



Annual Investor Dinner

January 22, 2009

Pershing Square Capital Management, L.P.

Confidential

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Welcome to our Annual Investor Dinner



- ✓ **2008 Core Fund Performance Review**
- ✓ **A Review of Our Investment Strategy**
- ✓ **Largest Realized Investments in 2008**
- ✓ **Target / Pershing Square IV**
- ✓ **Select Portfolio Investments**
- ✓ **Lessons Learned in 2008**
- ✓ **Organizational Update**
- ✓ **Business and Operations Update**
- ✓ **Thoughts on 2009**

2008 Core Fund Performance Review

2008 Performance

2008 Net Returns

Pershing Square, L.P.

(13.0)%

Pershing Square International, Ltd.

(11.9)%

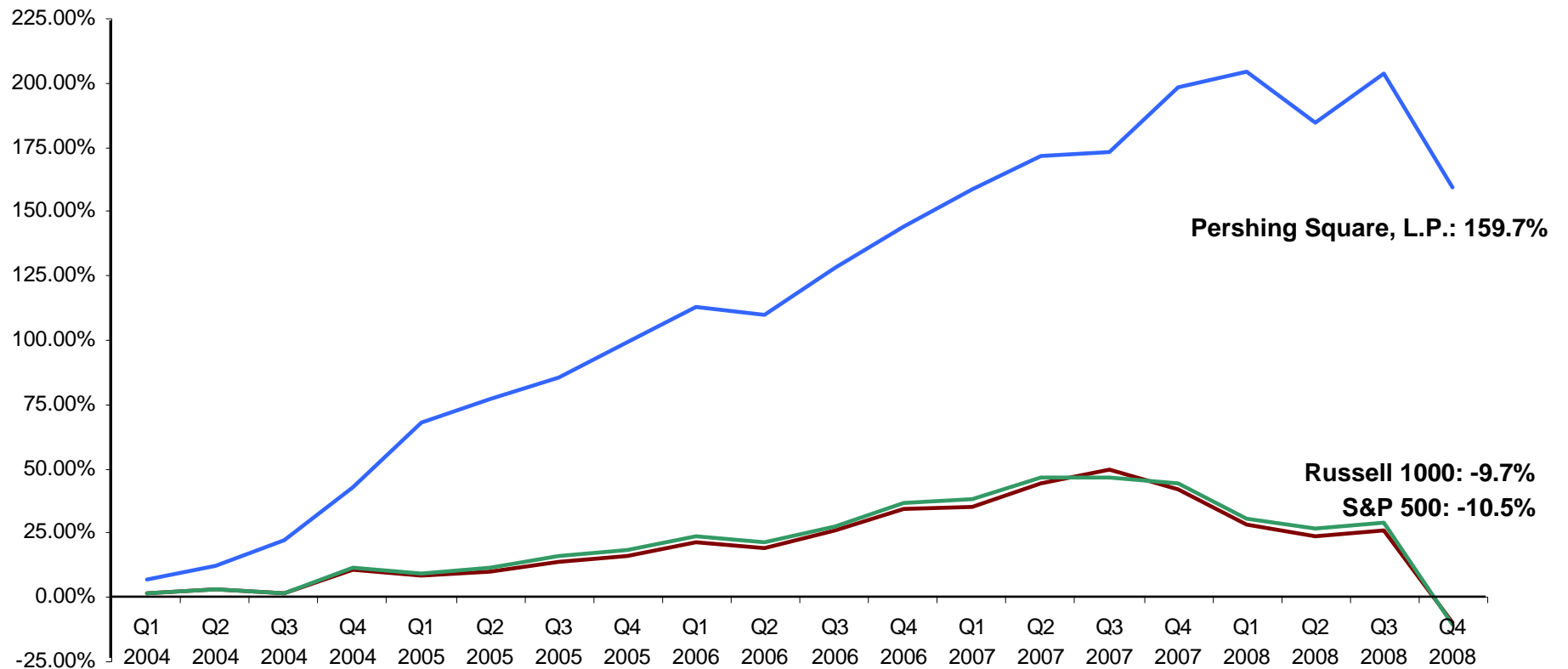
Pershing Square II, L.P.

(11.2)%

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

Cumulative Net Returns Since Inception

Pershing Square, L.P. net returns vs. Indexes *through December 31, 2008*

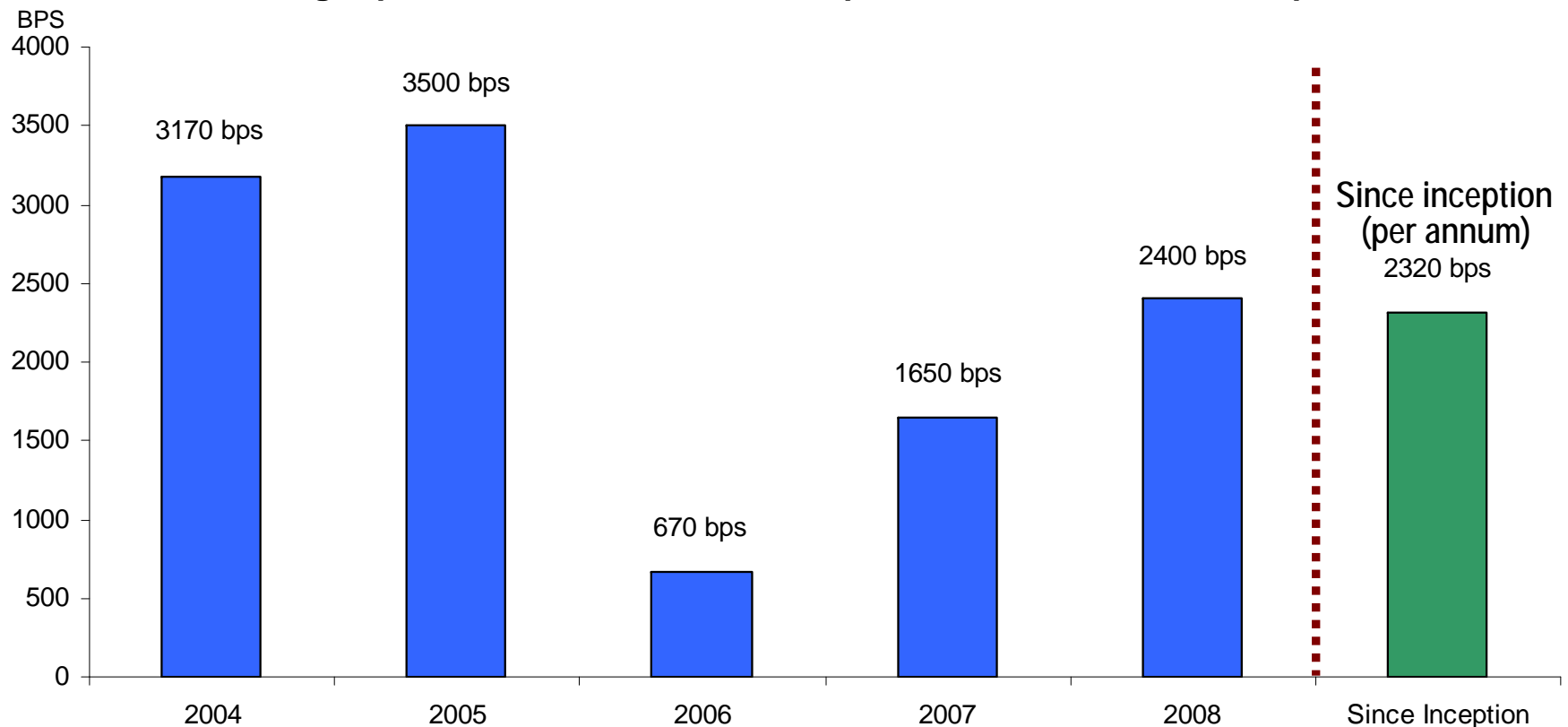


Returns are for Pershing Square, L.P., the Pershing fund with the longest track record. Past performance is not necessarily indicative of future results. Please see the additional disclaimers and notes to performance results at the end of this presentation.

