



PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

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June 8, 2010

Dear Pershing Square Investor:

The Pershing Square funds outperformed the major market indexes for the first quarter of 2010, and since inception as set forth below:¹

	4th Quarter 2009	Full Year 2009	1st Quarter 2010	YTD 2010	Since Inception
Pershing Square, L.P.					01/01/04 - 03/31/10
Gross Return	17.1%	49.1%	9.2%	9.2%	473.1%
Net of All Fees	13.6%	40.6%	7.0%	7.0%	290.8%
Pershing Square II, L.P.					01/01/05 - 03/31/10
Gross Return	20.7%	54.3%	9.1%	9.1%	314.0%
Net of All Fees	16.6%	44.2%	6.9%	6.9%	202.4%
Pershing Square International, Ltd.					01/01/05 - 03/31/10
Gross Return	16.2%	50.3%	9.2%	9.2%	264.9%
Net of All Fees	12.9%	41.2%	7.0%	7.0%	171.9%
Indexes¹					01/01/04 - 03/31/10
S&P 500 Index	6.0%	26.5%	5.4%	5.4%	19.3%
NASDAQ Composite Index	7.2%	45.4%	5.9%	5.9%	25.8%
Russell 1000 Index	6.1%	28.5%	5.7%	5.7%	22.6%
Dow Jones Industrial Average	8.1%	22.7%	4.8%	4.8%	21.5%

¹Including dividend reinvestment

As in previous years, we did not write an annual letter because our 2009 results were discussed in detail at the Annual Investor Dinner on January 28, 2010 and in the presentation which we distributed to investors on February 4th. In this letter we will address material developments since our last correspondence.

Portfolio Update

In early to mid 2009, we acquired stakes in Nestle, McDonald's, and ADP – three large capitalization, high-quality, economically resilient businesses at attractive prices. In late 2009 and in the first quarter of this year, we sold all three investments at substantial gains as their prices approached fair value. While we are not normally a short-term investor, the market dislocation last year created the opportunity for us to acquire these great businesses at prices well

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.

below their intrinsic value. As markets corrected more rapidly than anticipated, we exited at prices which better reflected fair value, freeing up capital to pursue new opportunities.

While we have made large profits from activist investments, many of our investments have been passive in nature. To the extent we can find high quality businesses trading at attractive valuations and their management teams are already operating the companies in a manner which will create long-term shareholder value, we are delighted to be a passive owner. Our passive investments historically have not only been profitable, but as importantly, they allow us to allocate more time to investments which require greater involvement.

On that note, we have spent significant organizational resources on General Growth Properties Inc. (“GGP”), which has been the most significant contributor to fund performance in 2009 and in the first quarter of 2010.

General Growth Properties Inc.

Since our last quarterly letter in early December, GGP achieved a number of important milestones in its Chapter 11 process that have begun to be reflected in its stock price, which has more than doubled since late last year. Over the last six months, GGP has entered into a series of agreements to extend the maturity of its secured debt at an average interest rate of approximately 5%. With the extension of substantially all of the company’s senior debt at a fixed rate, the remaining value available for GGP’s unsecured creditors and equity could be determined with greater clarity. This catalyzed Simon Property Group Inc. (“Simon” or “SPG”) to make an offer to acquire the entire company on February 8, 2010.

SPG bid \$6.00 in cash plus a new security that we estimated to be worth approximately zero in light of the liabilities this new company was to assume under the Simon proposal. This \$6.00 proposal was priced at a more than 30% discount to GGP’s market price at the time the bid was made. In our view, it is likely that Simon bid below market because it believed that the company would have no real alternatives to its going private proposal. We believe that Simon attempted to co-opt not only the company’s unsecured creditors with its proposal, but also endeavored to eliminate any other potential competitor who could bid for GGP. As part of its strategy to eliminate competitors, Simon successfully formed partnerships and other side arrangements with other potential bidders, while conflicting out potential financing sources by hiring five separate banks to provide financing or advice for its transaction.

Fortunately, Brookfield Asset Management (“Brookfield” or “BAM”) has had a keen interest in investing in GGP for some time. In order, however, to get BAM to improve upon its initial inadequate proposals to the company and avoid losing BAM to a Simon partnership, we devised a transaction structure for a revised Brookfield deal that would create more value for shareholders.

