Howard Hughes Corp
Form 10-Q
November 23, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2010

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from to

Commission file number 1-11656

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-4673192**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

13355 Noel Road, Suite 950, Dallas, Texas 75240

(Address of principal executive offices, including Zip Code)

(214) 741-7744

(Registrant s telephone number, including area code)

N / A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

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

The registrant commenced operations on November 9, 2010.

As of November 10, 2010, there were 37,716,453 shares of the registrant s common stock outstanding.

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THE HOWARD HUGHES CORPORATION

COMBINED BALANCE SHEETS

(UNAUDITED)

	September 30, 2010	December 31, 2009
	(In thousands)	
Assets:		
Investment in real estate:		
Land	$ 194,181	$ 194,700
Buildings and equipment	447,696	451,279
Less accumulated depreciation	(94,697)	(85,639)
Developments in progress	266,216	258,807
Net property and equipment	813,396	819,147
Investment in Real Estate Affiliates	146,537	140,558
Investment property and property held for development and sale	1,775,904	1,782,470
Net investment in real estate	2,735,837	2,742,175
Cash and cash equivalents	2,811	3,204
Accounts and notes receivable, net	14,055	17,359
Deferred expenses, net	6,894	7,444
Prepaid expenses and other assets	132,824	135,045
Total assets	$ 2,892,421	$ 2,905,227
Liabilities and Equity:		
Liabilities not subject to compromise:		
Mortgages, notes and loans payable	$ 272,825	$ 208,860
Deferred tax liabilities	715,516	782,817
Accounts payable and accrued expenses	225,883	134,191
Liabilities not subject to compromise	1,214,224	1,125,868
Liabilities subject to compromise	138,093	275,839
Total liabilities	1,352,317	1,401,707
Equity:		
GGP Equity	1,540,857	1,504,364
Accumulated other comprehensive loss	(1,556)	(1,744)
Total GGP equity	1,539,301	1,502,620
Noncontrolling interests in Combined Real Estate Affiliates	803	900
Total equity	1,540,104	1,503,520
Total liabilities and equity	$ 2,892,421	$ 2,905,227

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

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THE HOWARD HUGHES CORPORATION

COMBINED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In thousands)			
Revenues:				
Minimum rents	$ 16,349	$ 15,873	$ 50,349	$ 49,390
Tenant recoveries	4,637	5,045	13,891	14,827
Overage rents	826	615	1,738	1,465
Land sales	10,034	7,409	22,141	38,843
Other	614	1,318	3,762	855
Total revenues	32,460	30,260	91,881	105,380
Expenses:				
Real estate taxes	4,131	3,829	11,161	10,111
Property maintenance costs	1,484	1,389	4,766	3,617
Marketing	248	278	755	738
Other property operating costs	8,746	9,224	26,440	25,244
Land sales operations	10,057	8,124	30,654	40,578
Provision for doubtful accounts	744		1,101	1,212
Property management and other costs	3,467	4,561	12,463	12,992
Strategic initiatives		266		5,380
Provisions for impairment	92	40,582	578	180,762
Depreciation and amortization	4,109	4,434	12,535	15,221
Total expenses	33,078	72,687	100,453	295,855
Operating loss	(618)	(42,427)	(8,572)	(190,475)
Interest income	59	155	118	487
Interest expense	(681)	(186)	(1,888)	(768)
Loss before income taxes, equity in income (loss) of Real Estate Affiliates, reorganization items and noncontrolling interests	(1,240)	(42,458)	(10,342)	(190,756)
Benefit from (provision for) income taxes	350	21,897	(17,603)	24,810
Equity in income (loss) of Real Estate Affiliates	1,222	(2,004)	6,394	2,117
Reorganization items	(16,515)	(1,814)	(43,129)	(3,831)
Net loss	(16,183)	(24,379)	(64,680)	(167,660)
Allocation to noncontrolling interests	(47)	(35)	(121)	(100)
Net loss attributable to GGP	$ (16,230)	$ (24,414)	$ (64,801)	$ (167,760)
Comprehensive Income (loss), Net:				
Net loss	$ (16,183)	$ (24,379)	$ (64,680)	$ (167,660)
Other comprehensive income	88	163	188	489
Comprehensive loss	(16,095)	(24,216)	(64,492)	(167,171)
Comprehensive loss allocated to noncontrolling interests	(47)	(35)	(121)	(100)
Comprehensive loss attributable to GGP	$ (16,142)	$ (24,251)	$ (64,613)	$ (167,271)