Relative Performance to the S&P 500

Pershing Square has consistently outperformed the S&P 500

Pershing Square, L.P. Net Performance Spread to S&P 500 Since Inception



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Total Core-Fund Assets under Management

\$ in millions

	12/31/2008 AUM
Pershing Square, L.P.	\$1,563
Pershing Square International, Ltd.	\$2,776
Pershing Square II, L.P.	\$26
Total Core Funds AUM	\$4,365

2008 Winners and Losers

Pershing Square, L.P. Gross Returns

Winners	
MBIA (short and CDS)	8.2%
Wachovia / Wells Fargo	6.5%
Longs Drug Stores	3.7%
FSA (CDS)	3.4%
Assured Guaranty (short)	1.1%
General Growth Properties	0.9%
CDX (CDS) ¹	0.8%
7 other positions	1.2%
Total	25.8%

(1) Includes CDX 9/11

Losers	
Target	(7.7%)
EMC	(5.7%)
Sears Canada	(4.2%)
Dr. Pepper Snapple	(4.2%)
Borders	(3.2%)
Barnes & Noble	(2.6%)
Canadian Tire	(2.1%)
Cadbury	(1.6%)
Short Position X	(1.5%)
Sears Holdings	(1.4%)
AIG	(1.1%)
Wendy's	(0.7%)
8 other positions	(1.5%)
Total	(37.5%)

Long and Short Attribution

Both our Long and Short investments have meaningfully contributed to performance over time

Pershing Square, L.P. Gross Returns Attribution

	Long	Short
2004	61.6%	(5.9%)
2005	53.7%	(1.6%)
2006	36.9%	(6.9%)
2007	(5.6%)	34.9%
2008	(23.2%)	11.6%

Note: Shorts include long CDS positions.

A Review of Our Investment Strategy

What Distinguishes Pershing Square?

- ✓ Investment selection process
- ✓ Research intensive approach
- ✓ Concentration
- ✓ Generally, no margin leverage (core funds)
- ✓ Activism (Long and Short)
- ✓ Transparency
- ✓ Stable, long-term capital

Investment Selection: Long Investments

We seek simple, predictable, free-cash-flow-generative businesses that trade at a large discount to intrinsic value

- ✓ **Mid- and large-cap companies**
- ✓ **Typically not controlled**
- ✓ **Minimal capital markets dependency**
- ✓ **Typically low financial leverage and modest economic sensitivity**
- ✓ **Often hidden value in asset base**
- ✓ **Catalyst for value creation which we can often effectuate**

At the right price, we may waive one or more of the above criteria

Our selection process is designed to help avoid permanent loss of capital while generating attractive long-term returns

Investment Selection: Short Selling

We seek short sales that offer absolute-return opportunities

- ▶ **Focus on accounting issues, earnings quality and bad businesses**
- ▶ **Look for situations with asymmetric risk-reward profile, what we call a “ceiling on valuation”**
- ▶ **Often terminal shorts and frauds**
- ▶ **Typically businesses that require access to capital markets to survive and have liquidity and bankruptcy risk**
- ▶ **Often use derivatives (equity and credit) to minimize risk and/or maximize efficiency of investment**

Investment Selection: Short Selling *(cont'd)*

Short selling is an important part of our long-term strategy

- ▶ **Facilitates capital preservation and long-term absolute returns**
 - Designed primarily to enable us to profit from security-specific situations...
 - ...but often has the added benefit of hedging our long investments which may have economic sensitivity
- ▶ **Provides incremental liquidity in deteriorating markets**

Activist Short Selling

- ▶ **We may pursue an active role in certain short sale investments**

Benefits of Concentration

Our concentrated portfolio has many benefits

- ▶ **“Best ideas fund”**
 - We invest in our ~8 to 12 best ideas
 - We are always willing to replace an existing holding for a better opportunity
- ▶ **Provides transparency for our investors**
 - Nature of investing style requires high level of disclosure
 - Few investments + Detailed disclosure = Transparency
 - Our investors can easily understand our historical investment results
- ▶ **Simplicity: we need only a handful of new ideas per year**

Minimal, if any, Margin Leverage (core funds)...

Generally, we don't use margin leverage

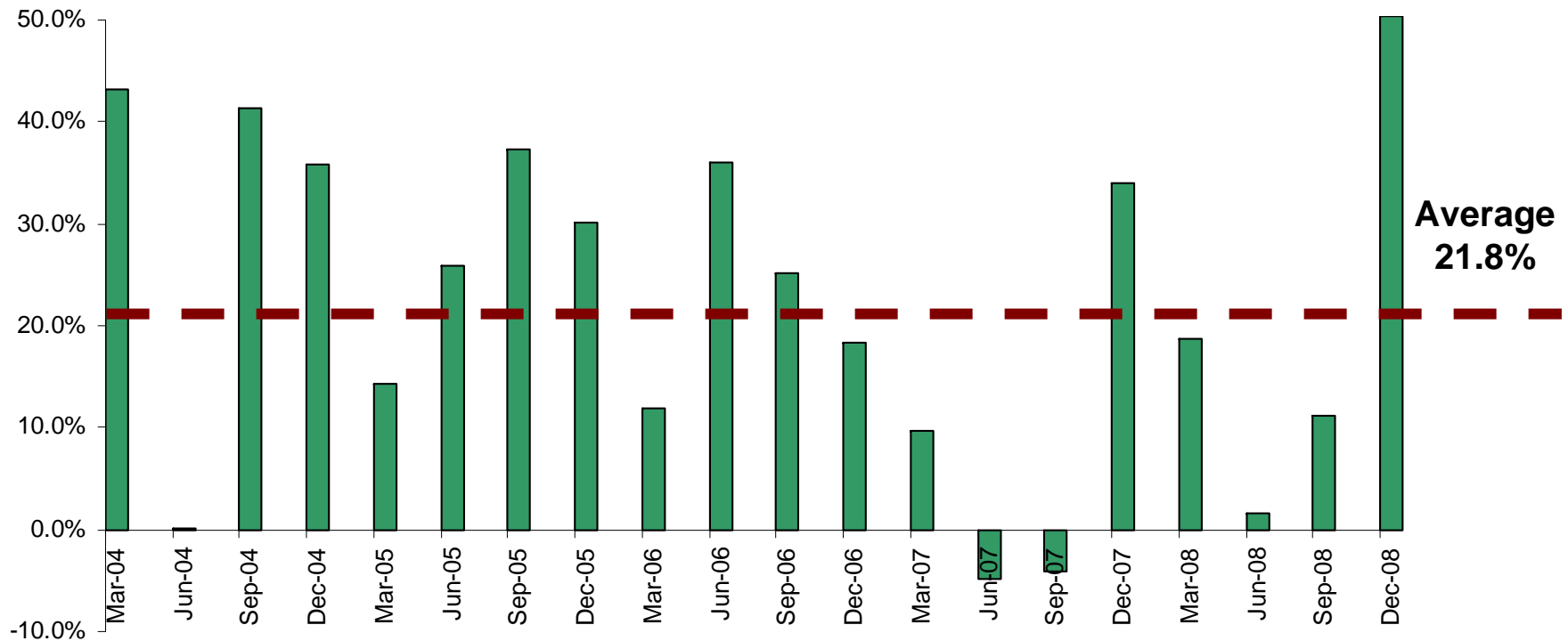
We may use options in the right situations