In our proposed structure, GGP’s stabilized and income producing malls would remain at GGP, and the balance of the company’s master planned community assets, redevelopment properties, and other high-value, low-yielding assets would be contributed to a new company called General Growth Opportunities (“GGO”). This structure creates value because REITs are valued in the public markets largely on cash flow. By contributing to GGO the land and other assets from GGP, which generate little cash flow today but have high asset values, these properties should

be more appropriately valued by more opportunistic investors.

While Brookfield liked our proposed transaction structure, it still was legitimately concerned that its proposal could be used by the company to get a higher offer from Simon or other competitors. While companies in bankruptcy are permitted to award deal protection and break-up fees to competing bidders, they can only do so with Bankruptcy Court approval, which could not be obtained for about 45 days. In order to bridge this interim period, Pershing Square agreed to provide Brookfield with the downside bid protection it required in order to improve its offer by sharing 25% of our profit (reduced somewhat with the passage of time) above the then \$12.75 trading price in the event Brookfield was never awarded its deal protection. We believe that our bid protection induced Brookfield to make a bid, and ultimately cost us nothing as BAM was eventually awarded its deal protection by the Bankruptcy Court on May 10, 2010.

While it has been rare for Pershing Square representatives to serve on board of directors, in this case, my participation on the GGP board helped the company formulate and implement its bankruptcy strategy over the previous year. I believe that our involvement has materially increased the value of our investment in GGP while simultaneously benefitting other GGP shareholders.

On February 24, 2010, the company executed a term sheet which committed Brookfield to invest \$2.5 billion of the required \$6.3 billion of equity to repay creditors. Simon immediately criticized the BAM deal as “highly contingent” arguing that the capital committed by BAM was insufficient to finance the entire transaction.

Shortly thereafter, I resigned from the GGP board so that Pershing Square could participate in a proposal to provide and arrange additional equity capital for GGP, which would enable it to develop a fully financed reorganization proposal. On March 8, 2010, Fairholme Capital Management and Pershing Square announced separate commitments to provide up to \$3.8 billion in new equity capital (in addition to Brookfield’s commitment) to support GGP’s emergence from bankruptcy. Pershing Square’s share of the commitment of equity to new GGP was \$1.08 billion plus an additional \$62.5 million rights offering backstop commitment to GGO. In exchange for funding our capital commitment, we will receive warrants to purchase new GGP and GGO shares. In substance, GGP received a call right for \$6.55 billion in capital in exchange for a fee payable in warrants.

Together with Brookfield’s commitment, the offers made by each of Fairholme and Pershing Square would provide GGP with a total of \$6.55 billion in new equity capital which, combined with \$1.5 billion in new debt (or the reinstatement of a comparable amount of existing debt), would be sufficient to repay all unsecured creditors at par plus accrued interest, pay the costs of exiting bankruptcy and provide working capital for GGP and GGO.

In the recapitalization transaction, the size of Pershing Square’s investment in new GGP will likely remain the same or decline somewhat from current levels for several reasons: First, while we have committed to invest \$1.08 billion in new GGP, this commitment is subject to reduction by as much as 50% to the extent the company can raise capital at higher share prices.

We believe it is likely that new GGP can raise capital at prices materially higher than \$10 per

share. While at this point we cannot provide specific assurance as to the size of our future equity investment, we think it is unlikely that we will be called on for more than \$540 million of new capital. Second, contemporaneous with the recapitalization, we will receive repayment of our GGP unsecured debt holdings which, with accrued interest, totals approximately \$460 million.

Lastly, GGP will split into two companies, effectively reducing our commitment to GGP by about a third: what is now a \$14 stock will become \$10+ per share in new GGP and a dividend of GGO common stock which is estimated to be worth approximately \$5 per share. While the GGO assets come from GGP, their risk profile and performance will likely be meaningfully different and not particularly correlated with the income producing mall assets of the new GGP.

GGP's board chose our recapitalization proposal over a so-called \$20 per share bid from Simon. We believe the board was correct in choosing our proposal over Simon's for several reasons. First, the SPG proposal was subject to obtaining antitrust approval and left much of the antitrust risk with existing GGP shareholders. In light of the fact that Simon has still not received approval for its Prime Outlets mall acquisition transaction it announced in December, we expect that Simon's acquisition of GGP, its principal competitor, would not be permitted to be consummated without significant divestitures. At best, this could lead to a renegotiated transaction or, at worst, to a failed transaction, with the company remaining mired in bankruptcy.