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

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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)	(167,760)		100	(167,660)
Distributions to noncontrolling interests			(103)	(103)
Other comprehensive income		489		489
Contributions from GGP, net	26,716			26,716
Balance, September 30, 2009	$ 1,845,894	$ (2,437)	$ 1,800	$ 1,845,257
Balance, January 1, 2010	$ 1,504,364	$ (1,744)	$ 900	$ 1,503,520
Net income (loss)	(64,801)		121	(64,680)
Distributions to noncontrolling interests			(218)	(218)
Other comprehensive income		188		188
Contributions from GGP, net	101,294			101,294
Balance, September 30, 2010	$ 1,540,857	$ (1,556)	$ 803	$ 1,540,104

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

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THE HOWARD HUGHES CORPORATION

COMBINED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In thousands)	
Cash Flows from Operating Activities:		
Net loss	$ (64,680)	$ (167,660)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in income of Real Estate Affiliates	(6,394)	(2,117)
Provision for doubtful accounts	1,101	1,212
Distributions received from Real Estate Affiliates		1,406
Depreciation	11,012	13,071
Amortization	1,523	2,150
Amortization (accretion) of deferred financing costs and debt market rate adjustments	1,600	756
Amortization of intangibles other than in-place leases	144	167
Straight-line rent amortization	(574)	(459)
Provisions for impairment	578	180,762
Land/residential development and acquisitions expenditures	(39,115)	(33,377)
Cost of land sales	7,089	20,147
Reorganization items - finance costs related to emerged entities	1,311	
Non-cash reorganization items	(2,880)	(260)
Net changes:		
Accounts and notes receivable	3,306	(836)
Prepaid expenses and other assets	10,209	(1,926)
Deferred expenses	(1,426)	(1,531)
Accounts payable and accrued expenses and deferred taxes	16,529	(29,119)
Other, net	168	711
Net cash used in operating activities	(60,499)	(16,903)
Cash Flows from Investing Activities:		
Development of real estate and property additions/improvements, primarily previously accrued	(71,069)	(23,760)
Proceeds from sales of investment properties		6,392
Increase in investments in Real Estate Affiliates	(10)	(1,247)
Decrease in restricted cash		202
Net cash used in investing activities	(71,079)	(18,413)
Cash Flows from Financing Activities:		
Change in GGP investment, net	137,411	41,698
Principal payments on mortgages, notes and loans payable	(4,697)	(7,556)
Finance costs related to emerged entities	(1,311)	
Distributions to noncontrolling interests	(218)	(103)
Net cash provided by financing activities	131,185	34,039
Net change in cash and cash equivalents	(393)	(1,277)
Cash and cash equivalents at beginning of period	3,204	4,963
Cash and cash equivalents at end of period	$ 2,811	$ 3,686

Supplemental Disclosure of Cash Flow Information:				
Interest paid	$	14,831	$	15,036
Interest capitalized		15,443		15,284
Reorganization items paid		46,009		4,091
Non-Cash Transactions:				
Change in accrued capital expenditures included in accounts payable and accrued expenses	$	(64,454)	$	(11,467)
Change in CSA contingent liability		(15,000)		
Mortgage debt market rate adjustment related to emerged entities		2,382		
Other non-cash GGP equity transactions		(36,117)		(14,982)
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.

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NOTE 1 ORGANIZATION

Readers of this Quarterly Report should refer to the Company s (as defined below) audited Combined Financial Statements for the year ended December 31, 2009 which are included in the Company s Registration Statement on Form 10 for the fiscal year ended December 31, 2009 (Commission File No. 001-34856), as certain footnote disclosures which would substantially duplicate those contained in our Registration Statement have been omitted from this report. Capitalized terms used, but not defined, in this Quarterly Report have the same meanings as in our Registration Statement.

