter, Pershing Square purchased stock and additional economic exposure totaling approximately 39.7 million shares, or approximately 16.8% of J.C. Penney.

We made this investment alongside Vornado Realty Trust, the publicly traded REIT led by Steve Roth and Michael Fascitelli. Vornado has also filed its own Schedule 13D on J.C. Penney in which it disclosed an approximate 9.9% ownership position. Vornado brings significant retail and real estate experience to this investment, and we look forward to consulting with them on strategic matters relating to the company.

After our 13D filing, the company hired Goldman Sachs and Barclays Capital as financial advisors, and on October 19, the day before our first meeting with J.C. Penney management, the company announced that its board had adopted a shareholder rights plan that would be triggered if, among other things, a person or group acquires at least 10% of its common stock. Pershing Square's and Vornado's positions were grandfathered under the plan.

We were attracted to JCP because of its inexpensive valuation, strong brand name and assets, and well-deserved reputation for overseas sourcing, high quality systems, and large in-house brands. We purchased our holding at an average price of $25.28 per share, an enterprise valuation of 4.1x 2010 EBITDA (adjusted for excess cash and other saleable non-core assets), a low multiple of what we believe to be trough or near-trough pre-tax earnings. At yesterday's closing share price of $30.80, JCP's valuation has increased to 5.1 times EBITDA, a valuation that we continue to find attractive.

We believe there is significant potential for operational improvements at JCP which has underperformed its competitors including Kohl's and other retailers. Trailing earnings are at cyclically depressed levels; margins have been squeezed and sales productivity is low, with sales per square foot now at 2002 levels. 2010 adjusted EBITDA is approximately 30% below its 2007 peak and EBIT margins have deteriorated by about 45%. As a result, there should be substantial operating leverage in a sales recovery, which should come from an improved economy and operational improvements if they can be achieved.

Fortune Brands

Fortune Brands is a conglomerate, an amalgamation of three distinct businesses. The largest business unit based on operating profit is Spirits, a subsidiary which owns leading brands such as Jim Beam and Maker's Mark bourbons, Sauza tequila, and Courvoisier cognac. We believe that Spirits is one of the great consumer categories given its strong and sustainable profit margins, high barriers to entry, economic resiliency, and limited exposure to mass merchants. The second most profitable division is Home & Security which includes brands such as Moen faucets, Artistokraft cabinets, Therma-Tru doors, Simonton windows, and Master Lock security products. Home & Security has reduced its cost structure and gained significant share in the downturn; we think the business is extremely well positioned for a rebound. Finally, Fortune's Golf subsidiary owns best-in-class brands including Titleist and FootJoy.

In July, we began accumulating shares in the company when the stock price was approximately $41 per share. Today, we own approximately 11% of the outstanding shares at an average purchase price of approximately $46 per share as compared to Fortune's current share price of $57.40 as of yesterday's close. Despite the 40% increase in stock price since we first established our position, we believe there is substantially greater value that can be realized.

On November 4th, we met with Fortune Brands senior management to share our thinking on the company.

Organizational Update

There were no material changes to our organization during the third quarter.

Quarterly Conference Call/Annual Investor Dinner

We received favorable feedback about our quarterly conference call and, as a result, intend to continue having regular calls in the future other than for the fourth quarter due to our Annual Investor Dinner. This year's Operations Due Diligence Review and Annual Dinner will take place on January 20, 2011. Our first quarter conference call will take place on April 19, 2011.

Please feel free to contact the Investor Relations team if you have questions about any of the above.

Sincerely,

William A. Ackman

Additional Disclaimers and Notes to Performance Results

The performance results shown on the first page of this letter are presented on a gross and net-of-fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any. Net performance includes the reinvestment of all dividends, interest, and capital gains; it assumes an investor that has been in the funds since their respective inception dates and participated in any "new issues." Depending on the timing of a specific investment and participation in "new issues," net performance for an individual investor may vary from the net performance as stated herein. Performance data for 2010 is estimated and unaudited.

The inception date for Pershing Square, L.P. is January 1, 2004. The inception date for Pershing Square II, L.P. and Pershing Square International Ltd. is January 1, 2005. The performance data presented on the first page of this letter for the market indices under "since inception" is calculated from January 1, 2004.

The market indices shown on the first page of this letter have been selected for purposes of comparing the performance of an investment in the Pershing Square funds with certain well-known, broad-based equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject. The funds are not restricted to investing in those securities which comprise any of these indices, their performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices.

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This letter is confidential and may not be distributed without the express written consent of Pershing Square Capital Management, L.P. and does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential private offering memorandum.

This letter contains information and analyses relating to some of the Pershing Square funds' positions during the period reflected on the first page. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this letter for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.