

Howard Hughes Corp  
Form PRE 14A  
March 24, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**THE HOWARD HUGHES CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
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April 3, 2015

Dear Stockholder:

You are invited to attend the 2015 annual meeting of stockholders of The Howard Hughes Corporation. The meeting will be held at 9:00 a.m., local time, on Thursday, May 21, 2015, at The Woodlands Resort & Conference Center, 2301 North Millbend Drive, The Woodlands, Texas 77380. We encourage you to stay at The Woodlands Resort & Conference Center where you will be eligible for a discount off the normal room rate for the night of May 20, 2015 upon providing an admission ticket or proof of stock ownership as described herein.

Information about the meeting is presented in the following notice of annual meeting of stockholders and proxy statement. The notice is followed by a summary of our proxy statement and general information regarding our annual meeting. We hope that you will be able to attend the annual meeting and we look forward to greeting those stockholders able to attend.

It is important that your shares be voted at the meeting in accordance with your preference. Whether or not you plan to attend the meeting, please sign, date and return your proxy card or vote using the available internet or telephone voting procedures.

We look forward to seeing you at the meeting.

Sincerely,

William A. Ackman  
*Chairman of the Board of Directors*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 21, 2015**

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The 2015 annual meeting of stockholders of The Howard Hughes Corporation (the "Company") will be held at 9:00 a.m., local time, on Thursday, May 21, 2015, at The Woodlands Resort & Conference Center, 2301 North Millbend Drive, The Woodlands, Texas 77380. The meeting will be held for the following purposes:

1. to elect ten directors to hold office until the 2016 annual meeting of stockholders;
2. to conduct an advisory vote on executive compensation;
3. to approve an amendment to extend the term of the Company's Section 382 Rights Agreement for three years;
4. to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2015; and
5. to transact such other business as may properly come before the annual meeting.

Only stockholders of record as of the close of business on March 24, 2015 are entitled to notice of, and to vote at, the annual meeting.

Your vote is very important. Whether or not you plan to attend the annual meeting, please vote by signing, dating and promptly returning your proxy card or by using the available internet or telephone voting procedures. If you hold shares in an account with a broker, bank or other nominee, please follow the instructions you receive from them to vote your shares.

**By Order of the Board of Directors,**

Peter F. Riley  
*Senior Vice President, Secretary and General Counsel*

April 3, 2015  
Dallas, Texas

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2015.**

**The Company's Notice of Annual Meeting, Proxy Statement and 2014 Annual Report to Stockholders  
are available on the internet at [www.proxyvote.com](http://www.proxyvote.com).**

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**PROXY SUMMARY**

*This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. References to the Company, "we," "us" or "our" refer to The Howard Hughes Corporation*

**Annual Meeting of Stockholders**

9:00 a.m., Thursday, May 21, 2015

Time and Date

The Woodlands Resort & Conference Center  
2301 North Millbend Drive

Place

The Woodlands, Texas 77380  
March 24, 2015

Record Date

Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals.

Voting

If you decide to attend the meeting in person, upon your arrival you will need to present valid photo identification an either your admission ticket or proof that you own Company stock. See page 9 for further instructions.

Entry

**Proposals**

<b>Agenda Item</b>	<b>Board Vote Recommendation</b>	<b>Page Reference (for more detail)</b>
1. Election of ten directors to hold office until the 2016 annual meeting of stockholders	FOR	26
2. Advisory vote on executive compensation	FOR	30
3. Approval of an amendment extending the term of our Section 382 Rights Agreement for three years	FOR	31
4. Ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2015	FOR	35

**2014 Company Performance Highlights**

Increased operating income and equity in earnings from real estate affiliates by \$64.5 million, or 51.4%, to \$190.1 million in 2014, compared to \$125.6 million in 2013.

Generated \$325.1 million in land sales revenue for 2014, a 29.4% increase compared to 2013.

Net operating income from income-producing operating assets increased \$9.7 million, or 15.1%, to \$74.1 million in 2014, compared to \$64.4 million in 2013.(1)

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(1)

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Net operating income ("NOI") is a non-GAAP financial measure. It includes the NOI from our combined retail, office, resort and conference center and multifamily properties, our share of NOI from our non-consolidated equity-method ventures and the annual distribution that we receive in the first quarter from our Summerlin Hospital cost-basis investment. These amounts exclude NOI from properties that are substantially closed for redevelopment and/or were sold during the period. We provide a reconciliation of this non-GAAP financial measure to net income in Appendix A to this Proxy Statement.

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**2014 Compensation Highlights**

As a result of the Company's exceptional financial performance during fiscal 2014 and the progress the Company made with respect to achieving its mission and long-term strategic goals, David Weinreb, Grant Herlitz, Andrew Richardson and Peter Riley received annual incentive payouts in the amounts set forth below:

David Weinreb 2.5 times the contractual amount for maximum performance;

Grant Herlitz 2.67 times the contractual amount for maximum performance;

Andrew Richardson 2.14 times the contractual amount for maximum performance; and

Peter Riley 1.25 times the contractual amount for maximum performance.

At the Company's 2014 annual meeting of stockholders, 97.7% of shares voting voted in support of the Company's executive compensation as described in the 2014 proxy statement.

Effective February 25, 2015, the Company adopted stock ownership guidelines for the following officers:

David Weinreb 10 times base salary;

Grant Herlitz 5 times base salary;

Andrew Richardson 3 times base salary; and

Peter Riley 2 times base salary.

In determining whether an officer has met the minimum stock ownership guidelines, common shares of the Company, common restricted shares of the Company and common shares of the Company underlying options or warrants will be, in each case, valued based upon (a) the per share closing price of the common shares of the Company on the applicable determination date for each common share or common restricted share and (b) the difference between the per share closing price on the applicable determination date and the exercise price for each option or warrant.

The Company adopted an unfunded, nonqualified deferred compensation plan designed to allow a select group of management or highly compensated employees of the Company to save for retirement on a tax-deferred basis. The plan became effective on January 1, 2015.

**Compensation Best Practices**

The compensation committee regularly reviews executive compensation best practices when evaluating the Company's compensation policies. The foundation of the Company's compensation policies is to reward employees, including the named executive officers, for achievements that support the mission and strategic objectives of the Company over the long term. The Company's compensation policies include:

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a compensation recovery policy designed to prevent misconduct by any executive officers;

a "double trigger" change-in-control severance payment provision in the employment agreements of the Chief Executive Officer; President; Chief Financial Officer; and Senior Vice President, Secretary and General Counsel;

a "double trigger" change-in-control acceleration provision in the equity award agreements for the President; Chief Financial Officer; and Senior Vice President, Secretary and General Counsel (the Company had not granted any equity awards to the Chief Executive Officer as of December 31, 2014);

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providing that 50% of the restricted stock granted to the Company's named executive officers (and other executives) include five year cliff-vesting only if the Company achieves a minimum total shareholder return over a designated period, thereby aligning management's interest with the long-term performance of the Company in order for this portion of the restricted stock to vest; and

no tax gross-ups in executive employment agreements.

**Prohibition on Hedging, Pledging and other Types of Transactions Involving the Company's Securities**

On December 11, 2013, the Company revised its Insider Trading Policy to prohibit short sales; publicly traded options; hedging; pledging and margin accounts; and limit orders involving Company securities.(2)

**2014 NEO Compensation Summary**

A summary of the compensation paid to/received by each of our named executive officers during 2014 is set forth below.

<b>Name and Principal Position</b>	<b>Salary (\$)</b>	<b>Stock Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation/Bonus (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
David R. Weinreb <i>Chief Executive Officer</i>	1,000,000		5,000,000	33,947	6,033,947
Grant Herlitz <i>President</i>	750,000	1,787,631	3,000,000		5,537,631
Andrew Richardson <i>Chief Financial Officer</i>	500,000	893,715	1,500,000		2,893,715
Peter Riley <i>Senior Vice President, Secretary and General Counsel</i>	500,000	312,786	500,000		1,312,786
Christopher Curry <i>Senior Executive Vice President of Development</i>	500,000	421,030	250,000		1,171,030

(2)

William A. Ackman, the Chairman of the Board of Directors, is exempt from the prohibition of hedging transactions solely in connection with any hedging or swap transaction entered into by Pershing Square Capital Management, L.P. or any of its affiliates or subsidiaries.

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**Primary Components of 2014 Compensation for Executive Officers**

Below is a summary of the primary components of executive compensation.

<b>Type</b>	<b>Form</b>	<b>Terms</b>	<b>Page Reference (for more detail)</b>
Equity	Restricted Stock	Generally received annually and with five-year cliff vesting, subject to total shareholder return and continued service	46
Cash	Base Salary	Generally set forth in employment agreement and eligible for increase at periodic intervals	44
	Annual Cash Incentive	Earned based on attainment of pre-established financial performance targets and achievement against strategic goals set forth by the compensation committee	44
	Bonus	Earned based on overall performance against pre-established performance goals (applies to Mr. Curry only)	46
Other Employee Benefits	401(k), health coverage	Receive the same employee benefits as all employees	48

**2014 Pay Mix**

Named executive officer compensation is weighted more heavily towards variable compensation through the use of annual and long-term incentives. Payouts of annual incentive compensation are subject to the Company achieving a minimum threshold of consolidated gross revenues and the individual named executive officer's achievement of personal performance goals set by the compensation committee. Long-term incentives are divided into two, equal components. One component is based on total shareholder return and the other is based upon continued service with the Company. Mr. Curry does not have an employment agreement and is not eligible for annual incentive compensation. As the following charts show, on average, over 75% of named executive officer compensation is variable compensation.

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## **THE HOWARD HUGHES CORPORATION**

**One Galleria Tower  
13355 Noel Road, 22<sup>nd</sup> Floor  
Dallas, Texas 75240**

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### **PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 21, 2015**

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#### **QUESTIONS AND ANSWERS REGARDING THIS PROXY STATEMENT AND THE ANNUAL MEETING**

##### **Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), The Howard Hughes Corporation (the "Company") has elected to provide access to its proxy materials over the internet or, upon your request, through the mail. These materials are being provided in connection with the solicitation of proxies by the Board of Directors of the Company (the "Board") for use at the Company's 2015 annual meeting of stockholders or any postponement or adjournment thereof (the "Annual Meeting"). Accordingly, the Company sent a Notice of Internet Availability of Proxy Materials (the "Notice") on or about April 3, 2015 to stockholders entitled to notice of and to vote at the meeting.

All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. The Company encourages stockholders to take advantage of the availability of the proxy materials on the internet.

You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement. The Annual Meeting will be held at 9:00 a.m., local time, on Thursday, May 21, 2015, at The Woodlands Resort & Conference Center, 2301 North Millbend Drive, The Woodlands, Texas 77380.

##### **How can I get electronic access to the proxy materials?**

The Notice will provide you with instructions regarding how to:

view the Company's proxy materials for the Annual Meeting on the internet; and

instruct the Company to send future proxy materials to you electronically by email.

The Company's proxy materials are also available on the Company's website at [www.howardhughes.com](http://www.howardhughes.com).

If you previously elected to access your proxy materials over the internet, you will not receive a Notice or printed proxy materials in the mail. Instead you have received an email with a link to the proxy materials and voting instructions.

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Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you thereby lowering the costs associated with the Annual Meeting. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.

**What is included in the proxy materials?**

The proxy materials include:

the Company's Notice of the Annual Meeting;

this proxy statement for the Annual Meeting; and

the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 2, 2015.

If you requested printed versions of these materials by mail, the proxy materials will also include a proxy card (for stockholders of record) or a voting instruction form (for beneficial owners) for the Annual Meeting.

**Who is entitled to vote at the Annual Meeting?**

Holders of Company common stock at the close of business on March 24, 2015, are entitled to receive notice of and to vote their shares at the Annual Meeting. On March 24, 2015, there were 39,711,689 shares of Company common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

If your shares are registered in your name with the Company's transfer agent, Computershare Trust Company, N.A., you are considered a "stockholder of record." If your shares are held in an account with a broker, bank or other nominee, you are considered the "beneficial owner." As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares.

**What will the stockholders vote on at the annual meeting?**

The stockholders will be asked to vote on the following proposals:

the election of the ten nominees named in this proxy statement as directors to hold office until the next annual meeting of stockholders and until their successors are elected and qualified (Proposal No. 1);

a non-binding advisory vote approving the executive compensation as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion below under the caption "Executive Compensation" (Proposal No. 2)

the approval of an amendment to extend the term of the Company's Section 382 Rights Agreement for three years, which amendment was adopted by the Board of Directors on February 25, 2015 to protect against a possible limitation on the Company's ability to use certain tax assets to offset future income (Proposal No. 3)

the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2015 (Proposal No. 4); and

any other business as may properly come before the Annual Meeting or any adjournment or postponement of the meeting.



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**What are the Board's voting recommendations?**

The Board recommends that you vote as follows:

FOR each of the nominees to the Board (Proposal No. 1);

FOR the advisory vote on executive compensation (Proposal No. 2);

FOR the proposal to approve an amendment to extend the term of the Company's Section 382 Rights Agreement for an additional three years to protect against a possible limitation on the Company's ability to use certain tax assets to offset future income (Proposal No. 3); and

FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2015 (Proposal No. 4).

As of the date this proxy statement was mailed, we did not know of any other matters to be raised at the Annual Meeting.

If you return your signed and completed proxy card or vote by internet or telephone and other matters are properly presented at the Annual Meeting for consideration, the proxy holders appointed by the Board will have the discretion to vote for you.

**How do I vote?**

You may vote using any of the following methods:

***By internet or telephone***

If you are a stockholder of record, you will need the control number included on your Notice, proxy card or in the email that you receive to access the proxy statement and annual report. Follow the instructions to vote your shares electronically on the internet or by calling the toll-free number provided to you.

If you are a beneficial owner of shares, you may vote your shares electronically on the internet by following the instructions sent to you by your broker, bank or other holder of record or by calling the toll-free number provided to you.

***By mail***

If you are a stockholder of record, you may request from us, by following the instructions on your Notice or in the email that you received, printed copies of the proxy statement and annual report, which will include a proxy card.

If you are a beneficial owner of shares, follow the instructions from your broker, bank or other holder of record to request copies of the proxy statement and annual report, which will include a voting instruction form.

Be sure to complete, sign and date the proxy card or voting instruction form and return it in the manner instructed.

***In person at the Annual Meeting***

All stockholders of record may vote in person at the Annual Meeting. You can request a ballot at the Annual Meeting. You may also be represented by another person at the Annual Meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of election with your ballot to be able to vote at the Annual Meeting.



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Internet and telephone voting for stockholders of record will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on May 20, 2015. The availability of internet and

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telephone voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. You should follow the voting instructions in the materials provided to you by your broker, bank or other holder of record. If you vote on the internet or by telephone, you do not have to return a proxy card or voting instruction form. If you are located outside the U.S. and Canada, please use the internet or mail voting methods. Your vote is important. Your timely response can save us the expense of attempting to contact you again.

**What can I do if I change my mind after I submit my proxy?**

If you are a stockholder of record, you can revoke your proxy prior to the completion of voting at the Annual Meeting by:

delivering written notice revoking your proxy to the Corporate Secretary at the Company's address set forth above;

timely delivering a new later-dated proxy using one of the methods described above; or

voting in person at the Annual Meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank or other nominee. You may also vote in person at the Annual Meeting if you obtain a legal proxy from your broker, bank or other nominee.