Second, the Simon deal was not worth \$20 per share. The Simon deal was funded largely with highly valued Simon common stock which has declined by more than 10% since the offer was made. It also included a dividend of GGO which, in the Simon transaction, was to retain material liabilities totaling as much as \$2 or more per share,² reducing the deal value substantially.

Perhaps most importantly, we believe the Brookfield transaction will be valued by the marketplace at values approaching \$20 per share once the company emerges from bankruptcy. Therefore, even if the Simon deal were valued at \$20, in our view, it would not offer a sufficient premium for shareholders to give up control and the potential for future profits.

While GGP's operating results have improved as the economy has begun to stabilize, we expect the company will continue to make material progress once the company has successfully emerged from bankruptcy. At that time, GGP will be extremely well-positioned both strategically and financially, and management will be able to put aside the distractions that are an inevitable consequence of bankruptcy. By focusing exclusively on the business of managing its high quality regional mall portfolio in an improved economic environment, we expect the new GGP to deliver strong operational performance.

EMC

We sold our EMC position in the fourth quarter as the share price appreciated substantially and approached our estimate of intrinsic value. We made a small profit on EMC over our holding period, but did not participate in the material potential gains that we had identified at the time of our initial acquisition. None of the catalysts that we thought possible at the initiation of our

² In the Brookfield transaction, these GGO liabilities will be eliminated or materially reduced in the likely event that GGO raises capital from investors at prices of \$10.50 per share or more.

investment were achieved during our holding period for EMC, nor appeared to be executable in the intermediate term. As a result, we sold the stock believing we could find more productive uses for our capital. We continue to believe that EMC is a high quality business which is strategically well-positioned and well-managed.

Borders

On March 31, 2010, the funds' \$42.5 million loan to the Borders Group was repaid in full with accrued interest. This loan was originally made in April 2008, guaranteed by the Borders Group parent company and certain subsidiaries, and secured by Borders' UK based Paperchase unit, a stationery business that is now being incorporated into Borders' stores. We made the loan in early 2008 in order to enable Borders to get a clean opinion from its auditors and manage through the difficult operating environment. Had we not made this investment, the company would likely have faced severe financial distress and potential bankruptcy.

At the time we made the \$42.5 million loan to Borders, we received warrants for approximately 13.6% of the company struck at \$7.00 per share with certain unusual anti-dilution protections and other features. Pursuant to our agreement, in October 2008 we received an additional 5,150,000 warrants for a total of 19.5% of the fully diluted shares outstanding. Since that time, under the terms of the warrants, the warrant strike price was adjusted downward to \$0.65 per share.

On May 21st, Borders announced that affiliates of Bennett Lebow made a \$25 million common stock purchase at \$2.25 per share and will receive 35.1 million warrants at the same \$2.25 share price. Mr. Lebow has become Chairman and CEO of the company and is now the de facto controlling shareholder of the company. As a consequence, Pershing Square no longer plays a significant role in the company's strategic direction. Mick McGuire, the previous chairman, and a former member of the Pershing Square Investment Team stepped down from the board. Mick has done an excellent job over the past two years overseeing the company during an extremely difficult economic and strategic environment.

In connection with Mr. Lebow's investment and under the terms of our warrants, we will receive approximately 11.2 million additional warrants struck at \$0.65 per share. When the transaction is fully consummated, we will own approximately 25.9 million warrants with a market value at today's Borders stock price of approximately \$30 million.

Based on the foregoing, we appear to have been well compensated for the risk taken in making our initial loan to Borders Group; however, the success of this investment is not likely to be determined by the terms of the warrants we own, but rather based on the operating performance of the business over the next several years. The Lebow \$25 million equity investment and the company's recently obtained \$90 million second-lien term loan and \$700 million credit facility have bought the company time to restructure its operations in the currently challenging operating and strategic environment. We wish Mr. Lebow well with his new investment in Borders and look forward to his stewardship of the company.