General

The Howard Hughes Corporation (HHC 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) with the Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On October 21, 2010, the Bankruptcy Court entered an order confirming the plan of reorganization (the Plan) of GGP and certain of the Debtors still remaining in the Chapter 11 Cases (the TopCo Debtors). Pursuant to the Plan, the TopCo Debtors emerged from bankruptcy and HHC received certain of the assets and liabilities of the Predecessors (the Separation), which we refer to as our business or the HHC Businesses . The reorganization of GGP was completed on November 9, 2010 (such time of completion being referred to as the Effective Date) as described in Transactions on the Effective Date , below.

As of September 30, 2010, we had not conducted any business as a separate company and had no separate material assets or liabilities. The operations of the business 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 HHC and its combined subsidiaries after giving effect to the transfer of assets and liabilities from the Predecessors.

On the Effective Date, our assets consisted of the following:

- four master planned communities with an aggregate of 14,653 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 eleven other real estate assets or projects.

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, L.P. (The Woodlands Operating) and the Woodlands Land Development Company, L.P. (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 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 investments (see Note 3) are collectively referred to in this report as our Real Estate Affiliates .

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Principles of Combination and Basis of Presentation

The accompanying combined financial statements include the accounts of the HHC Businesses in which we have a controlling interest and are presented on a combined basis as all such HHC 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 HHC 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 conducted no business and had no separate material assets or liabilities until the Separation was consummated. No previous historical financial statements for the HHC 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 expenses which include, but are not limited to, costs related to property management, human resources, security, payroll and benefits, legal, corporate communications, information services and restructuring and reorganizations. Costs of the services that were allocated or charged to us were based on either actual costs incurred or a proportion of costs estimated to be applicable to us based on a number of factors, most significantly the Company s percentage of GGP s adjusted revenue and assets and the number of properties. We believe these allocations are reasonable; however, these 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 HHC Businesses were operated as subsidiaries of GGP, which operates as a real estate investment trust (REIT). We will 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 Debtors Bankruptcy

As the Debtors 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 HHC Businesses, filed voluntary petitions for the Chapter 11 Cases. The Debtors that sought protection under Chapter 11 that are part of HHC are collectively referred to as the HHC 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 that own substantially all of our eight undeveloped land parcels and our joint ventures, The Woodlands Partnerships and Circle T, among others (collectively, the HHC Non-Debtors), did not seek such relief.

During the pendency of the Chapter 11 Cases, the Debtors operated 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 were stayed from taking any action as a result of such defaults.

During December 2009, three of the HHC 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 HHC Debtors that remained in Chapter 11 at September 30, 2010 (the Remaining HHC Debtors) emerged from bankruptcy pursuant to the Plan on the Effective Date.

Transactions on the Effective Date

On the Effective Date, approximately 32.5 million shares of common stock of HHC were distributed to the common and preferred unit holders of GGPLP, which includes GGP, and then GGP distributed its portion of such shares pro-rata to holders of GGP common stock (the Distribution). GGP has not retained any ownership interest in HHC. The Plan generally provided for the payment/settlement or reinstatement of claims against the TopCo Debtors, funded with new equity capital provided by investors sponsoring the Plan (the

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Plan Sponsors). As part of the Plan, approximately 5.3 million shares of our common stock were purchased by certain of the investors sponsoring the Plan for $250 million. Additionally as part of the Plan, on the Effective Date, we issued warrants to purchase up to approximately 8 million shares of our common stock to the Plan Sponsors. The warrants have an initial exercise price of $50.00 per share. Approximately 6.08 million warrants are immediately exercisable and approximately 1.92 million warrants are exercisable upon 90 days prior notice for the first 6.5 years after issuance and exercisable without notice any time thereafter. Each warrant has a term of seven years from the closing date of the investments.

Unaudited Pro Forma Condensed Combined Balance Sheet

The following unaudited pro forma condensed combined balance sheet has been developed based on currently available information by applying certain pro forma adjustments which reflect the Separation of HHC from the Predecessors and other transactions provided by the Plan, to the September 30, 2010 historical combined balance sheet that appears elsewhere in this Quarterly Report. The unaudited pro forma condensed combined balance sheet gives effect to such transactions as if they had occurred on September 30, 2010 and are described more fully in the notes to the unaudited pro forma combined balance sheet which should be read in conjunction with such pro forma condensed combined balance sheet. The unaudited pro forma condensed combined balance sheet presented below is for illustrative purposes only and is not necessarily indicative of the financial position that would have actually been reported had the transactions reflected in the pro forma adjustments occurred as of September 30, 2010. In addition, the unaudited pro forma condensed combined balance sheet should be read in conjunction with the combined financial statements and related notes.