- ▶ **Discrete capital risk (non-recourse)**
- ▶ **American-style**
- ▶ **Typically long-dated, in-the-money options**
- ▶ **Often in activist situations where we can potentially accelerate value creation and reduce the inherent timing risk of options**

...and Significant Cash Position

On average, over 20% of our AUM has historically been held in cash and/or Treasuries

Quarterly Cash & Equivalents as a % of NAV



Pershing's Active Style

Private Equity	Pershing's Active Style	Traditional Investment
Concentrated portfolio	✓ Concentrated portfolio	“Mile wide, inch deep”
Limited investment opportunities	✓ Many investment opportunities	Many investment opportunities
Non-public information	✓ Public information	Public information
Heavy due diligence	✓ Heavy due diligence	Limited due diligence
Limited liquidity	✓ High liquidity	Highest liquidity
Control	✓ Ability to effect change	Limited influence
Auction price / “winner’s curse”	✓ Stock market price	Stock market price
Long only	✓ Long <u>and</u> Short Activism	Typically long only

Activism Builds Future Value

Activism and “Re-Activism” Build Long term Franchise Value

- ▶ Activism creates credibility and future value¹



- ▶ Franchise building increases in-bound opportunities
 - Existing investments
 - New idea flow

(1) The companies shown on this page reflect all of the companies to date with respect to which Pershing Square Capital Management has taken an active role in seeking to effectuate corporate change.

Activism in Today's Markets

Despite the difficult macro environment, Activism is an attractive and sustainable strategy in today's markets

Positives:

- ✓ Large spread between price and intrinsic value
- ✓ Favorable corporate governance environment
- ✓ Frustrated shareholders are receptive to activist investors
- ✓ Management stock options for many companies are now out-of-the-money

Negatives:

- ✗ Private equity takeout and leveraged strategic transactions are not feasible in current credit environment

Pershing's Competitive Advantage

Pershing has a competitive advantage in Activist investing

- ✓ **Strong reputation, credibility and brand**
 - Our reputation helps us effectuate value-creating outcomes in our investments
- ✓ **Economies of size and scale**
 - Our size allows us to take substantial stakes in mid- and large-cap companies, which have historically not been the target of activists
- ✓ **Significant liquidity and cash position**
- ✓ **Longer-term capital than most other investors**

Activist Opportunities in the Current Environment

Activist opportunities exist in several types of situations in today's environment

- ▶ **Distressed and/or bankrupt companies**
- ▶ **Equity infusions – companies that require near-term capital**
- ▶ **Strategic transactions where we can be a catalyst**
(e.g., Longs Drugs)
- ▶ **Companies with hidden value requiring a catalyst**
- ▶ **Spin-offs / divestitures**
- ▶ **Misunderstood businesses**
- ▶ **Companies with cost reduction and operational improvement opportunities**

Largest Realized Investments in 2008

Citigroup deal: Unusual transaction structure creates significant investment opportunity

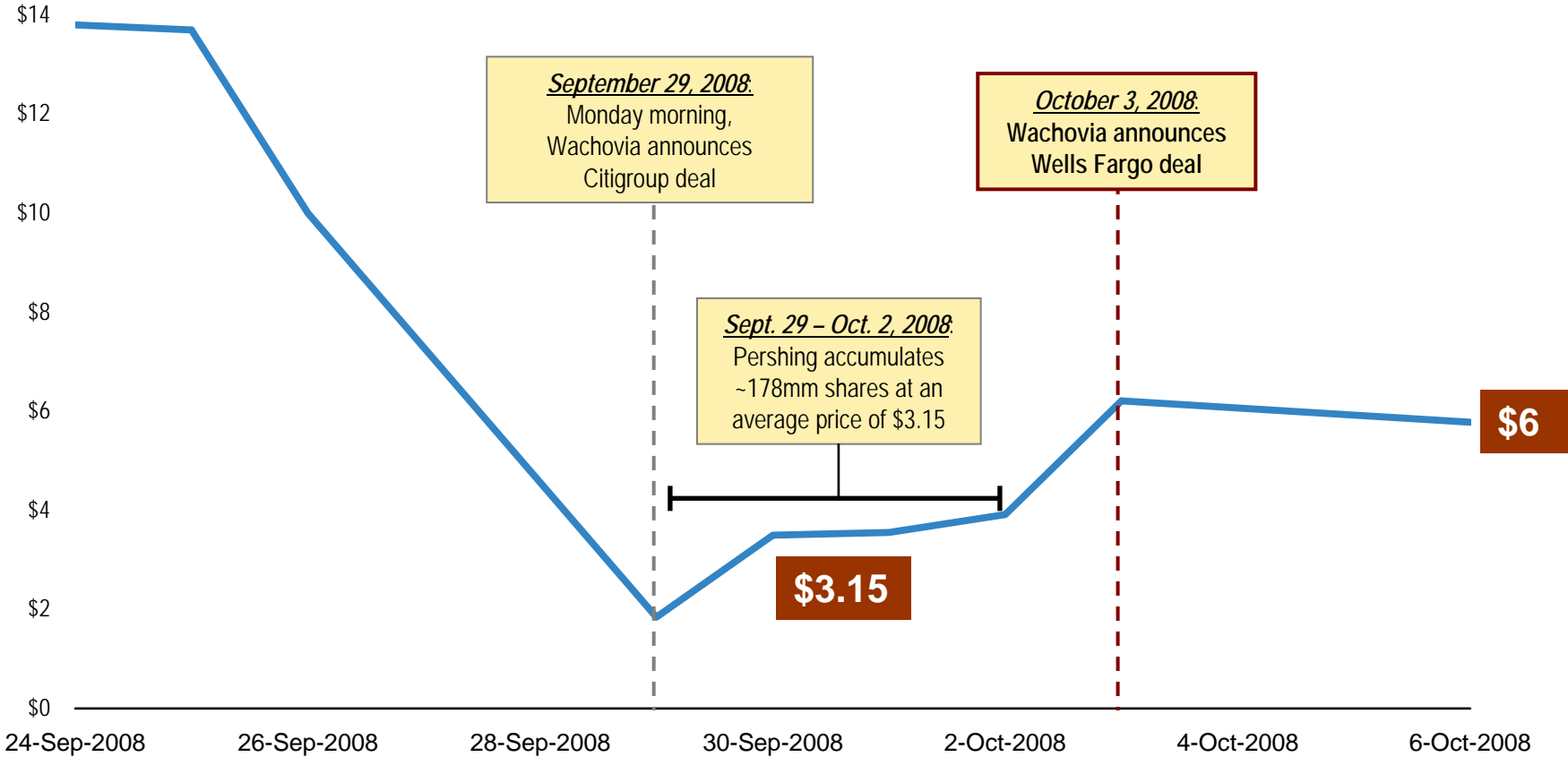
- ▶ **On Monday, Sept. 29th, Citigroup entered into an agreement in principal to purchase Wachovia's banking subsidiaries**
 - Citigroup offer: \$2bn in stock and assumption of \$53bn of Wachovia's liabilities