**What shares are included in my proxy?**

If you are a stockholder of record, you will receive one proxy card for all of your shares that are registered in your name with the Company's transfer agent. If you are a beneficial owner of shares, the voting instructions you receive from your broker, bank or other nominee will indicate the number of shares of Company common stock held by them on your behalf. If you received more than one proxy card or voting instructions, then your shares are likely registered in more than one name with the Company's transfer agent and/or held in more than one account with your broker, bank or other nominee. Please complete, sign, date and return each proxy card and/or voting instructions to ensure that all of your shares are voted.

**What happens if I do not give specific voting instructions?**

All properly executed proxies, unless revoked as described above, will be voted at the Annual Meeting in accordance with your instructions. If a properly executed proxy gives no specific instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

If you are a beneficial owner of shares and do not provide your broker, bank or other nominee with specific voting instructions, then under the rules of the New York Stock Exchange, they may only vote on matters for which they have discretionary power to vote. If your broker, bank or other nominee does not receive instructions from you on how to vote your shares and they do not have discretion to vote on the matter, then the broker, bank or other nominee will inform the inspector of election that it does not have the authority to vote on the matter with respect to your shares.

Your broker, bank or other nominee will not be permitted to vote on your behalf on the election of directors, the advisory vote on executive compensation, the vote to approve the amendment to extend the term of the Company's Section 382 Rights Plan for three years and other matters to be considered at the Annual Meeting, unless you provide specific instructions by completing and returning a properly executed proxy or following the instructions provided to you to vote your shares. For your

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vote to be counted, you need to communicate your voting decisions to your broker, bank or other nominee before the date of the Annual Meeting.

**What constitutes a quorum?**

A majority of the outstanding shares of common stock must be present, in person or by proxy, to constitute a quorum at the Annual Meeting.

Abstentions and "broker non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A "broker non-vote" occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular matter and has not received voting instructions from the beneficial owner.

**Who can attend the Annual Meeting?**

The Annual Meeting is open to all holders of the Company's common stock. Each stockholder is permitted to bring one guest. No cameras, recording equipment, large bags, briefcase or packages will be permitted in the Annual Meeting, and security measures will be in effect to provide for the safety of attendees.

**Do I need a ticket to attend the Annual Meeting?**

Yes, you will need an admission ticket or proof of ownership of the Company's common stock to enter the meeting. If your shares are registered in your name and you have elected to receive paper copies of the proxy materials, you will find an admission ticket attached to the proxy card sent to you. If your shares are held in the name of your broker, bank or other nominee or you received your materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement. All stockholders will be required to present valid picture identification.

IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION TICKET OR PROOF THAT YOU OWN COMPANY COMMON STOCK, YOU MAY NOT BE ADMITTED INTO THE ANNUAL MEETING.

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**What are the voting requirements for each of the matters to be voted on at the Annual Meeting?**

<b>Proposal</b>	<b>Vote Necessary to Approve Proposals</b>	<b>Broker Discretionary Voting Allowed?</b>	<b>Treatment of Abstentions and Broker Non-Votes</b>
No. 1 Election of Directors	Each director nominee must receive the affirmative vote of a majority of the votes cast with respect to the nominee, excluding abstentions	No	Abstentions and broker non-votes are not considered votes cast
No. 2 Advisory Vote on Executive Compensation	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	No	Abstentions will be considered votes cast against the matter and broker non-votes are not considered votes cast
No. 3 Approval of amendment extending the Company's Section 382 Rights Plan for Three Years	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the matter	No	Abstentions will be considered votes cast against the matter and broker non-votes are not considered votes cast
No. 4 Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2015	Affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting	Yes	Abstentions will be considered votes cast against the matter

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**MATTERS RELATED TO CORPORATE GOVERNANCE, BOARD STRUCTURE, DIRECTOR  
COMPENSATION AND STOCK OWNERSHIP**

**Corporate Governance and Risk Management**

The Board has adopted the following policies to serve as the governing framework of the Company:

corporate governance guidelines to assist the Board in the exercise of its responsibilities to the Company and its stockholders;

a code of business conduct and ethics applicable to the Company's directors;

a code of business conduct and ethics applicable to the Company's officers and other employees; and

written charters for its audit committee, compensation committee, nominating and corporate governance committee and risk committee.

The Company's corporate governance guidelines, codes of business conduct and ethics and committee charters are available on the Company's website at [www.howardhughes.com](http://www.howardhughes.com) under the Investors tab. You may also obtain a copy of these policies upon written request to the Company's Corporate Secretary at its principal executive office.

The Board periodically reviews its corporate governance policies and practices. Based on these reviews, the Board may adopt changes to policies and practices that are in the best interests of the Company and as appropriate to comply with any new SEC or New York Stock Exchange ("NYSE") corporate governance requirements.

The Board may, at its discretion, elect a Chairman of the Board from among the directors. If at any time the Chairman of the Board is a current or former executive officer of the Company, or for any reason is not an independent director, a presiding director will be selected by the independent directors from among the directors who are not current or former executive officers of the Company and are otherwise independent. The Board adopted this structure to promote decision-making and governance that are independent of the Company's management and to better perform the Board's monitoring and evaluation functions. Presently, the positions of Chairman of the Board and Chief Executive Officer are held by different individuals. The Chairman of the Board, William Ackman, is not a member of Company management.

The Board has established a policy that its non-management directors meet in executive session, without members of management present at least four times per year; provided, however, that any non-management director may request additional executive sessions of the non-management directors at any time, if and when necessary, to discuss any matter of concern. The Chairman of the Board or presiding director presides over each executive session. The Board policy provides that if the Board includes non-management directors that are not independent, at least one executive session each year will include only independent directors.

The Company believes the foregoing policies and practices, when combined with the Company's other governance policies and procedures, provide an appropriate framework for oversight, discussion and evaluation of decisions and direction from the Board.

The Board views risk management as one of its primary responsibilities. A fundamental part of risk management is not only understanding the risks that the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. In 2012, the Board established the risk committee. The risk committee assists the Board with the formulation of risk strategies and oversees the development and implementation of the Company's enterprise risk management program (the "ERM Program"), which is an enterprise-wide program designed to enable effective and efficient identification of critical enterprise risks and to

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facilitate the incorporation of risk considerations into decision making. While the Board maintains oversight responsibility for risk management, the Board's other standing committees support the Board and risk committee by regularly addressing various risks in their respective areas of oversight. Specifically, the audit committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with public reporting requirements. The compensation committee considers and evaluates whether the Company's compensation structure establishes appropriate incentives for executives and other employees of the Company, including whether the Company's compensation policies and practices for its executives and employees give rise to risks that are reasonably likely to have a material adverse effect on the Company. The nominating and corporate governance committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks related to corporate governance, succession planning and emergency procedures. Each of the committee chairs reports to the full Board at regular meetings concerning the activities of the committee, the significant issues it has discussed and the actions taken by the committee.

**Director Independence**

NYSE corporate governance guidelines require that at least a majority of the members of the Board meet the NYSE criteria for independence. The Board has determined that each of its non-management directors, which include Mr. Ackman, Mr. Flatto, Mr. Furber, Mr. Krow, Mr. Model, Mr. Sellers, Mr. Shepsman, Mr. Tansky and Ms. Tighe, is independent under the NYSE independence standards. Mr. Weinreb is not independent because he is the chief executive officer of the Company.

**Director Nominations**

**Qualifications.** The nominating and corporate governance committee considers a number of factors in its evaluation of director candidates. These factors include their specific experience, qualifications, attributes and skills in light of the Company's business. The nominating and corporate governance committee is also responsible for recommending the nomination of those incumbent directors it deems appropriate for re-election to the Board and, if applicable, reappointment to any committees of the Board on which such director serves.

While the nominating and corporate governance committee has not established specific criteria relating to a candidate's age, education, experience level or skills, qualified candidates are expected to have strong business expertise and, in particular, experiences and expertise with regard to real estate development and management, retail, financial reporting, risk management and/or business strategy. Under our Diversity Policy, the nominating and corporate governance committee also considers the independence of the nominee, availability for service to the Company (including any potential conflicts of interest), age of the incumbent directors on the Board, diversity and the Board's anticipated needs with regard to director expertise. With regard to diversity, the nominating and corporate governance committee is committed to considering candidates for the Board regardless of gender, ethnicity and national origin. The Diversity Policy was adopted by the nominating and corporate governance committee on October 12, 2011, and its effectiveness will be evaluated from time to time.

**Stockholder Recommendations.** The nominating and corporate governance committee will consider recommendations of potential candidates from stockholders based on the same criteria as a candidate identified by the nominating and corporate governance committee.

To recommend a candidate, a stockholder must provide notice to the Company. The notice must include the following:

as to each person being recommended, all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in contested elections;

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such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and

a description of all direct and indirect compensation between the company and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships between or among such stockholder and, if applicable, the beneficial owner of the shares held by such stockholder.

For information regarding when notice must be received to be considered timely, see "Stockholder Proposals for 2016 Annual Meeting of Stockholders."

**Communications with the Board**

Any stockholder and other interested party may communicate with the Board, any Board committee, the non-management directors or any individual director. All written communications must identify the recipient and the author and be sent by certified mail to: The Howard Hughes Corporation, One Galleria Tower, 13355 Noel Road, 22<sup>nd</sup> Floor, Dallas, Texas 75240, Attention: Corporate Secretary. The Corporate Secretary will act as agent for the directors in facilitating these communications.

**Codes of Business Conduct and Ethics**

The Company has adopted a code of business conduct and ethics applicable to the Company's directors and a code of business conduct and ethics applicable to the Company's officers and other employees. The purpose of these codes is to, among other things, affirm the Company's commitment to the highest standards of business conduct and ethics, integrity and attendant compliance reporting in accordance with all applicable laws. The codes set forth a common set of values and standards to which all of the Company's directors, officers and employees are expected to adhere. The Company will post information regarding any amendment to, or waiver from, its codes of business conduct and ethics on its website under the Investors tab as required by applicable law.

**THE BOARD, ITS COMMITTEES AND ITS COMPENSATION**

**The Board**

Nine of our directors are non-management directors. Under the Company's amended and restated bylaws, the Board may select one of its members to be Chairman of the Board. Currently, William Ackman is the Chairman of the Board.

Under the Company's corporate governance guidelines, Board members are expected to devote the time reasonably necessary to discharge their responsibilities and to prepare for and, to the extent reasonably practicable, attend and participate in all meetings of the Board and Board committees on which they serve. Each director is expected to attend the annual meeting of stockholders. The Board held a total of six meetings in 2014. All directors attended 75% or more of the meetings of the Board and of the committees and asset subcommittees on which they served during 2014. All the directors then in office attended our 2014 annual meeting of stockholders.

**Board Committees**

The Board has five standing committees: audit committee, compensation committee, nominating and corporate governance committee, retail and design committee and risk committee, each of which is described below. Each committee operates under a written charter adopted by the Board, with the

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exception of the retail and design committee, whose responsibilities were set forth in resolutions adopted by the Board. The table below sets forth the current composition of Board committees.

	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Retail and Design Committee	Risk Committee
William Ackman		ü			
Adam Flatto			ü	ü (Chair)	
Jeffrey Furber			ü (Chair)		
Gary Krow	ü	ü (Chair)			
Allen Model	ü		ü		ü (Chair)
R. Scot Sellers		ü	ü		ü
Steven Shepsman	ü (Chair)		ü		ü
Burton Tansky		ü		ü	
Mary Ann Tighe		ü		ü	

### **Audit Committee**

The audit committee oversees the Company's accounting and financial reporting processes and the audits of the Company's financial statements. The functions and responsibilities of the audit committee include:

appointing, retaining and replacing the independent registered public accounting firm;

managing and overseeing the work of the independent registered public accounting firm;

pre-approving all auditing services, internal control related services and permitted non-audit services to be performed for the Company by the independent registered public accounting firm;

reviewing and discussing with management and the independent registered public accounting firm financial statement and disclosure matters;

reviewing the findings and recommendations of the Company's independent registered public accounting firm and management's response to the recommendations of that firm;

reviewing and discussing with management and the independent registered public accounting firm the Company's major financial and accounting risk exposures;

overseeing the internal audit function;

overseeing compliance with applicable legal and regulatory requirements as it relates to financial reporting;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

reviewing the adequacy of the audit committee charter on an annual basis.



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The audit committee held eight meetings in 2014. The Company's independent registered public accounting firm reports directly to the audit committee. Each member of the audit committee has the ability to read and understand fundamental financial statements. The Board has determined that each member of the audit committee is "independent" as defined by NYSE corporate governance standards and Rule 10A-3 of the Securities Exchange Act of 1934. The Board has also determined that Mr. Shepsman meets the requirements of an "audit committee financial expert" as defined by the rules of the SEC.

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**Compensation Committee**

The compensation committee establishes, administers and reviews the Company's policies, programs and procedures for compensating its executive officers and the Board. The functions and responsibilities of the compensation committee include:

evaluating the performance of and determining the compensation for the Company's executive officers, including its Chief Executive Officer;

reviewing, approving and recommending to the Board the Company's incentive plans;

reviewing and approving employment and other contracts relating to compensation with the Company's executive officers;

reviewing director compensation policies, objectives and programs and approving the form and amount of director compensation;

reviewing and discussing with management the Compensation Discussion and Analysis to be included in the Company's annual reports or proxy statement; and

reviewing the adequacy of the compensation committee charter on an annual basis.

The compensation committee held nine meetings in 2014. The Board has determined that each member of the compensation committee is "independent" as defined by NYSE corporate governance standards.

**Nominating and Corporate Governance Committee**

The functions and responsibilities of the nominating and corporate governance committee include:

developing and recommending corporate governance guidelines applicable to the Board and the Company's employees;

developing criteria and qualifications for directors to be used in identifying, reviewing and selecting director candidates;

identifying and recommending individuals qualified to be directors;

reviewing relationships between directors, the Company and members of management and recommending to the Board whether directors are independent;

recommending committee composition and assignments; and

reviewing the adequacy of the nominating and corporate governance committee charter on an annual basis.

The nominating and corporate governance committee held four meetings in 2014. The Board has determined that each member of the nominating and corporate governance committee is "independent" as defined by NYSE corporate governance standards.

**Retail and Design Committee**

The functions and responsibilities of the retail and design committee include:

approving policies, principles, guidelines, goals, parameters and objectives applicable to retail properties;

evaluating and overseeing the implementation of the Company's development and leasing strategies for retail properties, which will include the evaluation of tenants, proposals, projects under development, local market conditions, industry trends and regulatory issues and other factors likely to influence the Company's management of retail properties; and

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providing feedback regarding major decision points in connection with the Company's development and leasing strategies for retail properties.

**Risk Committee**

The risk committee oversees all aspects of the ERM Program and the efforts of management in formulating strategies, policies and procedures with respect to the identification, measurement, management and control of all categories of risk. The functions and responsibilities of the risk committee include:

assessing and evaluating critical risks;

approving the Company's enterprise wide, risk management framework;

reviewing policies and procedures established and implemented by management to understand general enterprise and related business risk inherent in the Company's business;

providing strategic consultation and input to management to assist management in evaluating policies and practices that provide the framework to ensure operational efficiency and necessary controls for operational and other risks;

overseeing the delegation of risk-related responsibilities to each Board committee; and

reviewing the adequacy of the risk committee charter on an annual basis.

The risk committee held four meetings in 2014. The Board has determined that each member of the risk committee is "independent" as defined by NYSE corporate governance standards.