The accounting by HHC to reflect the emergence from bankruptcy of the Emerged Debtors is limited to recording the liabilities of such Debtors that are impacted by confirmed plans of reorganization at the estimated present values of the amounts expected to be paid upon emergence from bankruptcy since the provisions of the Plan do not meet the criteria for fresh-start reporting under generally accepted accounting principles (ASC 852-10-45-29). Historical liability amounts presented in the unaudited pro forma balance sheet for debtors which have emerged from bankruptcy at September 30, 2010 reflect these fair value adjustments in mortgages, notes and loans payable not subject to compromise. However, as certain of the HHC Debtors remain in bankruptcy at September 30, 2010, their liabilities remain subject to compromise and, therefore, the HHC historical balance sheet at September 30, 2010 has no such present value adjustment.

Fresh-start reporting does not apply to HHC because existing holders of GGP common stock received greater than 50% (approximately 79.7%) of the voting shares of HHC and the reorganization value of HHC s assets exceeds the total of all post-petition liabilities and allowed claims (ASC 852-10-45-19). Further, the acquisition method of accounting does not apply to HHC at emergence because the criteria for application of the acquisition method of accounting, specifically, a transaction or event yielding a change of control, that is, a business combination, has not occurred. Since the provisions of the Plan provide that the Distribution occurs such that all members with each class of equity are treated equally, the Distribution is treated as a pro-rata spin-off and such non-monetary transaction is accounted for at the recorded or historical carrying values (ASC 505-60 and ASC 845-10-30-10).

In addition to the impact of the debt and equity recapitalization events described above, the significant transactions included in this pro forma balance sheet also occurred on the Effective Date in accordance with the Plan, and will be recorded by GGP, and/or HHC, as applicable in the fourth quarter of 2010.

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	September 30, 2010 (In thousands)			
	Historical	Adjustments	Footnote	Pro forma
Assets:				
Investment in real estate:				
Net property and equipment	$ 813,396	$		$ 813,396
Investment in and loans to/from Real Estate Affiliates	146,537			146,537
Investment property and property held for development and sale	1,775,904			1,775,904
Net investment in real estate	2,735,837			2,735,837
Cash and cash equivalents	2,811	253,303	(1) (2)	256,114
Accounts and notes receivable and deferred expenses, net and prepaid expenses and other assets	153,773	340,105	(3) (4)	493,878
Total assets	$ 2,892,421	$ 593,408		$ 3,485,829
Liabilities and Equity:				
Liabilities not subject to compromise:				
Mortgages, notes and loans payable	$ 272,825	$ 47,951	(5) (6)	$ 320,776
Deferred tax liabilities	715,516	(537,912)	(7)	177,604
Accounts payable and accrued expenses	225,883	13,821	(5) (8)	239,704
Liabilities not subject to compromise	1,214,224	(476,140)		738,084
Liabilities subject to compromise	138,093	(138,093)	(5)	
Total liabilities	1,352,317	(614,233)		738,084
Equity:				
Total equity	1,540,104	1,207,641	(1) (2) (3) (4) (5) (6) (7) (8)	2,747,745
Total liabilities and equity	$ 2,892,421	$ 593,408		$ 3,485,829

Notes to Pro Forma Condensed Combined Balance Sheet

(1) Reflects the initial $250 million investment by the Plan Sponsors (approximately 5,250,000 shares of our common stock).

(2) Reflects the withdrawal by GGP of all permitted cash or cash equivalent balances from the HHC Accounts totaling $2.8 million, excluding $6.1 million of net proceeds from sales at our Summerlin Master Planned Community closing in October, 2010, in accordance with the Separation Agreement.

(3) Reflects the right to receive payments approximating the capital lease revenue that GGP receives from the Arizona 2 Office in Phoenix, Arizona totaling $31.4 million in accordance with the Plan.