- ▶ **New Wachovia was left with a very attractive asset base and a unique capital structure**
 - ✓ \$2bn in cash
 - ✓ \$2bn in Citigroup stock
 - ✓ Wachovia's high-quality brokerage business and other ancillary assets (Evergreen Asset Management, Insurance Services)
 - ✓ Unique capital structure of only high-quality liabilities (\$10bn of non-cumulative, perpetual preferred stock)
 - ✓ Creation of a material tax asset (~\$26bn)
 - ✓ Potential for strategic transaction or cost reduction opportunities

Our conservative valuation for the company was \$8 - \$11 per share. On the day of Citi's announcement, the stock closed at \$1.84

Wachovia: What Happened

Between Monday afternoon and late Thursday, we acquired 178 million shares (8.3% of the company) at an average price of \$3.15. On Friday, the Wells Fargo deal was announced at a value of \$7 per Wachovia share, based on Wells Fargo's closing stock price on the previous day



The performance of Wachovia's stock price is provided for illustrative purposes only and is not an indication of future returns of the funds.

Longs Drugs (long): *Investment Thesis*

Opportunity for a strategic transaction

- ▶ **Strong acquisition target given unique, irreplaceable geographic footprint (California and Hawaii) and synergy potential**
- ▶ **Two large, well-capitalized potential strategic acquirers**
- ▶ **PBM business highly complementary to CVS**
- ▶ **Cheap on a sum-of-the-parts basis**

Margin improvement potential

- ▶ **Profit margins significantly lagged competitors'**

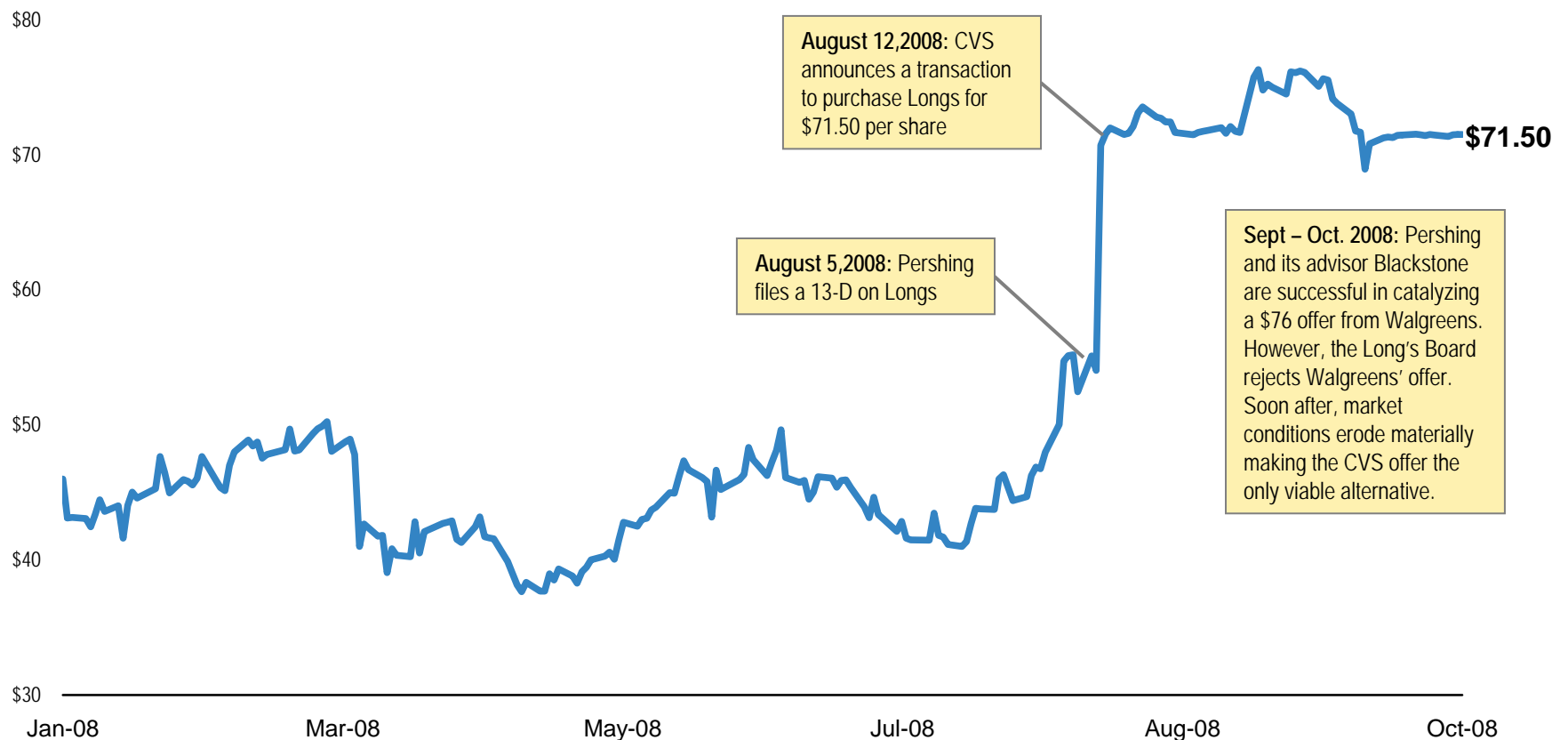
Attractive valuation: purchased at ~6.5x “unfixed” EBITDA