**2014 Director Compensation**

**Annual Compensation.** The table below summarizes the director compensation plan approved by the Board.

<b>Board Service:</b>	
Annual Retainer	\$ 165,000
Meeting Fee (in person)	2,000
Meeting Fee (telephonic)	750
<b>Board Committee Service:</b>	
Audit Committee Chair	\$ 30,000
Audit Committee Member	15,000
All Other Committee Chairs	7,500
All Other Committee Members	3,750
Audit Committee Meeting Fee (in person or telephonic meetings requiring significant preparation, <i>i.e.</i> review of periodic reports)	1,500
Audit Committee Meeting Fee (all other in person meetings)	1,000
Audit Committee Meeting Fee (all other telephonic meetings)	750
All Other Committee Meeting Fees (in person)	1,000
All Other Committee Meeting Fees (telephonic)	500

The annual retainer for Board service is paid 50% in cash and 50% in restricted stock. Directors may elect annually to increase the portion of their annual retainer for Board service that is payable in restricted stock up to 100%.

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The Board may meet in subcommittees to discuss actions for certain of our assets. At the discretion of the Board (who delegated the decision to management), the members of an asset subcommittee may be paid \$1,000 for an in-person meeting or \$500 for a telephonic meeting.

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The Company also reimburses directors for all expenses incurred in attending Board and Board committee meetings. A director who is, or becomes, an employee of the Company does not receive additional compensation for serving as a director.

**Director Compensation Table.** The table below sets forth the compensation earned by each of the Company's directors during 2014.

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards(2) (\$)	Total (\$)
William Ackman(3)	0	0	0
Adam Flatto	106,750	82,500	189,250
Jeffrey Furber	21,000	165,000	186,000
Gary Krow	49,500	165,000	214,500
Allen Model	94,750	123,750	218,500
R. Scot Sellers	34,750	165,000	199,750
Steven Shepsman	148,500	82,500	231,000
Burton Tansky	19,500	165,000	184,500
Mary Ann Tighe	22,500	165,000	187,500

- (1) Mr. Weinreb, a director and Chief Executive Officer of the Company, is not included in this table because he is an employee of the Company and receives no additional compensation for his service as a director. The compensation earned by Mr. Weinreb as an employee of the Company during 2014 is shown in "Executive Compensation Summary Compensation Table."
- (2) Represents the aggregate grant date fair value of restricted stock granted to the Company's non-management directors. Pursuant to SEC rules, the dollar amounts were computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation, and exclude the effect of estimated forfeitures. As of December 31, 2014, the number of shares of restricted stock held by each of the directors listed in the table above were as follows: Mr. Flatto (559), Mr. Furber (1,118), Mr. Krow (1,118), Mr. Model (838), Mr. Sellers (1,118), Mr. Shepsman (559), Mr. Tansky (1,118) and Ms. Tighe (1,118)
- (3) Mr. Ackman waived all compensation relating to his service as a director of the Company.

**Stock Ownership Guidelines**

On May 14, 2014, the Board amended its stock ownership guidelines for non-management directors, which were adopted to align the Board's interests with those of the Company's stockholders and strengthen the Company's commitment to sound corporate governance. The stock ownership guidelines provide that (a) each non-management director that was a member of the Board prior to May 14, 2013 is required to own shares of Company common stock with a value equal to five times the original annual retainer (\$112,000) for Board service within five years of the date of appointment, and (b) each non-management director appointed after May 14, 2013 is required to own shares of Company common stock with a value equal to five times the new annual retainer for Board service (\$165,000) within five years of the date of appointment. In determining whether a director has met the minimum stock ownership guidelines, common shares of the Company and common restricted shares of the Company will be, in each case, valued based upon the closing price of the common shares of the Company on the applicable determination date.

Table of Contents**SECURITY OWNERSHIP OF MANAGEMENT  
AND CERTAIN BENEFICIAL HOLDERS**

The tables below provide information regarding the beneficial ownership of the Company's common stock as of March 24, 2015, by:

each director of the Company;

each of the executive officers named in the Summary Compensation Table;

all directors and executive officers as a group; and

each beneficial owner of more than 5% of the Company's common stock.

The table below lists the number and percentage of shares beneficially owned based on 39,711,689 shares of common stock outstanding as of March 24, 2015. Beneficial ownership is determined in accordance with SEC rules and regulations. Unless otherwise indicated and subject to community property laws where applicable, the Company believes each stockholder named in the table below has sole voting and investment power with respect to the shares indicated as beneficially owned.

**Directors and Executive Officers**

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage
William Ackman(1)	5,484,684	13.2%
Adam Flatto(2)	16,104	*
Jeffrey Furber(2)	13,742	*
Gary Krow(2)	9,373	*
Allen Model(2)	11,016	*
R. Scot Sellers(2)	28,688	*
Steven Shepsman(2)(3)	10,408	*
Burton M. Tansky(2)	6,468	*
Mary Ann Tighe(2)(4)	15,854	*
David R. Weinreb(5)	10,000	*
Grant Herlitz(6)	26,163	*
Andrew Richardson(7)	35,071	*
Peter Riley(8)	16,407	*
Christopher Curry(9)	6,368	*
All directors and executive officers as a group (20 persons)	5,717,375	13.7%

\*

Less than 1%.

(1)

Represents (a) 3,568,017 shares held by Pershing Square L.P. ("PS"), Pershing Square II, L.P. ("PSII"), Pershing Square International, Ltd (together with its wholly-owned subsidiary, PSRH, Inc., "Pershing Square International") and Pershing Square Holdings, Ltd ("PSH" and together with PS, PSII and Pershing Square International, (the "Pershing Square Funds") and (b) 1,916,667 shares underlying a warrant held by the Pershing Square Funds that is currently exercisable. Mr. Ackman may be deemed to be the beneficial owner of these shares by virtue of his position as Chief Executive Officer of Pershing Square Capital Management, L.P. ("Pershing Square"), the investment advisor to the Pershing Square Funds, and as managing member of PS Management GP, LLC ("PS Management"), the general partner of Pershing Square, and Pershing Square GP, LLC ("Pershing Square GP"), the general partner of each of PS and PSII.





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The Pershing Square Funds also have additional economic exposure to approximately 5,399,839 shares of common stock of the Company under certain cash-settled total return swaps (the "Swaps"). See "Five Percent Holders" for more information.

- (2) Includes shares of restricted stock for which the following directors have sole voting power, but no dispositive power: Mr. Flatto (559), Mr. Furber (1,118), Mr. Krow (1,118), Mr. Model (838), Mr. Sellers (1,118), Mr. Shepsman (559), Mr. Tansky (1,118) and Ms. Tighe (1,118). These shares of restricted stock will vest on May 21, 2015.
- (3) Includes (a) 5,000 shares that were purchased by Sam De Realty II, L.P. ("Sam De Realty"), a limited partnership for which Mr. Shepsman is the general partner and (b) 4,005 shares transferred by Mr. Shepsman to Sam De Realty in exchange for the partial repayment of debt owed to Sam De Realty by Mr. Shepsman. By virtue of his position as general partner of Sam De Realty, Mr. Shepsman may be deemed to be the beneficial owner of such shares.
- (4) Includes 9,386 shares that were purchased by Ms. Tighes' husband. By virtue of her marriage, Ms. Tighe may be deemed to be the beneficial owner of such shares.
- (5) Represents 10,000 shares that were purchased by Mr. Weinreb on June 3, 2013.
- (6) Includes (a) 9,097 shares of restricted stock granted to Mr. Herlitz, the President of the Company, in June 2013 of which he has sole voting power, but no dispositive power, (b) 6,945 shares of restricted stock granted to Mr. Herlitz in March 2014 for which he has sole voting power, but no dispositive power and (c) 10,121 shares of restricted stock granted to Mr. Herlitz in February 2015 for which he has sole voting power, but no dispositive power.
- (7) Includes (a) 20,000 shares of restricted stock granted to Mr. Richardson, the Chief Financial Officer of the Company, in March 2011 for which he has sole voting power, but no dispositive power, (b) 4,852 shares of restricted stock granted to Mr. Richardson in June 2013 for which he has sole voting power, but no dispositive power, (c) 3,472 shares of restricted stock granted to Mr. Richardson in March 2014 for which he has sole voting power, but no dispositive power and (d) 6,747 shares of restricted stock granted to Mr. Richardson in February 2015 for which he has sole voting power, but no dispositive power.
- (8) Includes (a) 10,000 shares of restricted stock granted to Mr. Riley, Senior Vice President, Secretary and General Counsel of the Company, in May 2011 for which he has sole voting power, but no dispositive power, (b) 1,819 shares of restricted stock granted to Mr. Riley in June 2013 for which he has sole voting power, but no dispositive power, (c) 1,215 shares of restricted stock granted to Mr. Riley in March 2014 for which he has sole voting power, but no dispositive power and (d) 3,373 shares of restricted stock granted to Mr. Riley in February 2015 for which he has sole voting power, but no dispositive power.
- (9) Includes (a) 3,000 shares of restricted stock granted to Mr. Curry, Senior Executive Vice President, Development of the Company, in May 2011 for which he has sole voting power, but no dispositive power, (b) 1,762 shares of restricted stock granted to Mr. Curry in February 2014 for which he has sole voting power, but no dispositive power and (c) 1,606 shares of restricted stock granted to Mr. Curry in February 2015 for which he has sole voting power, but no dispositive power.

In November 2010, Mr. Weinreb, the Chief Executive Officer and a director of the Company, and Mr. Herlitz, the President of the Company, purchased warrants in connection with joining the Company

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as executive officers. Mr. Weinreb purchased a warrant to acquire 2,367,985 shares for \$15.0 million and Mr. Herlitz purchased a warrant to acquire 315,731 shares for \$2.0 million. In March 2011, in connection with joining the Company, Mr. Richardson, the Chief Financial Officer of the Company, purchased a warrant from the Company to acquire 178,971 shares for \$2.0 million. The purchase prices were paid in cash and determined by the Board, with the assistance of an outside advisor, to equal the fair value of the warrants on the issue date. These warrants were made as an investment by each of Messrs. Weinreb, Herlitz and Richardson and are not compensation.

These warrants became fully vested at the time of purchase, but do not become exercisable until the sixth anniversary of the date of purchase, subject to limited exceptions. In accordance with SEC rules, the shares of Company common stock underlying the warrants are not included in the table above because the warrants are not exercisable within 60 days of the date of the information provided in the table.

**Five Percent Holders**

The following table sets forth information regarding the number and percentage of shares of common stock held by all persons and entities, other than directors and officers of the Company, known by the Company to beneficially own 5% or more of the Company's outstanding common stock. The information regarding beneficial ownership of common stock by each entity identified below is included in reliance on a report filed by the entity with the SEC, except that the percentage is based upon the Company's calculations made in reliance upon the number of shares reported to be beneficially owned by the entity in such report and the number of shares of common stock outstanding on March 24, 2015.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent
Pershing Square(1) 888 Seventh Avenue, 42nd Floor New York, New York 10019	5,484,684	13.2
Horizon Kinetics LLC(2) 470 Park Avenue South, 4 <sup>th</sup> Floor South New York, New York 10016	5,146,164	13.0
The Vanguard Group(3) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	2,195,605	5.5

(1) According to a Schedule 13D/A filed by (i) Pershing Square, (ii) PS Management and (iii) William Ackman (collectively, the "Pershing Reporting Persons") with the SEC on January 3, 2014, these shares include 1,916,667 shares underlying a warrant that is currently exercisable. The Pershing Reporting Persons share voting and investment power with respect to these shares.

The Pershing Reporting Persons entered into the Swaps for the benefit of the Pershing Square Funds. The Swaps constitute economic exposure to approximately 5,399,839 common shares of the Company. Under the terms of the Swaps (a) the applicable Pershing Square Fund will be obligated to pay to the counterparty any negative price performance of the number of common shares of the Company subject to the applicable Swap as of the expiration date of such Swap, plus interest at the rates set forth in the applicable contracts, and (b) the counterparty will be obligated to pay to the applicable Pershing Square Fund any positive price performance of the notional number of common

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shares of the Company subject to the applicable Swap as of the expiration date of the Swaps. With regard to certain of the Swaps, any notional dividends on such notional common shares of the Company will be paid to the applicable Pershing Square Fund during the term of the Swap. With regard to the balance of the Swaps, any notional dividends on such notional common shares of the Company during the term of the Swaps will be paid to the applicable Pershing Square Fund at maturity. All balances will be cash settled at the expiration date of the Swaps. The Pershing Square Funds' third party counterparties for the Swaps include entities related to Citibank, Nomura, Société Générale and UBS.

The Swaps do not give the Reporting Persons direct or indirect voting, investment or dispositive control over any securities of the Company and do not require the counterparty thereto to acquire, hold, vote or dispose of any securities of the Company. Accordingly, the Reporting Persons disclaim any beneficial ownership of any notional common shares of the Company that may be referenced in such contracts or common shares of the Company or other securities or financial instruments that may be held from time to time by any counterparty (or its affiliates) to the contracts.

- (2) According to a Schedule 13G/A filed by Horizon Kinetics LLC ("Horizon") with the SEC on February 18, 2015, Horizon is the parent holding company for Horizon Asset Management LLC ("Horizon Assets") and Kinetics Asset Management LLC ("Kinetics"). Horizon Assets and Kinetics are investment advisers under the Investment Advisers Act of 1940 and, as such, furnish investment advice to and manage various funds and separately managed accounts. Horizon Assets and Kinetics share voting and dispositive power with respect to these shares. Horizon Assets, Kinetics and various separately managed accounts own these shares, and there is no single beneficial owner of more than 5% of these shares. Horizon, Horizon Assets and Kinetics each disclaim beneficial ownership of all of these shares.
- (3) According to a Schedule 13G/A filed by The Vanguard Group, Inc. ("Vanguard") with the SEC on February 10, 2015, Vanguard has sole voting power with respect to 24,542 shares of our common stock, sole dispositive power with respect to 2,174,163 shares of our common stock and shared dispositive power with respect to 21,442 shares of our common stock.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Compliance with Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of its equity securities, to file reports of ownership and changes in ownership with the SEC. These reporting persons are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that during 2014 all Section 16(a) filing requirements applicable to its directors, executive officers and greater than 10% stockholders were in compliance with Section 16(a), except that (a) late filings were made on behalf of each of Christopher Curry, Reuben Davidsohn, Keith Laird, Paul Layne, Nicholas Vanderboom and Sarah Vasquez with respect to restricted stock that was granted to him or her by the Company in 2014 as a long-term incentive and (b) one late filing was made on behalf of Brent Habeck with respect to options that were granted to him by the Company in connection with the start of his employment.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Messrs. Ackman, Krow, Sellers and Tansky and Ms. Tighe served on the compensation committee in 2014. None of the members of the compensation committee are or have been an officer or an employee of the Company. In addition, during 2014, none of the Company's executive officers served on the board of directors or compensation committee (or committee performing equivalent functions) of any other company that had one or more executive officers serving on the Board or the Company's compensation committee.

**RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS**

**Related Party Transactions Policy**

The Company has adopted a written policy relating to the approval of related party transactions. Under this policy, the audit committee reviews certain financial transactions, arrangements and relationships between the Company and any of the following related parties to determine whether any such transaction, arrangement or relationship is a related party transaction:

any director, director nominee or executive officer of the Company;

any beneficial owner of more than 5% of the Company's outstanding stock; and

any immediate family member of any of the foregoing.

Audit committee review is required for any financial transaction, arrangement or relationship that:

involves or will involve, directly or indirectly, any related party identified above and is in an amount greater than \$120,000;

would cast doubt on the independence of a director;

would present the appearance of a conflict of interest between the Company and the related party; or

is otherwise prohibited by law, rule or regulation.