(4) Reflects establishment of the Tax Indemnity Cap of $303.8 million based upon our current estimates of the components of the Indemnity Cap in the Investment Agreements (See Note 5- Income Taxes). Also includes the establishment of an obligation of GGP to pay up to $5.0 million of pre-petition liabilities.

(5) Reflects the reclassification of $64.0 million of mortgages, notes and loans payable and $74.1 million of accounts payable and accrued expenses subject to compromise to the appropriate categories of liabilities not subject to compromise. The adjustment also eliminates $27.7 million of pre-petition mechanics and materialmens liens payable included in the historical combined balance sheet because any remaining amounts due relating to these liabilities at the Effective Date were retained by GGP in accordance with the Plan. The amount of liens to be retained by GGP at emergence was substantially lower than the historical amount at September 30, 2010 due to settlement activity since such date.

(6) Reflects the prepayment of a portion of the loan obligation on the 110 N. Wacker property totaling $16.0 million by GGP.

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(7) Reflects an adjustment of $537.9 million for the re-measurement of the deferred tax liability utilizing the pro forma carrying amounts of HHC assets and liabilities, and the current taxable and non-taxable entities to be held by HHC.

(8) Reflects the settlement/or conversion to equity of intercompany balances in accordance with the Separation Agreement.

Accounting for Reorganization

The accompanying combined financial statements and the combined condensed financial statements of the HHC 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 HHC Debtors which had not emerged from bankruptcy as of September 30, 2010.

Unaudited Combined Condensed Balance Sheets

	September 30, 2010	December 31, 2009
	(In thousands)	
Net investment in real estate	$ 1,783,738	$ 1,805,287
Cash and cash equivalents	1,087	1,285
Accounts and notes receivable, net	4,911	7,488
Other	114,014	111,213
Total assets	$ 1,903,750	$ 1,925,273
Liabilities not subject to compromise:		
Deferred tax liabilities	$ 759,311	$ 827,264
Accounts payable and accrued expenses	212,665	121,247
Liabilities subject to compromise	138,093	206,952
Equity	793,681	769,810
Total liabilities and equity	$ 1,903,750	$ 1,925,273

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

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Unaudited Combined Condensed Statements of Operations

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	May 1, 2009 to September 30, 2009
		(In thousands)		
Operating revenues	$ 14,533	$ 14,458	$ 42,198	$ 24,002
Operating expenses	20,605	21,770	68,320	94,447
Provision for impairment	92	40,582	578	40,816
Operating loss	(6,164)	(47,894)	(26,700)	(111,261)
Interest income, net	1,561	2,367	4,489	3,024
(Provision) for benefit from income taxes	361	9,183	(17,078)	10,139
Equity in income (loss) of Real Estate Affiliates	274	(708)	889	(774)
Reorganization items	(15,328)	(1,866)	(41,428)	(3,883)
Net loss	(19,296)	(38,918)	(79,828)	(102,755)
Allocation to noncontrolling interests	(82)	(52)	(271)	(409)
Net loss attributable to GGP	$ (19,378)	$ (38,970)	$ (80,099)	$ (103,164)

Unaudited Combined Condensed Statements of Cash Flows

	Nine Months Ended September 30, 2010	May 1, 2009 to September 30, 2009
	(In thousands)	
Net cash used in:		
Operating activities	$ (198)	$ (3,751)
Investing activities		
Financing activities		
Net decrease in cash and cash equivalents	(198)	(3,751)
Cash and cash equivalents, beginning of period	1,285	6,065
Cash and cash equivalents, end of period	$ 1,087	$ 2,314
Cash paid for reorganization items	$ (1,707)	$

Classification of Liabilities Not Subject to Compromise

Liabilities not subject to compromise include: (1) liabilities held by HHC Non-Debtors; (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. The amounts subject to compromise consisted of the following items:

	September 30, 2010	December 31, 2009
	(In thousands)	
Mortgages and secured notes	$ 63,951	$ 133,973
Accounts payable and accrued liabilities	74,142	141,866
Total liabilities subject to compromise	$ 138,093	$ 275,839

The classification of liabilities not subject to compromise versus liabilities subject to compromise is based on currently available information and analysis. Debtors subject to the remaining Chapter 11 Cases had their plans of reorganization confirmed as of October 21, 2010, and the Plan provides that these Debtors will pay 100% of allowed pre-petition liability claims, including those relating to the HHC assets. However, additional analysis remains to be completed and the Bankruptcy Court may be requested to rule on pre-petition liabilities to be allowed and paid pursuant to

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the Plan. Accordingly, the amounts in these two categories ultimately paid may change. The amount of any such changes could be significant.