Sears Canada (“SCC”)

SCC has been a longstanding investment of the Pershing Square funds. We initially completed our due diligence on SCC in 2004 as part of our investment analysis of Sears Roebuck & Company, a large portfolio position at that time. We believed that SCC was extremely undervalued and that a catalyst for recognizing this value would likely be achieved in the event of a change of control at Sears Roebuck which in turn controlled 54% of SCC.

In the summer of 2004, we teamed with Vornado Realty Trust, a highly regarded office and shopping center REIT, to acquire a 4.9% stake in Sears Roebuck. Vornado’s investment was a catalyst for Kmart’s ultimate acquisition of Sears Roebuck, now a subsidiary of Sears Holdings (“Holdings”). Once it was clear that a change of control would take place at Sears Roebuck, we began to accumulate a position in SCC in February 2005. After Kmart’s acquisition of Sears Roebuck closed, SCC sold its credit card operations and paid SCC shareholders an \$18.64 dividend, reducing our average basis in the shares to approximately \$9 per share. Shortly after the dividends were paid, Sears Holdings made a \$16.86 bid for the 46% of the company it did not own.

Believing the stock to be worth well in excess of this price, we materially increased the size of our investment in SCC shares at prices close to Holdings’ bid. Sears Holdings raised its bid to \$18 and attempted to squeeze out the remaining holders using certain methods that we believed violated Canadian securities laws. We were successful in getting the Ontario Securities Commission to review and then enjoin the transaction, at which point Sears Holdings attempted to squeeze shareholders out in a subsequent proxy vote which we and other shareholders successfully defeated in November 2006. We then bought additional shares so that we held a majority of the minority shares outstanding, enabling us to block any future going private transaction without our consent.

In December of last year, we were approached by Tim Ingrassia, an investment banker from Goldman Sachs whom we hold in high regard. Tim thought that he could successfully broker a transaction between us and Sears Holdings. Over the next few months we negotiated a deal, with Tim serving as a highly effective intermediary. On April 23rd, we agreed to sell our shares to Sears Holdings for \$30 per share Canadian for total consideration of \$560 million, 67% more per share than the proposed going private price of late 2006.

While we still believe that \$30 per share is below the intrinsic value of Sears Canada and that SCC’s stock price will continue to rise overtime, SCC is a controlled company and was our only large illiquid investment, leaving us beholden to the controlling shareholder’s timeframe and approach to value realization. We do not believe that we need to hold each investment until it reaches its fair value. Rather, we are willing to sell any investment if we believe that we can redeploy the proceeds elsewhere and earn higher risk-adjusted returns.

The sale of our stake also benefitted other minority holders. Because Holdings now owns more than 91% of SCC, it will likely work more aggressively to maximize the value of its investment. To that end, subsequent to buying our stake in the company, Sears Canada announced a \$3.50 per share special dividend and a share repurchase program. While we were still an owner, Holdings was likely reluctant to take steps to increase shareholder value that would meaningfully increase the price it would have to pay us for our shares.

New Investments

Kraft

We discussed our rationale for our investment in Kraft Foods at the annual dinner and in a presentation entitled “A Krafty Combination” given at the Harbor Investment Conference on February 3, 2010. Kraft is currently one of our largest positions and we see significant upside from the recent stock price with limited downside risk.

We believe that Kraft’s takeover of global confectionary leader Cadbury will help transform the company into a higher quality and faster growing business. Confectionary is one of the most attractive global food categories because of its strong pricing power, high gross margins, economic resiliency and limited competition from private label products. Cadbury, a company we know well from our past ownership of the stock, is extremely well-positioned in the confectionary business, with world leading brands and roughly 40% of its sales in fast-growing emerging markets.

We believe that Kraft was able to acquire Cadbury at an attractive price largely as a result of the hostile nature of the acquisition. Unlike your typical acquisition, in which a company or a division is “dressed up” for sale in a competitive auction, Cadbury was acquired outside of an auction process at a time when the business was materially under-earning and the cost of debt financing was very cheap. Before the sale, Cadbury management had been investing significantly in its business with increased capital expenditures, R&D and advertising – not the actions of a management team looking for a near-term sale. These investments are currently pressuring Cadbury’s margins, but should lead to margin improvement over the next 12-24 months, all for the benefit of Kraft shareholders. Including the expected cost savings from the transaction, Kraft paid approximately 12 times Cadbury’s 2011 after-tax earnings, an extremely attractive price for one of the great businesses of the world.