The audit committee reviews each such transaction, arrangement or relationship to determine whether a related party has, has had or expects to have a direct or indirect material interest. Following its review, the audit committee will take such action as it deems necessary and appropriate under the circumstances, including approving, disapproving, ratifying, cancelling or recommending to management how to proceed if it determines a related party has a direct or indirect material interest in a transaction, arrangement or relationship with the Company. Any member of the audit committee who is a related party with respect to a transaction under review is not permitted to participate in the discussions or evaluations of the transaction; however, the audit committee member will provide all material information concerning the transaction to the audit committee. The audit committee reports its action with respect to any related party transaction to the Board.

The following are summaries of transactions entered into by the Company prior to, in connection with and after the Company's spin-off from General Growth Properties, Inc. ("GGP") in November 2010. Each of the transactions entered into by the Company prior to or in connection with the spin-off was reviewed and approved by GGP, the Company's then sole stockholder. Each of the transactions entered into by the Company after the spin-off was reviewed and approved by the Company's audit committee, with the exception of the sale of warrants to Messrs. Weinreb, Herlitz and Richardson. The sale of warrants to those individuals was approved initially by the compensation committee and then by the Board.



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**Transactions in Connection with the Spin-Off**

Pursuant to GGP's plan of reorganization, GGP entered into agreements with each of certain affiliates of Brookfield Asset Management ("Brookfield"), Fairholme Fund and Fairholme Focused Income Fund (collectively, "Fairholme") and Pershing Square pursuant to which these entities purchased an aggregate of \$250.0 million of Company common stock at the effective time of the spin-off. At the effective time of the spin-off, the Company also entered into (a) warrant agreements, registration rights agreements and stockholders agreements with each of Brookfield, Fairholme and Pershing Square, (b) a registration rights agreement with General Trust Company and (c) a standstill agreement with Pershing Square. The agreements between the Company and Fairholme terminated in 2012 after the Company purchased its outstanding warrants. The agreements between Brookfield and the Company terminated in 2013 after Brookfield disposed of all of its shares of the Company. The key terms of each of the agreements that remain effective are summarized below. See "Security Ownership of Management and Certain Beneficial Holders Five Percent Holders" for the current beneficial ownership of Company common stock held by Pershing Square.

***Warrant Purchase Agreements***

In November 2010, the Company issued warrants to purchase 1,916,667 shares of Company common stock to Pershing Square. The warrants issued to Pershing Square can only be exercised on a net share basis, which means that the exercise price for the warrants will not be paid in cash, but rather will be netted against the shares received upon exercise of the warrants, resulting in fewer shares being issued. Upon certain change in control events, Pershing Square has the right to require that the warrants be canceled in exchange for a cash payment equal to the fair value of the warrants as determined using a Black-Scholes-based formula.

***Registration Rights Agreements***

In November 2010, the Company entered into registration rights agreements with General Trust Company, Pershing Square and certain other investors with respect to Company common stock held by such stockholders. The agreement with Pershing Square requires the Company to maintain a shelf registration statement covering the shares held by Pershing Square. Additionally, Pershing Square may require the Company to:

register shares of Company common stock held by them having an estimated aggregate fair market value of at least \$25.0 million;

undertake up to three underwritten offerings, but no more than one underwritten offering during any 12-month period; and

include shares of Company common stock held by them in any registration statement whenever the Company proposes to register shares of its common stock.

The agreement with General Trust Company provides that if any registrable securities remain outstanding after November 2012, General Trust Company may request that the Company file a new shelf registration statement. If the Company does not have an effective shelf registration statement, General Trust Company may require the Company to:

register shares of Company common stock held by it having an estimated fair market value of at least \$10 million (or the entire amount of registrable securities then held by it if less than \$10 million), up to a maximum of five times and, for so long as the Company is not eligible to register securities on Form S-3, no more than once per year;

undertake up to two underwritten offerings; and

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include shares of Company common stock held by it in any registration statement whenever the Company proposes to register shares of its common stock.

The Company has agreed to pay all expenses, other than underwriting discounts and commissions, in connection with these registration rights agreements, including legal and accounting fees incurred by the Company, printing costs and the fees of one law firm for the selling stockholders (limited to \$50,000 for a registration requested by General Trust Company). Additionally, the Company has agreed to indemnify these stockholders against certain liabilities, including liabilities under the federal securities laws.

***Stockholder Agreements***

In November 2010, the Company entered into an agreement with Pershing Square. Under this agreement, subject to certain exceptions, if the Company makes a public or non-public offering of its common stock (or securities convertible or exchangeable into common stock), Pershing Square has a right to acquire the securities for the same price and on the same terms up to the amount needed for it to maintain its aggregate proportionate common stock-equivalent interest in the Company on a fully diluted basis. This right will terminate for Pershing Square when it beneficially owns less than 5% of the Company's outstanding shares on a fully diluted basis (as defined in the agreements).

Under the stockholder agreement with Pershing, the Company has agreed to nominate and use its reasonable best efforts to elect to the Board certain director nominees designated by Pershing Square. Pershing Square has the right to nominate three directors so long as it beneficially owns at least a 17.5% fully diluted economic interest (as defined in the agreement) in the Company and two Board designees so long as it beneficially owns at least a 10% interest in the Company on a fully diluted basis. Board members designated by Pershing Square are not required to be independent but are subject to reasonable eligibility criteria applied in good faith to other Board candidates by the nominating and corporate governance committee. Pershing Square's current Board designees are William Ackman, Gary Krow and Allen Model.

***Standstill Agreement***

In November 2010, the Company entered into an agreement with Pershing Square to, among other things:

limit Pershing Square's economic interest in Company common stock to 40% of the Company's outstanding common stock and set forth required approvals for Pershing Square to increase its economic interest above the agreed upon limit;

require Pershing Square, with respect to any matter the Board has recommended our stockholders not approve, to vote any of its shares in excess of 30% of the Company's common stock against such matter or in proportion to other stockholders;

set forth required Board and stockholder approvals for certain change in control transactions and related party transactions involving Pershing Square; and

restrict certain transfers of Company common stock by Pershing Square.

Additionally, the terms of the agreement ensure that Pershing Square does not take any action inconsistent with its support for the following corporate governance principles:

the Board will have nine members, unless otherwise approved by 75% of the Board members;

a majority of the directors on the Board will be independent; and

a majority of the members of the nominating and corporate governance committee will be disinterested directors (as defined in the agreement).





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Further, in connection with the election of directors, Pershing Square may vote all of its shares in its sole discretion with respect to its designees and, with respect to other director nominees, may vote 10% of the Company's outstanding common stock in its sole discretion, but must vote the remainder of its shares in proportion to the votes cast by the Company's other stockholders.

**Transactions After the Spin-Off**

*Warrant Agreements*

In November 2010, the Company sold warrants to acquire shares of Company common stock to Mr. Weinreb and Mr. Herlitz in connection with their joining the Company as executive officers. Mr. Weinreb purchased a warrant to acquire 2,367,985 shares for \$15.0 million. Mr. Herlitz purchased a warrant to acquire 315,731 shares for \$2.0 million. The warrants have an exercise price of \$42.23 per share and expire in November 2017.

In February 2011, the Company entered into a warrant purchase agreement with Mr. Richardson, in connection with his joining the Company as Chief Financial Officer. Pursuant to the purchase agreement, Mr. Richardson purchased a warrant to acquire 178,971 shares of Company common stock for \$2.0 million. Mr. Richardson purchased the warrant in March 2011. The warrant has an exercise price of \$54.50 per share and expires in February 2018.

The warrant purchase prices were paid in cash and determined by the Board, with the assistance of an outside advisor, to equal the fair value of the warrants on the issue date. The warrants became fully vested at the time of purchase, but do not become exercisable until the sixth anniversary of the date of purchase, subject to limited exceptions. Under the warrant agreements, the Company agreed to file a shelf registration statement registering the shares of Company common stock underlying the warrants.

*Condominium Unit Purchase and Sale Agreement*

On December 7, 2013, Mr. Weinreb, the Company's Chief Executive Officer and a director, entered into purchase agreements to acquire two condominium units at the Company's to-be-built Waiea Tower located at Ward Village. The purchase prices for the units were \$3,439,200 and \$3,963,300 and were at arms-length on the same terms for similar units offered at the time. The audit committee reviewed the transaction and determined that there was no conflict of interest.

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**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

The Company's bylaws provide that the number of directors will be determined by the Board from time to time. Currently, the Board consists of ten directors. Each of the Company's directors stands for election each year at the Annual Meeting.

Each director nominee identified below is an incumbent director whose nomination to serve on the Board was recommended by the nominating and corporate governance committee and approved by the Board. The director nominees, if elected, will serve until the 2016 annual meeting of stockholders or until their earlier resignation or removal. Each of the director nominees has indicated a willingness to serve as a director if elected.

In connection with the Company's spin-off from GGP in November 2010, the Company agreed to nominate and use its reasonable best efforts to elect to the Board the director nominees of Pershing Square. Based on Pershing Square's current ownership, it has the right to designate three director nominees. The director nominees designated by Pershing Square are William Ackman, Gary Krow and Allen Model.

As reflected in the section above captioned "Matters Related to Corporate Governance, Board Structure, Director Compensation and Stock Ownership," the primary qualities and characteristics nominees to the Board should possess are strong business expertise and, in particular, experiences and expertise with regard to real estate development and management, retail, financial reporting, risk management and/or business strategy. All ten of the nominees possess these attributes. The specific experiences, qualifications, attributes and skills of each individual which lead to his or her nomination are included in the individual discussions below.

The directors will be elected by the affirmative vote of a majority of votes cast "for" or "against" the election of that nominee.

**William A. Ackman**, age 48, has served as Chairman of the Board since November 2010. Mr. Ackman is the founder and chief executive officer of Pershing Square Capital Management, L.P., a registered investment adviser founded in 2003. Pershing Square is a concentrated research-intensive, fundamental value investor in publicly traded companies. Mr. Ackman also has served as a director of Canadian Pacific Railway Ltd. since May 2012. Mr. Ackman served as a director of J.C. Penney Company, Inc. from February 2011 through August 2013 and as a director of Justice Holdings Limited from April 2011 to June 2012. From June 2009 to March 2010, Mr. Ackman served as a director of General Growth Properties, Inc. Mr. Ackman's management experience, his prior service on boards of directors of public companies and his investments in real estate-related public and private companies give him valuable insight that can be applied to the Company and benefit of the Board. Mr. Ackman is a director nominee designated by Pershing Square pursuant to the terms of the stockholder agreement between the Company and Pershing Square.

**Adam Flatto**, age 52, has served as a director since November 2010. Mr. Flatto is the president and chief executive officer of The Georgetown Company, a privately-held real estate investment and development company based in New York City. Mr. Flatto has been with The Georgetown Company since 1990 and during that time has been involved with the development, acquisition and ownership of over 20 million square feet of commercial and residential real estate projects throughout the United States. These have included a wide array of projects ranging from large-scale office buildings, movie studios, retail shopping malls, arenas, hotels, apartment buildings, mixed-use master planned communities and others. Mr. Flatto's extensive real estate development and management experience provide the Board with key insight into operations and strategic planning matters.

**Jeffrey Furber**, age 56, has served as a director since November 2010. Mr. Furber is the chief executive officer of AEW Capital Management, L.P. ("AEW") and chairman of AEW Europe.

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Mr. Furber joined AEW in 1997. AEW provides real estate investment management services to investors worldwide. Mr. Furber has oversight responsibility for all of AEW's operating business units in the United States, Europe and Asia and chairs AEW's Management Committee. He is also a member of AEW's Investment Committees and Investment Policy Groups in North America, Europe and Asia. Since April 2011, Mr. Furber has served as a director and a member of the compensation and nominating and corporate governance committees of Stag Industrial, Inc., a publicly traded company. Prior to 1997, Mr. Furber served as managing director of Winthrop Financial Associates, a subsidiary of Apollo Advisors, and as president of Winthrop Management. Mr. Furber has extensive experience overseeing financial investments in the real estate industry and has held leadership roles within his firm and industry groups alike. His investment and management experience enable him to provide the Board with key insight into real estate matters.

**Gary Krow**, age 60, has served as a director since November 2010. Mr. Krow was the president, chief executive officer and a director of GiftCertificates.com, a leading e-commerce provider of business-to-business incentive management solutions, from July 2008 until its sale in 2010. Mr. Krow was a consultant for Light Year Capital, a diversified private equity company, from January 2008 to June 2008. From 1999 to May 2007, Mr. Krow served as president of Comdata Corporation, a global electronic issuer and processor of payments. Mr. Krow joined Comdata in 1990. Since November 2014, Mr. Krow also has served as a director of Electronic Funds Source, a private, customer-driven corporate payment services company. Mr. Krow has served on the boards of directors of National Association of Travel Centers Foundation, TIMM Communications, Inc. and the American Heart Association in Davidson County, Tennessee. Mr. Krow's extensive e-commerce and technology operations experience allows him to provide the Board with insight into the efficient transfer of data and the development of systems necessary to operate in a technologically advanced economy. Mr. Krow is a director nominee designated by Pershing Square pursuant to terms of the stockholder agreement between the Company and Pershing Square.

**Allen Model**, age 69, has served as a director since November 2010. Mr. Model is the co-founder of Overseas Strategic Consulting, Ltd. ("OSC") and served as treasurer and managing director of OSC from 1992 until his retirement from those positions in November 2010, at which time he continued to hold a passive interest in OSC and the title of "Founder Emeritus." OSC is an international consulting firm that provides public information services to clients worldwide, including the United States Agency for International Development, The World Bank, The Asian Development Bank and host governments. Since 1988, Mr. Model has also been a private investor for Model Entities, which manages personal and family portfolios. Mr. Model currently serves as a director of three privately-held companies: Anchor Health Properties, a real estate partnership that develops medically related properties, since 1990; NetBoss Technologies, Inc., a company that provides software management tools for telecommunications companies; and Q'ligent, a company that provides software management tools for broadcasting companies. Mr. Model served as a director of Sinewave Energy Technologies, Inc., a company that produced energy saving devices in lighting space, from 1994 until 2011. Mr. Model served as a director of three publicly-traded companies: Blue Ridge Real Estate Company, a land development company, from 1975 to 2002; Big Boulder Corp., a land development company linked to Blue Ridge, from 1975 to 2002; and MetroWest Bank, from 1990 to 2001. Mr. Model's consulting and investment experience as well as his service on boards of directors of both public and private companies provide him with knowledge in corporate strategy and investment expertise that will benefit the Board. Mr. Model is a director nominee designated by Pershing Square pursuant to the terms of the stockholder agreement between the Company and Pershing Square.

**R. Scot Sellers**, age 58, has served as a director since November 2010. Mr. Sellers served as chief executive officer of Archstone, one of the world's largest apartment companies, from January 1997 until February 2013, and prior to that was Archstone's chief investment officer since 1995. Under his leadership, Archstone moved from being a mid-sized owner of apartments in secondary and tertiary

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cities (San Antonio and El Paso), to becoming the largest publicly traded owner of urban high rise apartments in the nation's premier cities (Manhattan, Washington, D.C. and others). During his 32-plus year career in the apartment business, Mr. Sellers has been responsible for the development, acquisition and operation of over \$40 billion of apartment communities in over 50 different cities across the United States. Mr. Sellers served as the chairman of the National Association of Real Estate Investment Trusts from November 2005 to November 2006. Since June 2013, Mr. Sellers has served on the International Board of Directors of Habitat for Humanity. Mr. Sellers also serves on the Board of Directors of The Irvine Company and Inspirato LLC. Mr. Sellers' extensive experience in the real estate industry, which coincided with the broad growth of Archstone, and his service on industry committees provide him with insight into operations, development and growth of the real estate industry and make him particularly suited to provide guidance to the Board.