Reorganization Items

Reorganization items under the Chapter 11 Cases are expense or income items that were incurred or realized by the HHC 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 combined condensed statements of operations of the HHC Debtors presented above. These items include professional fees and similar types of expenses and gains and interest earned on cash accumulated by the HHC Debtors, all as a result of the Chapter 11 Cases. Reorganization items specific to the HHC Businesses have been allocated to us and have been reflected in our combined financial statements and in the tables presented below.

The key employee incentive program (the KEIP) was intended to retain certain key employees of GGP during the pendency of the Chapter 11 Cases and provided for payment (in two installments) to these GGP employees upon successful emergence from bankruptcy. The first KEIP payment was made on November 12, 2010. As certain of these employees became our employees on the Effective Date, a portion of the KEIP has been deemed to relate to us and therefore, we are recognizing our estimated KEIP expense in the period from the date the KEIP was approved by the Bankruptcy Court to November 9, 2010, our date of emergence from bankruptcy. We accrued a liability for the KEIP in Accounts payable and accrued expenses on the Combined Balance Sheets of $11.7 million as of September 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 $3.6 million for the three months ended September 30, 2010 and $9.4 million for the nine months ended September 30, 2010. No expense was recognized during the nine months ended September 30, 2009 as the KEIP was approved by the Bankruptcy Court in October 2009.

Reorganization items are as follows:

Reorganization Items	**Three Months Ended September 30, 2010**	**Three Months Ended September 30, 2009**	**Nine Months Ended September 30, 2010**	**Nine Months Ended September 30, 2009**
		(In thousands)		
Gains on liabilities subject to compromise - vendors (1)	$ (216)	$ (138)	$ (498)	$ (214)
Gains on liabilities subject to compromise, net - mortgage debt (2)	(2,747)	(46)	(2,382)	(46)
Interest income (3)	(13)	(2)	(14)	(3)
U.S. Trustee fees (4)	142	93	412	93
Restructuring costs (5)	19,349	1,907	45,611	4,001
Total reorganization items	$ 16,515	$ 1,814	$ 43,129	$ 3,831

(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 gains 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 remains subject to confirmation and review by the Office of the United States Trustee (U.S. Trustee).

(5) Restructuring costs primarily include professional fees incurred related to the bankruptcy filings, our allocated share of 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, developments in progress and land held for development or redevelopment, including assets to be sold after such development or redevelopment

GAAP related to the accounting for the impairment or disposal of long-lived assets requires 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 (defined in Fair Value Measurements below). We review our combined and uncombined real estate

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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 (defined in Note 10) 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 (defined in Note 10) 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 are inherently judgmental and reflect current and projected trends in development costs, land sales prices, rental, occupancy and capitalization rates, and estimated holding periods for the applicable assets. Although the estimated Fair 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 reduce 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 $0.1 million and $0.6 million for the three and nine months ended September 30, 2010 and $40.6 million and $180.8 million for the three and nine months ended September 30, 2009, respectively, as presented in the General section 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 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 nine months ended September 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

Although all of the properties in our Master Planned Communities segment and two of our operating properties in our Strategic Development segment had impairment indicators and carrying values in excess of estimated Fair Value at September 30, 2010, aggregate undiscounted cash flows for such master planned communities properties and the two strategic development properties exceeded their respective aggregate book values. 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, if our plans regarding our assets change, additional impairment charges in the future could result.   In addition, we have a new Board of Directors and a new HHC management team, a group independent of GGP, as of the Effective Date, and our ability to execute our long-term development strategies will be dependent upon our ability to generate cash flows and additional capital as a separate, publicly-traded company. Such new

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board and management team may change existing plans for the assets, which may result in future impairment provisions being required. 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.