Valuation backstopped by owned and leased real estate

- ▶ **RE value estimated to be greater than Long's EV at purchase price**

Longs Drugs' Stock Price Returns

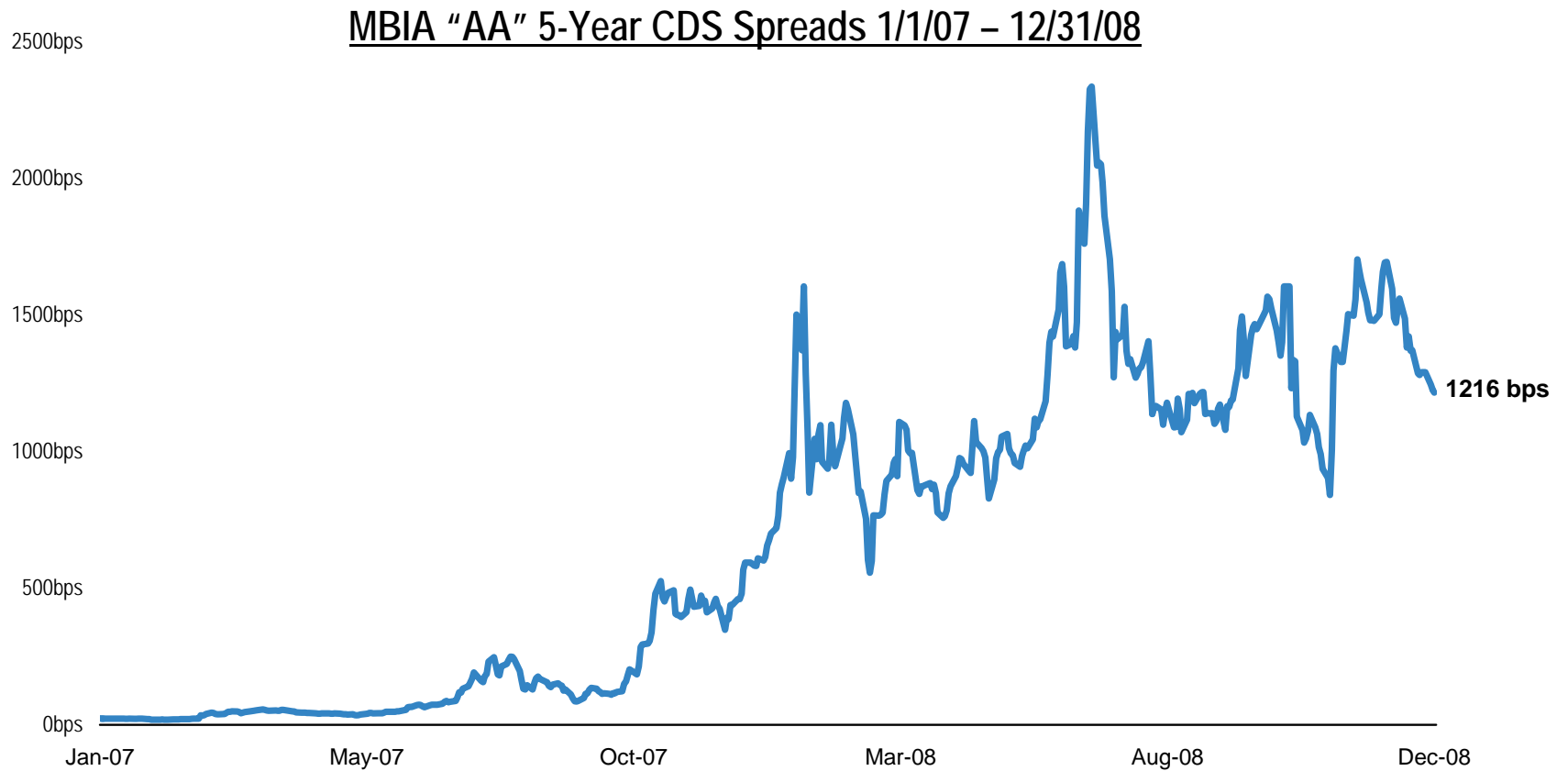
Pershing acquired an economic interest of ~26% in Longs Drugs at an average price of ~\$50 per share. One week after filing our 13-D, CVS announced its \$71.50 deal to purchase Longs Drugs.



The performance of Longs Drugs' share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing funds.

MBIA (short): Our Work Parlays into Other Ideas...

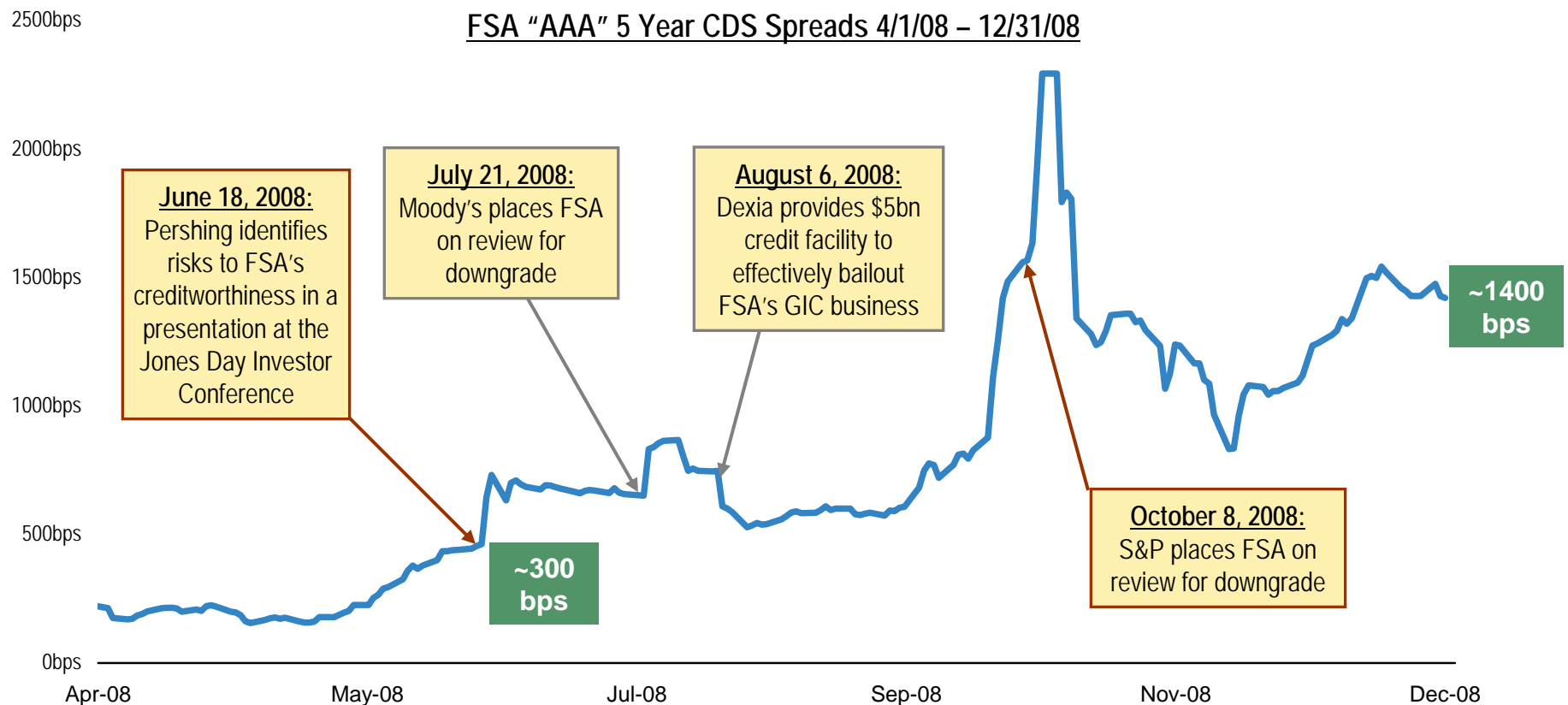
Our analysis of MBIA and the bond insurance industry led us to several profitable other short investments...



The performance of MBIA Credit Default Swaps is provided for illustrative purposes only and is not an indication of future returns of the Pershing funds.