**Steven Shepsman**, age 62, has served as a director since November 2010. Mr. Shepsman is an executive managing director and founder of New World Realty Advisors, a real estate investment and advisory firm specializing in real estate restructurings, development and finance. Mr. Shepsman has been with New World Realty Advisors since 2009. Mr. Shepsman served as chair of the Official Committee of Equity Holders in the Chapter 11 proceedings of General Growth Properties, Inc. As a principal in a real estate fund, Mr. Shepsman had oversight responsibility for the fund's due diligence and acquisition of investment platforms, and with subsequent asset acquisitions, financings and dispositions. Mr. Shepsman served as a director of Rouse Properties, Inc. from January 2012 to May 2013. Earlier in his career, Mr. Shepsman, a certified public accountant, was a managing partner of Kenneth Leventhal and Company and of Ernst & Young's Real Estate Practice. Mr. Shepsman is a former member of the Real Estate Committee of the American Institute of Certified Public Accountants and was the chair of the Real Estate Committee of the New York State Society of Certified Public Accountants. Mr. Shepsman was recently the chair of the Dean's Advisory Council for the School of Management at the University of Buffalo. Mr. Shepsman's extensive professional accounting and financial expertise, including in the real estate industry, enable him to provide key contributions to the Board on financial, accounting, corporate governance and strategic matters.

**Burton M. Tansky**, age 77, has served as a director of the Company since October 2011. Mr. Tansky has worked in the retail industry for over fifty years. Since January 2014, Mr. Tansky has served as a director of Stein Mart, Inc. Mr. Tansky also serves on the Board of Directors of Donald Pliner Shoe Company, a privately held company. Mr. Tansky served as non-executive chairman of the board of directors of the Neiman Marcus Group, Inc. from 2010 to 2013. Previously, Mr. Tansky served six years on the Board of Directors and the Compensation Committee of International Flavors and Fragrance, a public company. Mr. Tansky was the CEO of Neiman Marcus Group from 2004 to 2010, chief executive officer of Neiman Marcus Stores from 1994 to 2007, chief executive officer of Bergdorf Goodman from 1990 to 1994 and the president and chief operating officer of SAKS Fifth Avenue from 1980 to 1990. Mr. Tansky's extensive retail and management expertise enable him to provide key contributions to the Board on retail and strategic matters.

**Mary Ann Tighe**, age 66, has served as a director of the Company since October 2011. Ms. Tighe has been the chief executive officer of CBRE's New York Tri-State Region since 2002, a region of 2,400 employees, and served as a director of CBRE in 2013. From January 2010 through December 2012, Ms. Tighe Served as Chair of the Real Estate Board of New York, the first woman to hold this position in its 114-year history and the first broker in 30 years. Ms. Tighe began her real estate career as a broker at the Edward S. Gordon Company, ultimately rising to the position of vice chairman of Insignia/ESG, where she was regularly recognized as being among the firm's top producers. Prior to entering the real estate field, Ms. Tighe served as a vice president of the American Broadcasting Companies, where she launched the A&E cable channel. Ms. Tighe was also formerly the Deputy Chairman of the National Endowment for the Arts, Arts Advisor to Vice President Walter Mondale,

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and a staff member of the Smithsonian Institution. Ms. Tighe's extensive experience with commercial real estate transactions enables her to provide the Board with key insight into the real estate matters.

**David R. Weinreb**, age 50, has served as a director and Chief Executive Officer of the Company since November 2010. Known for his passion, tenacity and entrepreneurial spirit, Mr. Weinreb has directed the Company's efforts since its emergence as a public company, building a portfolio of some of the most sought-after real estate in the country and assembling a seasoned and accomplished executive team. Mr. Weinreb's experience negotiating the separation agreements and emerging the Company gave him in-depth knowledge of its assets that made him uniquely qualified to manage operational and strategic matters impacting the Company. His vision, leadership and financial acumen led him to be named to 2012's Top 200 CEOs in the U.S. by ExecRank, a leading authority on executive rankings and named by Ernst & Young as the 2013 Entrepreneur of the Year Southwest Area Region in the Real Estate category.

A real estate veteran for over 30 years, Mr. Weinreb spent 17 years as Chairman and CEO of TPMC Realty Corporation, a company he built into a multi-faceted investment firm prior to joining the Company. TPMC, whose tenant roster included many Fortune 500 companies, specialized in the acquisition and repositioning of underperforming real estate and real estate related assets across the United States. Prior to that he held executive positions with Thornton Partners Management Companies working closely with Jerry Reinsdorf.

Mr. Weinreb began his real estate career in the late 1980s in New York City. He is a member of the International Council of Shopping Centers and the Urban Land Institute. He also serves on the Advisory Council of the Lusk Center for Real Estate at the University of Southern California.

*The Board recommends a vote FOR each of the ten director nominees listed above.*

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**PROPOSAL NO. 2**  
**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In 2011, 63% of stockholders voted in a non-binding proposal that the Company should submit advisory votes on executive compensation every third year. The Board evaluated the voting on this matter and determined that the Company should submit advisory votes on executive compensation to its stockholders every year because it wants to be responsive to the large minority of stockholders who did not vote for triennial say-on-pay votes. Stockholders will be asked again in 2017 to vote on the frequency of advisory votes on executive compensation.

The Company believes that its compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of its stockholders. This advisory, non-binding, stockholder vote, as required under Section 14A of the Securities Exchange Act of 1934 and commonly known as "say-on-pay," gives you, as a stockholder, the opportunity to vote for or against the Company's executive compensation program.

The vote on this proposal is not intended to address any specific element of compensation. The vote relates to the compensation of the Company's named executive officers, as described under the heading "Compensation Discussion and Analysis" and "Executive Compensation" in this proxy statement disclosed pursuant to the compensation disclosure rules of the SEC.

*The Board recommends a vote FOR the approval of our executive compensation.*

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**PROPOSAL NO. 3**  
**TO APPROVE THE AMENDMENT TO EXTEND THE TERM OF THE COMPANY'S**  
**SECTION 382 RIGHTS AGREEMENT FOR THREE YEARS TO PROTECT AGAINST A**  
**POSSIBLE LIMITATION ON THE COMPANY'S ABILITY TO USE CERTAIN TAX ASSETS**  
**TO OFFSET FUTURE INCOME**

Our Board is asking stockholders to approve an amendment (the "Amendment") to the Company's Section 382 Rights Agreement, dated as of February 27, 2012 (as amended, the "Rights Agreement"), between the Company and Computershare Trust Company, N.A. (the "Rights Agent") that the Board unanimously approved on February 25, 2015. The Amendment extends the Rights Agreement for an additional three years. The Rights Agreement will expire if the stockholders fail to approve the Amendment at the Annual Meeting.

**Background and Reasons for Proposal**

The Board adopted the Rights Agreement in an effort to preserve stockholder value by attempting to protect against a possible limitation on our ability to use our net operating loss carry-forwards and other tax attributes (collectively, the "Tax Assets") to reduce the Company's potential future federal income tax obligations. The Tax Assets are a substantial asset of the Company.

At December 31, 2014, our Tax Assets had a maximum potential pre-tax benefit of approximately \$384,000,000 which, if fully utilized, could provide up to approximately \$134,000,000 in tax savings assuming a 35% tax rate. The Tax Assets may be used to offset federal and state income taxes. The Tax Assets expire on various dates beginning in 2023.

The Board adopted the Rights Agreement to protect against further limitations on our ability to use the Tax Assets to reduce our future taxable income. The benefit of the Tax Assets could be significantly reduced if the Company were to experience any "ownership change" as defined in Section 382 of the Internal Revenue Code. If that were to happen, the use of the Tax Assets to offset our taxable income subsequent to the "ownership change" would be materially limited. The annual limit on the amount of Tax Assets that may be used to offset our taxable income is obtained by multiplying (1) the aggregate value of our outstanding equity immediately prior to the "ownership change" (reduced by certain capital contributions made during the immediately preceding two years and certain other items) by (2) the federal long-term tax-exempt interest rate in effect for the month of the "ownership change." In calculating this annual limit, numerous special rules and limitations apply. The calculation also is based on variables such as the future aggregate value of our outstanding common stock and the federal long-term tax exempt interest rate, which we are unable to control.

Calculating whether an "ownership change" has occurred is subject to uncertainty. This uncertainty results from the complexity and ambiguity of Section 382 of the Code, as well as limitations on the knowledge that any publicly traded company can have about the ownership of and transactions in its securities. We have analyzed the information available, along with various scenarios of possible future changes in ownership. In light of this analysis, our current stock price and daily trading volume, we believe that, if no action is taken, it is possible that we could undergo a subsequent "ownership change" under Section 382 of the Code, which would substantially reduce our ability to utilize the Tax Assets.

If the Company were to have taxable income in excess of the Tax Assets utilization limitations following a Section 382 "ownership change," we would not be able to offset excess taxable income with the Tax Assets. Although any loss carryforwards not used as a result of any Section 382 limitation would remain available to offset income in future years (again, subject to the Section 382 limitation), an "ownership change" could significantly defer the utilization of the Tax Assets and/or cause some of the Tax Assets to expire unused. It is impossible to predict with any accuracy the potential additional

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annual limitation on the amount of our taxable income that could be offset by the Tax Assets were an "ownership change" to occur, but the limitation could be material.

The amount and timing of our future taxable income, if any, cannot be accurately predicted, and we cannot estimate the exact amount of Tax Assets that can ultimately be used to reduce our income tax liability. Although we are unable to quantify an exact value, we believe the Tax Assets are a valuable asset, and the Board believes that it is in the stockholders' best interests to attempt to deter the imposition of additional limitations on their use by extending the term of the Rights Agreement. The Amendment does not amend the Rights Agreement other than to extend the term of the Rights Agreement for three years.

**Section 382 Ownership Calculation**

The benefit of our Tax Assets would be significantly reduced if we were to experience an "ownership change" as defined in Section 382 of the Code. To determine whether an "ownership change" has occurred, the Company must compare the percentage of shares owned by each 5.0% stockholder immediately after the close of the testing date to the lowest percentage of shares owned by such 5.0% stockholder at any time during the testing period (which is generally a three-year rolling period). The amount of the increase in the percentage of Company shares owned by each 5.0% stockholder whose share ownership percentage has increased is added together with increases in share ownership of other 5.0% stockholders, and an "ownership change" occurs if the aggregate increase in ownership by all such 5.0% stockholders exceeds 50%.

For example, if a single investor acquired 50.1% of our shares in a three-year period, an "ownership change" would occur. Similarly, if ten persons, none of whom owned our shares previously, each acquired slightly over 5.0% of our shares within a three-year period (so that such persons owned, in the aggregate more than 50%), an "ownership change" would occur.

**Description of Rights Agreement**

The following description of the Rights Agreement is qualified in its entirety by reference to the text of the Rights Agreement, which is attached to this Proxy Statement as Appendix B, and the text of the Amendment, which is attached to this Proxy Statement as Appendix C. We urge you to read carefully the Rights Agreement and the Amendment if their entirety as the discussion below is only a summary.

The Rights Agreement is intended to protect stockholder value by reducing the risk of a Section 382 ownership change, thereby preserving our ability to use the Tax Assets. Although the Rights Agreement is intended to reduce the likelihood of an "ownership change" that could adversely affect us, we cannot assure that it would prevent all transfers that could result in such an "ownership change."

The Rights Agreement is intended to act as a deterrent to any person or group (an "Acquiring Person") acquiring 4.99% or more of our outstanding common stock without the approval of the Board. The Rights Agreement exempts future acquisitions of warrants and common stock by Pershing Square pursuant to its existing warrant agreements and stockholder agreements. Any rights held by an Acquiring Person are void and may not be exercised. The Board may, in its sole discretion, exempt any person or group from being deemed an Acquiring Person for purposes of the Rights Agreement.

As amended, the Rights Agreement and the rights expire on March 14, 2018, unless the rights and the Rights Agreement expire earlier as provided in the Rights Agreement (see "Expiration"). As we describe below, if the Board determines that the Rights Agreement is no longer necessary for the protection of the Tax Assets, the Rights Agreement would expire.



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**The Rights.** As part of the Rights Agreement, the Board authorized the issuance of one right per each outstanding share of our common stock payable to our stockholders of record as of March 14, 2012. Subject to the terms, provisions and conditions of the Rights Agreement, each right initially represents the right to purchase from us one one-hundredth of a share of our Series A Junior Participating Preferred Stock for a purchase price of \$275.00 (the "Purchase Price"). If issued, each fractional share of preferred stock would give a stockholder approximately the same dividend, voting and liquidation rights as does one share of our common stock. Prior to exercise, a right does not give its holder any rights as a stockholder.

**Flip-in Event.** After the Distribution Date, if a person or group is or becomes an Acquiring Person, all holders of rights (except for the Acquiring Person) may exercise their rights upon payment of the purchase price to purchase a number of shares of common stock (or other securities or assets as determined by our Board) with a market value of two times the purchase price.

**Flip-over Event.** After the Distribution Date (as defined below), if a flip-in event has already occurred and we are acquired in a merger or similar transaction, all holders of rights (except for the Acquiring Person) may exercise their rights upon payment of the purchase price to purchase shares of the acquiring corporation with a market value of two times the purchase price.

**Exercisability.** The rights will not be exercisable until the earlier of (i) the close of business on the day after the public announcement by us that a person or group has become an Acquiring Person or (ii) the close of business on the tenth business day after a person or group begins a tender or exchange offer that, if completed, would result in that person or group becoming an Acquiring Person. We refer to the date that the rights become exercisable as the "Distribution Date." Until the Distribution Date, our common stock certificates will evidence the rights. The rights may be exercised after the Distribution Date until the occurrence of a flip-in event. Any transfer of shares of our common stock prior to the Distribution Date will constitute a transfer of the associated rights. After the Distribution Date, the rights will separate from our shares of common stock and be evidenced by rights certificates and the rights will be transferable on the books and records of the Rights Agent as provided in the Rights Agreement.

**Exchange.** On or after the Distribution Date, we may, at the option of the Board, exchange the rights (other than rights which have become void) for our common stock, in whole or in part, at an exchange ratio of one share of our common stock per right (subject to adjustment).

**Expiration.** As provided by the Amendment, the rights issued thereunder will expire on the earliest of (i) March 14, 2018, (ii) the time at which the rights are redeemed, (iii) the time at which the rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code or any successor statute if the Board determines that the Rights Agreement is no longer necessary for the preservation of our tax benefits, (v) the first day of a taxable year of the Company to which the Board determines that no tax benefits may be carried forward, and (vi) the day following the certification of the voting results of the Annual Meeting if stockholder approval of the Amendment has not been obtained prior to that date.

**Redemption.** The Board may redeem all (but not less than all) of the rights for a redemption price of \$0.001 per right at any time before the later of the Distribution Date and the date of our first public announcement or disclosure that a person or group has become an acquiring person. Once the rights are redeemed, the right to exercise the rights will terminate, and the only right of the holders of rights will be to receive the redemption price. The Board may adjust the redemption price if we declare a stock split or issue a stock dividend on our common shares.

**Anti-Dilution Provisions.** The Board may adjust the purchase price of the preferred shares, the number of preferred shares issuable and the number of outstanding rights to prevent dilution that may

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occur as a result of certain events, including among others, a stock dividend, a stock split or a reclassification of the preferred stock or our common stock. No adjustments to the purchase price of less than 1% will be made.