The “New Kraft” looks a lot like another great company we have owned in the past: Nestle. Over 50% of “New Kraft’s” products are in the high quality confectionary and snack categories, with over 25% of its sales in emerging markets, higher than any of Kraft’s North American food peers. Kraft’s portfolio of iconic and affordable dry goods including Oreos, Chips Ahoy, Kool Aid, and Mac & Cheese, is ideally suited for Cadbury’s strong distribution in many parts of the emerging world. In the developed world, Cadbury’s strength in instant consumption channels will help Kraft expand its reach in convenience stores, a channel in which Kraft is currently under represented. Ultimately, we believe Kraft stock will enjoy considerable multiple expansion as it demonstrates the growth potential and resiliency of its enhanced portfolio and distribution platform.

We believe there is also an impending turnaround in Kraft’s legacy business (excluding Cadbury). Despite multiple years of ongoing restructuring efforts, Kraft has seen operating profit margins fall from over 20% in 2002 to ~13.5% currently. One of the reasons we believe the stock is undervalued is because there is tremendous investor fatigue given the company’s historically unsuccessful restructuring efforts. Turning around a company the size of Kraft often takes many years and requires more than just cost cutting. We believe Kraft, today, under CEO Irene Rosenfeld, has taken many of the necessary steps to reinvigorate its business, including increasing R&D and advertising, improving product quality, lowering prices to more competitive

levels, decentralizing key business functions, and investing in its supply chain. While these efforts have pressured margins, we believe that Kraft is near an inflection point in business performance and should begin to experience better-than-expected organic growth and margin improvement in the near future. Given the company's mix of products and dominance in its categories, EBIT margins should be in the mid-to-high teens rather than the current approximate 13.5% margins.

At its current stock price, Kraft trades at less than 11 times our estimates for earnings in 2012, the first year when we expect the vast majority of cost savings from the Cadbury deal will be achieved. We believe this a substantial discount to Kraft's intrinsic value. As the company demonstrates progress in the merger and in its restructuring, the stock price should rise commensurately.

Citigroup

We recently acquired 146.5 million shares of Citigroup, representing approximately 9% of fund capital. We believe that recent events surrounding the financial reform bill, alleged fraud at Goldman Sachs, the overhang of the sale of the U.S. government's 27% stake in Citi, and distress in Europe have created a compelling opportunity to purchase Citi shares at a meaningful discount to their fair value.

Beginning with the big picture, we believe that this is a favorable moment in history to be a large-scale financial institution. The combination of extremely low-cost funds and deposits, relatively high spreads on new loans, more conservative lending standards, and a less competitive lending environment, creates an opportunity for large profits from the traditional banking business of collecting deposits and making loans. Citigroup also presents an attractive opportunity in the banking business because of its certain unique attributes.

Citigroup is comprised of two principal components: Citicorp, the business that will form the core of the company going forward with approximately \$1.5 trillion of assets, and Citi Holdings, a liquidating portfolio comprised of several operating businesses as well as various legacy asset pools (primarily mortgages and RMBS) that will be wound down or sold over the next several years. Citicorp has three principal businesses: Regional Consumer Banking, Securities and Banking, and Transaction Services. At its recent price of \$3.64, Citi trades below tangible book value, and at five or so times management's earnings guidance, a fair reflection, we believe, of Citicorp's core earnings power.

We think there are two important elements of Citi that the market does not fully appreciate: first, a \$21 billion operating deferred tax asset that will shield earnings from taxes over the next several years; and second, approximately, \$24 billion to \$30 billion of excess capital supporting the wind down of Citi Holdings that will be available to be returned to shareholders as these assets are liquidated.

If one were to adjust the company's current valuation for its tax asset and the excess capital from the wind down of Citi Holdings, an investor who buys the stock at \$3.64 per share is paying approximately three to four times earnings for the core Citicorp. While the eventual outcome of financial reform will likely be a net negative for Citigroup, we believe the ultimate impact will be less than feared. We also believe that the conversion of the government's TARP preferred

stock to common equity has given the company a robust capital position (it has a current tier 1 common ratio of 9.1%), and that the bank is better insulated from potential late-cycle credit issues with substantially less home equity and commercial real estate exposure than its domestic peers.