Impaired Asset	Location	Method of Determining Fair Value	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
			(In thousands)	
Strategic Development:				
Various pre-development costs		(2)	$ 92	$ 578

Impaired Asset	Location	Method of Determining Fair Value	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
			(In thousands)	
Master Planned Communities:				
Maryland- Fairwood Community	Columbia, MD	Projected sales price analysis (1) (3)	$	$ 52,767
Strategic Development:				
Allen	Allen, TX	Projected sales price analysis (1) (3)		24,166
Nouvelle at Natick	Natick, MA	Discounted cash flow analysis (3)		55,923
Redlands Promenade	Redlands, CA	Projected sales price analysis (1) (3)		6,667
The Village at Redlands	Redlands, CA	Projected sales price analysis (1) (3)	5,492	5,492
Kendall	Miami, FL	Projected sales price analysis (1) (3)	35,090	35,090
Various pre-development costs		(2)		657
Total Strategic Development			40,582	127,995
Total Provisions for impairment			$ 40,582	$ 180,762

(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) These impairments were primarily driven by the carrying value of the assets, including costs expected to be incurred, not being recoverable by the projected sales price of such assets.

Fair Value Measurements

Fair Value is defined as the price that would be received to sell an asset 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

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Chapter 11 Cases or as a component of our reorganization plan (see Note 1) reflected differing assumptions and methodologies. These estimates were subject to a number of approvals and reviews and therefore may have been materially different.

The following table summarizes our significant assets that were measured at Fair Value on a nonrecurring basis as of September 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) Gain Three Months Ended September 30, 2009	Total (Loss) Gain Nine Months Ended September 30, 2009
	(In thousands)					
Village at Redlands	$ 7,500	$	$	$ 7,500	$ (5,492)	$ (5,492)
Allen	29,511		29,511			(24,166)
Redlands Promenade	6,727			6,727		(6,667)
Kendall	13,931			13,931	(35,090)	(35,090)
Maryland - Fairwood Community	12,629		12,629			(52,767)
Nouvelle At Natick (1)	64,661			64,661		(55,923)
Total	$ 134,959	$	$ 42,140	$ 92,819	$ (40,582)	$ (180,105)

(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. GAAP guidance requires that management estimate the Fair Value of our debt. However, as a result of the HHC Debtors Chapter 11 cases, 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 September 30, 2010 as the Plan was not effective as of such date. Such debt will be adjusted to Fair Value on the Effective Date, with such adjustment not expected to be material. For the $272.8 million of mortgages, notes and loans payable outstanding that are not subject to compromise at September 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.

	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Fixed-rate debt	$ 207,117	$ 221,722	$ 208,860	$ 205,406
Variable-rate debt	65,708	66,207		
	$ 272,825	$ 287,929	$ 208,860	$ 205,406

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. Criteria include the consummation of the sale, demonstration of the collectability of the sales price, the transfer of usual risks and

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rewards of ownership to the buyer and absence of substantial continuing involvement from the seller. 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.

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 were distributed to us and no deferred revenue or sales proceeds from unit closings prior to the Effective Date were allocated to us. As of the Effective Date, 60 units were unsold at Nouvelle at Natick, six of which were under contract to close at various dates subsequent to the Effective Date through January 2011. Income related to unit sales subsequent to the Effective Date is expected to be accounted for on the full accrual method on a unit by unit basis.

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 $2.5 million as of September 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 $0.8 million and $2.6 million for the three and nine months ended September 30, 2010 and $0.7 million and $2.3 million for the three and nine months ended September 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, 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 HHC 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:

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	Gross Asset (Liability)	Accumulated (Amortization) / Accretion (In thousands)	Net Carrying Amount
As of September 30, 2010			
Tenant leases:			
In-place value	$ 11,824	$ (10,092)	$ 1,732
Above-market	1,820	(1,634)	186
Below-market	(78)	73	(5)
Ground leases:			
Above-market	(16,968)	2,778	(14,190)
Below-market	23,096	(1,993)	21,103
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 Balance Sheets. The decrease in the gross asset (liability) accounts at September 30, 2010 compared to December 31, 2009 is primarily due to the write-off of fully amortized assets and liabilities in the nine months ended September 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 September 30, 2010, approximately $372.4 million of indebtedness was secured by the properties owned by our Real Estate Affiliates, our share of which was approximately $195.5 million. There can be no assurance that we will be able to refinance or restructure such debt (including the $9.6 million of debt maturing in 2010 and $184.4 million of debt maturing in 2011) 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.