**Amendments.** Before the time rights cease to be redeemable, the Board may amend or supplement the Rights Agreement without the consent of the holders of the rights, except that no amendment may decrease the redemption price below \$0.001 per right. At any time thereafter, the Board may amend or supplement the Rights Agreement only to cure an ambiguity, to alter time period provisions, to correct inconsistent provisions or to make any additional changes to the Rights Agreement, but only to the extent that those changes do not impair or adversely affect any rights holder and do not result in the rights again becoming redeemable. The limitations on our Board's ability to amend the Rights Agreement does not affect our Board's power or ability to take any other action that is consistent with its fiduciary duties, including without limitation accelerating or extending the expiration date of the rights, making any amendment to the Rights Agreement that is permitted by the Rights Agreement or adopting a new rights agreement with such terms as our Board determines in its sole discretion to be appropriate.

**Other Considerations.** The Board believes that attempting to safeguard the Tax Assets as described above is in the Company's and stockholders' best interest. Nonetheless, the Rights Agreement could have certain potentially negative consequences:

*Potential Effects on Liquidity.* The Rights Agreement is expected to deter stockholders from acquiring, directly or indirectly, shares of our common stock in excess of the specified limitations. Furthermore, a stockholder's ability to dispose of our stock may be limited by reducing the class of potential acquirers for such stock.

*Potential Impact on Value.* Because the Rights Agreement may restrict a stockholder's ability to acquire our common stock, the market value of our common stock might be affected. The Rights Agreement could discourage or prevent accumulations of substantial blocks of shares in which our stockholders might receive a substantial premium above market value. However, these disadvantages are outweighed, in the opinion of the Board, by the importance of maintaining the availability of our tax benefits. The Board did not adopt the Rights Agreement to discourage stockholders from accumulating our common stock. The purpose of the Rights Agreement is to reduce the risk that we may be unable to fully utilize our tax benefits as a result of future transfers of our common stock. We have also retained the ability under the Rights Agreement for the Board to redeem the rights or cause the Rights Agreement to expire if the Board determines that the rights are no longer in the best interests of the company and its stockholders.

***The Board recommends a vote FOR the approval of the amendment to extend the Company's Section 382 Rights Agreement for three years.***

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**PROPOSAL NO. 4  
RATIFICATION OF THE APPOINTMENT OF ERNST AND YOUNG LLP  
AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING  
FIRM FOR FISCAL 2015**

The audit committee has selected Ernst & Young LLP ("EY") as the Company's independent registered public accounting firm for fiscal 2015. SEC regulations and the NYSE corporate governance standards require that the Company's independent registered public accounting firm to be engaged, retained and supervised by the audit committee. Although approval or ratification by stockholders of such engagement is not required, the Company is seeking the stockholders' ratification of the audit committee's selection of EY because we believe that allowing stockholders to express their view on the matter is good corporate governance. Any failure of the stockholders to ratify the audit committee's selection of EY as the Company's independent registered public accounting firm would, however, be considered by the audit committee in determining whether to engage EY.

*The Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2015.*

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**Relationship with Independent Registered Public Accounting Firm**

The audit committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accounting firm. As described above, the audit committee has selected EY as the Company's independent registered public accounting firm for fiscal 2015.

A representative of EY is expected to be present at the Annual Meeting and will be given the opportunity to make a statement if they so desire and to respond to appropriate questions from stockholders.

**Independent Registered Public Accounting Firm Fees**

The following table presents fees incurred for professional services rendered by EY, the Company's independent registered public accounting firm for the fiscal years ended December 31, 2014 and December 31, 2013.

	December 31, 2014	December 31, 2013
Audit Fees(1)	\$ 1,646,073	\$ 1,223,439
Audit Related Fees	\$	\$
Tax Fees(2)	\$ 75,822	\$ 81,590
All Other Fees	\$	\$
<b>Total Fees</b>	<b>\$ 1,721,895</b>	<b>\$ 1,305,029</b>

- (1) Includes fees and expenses incurred for services related to the annual audit of the consolidated financial statements, required statutory audits, reviews of the Company's quarterly reports on Form 10-Q, the registered public accounting firm's report on the Company's internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002, registration statements, comfort letters and consents during the respective periods.
- (2) Includes fees for services related to tax compliance, tax advice and tax planning.

**Pre-Approval Policies and Procedures**

The audit committee's policy is to require the pre-approval of all audit and non-audit services provided to the Company by its independent registered public accounting firm (except for items exempt from pre-approval requirements under applicable laws and rules). All audit and non-audit services were pre-approved.

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**AUDIT COMMITTEE REPORT**

Management is responsible for the Company's system of internal control over financial reporting and for preparing its financial statements. Ernst & Young LLP ("EY") was responsible for performing independent audits of the Company's internal control over financial reporting as of December 31, 2014 and its consolidated financial statements as of December 31, 2014 and for the year then ended, both in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), and to issue reports thereon. The audit committee is responsible for overseeing management's conduct of the financial reporting process and system of internal control. The audit committee operates under a written charter adopted by the Board and reviewed annually by the audit committee.

The audit committee reviewed and discussed with both management and EY the results of the independent audits of the Company's internal control over financial reporting as of December 31, 2014 and the consolidated financial statements of the Company for the year ended December 31, 2014 prior to their issuance. During 2014, management advised the audit committee that the set of financial statements had been prepared in accordance with accounting principles generally accepted in the United States of America, and reviewed significant accounting and disclosure matters with the audit committee. This included discussion with EY of matters required to be discussed by Statement on Auditing Standards No. 16, as amended, as adopted by the PCAOB and SEC Regulation S-X Rule 2-07, *Communication with Audit Committees*, as currently in effect, including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The audit committee also discussed with its independent registered public accounting firm matters relating to its independence and received the written disclosures and letter from EY required by applicable requirements of PCAOB regarding the independent accountant's communications with the audit committee concerning independence.

Taking all of these reviews and discussions into account, all of the audit committee members, whose names are listed below, recommended to the Board that it approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

**Members of the Audit Committee**

Steven Shepsman, Chair  
Gary Krow  
Allen Model

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth certain information with respect to the Company's current executive officers:

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
David Weinreb	50	Chief Executive Officer and a director
Grant Herlitz	43	President
Andrew Richardson	48	Chief Financial Officer
Peter Riley	59	Senior Vice President, Secretary and General Counsel
Christopher Curry	53	Senior Executive Vice President of Development

**David R. Weinreb**, age 50, has served as a director and Chief Executive Officer of the Company since November 2010. Known for his passion, tenacity and entrepreneurial spirit, Mr. Weinreb has directed the Company's efforts since its emergence as a public company, building a portfolio of some of the most sought-after real estate in the country and assembling a seasoned and accomplished executive team. Mr. Weinreb's experience negotiating the separation agreements and emerging the Company gave him in-depth knowledge of its assets that made him uniquely qualified to manage operational and strategic matters impacting the Company. His vision, leadership and financial acumen led him to be named to 2012's Top 200 CEOs in the U.S. by ExecRank, a leading authority on executive rankings and named by Ernst & Young as the 2013 Entrepreneur of the Year Southwest Area Region in the Real Estate category.

A real estate veteran for over 30 years, Mr. Weinreb spent 17 years as Chairman and CEO of TPMC Realty Corporation, a company he built into a multi-faceted investment firm prior to joining the Company. TPMC, whose tenant roster included many Fortune 500 companies, specialized in the acquisition and repositioning of underperforming real estate and real estate related assets across the United States. Prior to that he held executive positions with Thornton Partners Management Companies working closely with Jerry Reinsdorf.

Mr. Weinreb began his real estate career in the late 1980s in New York City. He is a member of the International Council of Shopping Centers and the Urban Land Institute. He also serves on the Advisory Council of the Lusk Center for Real Estate at the University of Southern California.

**Grant Herlitz**, age 43, has served as President of the Company since November 2010. Mr. Herlitz was Interim Chief Financial Officer of the Company from January 31, 2011 to March 23, 2011. Mr. Herlitz serves as president and chief financial officer of TPMC Realty Corporation. Mr. Herlitz joined TPMC Realty Corporation in October 2000 as vice president of investments. From 1997 to 2000, Mr. Herlitz was assistant to the chairman and chief executive officer of FirstPlus Financial Group, Inc. From 1994 to 1997, Mr. Herlitz worked as a tax accountant. Mr. Herlitz began his career with the European Community Observer Mission to South Africa, an organization established in conjunction with the United Nations to observe political change in South Africa.

**Andrew Richardson**, age 48, has served as Chief Financial Officer of the Company since March 2011. Prior to joining the Company, Mr. Richardson served as executive vice president, chief financial officer and treasurer of Northstar Realty Finance Corp. since April 2006. Northstar Realty is a publicly traded commercial real estate finance company focused on investments in real estate loans, fixed income securities and net-leased real estate properties. From March 2000 to March 2006, Mr. Richardson was head of the capital markets group for iStar Financial Inc., most recently as executive vice president. Mr. Richardson joined iStar Financial from Salomon Smith Barney, where from 1995 to 2000 he was an investment banker in the Global Mergers and Acquisitions and Real Estate and Lodging Groups, most recently serving as a vice president providing merger and acquisition advisory services and raising debt and equity capital for public and private real estate companies. Prior

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to joining Salomon Smith Barney, Mr. Richardson worked for Ernst & Young LLP as a certified public accountant from 1988 to 1993.

**Peter Riley**, age 59, has served as Senior Vice President, Secretary and General Counsel of the Company since May 2011. Prior to joining the Company, and since 2004, Mr. Riley was a partner with Hughes & Luce, and then K&L Gates after it merged with Hughes and Luce, with a significant focus on tax aspects of fund formation, joint ventures and the acquisition, disposition, operation and financing of real estate assets. Previously, Mr. Riley led the tax department at Kelly, Hart & Hallman, and was Senior Tax Counsel at Simpson Thacher & Bartlett.

**Christopher Curry**, 53, has served as Senior Executive Vice President of Development of the Company since November 2010. Mr. Curry is responsible for the redevelopment of several of the Company's properties, including the South Street Seaport. Mr. Curry established TPMC's Realty Corporation's California office in 2008 and led its real estate development business. Mr. Curry has over 20 years of commercial real estate development experience.

## COMPENSATION DISCUSSION AND ANALYSIS

The Company's named executive officers during 2014 were its Chief Executive Officer, David R. Weinreb; its President, Grant Herlitz; its Chief Financial Officer, Andrew Richardson; its Senior Vice President, Secretary and General Counsel, Peter Riley; and its Senior Executive Vice President of Development, Christopher Curry (collectively, the "Named Executives"). The Compensation Discussion and Analysis contains a discussion of our compensation policies and practices and the material elements of compensation awarded to the Named Executives for 2014.

### Business Background

Our mission is to be the preeminent developer and operator of master planned communities and mixed use properties. We create timeless places and memorable experiences that inspire people while driving sustainable, long-term growth and value for our stockholders. We specialize in the development of master planned communities and ownership, management and the redevelopment or repositioning of real estate assets currently generating revenues, also called operating assets, as well as other strategic real estate opportunities in the form of entitled and unentitled land and other development rights, also called strategic developments. We are headquartered in Dallas, Texas and our assets are located across the United States.

### Business Highlights

The Named Executives' decisions and leadership positioned the Company to achieve significant operating and development milestones during 2014, including the following:

Increased operating income and equity in earnings from real estate affiliates by \$64.5 million, or 51.4%, to \$190.1 million in 2014, compared to \$125.6 million in 2013.

Generated \$325.1 million in land sales revenue for 2014, a 29.4% increase compared to 2013.

Net operating income from income-producing Operating Assets increased \$9.7 million, or 15.1%, to \$74.1 million in 2014, compared to \$64.4 million in 2013.

We completed the following development or redevelopment projects in 2014:

Downtown Summerlin, a mixed-use development encompassing 1.6 million square feet opened in October 2014. The retail portion of the project is 72.5% leased and the office building is 27.6% pre-leased, of which our management office has leased 12.4%, as of February 1, 2015.

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The Woodlands Resort and Conference Center completed redevelopment in December 2014. The property remained open during its redevelopment.

The Outlet Collection at Riverwalk, located in New Orleans, Louisiana, the nation's first outlet center located in a downtown setting, re-opened in May 2014. The property is 100% leased as of February 1, 2015.

The Columbia Regional Building, an 89,000 square foot Whole Foods-anchored mixed use building, re-opened in August 2014. The building is 77.4% leased as of February 1, 2015.

Two Hughes Landing, a 200,000 square foot office building in The Woodlands, opened in September 2014. The building is 86.2% leased as of February 1, 2015.

3831 Technology Forest Drive, a 95,000 square foot build-to-suit office building that is 100% leased to Kiewit Energy Group opened in December 2014.

Millennium Phase II, a 314-unit apartment building in The Woodlands and being developed in a joint venture, opened in September 2014. 44.3% of the units are leased as of February 1, 2015.

ONE Ala Moana, a 206-unit luxury condominium tower development located in Honolulu, Hawaii and being developed in a joint venture, closed on the sale of its 201 units in the fourth quarter 2014.

We continued development on the following projects in 2014 which we expect to open in 2015:

Two office buildings totaling 647,000 square feet substantially pre-leased to ExxonMobil.

Creekside Village Green, a 74,352 square foot mixed use project located in The Woodlands that is 59.3% pre-leased as of February 1, 2015.

The Metropolitan, a 380-unit apartment building in Columbia, Maryland.

Hughes Landing Retail, a 123,000 square foot Whole Foods-anchored retail project that is 78.2% pre-leased as of February 1, 2015.

One Lakes Edge, a 390-unit apartment building in The Woodlands.

We began construction on the following projects in 2014:

Three Hughes Landing, a 324,000 square foot Class A office building in The Woodlands expected to be completed in 2015.

A 302-key Westin Hotel and a 205-key Embassy Suites hotel in The Woodlands.



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Launched public pre-sales and began construction of our two market rate residential condominium towers, Waiea and Anaha, at Ward Village. Waiea Condominiums, containing 171 units, that we expect to complete by the end of 2016, and Anaha Condominiums, containing 311 units, that we expect to be complete in 2017. As of February 1, 2015, 87.7% of the Waiea units and 78.1% of the Anaha units are under contract.

We acquired the following properties during 2014:

Seaport District Assemblage, consisting of a 48,000 square foot commercial building on a 15,744 square foot lot and certain air rights with total residential and commercial development rights of 621,651 square feet at South Street Seaport, was purchased for \$136.7 million. Property and air rights representing an additional 196,133 square feet of development rights were under contract as of December 31, 2014. If these acquisitions close, we will own commercial development rights on the assemblage totaling 817,784 square feet.

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2,055 acres of undeveloped land in Conroe, Texas, approximately located 13 miles north of The Woodlands, was acquired for \$98.5 million. We have preliminarily planned for 1,452 acres of residential and 161 acres of commercial development on the combined sites, and currently estimate that the residential acres will yield approximately 4,800 lots. The first lots are expected to be completed in 2016 and sold in 2017.

Six office buildings in downtown Columbia, Maryland adjacent to our developable commercial land as partial satisfaction of GGP's obligation to indemnify us for certain taxes under the Tax Matters Agreement, were conveyed at their fair market value of \$130.0 million.

85 South Street, an eight story 60,000 square foot multi-family property located two blocks south of Pier 17 and within the Seaport District, was acquired for \$20.1 million.