FSA (short): Building on the Bond Insurance Theme

Since our presentation on FSA's credit troubles in June 2008, FSA "AAA" 5-year CDS increased from ~300 bps to ~1400bps

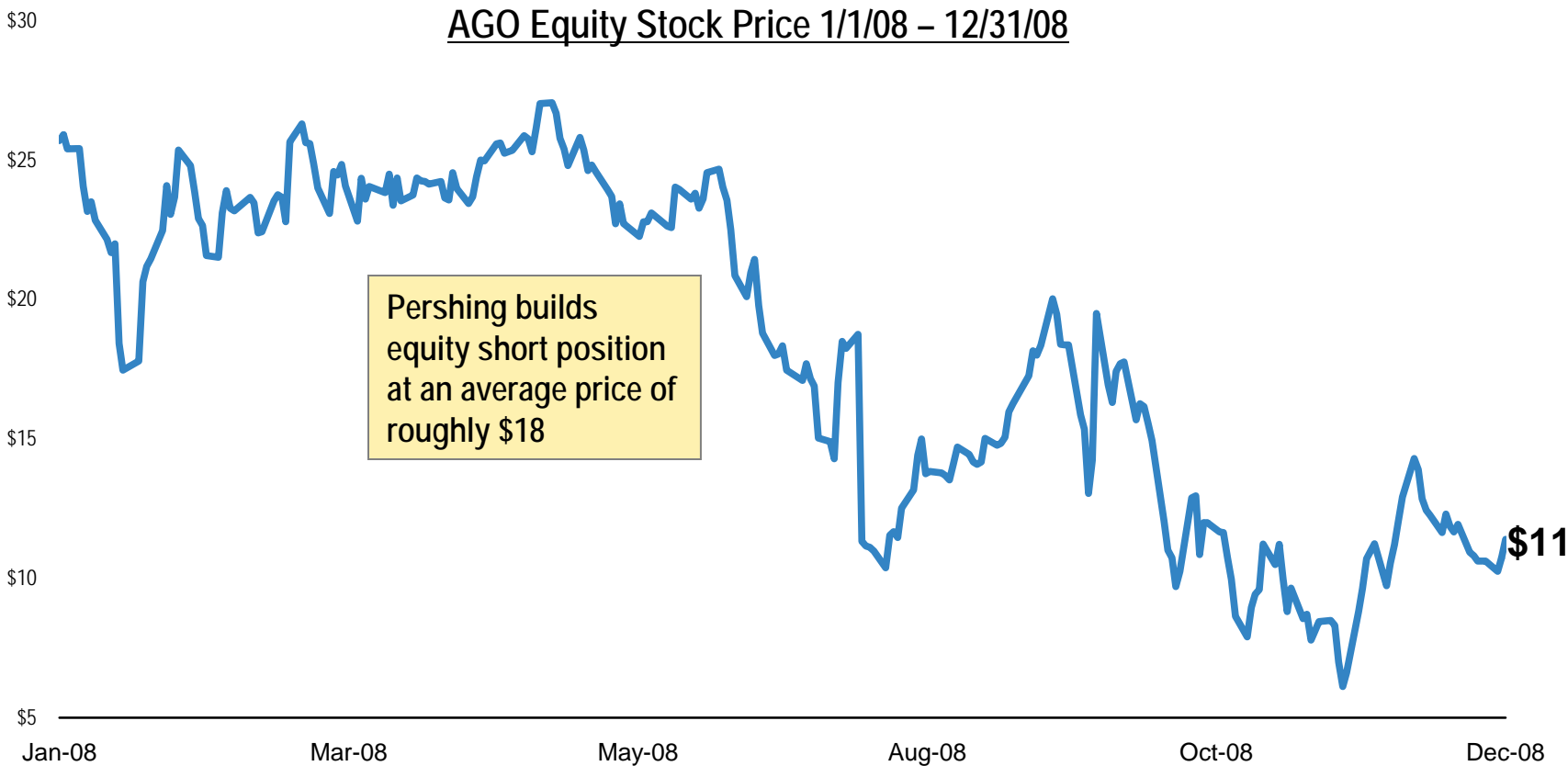


The performance of FSA Credit Default Swaps is provided for illustrative purposes only and is not an indication of future returns of the Pershing funds.

Source: Bloomberg

AGO (short): Building on the Bond Insurance Theme

We shorted AGO equity at an average price of approximately \$18. We covered at an average price of ~\$10



The performance of Assured Guaranty's stock price is provided for illustrative purposes only and is not an indication of future returns of the funds.

Sears (long): Why We Sold



In September, we sold ~92% of our stake in Sears. At the time Sears's stock was trading at approximately \$100

- ▶ **Better uses of capital in more attractive investments**
 - Wachovia and GGP
- ▶ **Decreased exposure to controlled companies**
- ▶ **Challenging consumer environment obscured asset value and timing of realization event**
- ▶ **At the time, full valuation relative to other “real estate intensive” retailers with better secular trends (e.g., Target)**

Sears (long): Why We Sold *(cont'd)*

Pershing exited ~92% of its Sears position in September when the stock was trading at ~\$100 per share



The performance of Sears' stock price is provided for illustrative purposes only and is not an indication of future returns of the funds.

Other Realized Investments



Why we sold:

- ▶ **Better uses of capital in more attractive investments**
- ▶ **Controlled companies**
 - Canadian Tire
 - Barnes and Noble (effectively controlled)
- ▶ **Tax losses generated**

Target / Pershing Square IV

Target – *Timeline*



Our plan for maximizing shareholder value for Target focused on three strategic alternatives:

1. Credit Card partnership
2. Capital structure optimization / share repurchases
3. Real estate transaction

- ▶ ***August 2007:*** Pershing meets with Target management and discusses parts (1) and (2)
- ▶ ***September 2007:*** Target announces a strategic review regarding its credit card business, capital structure and share repurchase program

Target – *Timeline*



- ▶ **November 2007:** Target announces a \$10bn share repurchase authorization
- ▶ **May 1, 2008:** Pershing meets with Target to discuss a real estate transaction for the Company
- ▶ **May 5, 2008:** Target announces the sale of a 47% interest in its receivables to JPMorgan Chase
- ▶ **July 2008:** Pershing meets with Target and representatives of Goldman Sachs to further discuss the real estate opportunity
- ▶ **July – October 2008:** Target and Goldman Sachs continue to review real estate transaction. Pershing’s real estate solution is presented to Target’s Board
- ▶ **October 29, 2008:** Pershing presents “*A TIP for Target Shareholders*”
- ▶ **November 19, 2008:** Pershing presents its “*Revised Transaction*” in response to management’s publicly stated concerns

Pershing's Progress with Target

Pershing's Plan

**Credit Card partnership/
Receivables Sale**

What Happened

- ▶ In May, Target sold a 47% interest in its receivables to JPMorgan Chase
- ▶ Deal was not structured as a partnership because of Target's desire for control
- ▶ We believe Target will enter into an attractive partnership-type transaction for 100% of its receivables when credit markets allow

Share repurchase

- ▶ In November, Target announced a \$10bn buyback plan
- ▶ Since the announcement, the Company has bought back ~11% of its share base and still has ~\$5bn left in the buyback program

Pershing's Progress with Target (cont'd)