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 September 30, 2010 and December 31, 2009 and for the three and nine months ended September 30, 2010 and 2009 is presented below:

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	September 30, 2010	December 31, 2009
	(In thousands)	
Condensed Combined Balance Sheets - Real Estate Affiliates		
Assets:		
Land	$ 31,077	$ 31,077
Buildings and equipment	239,696	207,051
Less accumulated depreciation	(79,557)	(73,866)
Developments in progress	26,490	55,996
Net property and equipment	217,706	220,258
Investment property and property held for development and sale	242,746	266,253
Net investment in real estate	460,452	486,511
Cash and cash equivalents	47,970	35,569
Accounts and notes receivable, net	57,751	66,460
Deferred expenses, net	1,291	1,189
Prepaid expenses and other assets	66,529	40,561
Total assets	$ 633,993	$ 630,290
Liabilities and Owners Equity:		
Mortgages, notes and loans payable	$ 372,385	$ 377,964
Accounts payable, accrued expenses and other liabilities	110,657	107,700
Owners equity	150,951	144,626
Total liabilities and owners equity	$ 633,993	$ 630,290
Investment in Real Estate Affiliates, Net:		
Owners equity	$ 150,951	$ 144,626
Less joint venture partners equity	(72,152)	(69,147)
Capital or basis differences and loans	67,738	65,079
Investment in Real Estate Affiliates, net	$ 146,537	$ 140,558

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Condensed Combined Statements of Income - Real Estate Affiliates				
Revenues:				
Minimum rents	$ 2,563	$ 5,546	$ 7,104	$ 16,339
Land sales	20,617	14,858	70,088	50,134
Other	13,417	12,390	43,596	46,397
Total revenues	36,597	32,794	120,788	112,870
Expenses:				
Real estate taxes	503	373	1,489	1,097
Property maintenance costs	454	713	922	1,933
Other property operating costs	14,281	16,027	42,827	54,843
Land sales operations	17,376	11,856	55,020	39,456
Depreciation and amortization	1,976	1,988	5,652	5,819
Total expenses	34,590	30,957	105,910	103,148
Operating income	2,007	1,837	14,878	9,722

Interest income		627		107		1,966		457
Interest expense		(2,943)		(1,682)		(8,575)		(5,034)
Provision for income taxes		448		239		(689)		109
Net income attributable to joint venture partners	$	139	$	501	$	7,580	$	5,254
Equity In Income of Real Estate Affiliates:								
Net income attributable to joint venture partners	$	139	$	501	$	7,580	$	5,254
Less joint venture partners share of income		(70)		(234)		(3,604)		(2,489)
Amortization of capital or basis differences		1,153		(2,271)		2,418		(648)
Equity in income (loss) of Real Estate Affiliates	$	1,222	$	(2,004)	$	6,394	$	2,117

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NOTE 4 MORTGAGES, NOTES AND LOANS PAYABLE

Mortgages, notes and loans payable are summarized as follows:

	September 30, 2010	December 31, 2009
	(In thousands)	
Fixed-rate debt:		
Collateralized mortgages, notes and loans payable	$ 271,068	$ 342,833
Variable-rate debt:		
Collateralized mortgages, notes and loans payable	65,708	
Total mortgages, notes and loans payable	336,776	342,833
Less: Mortgages, notes and loans payable subject to compromise	(63,951)	(133,973)
Total mortgages, notes and loans payable not subject to compromise	$ 272,825	$ 208,860

As described in Note 1, 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 September 30, 2010 and December 31, 2009. Of the total amount of debt presented above, $272.8 million and $208.9 million is not subject to compromise, consisting of the collateralized mortgages of the HHC Debtors that have emerged from bankruptcy as of September 30, 2010 and December 31, 2009, respectively, and the debt of the HHC Non-Debtors.

As of December 31, 2009, as described in Note 1, plans of reorganization for the Emerged Debtors, with 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 exist