The fee simple interest in the land underlying the office building located at 110 N. Wacker Drive in downtown Chicago, was acquired for \$12.3 million.

During 2014, we also:

Announced the development of Lakeland Village Center, an 83,400 square foot mixed-use commercial project at our Bridgeland Master Planned Community. CVS Pharmacy has entered into a ground lease and will construct a 15,300 square foot store on the site to anchor the project. We expect to begin construction in the first half of 2015 with completion expected in early 2016.

Entered into a joint venture with a national multi-family real estate developer to construct, own and operate a 124-unit gated luxury apartment development in Downtown Summerlin.

Entered into a 20-year lease with Whole Foods Market within our Ward Village community in the heart of Honolulu.

Announced an agreement to form a joint venture with Discovery Land Company, the world's leading developer of private clubs and luxury communities, to develop an exclusive luxury community on approximately 555 acres of our land within the Summerlin MPC.

Sold the Redlands Promenade and Redlands Mall properties, located in Redlands, California for \$12.4 million of pre-tax proceeds.

Closed on \$1.3 billion of financings.

### **Compensation Policies, Principles, Objectives and Practices**

The Company's success, depends, in large part, on our ability to successfully attract, motivate and retain a qualified management team. The executive compensation program designed by the compensation committee is intended to attract, retain and motivate the key people necessary to enable the Company to maximize operational efficiency and profitability over the long term. The compensation committee believes that executive compensation should seek to align the interests of the Company's executives and other key employees with those of the Company and its stockholders. The Company's executive compensation program is also being designed to differentiate compensation based upon individual contribution, performance and experience.

In establishing compensation, the compensation committee intends to provide employees, including its executive officers, with a competitive total compensation package. The compensation committee intends to set compensation in this manner to ensure that the Company's

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compensation practices do not put the Company at a disadvantage in attracting and retaining executives and other employees, while also ensuring a competitive cost structure for the Company.

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In 2014, 97.7% of the votes cast in our advisory vote on executive compensation voted in support of our executive compensation program. The compensation committee considered the results of this advisory vote and believes that the results affirm stockholder approval of our executive compensation program.

**Role of Compensation Committee in Establishing Compensation**

The compensation committee administers our executive compensation programs. The role of the compensation committee is to review and approve the compensation to be paid to executive officers, including the Named Executives, and to review the compensation policies and practices for all of our employees to verify that they do not create unreasonable risks for the Company.

In setting compensation for executive officers, the compensation committee considers, among other things, recommendations by management and a compensation consultant and the compensation of similarly situated executives in comparable business. In addition, the compensation committee with the assistance of management annually reviews total compensation paid to the executive officers, including long-term incentive awards.

In 2014, the compensation committee reviewed the internal evaluations of the executive officers and the market data provided by management and Meridian Compensation Partners ("Meridian") as discussed further below. The compensation committee believes that the 2014 compensation for the Named Executives reflects appropriate allocation of compensation between salary, bonuses and equity compensation.

In 2014, the compensation committee engaged Meridian. The scope of Meridian's work includes the following items in connection with 2014 compensation:

providing the compensation committee with relevant market data;

updating the compensation committee on related trends and developments;

advising the compensation committee on program design; and

providing input on compensation decisions for executive officers.

Meridian provides no other services directly to the Company and no conflicts of interest exist between the Company and Meridian.

In addition, in part by evaluating information provided to it by Meridian, the compensation committee determined payouts of annual incentive compensation to the Named Executives for 2014 performance above the contractual amounts provided for in the Named Executives' employment agreements. For more information regarding annual incentive compensation, see "Compensation Discussion and Analysis Annual Incentive Compensation."

**Role of Executive Officers in Establishing Compensation**

Our Chief Executive Officer makes compensation recommendations for the Named Executives to the compensation committee (except with respect to his own compensation). Additionally, management provides financial and compensation data to the compensation committee for its review in setting compensation and gives guidance as to how the data impacts performance goals set by the compensation committee. This data includes:

our financial performance for the current year compared to the preceding year;

performance evaluations of the Named Executives (other than Chief Executive Officer, who is evaluated by the compensation committee); and

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compensation provided to the Named Executives in previous years.

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In addition, the Chief Executive Officer may recommend discretionary bonuses for the Named Executives (other than himself) to the compensation committee when deemed appropriate and provide the compensation committee with his rationale for the recommended bonus amounts. Given the day-to-day familiarity that the Chief Executive Officer has with the work performed by the Named Executives, the compensation committee values his recommendation; however, the compensation committee makes all final decisions as to the compensation of the Named Executives.

### **Market Review**

In 2014, the compensation committee compared our executive compensation program with competitive market information regarding salary and incentive awards and programs. The purpose of this analysis is to provide a frame of reference in evaluating the reasonableness and competitiveness of our executive compensation within the real estate development and operating industry and to ensure that our compensation is generally comparable to companies of similar size and scope of operations.

Market pay levels are obtained from various sources, including published compensation surveys and information taken from SEC filings of a number of similarly situated companies as compiled by Meridian. The following companies comprised the comparator group adopted by the compensation committee:

Alexandria & Baldwin Inc.	Lexington Realty Trust
Brandywine Realty Trust	Mid-America Apartment Communities
Cousins Properties	NVR Inc.
D R Horton Inc.	PulteGroup Inc.
Essex Property Trust	Regency Centers Corporation
Forest Enterprises	The St. Joe Company
Kilroy Realty Corp	Toll Brothers Inc.

Lennar Corp

### **Employment Agreements**

In November 2010, the Company entered into employment agreements with Mr. Weinreb, in connection with his appointment as Chief Executive Officer of the Company, and Mr. Herlitz, in connection with his appointment as President of the Company. The Company also entered into employment agreements with Mr. Richardson, in connection with his appointment as Chief Financial Officer of the Company in March 2011, and Mr. Riley, in connection with this appointment as Senior Vice President, Secretary and General Counsel of the Company in April 2011. These agreements provide for a minimum annual base salary, annual incentive compensation opportunities under plans approved by the compensation committee, as well as severance and other limited benefits. The compensation committee approved the terms of these employment agreements based upon (a) its assessment of the terms necessary to attract highly qualified executives to a new company, and (b) arm's length negotiations with each of these executives. For a description of the material terms of these employment agreements, see "Executive Compensation Employment Agreements."

### **Executive Compensation Program and Policies**

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The components of the Company's executive compensation program provide for a combination of fixed and variable compensation. As described in more detail below, these components currently are:

base salary;

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annual incentive compensation;

long-term incentive compensation;

broad-based employee benefits; and

severance benefits.

**Base Salary.** The minimum annual base salary for each of the Company's executive officers is set forth in his employment agreement with the exception of Mr. Curry who does not have an employment agreement. Future increases in base salary are expected to be determined on the basis of management responsibilities, level of experience and tenure with the Company, as well as internal and market comparisons. In setting base salaries for executive officers, the compensation committee will seek to provide a reasonable level of fixed compensation that is competitive with base salaries for comparable positions at similar companies. The base salaries of our named executives at December 31, 2014 were as follows:

Name	Title	2014 Base Salary (\$)
David Weinreb	Chief Executive Officer	1,000,000
Grant Herlitz	President	750,000
Andrew Richardson	Chief Financial Officer	500,000
Peter Riley	Senior Vice President, Secretary and General Counsel	500,000
Christopher Curry	Senior Executive Vice President	500,000

**Annual Incentive Compensation.** The compensation committee believes that annual incentive compensation is a key element of the total compensation for our Named Executives. The compensation committee also believes that placing a significant portion of executive compensation at risk each year, subject to the results of established performance measures and objectives, appropriately motivates an executive officer to achieve the Company's financial and operational objectives, thereby enhancing stockholder value.

The employment agreements for our Named Executives provide that each officer is eligible to receive annual incentive compensation based upon achievement of performance measures and objectives to be established by the compensation committee. In 2013, the compensation committee approved increases to the target percentage and maximum percentage of the annual incentive compensation for which Mr. Weinreb is eligible, as set forth below. These changes are reflected in Amendment No. 2 to Mr. Weinreb's Employment Agreement. Mr. Curry does not have an employment agreement and is not eligible for the annual incentive compensation described below. The annual incentive compensation opportunity for achievement of:

a threshold level of performance is equal to:

50% of the annual base salary of each of Messrs. Weinreb and Herlitz,

60% of the annual base salary for Mr. Richardson, and

40% of the annual base salary for Mr. Riley;

a target level of performance is equal to:

150% of the annual base salary for Mr. Weinreb;



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100% of the annual base salary of each of Messrs. Herlitz and Richardson; and

60% of the annual base salary for Mr. Riley;

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a maximum level of performance is equal to:

200% of the annual base salary for Mr. Weinreb;

150% of the annual base salary for Mr. Herlitz;

140% of the annual base salary for Mr. Richardson, and

80% of the annual base salary for Mr. Riley.

Annual incentive compensation payments are contingent upon the achievement of pre-established performance goals relating to an objective minimum performance measure applicable to all eligible Named Executives and the results of a subjective evaluation of the individual performance of each eligible Named Executive. The compensation committee establishes annually a cash bonus pool for the Named Executives eligible for annual incentive compensation. The compensation committee's pre-approved payment formula generally determines the size of the bonus for each Named Executive participant as a percentage of the cash bonus pool, subject to the discretion of the compensation committee. In the event that the Company does not achieve the pre-established objective minimum performance measure, then no annual incentive compensation will be paid to the eligible Named Executives. The individual performance goals for each eligible Named Executive are established by the compensation committee, upon consultation with Mr. Weinreb, and communicated to each eligible Named Executive in the first quarter of each fiscal year.

The compensation committee established an objective minimum performance measure for the 2014 annual incentive compensation plan of at least \$300,000,000 of consolidated gross revenues, which represents a 20% increase over same measure established by the compensation committee for the 2013 fiscal year. The Company's consolidated gross revenues exceeded \$300,000,000 in fiscal 2014 and the bonus pool for the incentive compensation plan was funded. The compensation committee selected consolidated gross revenues as the objective minimum performance measure because it believes that such metric accurately indicates the growth and performance of the Company in this stage of its development. The compensation committee awarded bonuses for each Named Executive participant from the bonus pool in excess of the contractual maximum amount based on the Company's achievement of the milestones described in the section entitled "Business Highlights" above and its overall evaluation of the individual performance of each eligible Name Executive based upon other qualitative factors considered by the compensation committee.

For Messrs. Weinreb and Herlitz, such factors included:

the commencement of construction of Waiea and Anaha, the first two market-rate condominium towers at Ward Village;

the opening of Downtown Summerlin and the Outlet Collection at Riverwalk;

advancement of construction of Pier 17 at South Street Seaport, including the demolition of the then-existing buildings and replacement of the pier structure;

increasing the net operating income of certain of the Company's assets, including The Woodlands; and

achieving certain 2014 strategic objectives.

For Mr. Richardson, the factors included the advancement of development plans, increasing or redirecting cash flows to advance the long-term value of the Company and complying with SEC reporting and internal control requirements. For Mr. Riley, the factors included the advancement of development plans, management of the Company's litigation matters, compliance with SEC and internal control requirements and the implementation of best corporate practices.



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Due to extraordinary achievements and value creation in 2014, including, among other things, increasing operating income and equity in earnings from real estate affiliates by 51.4% over 2013, increasing land sales revenue by 29.4% over 2013 and increasing net operating income by 15.1 percent over 2013, the compensation committee determined to make payouts under The Howard Hughes Corporation Amended and Restated Incentive Plan (the "Incentive Plan") above the maximum level for annual incentives under the Named Executives' employment agreements in the following amounts: \$3,000,000 for Mr. Weinreb, \$1,875,000 for Mr. Herlitz; \$800,000 for Mr. Richardson and \$100,000 for Mr. Riley. The following table sets forth the annual incentive cash bonus approved for the participants of the plan in 2014:

Name	Annual Incentive Compensation Award(\$)	2014 Base Salary (%)
David R. Weinreb	5,000,000	500
Grant Herlitz	3,000,000	400
Andrew Richardson	1,500,000	300
Peter Riley	500,000	100
Christopher Curry(1)	250,000	50

(1)

Mr. Curry's award was not made under the terms of an employment agreement or any other compensatory arrangement. The amount of Mr. Curry's bonus was determined by the compensation committee, in accordance with the Company's general compensation policies.

**Executive Compensation Recoupment Policy.** The Board has adopted a policy regarding recovery of incentive awards for fiscal years for which financial results are later restated. In the event of a material restatement of the Company's financial results due to misconduct, the compensation committee shall review the facts and circumstances and take the actions it considers appropriate with respect to any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such actions may include, without limitation, (a) seeking reimbursement of any bonus paid to such officer exceeding the amount that, in the judgment of the compensation committee, would have been paid had the financial results been properly reported, and (b) seeking to recover profits received by such officer during the 12 months after the restated period under any equity compensation awards. All determinations made by the compensation committee with respect to this policy shall be final and binding on all interested parties.

**Long-Term Incentive Compensation.** The Incentive Plan is designed to attract, retain and motivate officers, employees, non-management directors and consultants of the Company and its subsidiaries, as well as promote the success of the Company's business by providing participants with appropriate incentives.

The Incentive Plan is administered by the compensation committee. The maximum number of shares of Company common stock that may be issued pursuant to awards under the Incentive Plan is 3,698,050 shares. The maximum number of shares that may be awarded to any participant in a fiscal year is 200,000 shares.

The Incentive Plan permits the following types of awards:

stock options;

restricted stock;

stock appreciation rights;

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awards that vest, in whole or part, by reference to the fair market value of Company common stock, including restricted stock units and other phantom shares; and

awards intended to constitute "qualified performance-based compensation."

The compensation committee determines the exercise price of stock options at the time of grant, but the exercise price may not be less than 100% of the fair market value of a share on the date of grant.

The Company believes that restricted stock provides a long-term incentive opportunity that is both competitive in the real estate industry and serves as a retention tool. In addition, 50% of the restricted stock granted to each Named Executive cliff-vests after five years only upon the achievement of a minimum total shareholder return over the same period. The Company believes that the long-term vesting component of the restricted stock aligns management's interest with the long-term performance of the Company. The table below provides a breakdown of the restricted stock award to the Named Executives, other than Mr. Weinreb. Mr. Weinreb did not receive any long-term incentive award in fiscal.

Name Executive Officer (other than CEO)	Performance-Based Shares (#)	Time-Based Shares (#)	Total Fiscal 2014 Shares Granted (#)
Grant Herlitz	6,946	6,945	13,891
Andrew Richardson	3,473	3,472	6,945
Peter Riley	1,216	1,215	2,431
Christopher Curry	1,762	1,762	3,524

The performance-based shares granted in 2014 cliff vest as shown in the table below on the fifth anniversary of the date of grant; provided, that the Named Executive is employed by the Company continuously for a period of at least forty-eight months from the date of grant and not terminated for cause. Vesting is based on the total shareholder return ("TSR") of the Company. TSR is calculated using the following formula:  $TSR = (Price_{end} - Price_{begin} + Dividends) / Price_{begin}$ . \$73.02, the closing price per share of the Company as of December 31, 2012, shall be used as the  $Price_{begin}$  for the purpose of calculating TSR. A TSR target is deemed satisfied if the highest 30 trading day volume weighted average share price represents a TSR that meets or exceeds such target during the period from January 1, 2018 through December 31, 2018. If a Named Executive is terminated by the Company for any reason, except for cause, after 48 months of employment from December 31, 2013 prior to the passing of 30 trading days in 2018, the Company shall use the volume weighted average share price for the first 30 trading days of 2018 when calculating TSR.