In our view, there is a much greater degree of uncertainty associated with our investment in Citigroup than for Kraft, or for a number of our other holdings. That said, we believe the current stock price, capital structure, and hidden assets provide a sufficient margin of safety, in light of the large potential for reward from this investment.

Aliansce

We rarely invest in initial public offerings. We rarely invest in small cap companies. Historically, we haven't invested in emerging market equities. In January 2010, we participated in the initial public offering of a small cap Brazilian mall company called Aliansce. Why?

We learned about Aliansce through our investment in GGP. GGP owned just shy of a majority of Aliansce prior to the company's IPO in January. Because of our approximately 25% economic interest in GGP, we were already indirect owners of approximately 12% of Aliansce. As a result of our participation in the IPO, we now own directly and indirectly approximately 22% of Aliansce including our ownership of GGP, making us the company's second largest (inclusive of indirect holdings) shareholder. Since going public, Aliansce's share price has increased by 17%, to BRL 10.54 per share, as of yesterday's close.

Although we do not normally invest in emerging market securities, we chose to increase our stake in Aliansce in the IPO because it was attractively priced, the company and industry fundamentals are outstanding, we like the management, and it was helpful to Aliansce and to our investment in GGP to assist in getting the IPO done.

The Brazilian mall industry is massively under-supplied, with roughly one-fortieth the retail square footage per capita than we have in the U.S. Additionally, Brazilian malls operate at higher occupancies, substantially higher sales per square foot, and with lower occupancy costs (rent is a lower percentage of sales creating more opportunity for future rental increases) than their U.S. counterparts. Despite these favorable fundamentals and much greater growth potential, Brazilian mall companies trade at a meaningful discount to their U.S. mall REIT peers.

We were further comforted by GGP's continued involvement in Aliansce: it owns a 35% equity interest and has two of five board seats. We believe GGP's expertise will continue to aid Aliansce as the premier mall developer in Brazil and will provide Aliansce with access to international tenants that should help it achieve continued operational success. While this is a small investment – at today's price our direct interest in the stock is approximately 1.8% of fund capital – we expect to earn an attractive risk-adjusted return on capital and the time invested.

CDS Exposure

Although the funds have well below our January 2007 peak CDS exposure which was 2.8 times our capital base, as of the present day, our notional CDS exposure is approximately 79% of fund capital, up significantly from 21% at the end of the third quarter of last year. We currently own a

portfolio of CDS largely comprised of investment grade index CDS, which we believe is an attractive way to hedge large declines in equity values or other systemic risk events, as well as certain smaller single-name CDS investments.

Over the past recent period, our cash balances and our gross and net exposures have fluctuated considerably, principally a reflection of the timing of our decisions to realize certain investments and to make replacement commitments. As you are likely aware, we generally do not seek to mitigate risk or to express macro economic views by adjusting the portfolios' market exposures; rather, our exposures tend to represent the best collection of investment opportunities that we have been able to identify in the current market.

We have not in recent months identified any particularly attractive short equity investments. As such, our short equity exposure today is largely comprised of REIT index and single-name shorts which serve largely to hedge our substantial investment in General Growth Properties.

Operational Update

We held our first Annual Operational Due Diligence meeting on the afternoon of the Annual Investor Dinner which over 150 investors and investment consultants attended. Feedback from the event was extremely positive. Many attendees commented that it provided them with a unique forum to learn about and discuss the operational aspects of our business. Others indicated that the meeting would enable them to spend future operational due diligence meetings focusing on a narrower range of specific topics, or to eliminate these one-on-one meetings in their entirety. We appreciate the large turnout for the event, and the excellent questions that were asked. As a result, we intend to make the Operational Due Diligence meeting an annual occurrence.

There were several personnel changes at the firm during the past few months. Tony Asnes joined on April 5, 2010 as Executive Vice President and Head of Investor Relations. Prior to joining our team, Tony was Managing Director, Head of Marketing and Client Service at Eagle Capital Management LLC, a concentrated, long-only value-oriented equity manager. I have known Tony personally for over 20 years and believe that he is the ideal person to step into this role at this juncture of our organization's evolution. He is highly regarded by clients and prospective investors alike for his consultative, service-oriented approach which leverages his broad experience within and outside of the investment management industry. Tony received his B.A. from Yale, with a major in Computer Science and his M.S. in Management from the Sloan School of Management at MIT where he concentrated in Marketing, Finance and Operations Management.