Pershing's Plan

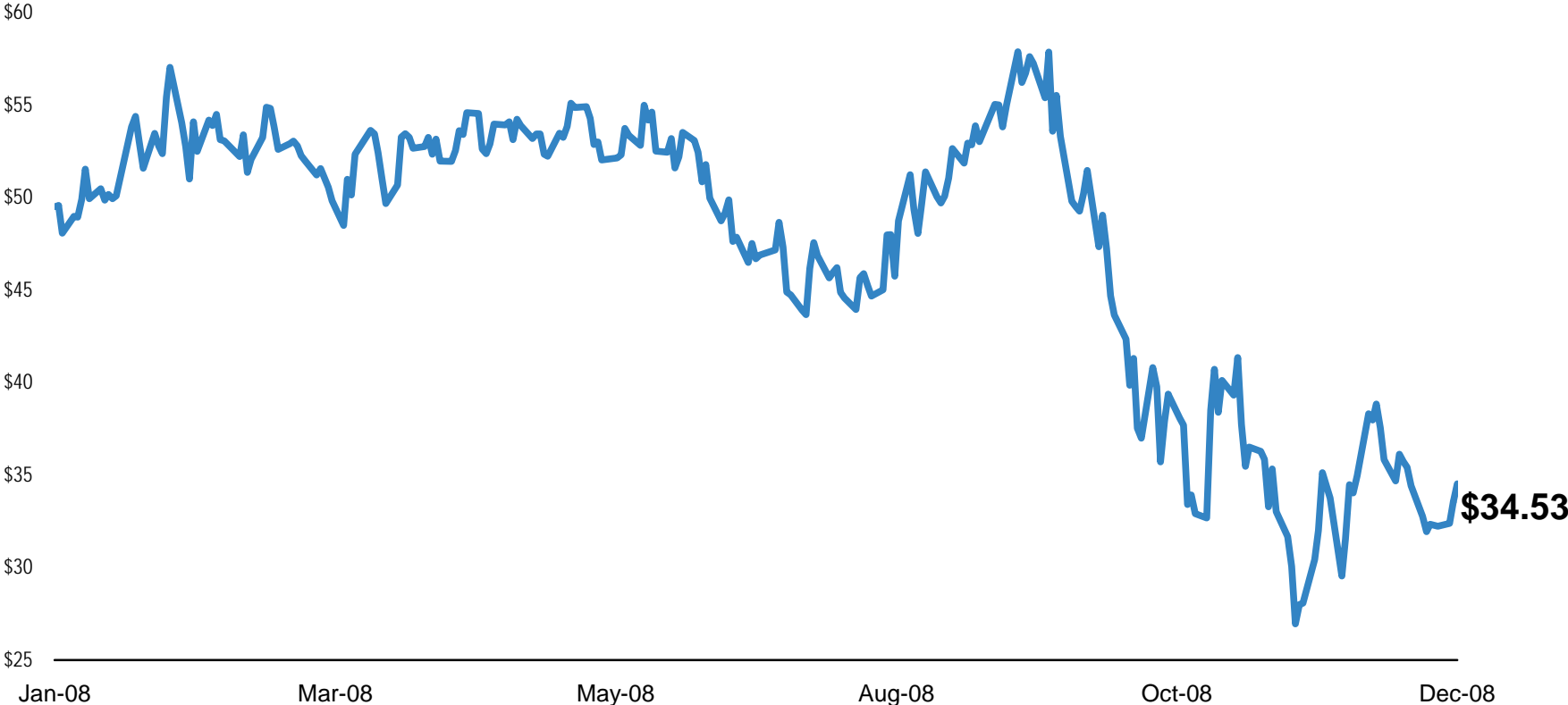
Real estate transaction

What Happened

- ▶ On 10/29/08, we presented our real estate transaction publicly
 - Spin off of "TIP REIT," a land-only REIT
- ▶ Company stated concerns regarding our TIP REIT transaction
- ▶ We developed a **Revised Transaction** that addressed the Company's stated concerns
- ▶ However, we decided to defer our discussion of the **Revised Transaction** until after the retail holiday season
- ▶ We have recently reinitiated a dialogue with management

Target – *Stock Price Returns*

Target's stock price was down 30% for the year, closing at \$34.53 on 12/31/2008



The performance of Target's share price is provided for illustrative purposes only and is not an indication of future returns of the Pershing funds.

Target – Pershing Square IV Returns

PS IV owns a 2-to-1 leveraged interest in Target principally through stock options

2008

Target stock price performance -30.3%

PS IV returns, net -67.9%

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

Target – *Restructuring PS IV*

- ▶ **Current economic and retail environment has extended the timeframe required to achieve our expected outcome for Target's stock price**
- ▶ **As a result, we are working to restructure PS IV's ownership structure of Target**
 - Goal is to maximize our potential profit while minimizing the risk of loss over our expected investment time frame
- ▶ **We have reinitiated discussions with Target management**
- ▶ **We will explain in more detail when we are able to do so**
- ▶ **We have waived management and incentive fees for PS IV investors**

In 2008, Target Didn't Fare as Well as Wal-Mart

- ▶ **Target's same-store sales have been trending negative whereas Wal-Mart's same-store sales have been trending slightly positive...**
- ▶ **Target has a more discretionary product mix than Wal-Mart**
 - *What TGT is doing:* increasing square footage dedicated to consumables and non-discretionary items, which should also help increase frequency of store visits
- ▶ **Despite having nearly identical pricing as Wal-Mart on comparable goods, Target has an image of being more upscale and less price competitive**
 - *What TGT is doing:* fine-tuning its marketing message to better emphasize its competitive pricing

Target: A Long-Term Beneficiary of Retail Shakeout

Today's retail bankruptcies (and retail store closures) will provide Target with considerable long-term opportunities

- ▶ **Significant market share opportunities in several discretionary categories where Target is strong and growing**
 - Linens 'n Things (*Home and Bath*)
 - Circuit City (*Consumer Electronics*)
 - KB Toys (*Toys*)
 - Regional department stores (Goody's, Mervyns, Steve & Barry's)
 - More to come...
- ▶ **Real estate opportunities**
 - Our Real Estate Transaction will best position TGT to benefit from the weak competitive environment
- ▶ **Impact should begin to be felt sometime in 2009 and beyond**

Select Portfolio Investments

EMC – Investment Thesis

EMC²



Two high quality businesses

Information Infrastructure

- ✓ Leader in network storage, information management and security
- ✓ 50%+ of EBIT is recurring
- ✓ Secular demand growth

VMware (*Publicly Traded*)

- ✓ Lead enabler of virtualization
- ✓ Platform play
- ✓ Enormous growth opportunity
- ✓ Growing base of recurring revenue

Attractive valuation*

- ✓ Consolidated business trades at ~11x cash-adjusted '08EPS
- ✓ EMC stub (ex-VMware) trades at ~8x cash-adjusted '08EPS
- ✓ Sum of the Parts value of ~\$18 (~\$3.50 VMW, ~\$3.25 Cash, ~\$11.25 EMC stub)

Potential catalyst for value creation

- ✓ Spin-off or strategic transaction

* 2008e multiples based on EMC Corp consensus GAAP estimates and adjust for non-cash intangible amortization expenses and surplus, tax-affected cash

General Growth Properties – *Investment Thesis*



- ▶ **High quality assets**
 - Strong portfolio of class “A” malls
- ▶ **Liquidity concerns have materially impacted equity value**
 - Substantial debt maturities due in the near-term
 - Stock price was ~\$26 in early September---today it trades at \$1.22
- ▶ **Despite liquidity issues, the Company is solvent**
 - Asset values substantially greater than liabilities
 - Ample cash flow coverage of interest
- ▶ **GGP is an operating business, not just a collection of assets**
- ▶ **Bankruptcy could be a viable tool to restore equity value**
- ▶ **At current stock price, enormous upside potential**
- ▶ **Our ownership of subsidiary bonds is both a hedge and an independently attractive investment**

Sears Canada – *Investment Thesis*



- ▶ **We own the majority of the minority public stake of Sears Canada (SCC)**
 - Sears holds the majority stake
- ▶ **Most of Sears Holdings cash is at SCC**
- ▶ **Any minority squeeze out offer by Sears can not be consummated without our consent**
- ▶ **Attractive valuation**
 - SCC currently trades at ~2.5x 2008E EBITDA
 - SCC has cash per share of ~\$8. Current stock price is approximately \$19
 - Substantial hidden value in real estate portfolio and Canada-wide distribution
- ▶ **Sears “Top-up” provision expired on December 31, 2008**
- ▶ **Sears Holdings has been actively buying the stock at prices below \$18**