Total Shareholder Return	Vesting %
0.00% to 88.36%	0%
88.37% to 105.91%	25%
105.92% to 124.63%	50%
124.64% to 156.51%	75%
156.52%+	100%

The time-based shares granted in 2014 cliff vest on December 31, 2018; provided, that the Named Executive is employed by the Company continuously for a period of at least forty-eight months from December 31, 2014 and not terminated for cause.

In March 2011, the Company granted Mr. Richardson an award of 20,000 restricted shares of Company common stock in accordance with the terms of his employment agreement. In May 2011, the Company granted Mr. Riley an award of 10,000 restricted shares of Company common stock in accordance with the terms of his employment agreement. Mr. Richardson's shares cliff-vest in March

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2016 and Mr. Riley's shares cliff-vest in May 2016. In February 2011, Mr. Curry was granted an option to purchase 100,000 shares of Company common stock at an exercise price of \$57.77. The option granted to Mr. Curry was part of a larger grant of options to new hires and employees that assisted the Company with the spin-off from GGP.

The employment agreements with the Named Executives do not provide for long-term incentive compensation opportunities (with the exception of the grants of restricted shares of Company common stock granted to Messrs. Richardson and Riley). In connection with their hiring by the Company, Messrs. Weinreb, Herlitz and Richardson purchased for cash from the Company a warrant exercisable for shares of Company common stock. The compensation committee has also approved the use of options as part of the Company's compensation program for its other officers and employees. For additional information about the warrants purchased by the Company's executive officers, see "Related Party Transactions and Certain Relationships Transactions After the Spin-Off Warrant Agreements."

**Employee Benefits.** The Company provides health, life, and other insurance benefits to its Named Executives on the same basis as its other full-time employees. The Company does not provide its executives and other employees with defined pension or contribution benefits, supplemental retirement benefits, post-retirement benefits or deferred compensation programs.

**Severance Benefits.** The employment agreements with each of the Named Executives (other than Mr. Curry) provide for a cash severance payment in the event that, in connection with a change in control of the Company, the Named Executive's employment is terminated by the Company without cause or by the executive under certain circumstances. The cash severance payment is equal to three times (two times for each of Messrs. Richardson and Riley) the sum of the executive's base salary and annual incentive compensation for target level performance for the year in which the termination occurs. The employment agreements also provide that the terminated Named Executive will not engage in activities that are competitive with the Company's business for 12 months following his date of termination. Mr. Curry is not entitled to any severance payment on the event of a change in control of the Company.

The compensation committee believes that these benefits are necessary and appropriate to attract and retain qualified executive officers insofar as these benefits are generally made available by other companies. Additionally, the change in control benefits are intended to ensure that the Company's Named Executives are able, as a practical matter, to evaluate any potential change in control transaction objectively and to encourage executive officers to remain employed by the Company in the event a change in control becomes a real possibility. For additional information regarding the employment agreements with the Company's executive officers, see "Executive Compensation Employment Agreements" and "Potential Payments Upon Termination or Change in Control."

**No Tax "Gross-Up" Payments.** The Company does not provide, and no Named Executive is entitled to receive, any tax "gross-up" payments in connection with compensation, severance or other benefits provided by the Company.

**Executive Compensation Recoupment Policy.** The Board has adopted a policy regarding recovery of incentive awards for fiscal years for which financial results are later restated. In the event of a material restatement of the Company's financial results due to misconduct, the compensation committee shall review the facts and circumstances and take the actions it considers appropriate with respect to any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such actions may include, without limitation, (a) seeking reimbursement of any bonus paid to such officer exceeding the amount that, in the judgment of the compensation committee, would have been paid had the financial results been properly reported, and (b) seeking to recover profits received by such officer during the 12 months after the restated period under any equity compensation awards. All

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determinations made by the compensation committee with respect to this policy shall be final and binding on all interested parties.

***Deductibility of Compensation.*** Section 162(m) of the Internal Revenue Code places a limit of \$1.0 million on the amount of compensation a public company may deduct for federal income tax purposes in any one year with respect to the principal executive officer and the next three most highly compensated officers (excluding the principal financial officer) who were serving as executive officers as of the last day of the applicable year. Qualified performance-based compensation that meets certain requirements is, however, excluded from this limitation.

The compensation committee intends to review on an annual basis the potential impact of this deduction limitation on executive compensation. The deductibility of certain compensation payments depends upon the timing of an executive's vesting or exercise of previously granted awards, as well as interpretations and changes in the tax laws and other factors beyond the control of the compensation committee. For these and other reasons, including the need to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the compensation committee will not necessarily, or in all circumstances, limit executive compensation to that which is deductible under Section 162(m) and has not adopted a policy requiring that all compensation be deductible.

The compensation committee will also consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent consistent with its other compensation objectives and otherwise reasonably practicable. Base salary does not qualify as performance-based compensation under Section 162(m).

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**COMPENSATION COMMITTEE REPORT  
ON EXECUTIVE COMPENSATION**

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the compensation committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

**THE COMPENSATION COMMITTEE**

Gary Krow, Chair

William Ackman

R. Scot Sellers

Burton M. Tansky

Mary Ann Tighe

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The following executive compensation tables and related information are intended to be read together with the more detailed disclosure regarding the executive compensation program presented under the caption "Compensation Discussion and Analysis" above.

**Summary Compensation Table**

The following table sets forth information regarding the compensation of the Named Executives from 2012 through 2014.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Non-Equity	All Other Compensation(3)	Total (\$)
				Awards(1) (\$)	Incentive Plan Awards(2) (\$)		
David R. Weinreb <i>Chief Executive Officer</i>	2014	1,000,000			5,000,000	33,947	6,033,947
	2013	1,000,000			3,000,000	17,775	4,017,775
	2012	1,000,000			1,500,000		2,500,000
Grant Herlitz <i>President</i>	2014	750,000		1,787,631	3,000,000		5,537,631
	2013	750,000		1,395,077	2,000,000		4,145,077
	2012	750,000			1,125,000		1,875,000
Andrew Richardson <i>Chief Financial Officer</i>	2014	500,000		893,715	1,500,000		2,893,715
	2013	500,000		744,054	800,000		2,044,054
	2012	500,000			700,000		1,200,000
Peter Riley <i>Senior Vice President, Secretary and General Counsel</i>	2014	500,000		312,786	500,000		1,312,786
	2013	500,000		278,995	450,000		1,228,995
	2012	500,000			400,000		900,000
Christopher Curry <i>Senior Executive Vice President of Development</i>	2014	500,000	250,000	421,030			1,171,030
	2013	500,000	250,000	460,050			1,210,050
	2012	400,000	300,000				700,000

- (1) The amounts reported in the "Stock Awards" column include the grant date fair values of the restricted stock (time-based vesting and performance-based vesting) awarded to our Named Executives in 2014. Pursuant to SEC rules, the amounts shown in these columns exclude the impact of estimated forfeitures related to service-based vesting conditions. The grant date fair value of the restricted stock is calculated in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718. See Note 15 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for further information regarding equity awards under our Incentive Plan. With respect to the performance-based restricted stock granted in 2014, the amounts above reflect the probable payout percentage awards calculated in accordance with Topic 718. The grant date fair value is an estimate made for financial accounting purposes. Assuming that the performance-based awards will be paid out at the maximum payout level, the awards would be as follows: Mr. Herlitz \$787,759; Mr. Richardson \$393,851 Mr. Riley \$137,862; and Mr. Curry \$181,081.
- (2) Reflects amounts paid under our 2014 annual incentive compensation plan. For additional information on annual incentive compensation, see "Compensation Discussion and Analysis Annual Incentive Compensation."
- (3) Represents the incremental cost of the personal use of the corporate aircraft.

Table of Contents**2014 Grants of Plan-Based Awards**

The following table provides information about equity and non-equity awards granted to the Named Executives in 2014.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)	All Other Option Awards: Number of Underlying Option Awards (\$)	Exercise Date of Stock or Securities of Option Awards (\$)(3)
		Threshold (\$)	Target (#)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
David Weinreb	02/24/2014	500,000	1,500,000	2,000,000						
Grant Herlitz	02/24/2014	375,000	750,000	1,125,000						
	03/21/2014				1,736	6,946			787,759	
	03/21/2014						6,945		999,872	
Andrew Richardson	02/24/2014	300,000	500,000	700,000						
	03/21/2014				868	3,473			393,851	
	03/21/2014						3,472		499,864	
Peter Riley	02/24/2014	200,000	300,000	400,000						
	03/21/2014				304	1,216			137,862	
	03/21/2014						1,215		174,924	
Christopher Curry	02/24/2014				440	1,762			181,081	
	02/24/2014						1,762		239,949	

- (1) Reflects payouts under the Named Executive's employment agreement. The compensation committee determined that the Named Executives achieved the maximum level of performance in fiscal 2014 and determined to pay annual incentive bonuses in excess of the maximum amounts under the Named Executives' employment agreements. The annual incentive bonuses paid under the Incentive Plan are reported in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation heading. For more information, see "Compensation Discussion and Analysis Annual Incentive Compensation".
- (2) Vesting of restricted stock (performance-based vesting) is based on TSR determined over a five-year period as set forth in the schedule below. TSR is calculated using the following formula:  $TSR = (Price_{end} - Price_{begin} + Dividends / Price_{begin})$ . \$73.02, the closing price per share of the Company as of December 31, 2012, shall be used as the  $Price_{begin}$ . The vesting schedule under the Incentive Plan does not contemplate a single target threshold. The restricted stock (performance-based vesting) will vest as follows:

Total Shareholder Return	Vesting %
0.00% to 88.36%	0%
88.37% to 105.91%	25%
105.92% to 124.63%	50%
124.64% to 156.51%	75%
156.52%+	100%

- (3) Represents the grant date fair value determined pursuant to FASB ASC Topic 718, based on the closing price of our common stock on the grant date for time-based restricted stock. With respect to performance-based restricted stock, amounts reflect the probable payout percentage for the awards calculated in accordance with Topic 718.

As set forth their employment agreements, each of Messrs. Weinreb, Herlitz, Richardson and Riley are eligible to receive an annual incentive compensation award based upon achievement of performance measures and objectives to be established by the compensation committee. The amount of the annual incentive compensation for achievement at the threshold level of performance is equal to 50% of the annual base salary for Messrs. Weinreb and Herlitz, 60% of the annual base salary for Mr. Richardson and 40% of the annual base salary for

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Mr. Riley. The amount of the annual incentive compensation for achievement at the target level of performance is equal to 150% for Mr. Weinreb, 100% of the annual base salary for Messrs. Herlitz and Richardson and 60% of the annual base salary for Mr. Riley. The amount of the annual incentive compensation for achievement at the maximum level of performance is equal to 200% of the annual base salary for Mr. Weinreb, 150% of the annual base salary for Mr. Herlitz, 140% of the annual base salary for Mr. Richardson and 80% of the annual base salary for Mr. Riley. In addition to the incentive compensation levels established under the Named Executives (other than Mr. Curry) employment agreements, the compensation committee establishes incentive compensation performance goals and maximum payouts under the Incentive Plan, which

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maximum payouts may be higher than the maximum payouts under the Named Executives' employment agreements. For additional information on annual incentive compensation, see "Compensation Discussion and Analysis Annual Incentive Compensation".

Mr. Curry is an at-will employee and his bonus was not awarded under the terms of an employment agreement or any other compensatory arrangement. The amount of Mr. Curry's bonus was determined by the compensation committee, in accordance with the Company's general compensation policies.

**Employment Agreements**

In November 2010, the Company entered into employment agreements in connection with hiring Mr. Weinreb as Chief Executive Officer of the Company and Mr. Herlitz as President of the Company. In February 2011, the Company entered into an employment agreement with Andrew Richardson in connection with hiring him as Chief Financial Officer of the Company. In April 2011, the Company entered into an employment agreement with Peter F. Riley in connection with hiring him as Senior Vice President, Secretary and General Counsel of the Company. Each of these employment agreements has a term of six years, unless terminated earlier. The agreements provide for an annual base salary of \$1,000,000 for Mr. Weinreb, \$750,000 for Mr. Herlitz, \$500,000 for Mr. Richardson and \$500,000 for Mr. Riley. Mr. Curry is an at-will employee and does not have an employment agreement with the Company.

Under these agreements, if the Company terminates the employment of the executive without cause or the executive terminates his employment for good reason, in either case, in connection with or within 12 months following a change in control of the Company, the terminated executive will be entitled to receive:

an amount equal to three times (two times for Messrs. Richardson and Riley) the sum of his base salary and annual incentive compensation for target level performance for the year in which the termination occurs (the "Severance Payment");

an amount equal to his annual incentive compensation for the year in which the termination occurs, prorated for the number of days elapsed since the beginning of the year, based upon achievement of the applicable performance measures and objectives through the date of termination;

any unpaid base salary and accrued vacation through the date of termination; and

any other earned, but unpaid outstanding compensatory arrangements.

Additionally, any outstanding equity awards held by the executive will immediately vest and become non-forfeitable.

If an executive's employment is terminated under any other circumstances, the terminated executive will be entitled to receive the payments described above other than the Severance Payment and outstanding equity awards that have not vested and are subject to forfeiture.

An executive is deemed to have been terminated without cause if the Board (excluding the executive if he is also a director) unanimously determines to terminate the executive for any reason other than:

conviction, plea of guilty or no contest to any felony;

gross negligence or willful misconduct in the performance of his duties;

drug addiction or habitual intoxication;

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willful commission of fraud, embezzlement, misappropriation of funds, breach of fiduciary duty, violation of law or a material act of dishonesty against the Company;

material and continued breach of the employment agreement, after written notice for substantial performance is delivered by the Company;

willful material breach of Company policy or code of conduct; or

willful and continued failure to substantially perform his duties, other than as a result of the executive's incapacity due to physical or mental illness.

An executive is deemed to have terminated his employment for good reason if his termination is based on the occurrence of any of the following events without the executive's consent:

a material diminution in his base compensation;

a material diminution in his authority, duties or responsibilities;

the executive no longer reports directly to the Chief Executive Officer or for Mr. Weinreb, the Board; or

any other action or inaction that constitutes a material breach by the Company of the executive's employment agreement.

Each of the executives has agreed during the term of employment and for 12 months after his date of termination not to engage in any business competitive with the Company or to solicit the Company's employees without the prior written consent of the Company.

**Stock Awards**

In March 2011, the Company granted Mr. Richardson a one-time award of 20,000 restricted shares of Company common stock in accordance with the terms of his employment agreement. In May 2011, the Company granted Mr. Riley a one-time award of 10,000 restricted shares of Company common stock in accordance with the terms of his employment agreement. Mr. Richardson's restricted shares vest in their entirety in March 2016 and Mr. Riley's restricted shares vest in their entirety in May 2016. For additional information, see "Compensation Discussion and Analysis Long Term Incentive Compensation."

**Option Awards**

In February 2011, the Company granted Mr. Curry an option to purchase 100,000 shares of common stock of the Company, generally is not exercisable until January 1, 2017. The option granted to Mr. Curry was part of a larger grant of option awards to new hires and employees that assisted the Company with the spin-off.

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**Outstanding Equity Awards at Fiscal Year-End**

The following table provides information on the holdings of stock options and restricted stock by the named executives at December 31, 2014.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Not Exercisable (#)	Exercise Price (\$)	Option Expiration Date	Number of Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David R. Weinreb								
Grant Herlitz							6,945	905,767
03/21/2014(1)								
03/21/2014(2)								