On June 1, 2010, Gamze Ates joined our Investor Relations team. Previously, Gamze was a Senior Vice President at DHL Worldwide. Her most recent position was Head of Emerging Markets for the Global Customer Solutions division. She joined DHL in 2002 when Admiral Lines, Inc., a freight forwarding company she founded and ran, was acquired by DHL. Gamze holds a B.A. in Architecture from Dokuz Eylul University in Izmir, Turkey and an MBA from Butler University.

As announced at our Annual Investor Dinner, Doreen Mochrie stepped down as Head of Investor

Relations at Pershing Square. Doreen has worked diligently over the last three years to enhance our institutional presence. She has done a great job of attracting premier institutional clients and building out our client service infrastructure. With a strong IR team in place to continue this effort, Doreen has decided to leave Pershing Square to spend more time with her family. She will work with us to smoothly transition clients and generally be available on a consulting basis when needed throughout 2010. We are greatly appreciative of Doreen's important contributions to Pershing Square which will benefit us for years to come.

During the fourth quarter of 2009, we launched iManage, a document and records management system, within our legal department. This was the first phase of this project; iManage will be rolled out across our entire organization over the course of 2010. This system will provide even greater security and more organized record keeping for all of our working documents and stored information.

Transparency, Investor Meetings, and Time Management

With more than 300 investors, the demand on my and other members of the Investment Team's time to meet with investors on an ad hoc basis risks taking time away from investment decision making and analysis. At the same time, investors have a right to a high degree of transparency in their investments in the funds. I have always believed that the right informational standard is for you to receive the same information I would like to receive, if our positions were reversed; that is, if you were the investment manager, and I was the investor.

To address this concern and to achieve our informational objectives, we are soliciting your views on a new approach to investor relations. In addition to our Annual Investor Dinner, we intend to initiate quarterly investor conference calls beginning in the Fall. During these calls, the Investment Team will present the important investment-related events of the quarter and then answer any questions that you may have.

These quarterly calls should provide a much greater degree of transparency and more complete information than members of the Investment Team can deliver on a one-on-one basis, spending a few minutes with each investor when they are in town. They will also address an issue of fairness, making sure that each investor has access to the same information at the same time. I expect that the quality and thoroughness of the questions will also improve because each investor will get the benefit of hearing answers to questions posed by all of our investors.

As always, the Investor Relations team under Tony Asnes's oversight will be available to answer investor questions as they arise on a day-to-day basis. You should expect the IR team to be extremely well informed, and members of the team should be able to answer substantially all of the questions that you have, other than questions that if answered might disadvantage the firm.

I thoroughly enjoy the company of our investors. That is part of the problem. Time management for our small Investment Team is a critical success factor for Pershing Square going forward. We are confident that these quarterly calls will increase the quality and timeliness of information flow, decrease the time that I and the other members of the Investment Team spend in one-on-one meetings, while allowing the Investment Team to continue our pursuit of our most

important long-term goal of delivering high returns while taking a modest risk of a permanent loss of fund capital.

We will provide more detail on the upcoming investor conference calls after we receive your feedback. Please send any comments to IR@persq.com

The Class E Share Class Redemption Alternative

Over the past nine months, many new investors have opted for our recently added liquidity option (Class E/Redemption Schedule III) which offers quarterly liquidity for 1/8 of invested capital. Many existing investors have elected to convert from other share classes/redemption schedules into this new option. While most terms, including fees, are consistent across all liquidity options, there are some differences that are particular to Class E/Redemption Schedule III investors that are important to understand.

The notice period for redemption of Class E shares/Redemption Schedule III is 65 days rather than 45 days for the other share classes/redemption schedules. Second, Class E investors are not permitted to rescind a redemption request after the 65 days period has past. In addition, 65 days notice is required from existing investors who plan to convert from other share classes into Class E shares/Redemption Schedule III, even though the redemption notice period for those other share classes is 45 days. If the 65 day notice date is missed, investors cannot convert those funds available for redemption into Class E/Redemption Schedule III until the next relevant redemption date.

While these requirements may take some getting used to, the longer notice period and limits on rescission are required under the Publicly Traded Partnership rules which restrict the frequency of dealing in funds. Please let us know if you have any questions about these requirements.

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.

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