Visa – *Investment Thesis*



- ▶ **One of the highest quality businesses in the world**
 - Market leading brand
 - Strong secular growth
 - High barriers to entry
 - Recurring revenue

- ▶ **Margin improvement potential**
 - Significant opportunities to cut costs (advertising and marketing, redundancies associated with Pre-IPO structure) and lower taxes

- ▶ **Attractive valuation**
 - V currently trades at ~10x / 9x 2008A / 2009E EBIT
 - V currently trades at ~19x / 16x 2008A / 2009E EPS
 - EPS multiples somewhat misleading due to cash rich balance sheet and temporarily elevated tax rate

Borders: Recent Events

BORDERS®

- ▶ **Strong new management team with significant turnaround experience**
 - Led by Ron Marshall, former CEO of Nash Finch and CFO of Pathmark Stores

- ▶ **Mick McGuire appointed Chairman of the Board of Directors**

- ▶ **Borders investment represents aggregate exposure of less than 1% of the AUM**
 - Own ~25% of Border's common equity plus non-dilutable warrants on an additional 20% struck at \$7 per share with full ratchet strike price adjustment
 - \$42.5mm term loan secured by Paperchase subsidiary, extended by Pershing to the Company that matures in February 2009

- ▶ **Highly attractive risk / return profile at current levels**

Short Equity Investments

- ▶ **Currently have two short equity investments**
- ▶ **Short investment A**
 - Serves the financial services industry
 - Losing market share
 - Facing substantial pricing / demand headwinds
 - High valuation
- ▶ **Short investment B**
 - Real estate company
 - Still building our position

Credit Default Swaps

We currently own ~\$2.9bn of credit default swaps

▶ **Predominantly composed of:**

- Investment grade index CDS
- European sovereign CDS
- European financial services CDS

Technical factors currently lead to attractive pricing for certain index CDS

Lessons Learned in 2008

Pershing Square Principals Reinforced in 2008

(1) Avoid controlled companies

- ▶ **Our ability to effectuate change is a competitive advantage for us**
- ▶ **Non-controlled companies can ultimately be sold or fixed through new management and Board representation**

(2) Own high quality businesses at attractive prices

- ▶ **Predictable free-cash-flow-generative businesses**
- ▶ **Valuable assets, competitive “moats” and high barriers to entry**
- ▶ **Low leverage and minimal capital intensity**
- ▶ **Positive secular trends**

(3) Few exceptions unless extraordinarily cheap

Organizational Update

Personnel Additions in 2008

New Advisory Board Member

Matthew Paull

Advisory Board Member

Joined Pershing Square in September 2008

**Former Corporate Senior Executive VP & CFO, McDonald's Corporation
Director, Best Buy Company, Inc.**

**Executive Professor in Residence, University of San Diego Business
School**

Addition to Investment Team

Alex Song

Research Analyst

Joined Pershing Square in September 2008

Goldman Sachs, Merchant Banking, Principal Investment Area

Goldman Sachs, Investment Banking, Financial Institutions Group

B.A., University of California Berkeley, High Honors

Personnel Additions to Business & Operations Team in 2008

Technology

Joe Sutton

Chief Technology Officer
Joined Pershing Square in March 2008
CITCO Fund Services
AIG Technology, Domestic Brokerage Group
A.S. Digital Electronics, University of LaVerne

Rob Rego

Technology Manager
Joined Pershing Square in April 2008
CITCO Fund Services
Bed, Bath & Beyond Corporate
Stryker Orthopaedics

Investor Relations

Courtney Leonardo

Client Administration
Joined Pershing Square in August 2008
Guggenheim Partners, LLC
B.A., York College of Pennsylvania

Dave Robinson

Administrative Assistant
Joined Pershing Square in October 2008
Cyrus Capital Partners
Capital Market Risk Advisors
Capital Company of America (NOMURA)
B.A., Syracuse University

Personnel Additions to Business & Operations Team in 2008

Accounting

Amy Stern

Management Company Controller
Joined Pershing Square in October 2008
Tiger Global Management, LLC
Tremblant Capital Group
M.B.A., New York University (IP)
B.A., University of Florida

Administration

Jill Skousen

Research Assistant
Joined Pershing Square in August 2008
Sills Huniford Associates
MHTN Architects
M.F.A., New York School of Interior Design
B.F.A., Utah State University

Dianna Baitinger

Receptionist
Joined Pershing Square in June 2008
One East Partners Capital Management
Miss Connecticut Scholarship Organization
B.A., Berklee College of Music

Helena Tunner

Receptionist
Joined Pershing Square in August 2008
City Year Greater Philadelphia
B.A., New York University (IP)

Investment Team Update in 2009

Investment Team Departure

- ▶ **Mick McGuire left Pershing Square in January 2009 to become Chairman of the Board of Directors of Borders Group**
- ▶ **We look forward to continuing to work with Mick on our Borders investment**

Business & Operations Update

Business & Operations Update

What were the top concerns of our investors in 2008?

- ✓ **Counterparty Risk**
- ✓ **Liquidity Risk**
- ✓ **Business Risk**
- ✓ **Operations Controls and Systems**

Counterparty Risk

We have always been focused on counterparty risk

▶ **What we have done:**

- Partnered with best-in-class counterparties and focus on diversification
 - Adding two additional prime brokers: JP Morgan & UBS
- Engaged independent external administration firms
- Negotiated favorable bilateral ISDA terms with counterparties
- Monitor and receive daily mark-to-market Treasury and cash collateral
- Enter in to tri-party arrangements
- Purchased CDS on counterparties to minimize risk

Liquidity Risk

- ▶ **Generally do not use margin leverage (core funds)**
 - Fully-paid-for securities / no re-hypothecation by prime broker
- ▶ **Minimize risk with cash**
 - Cash, other than minimal needed for daily liquidity (usually <1% of capital), is held in U.S. Treasury and Treasury money-market funds
- ▶ **A majority of our investments are highly liquid and exchange traded as of 12/31/2008**

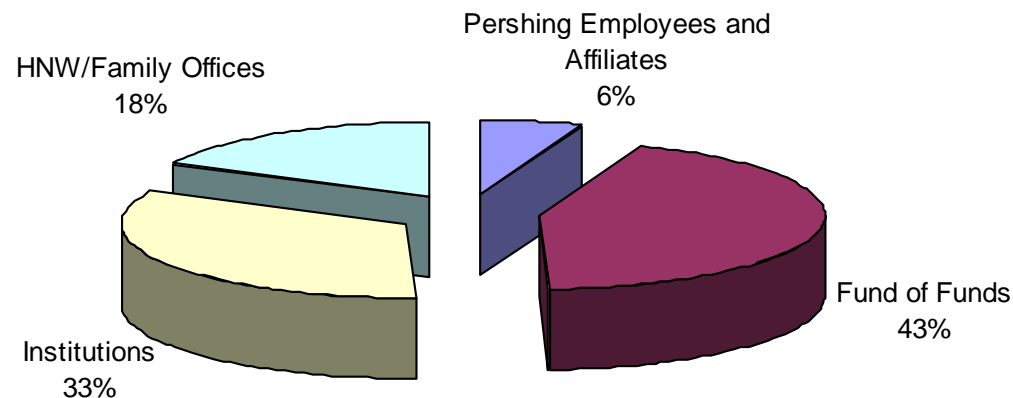
Fund Investment Breakdown

FAS 157	Long	Short	Gross	Cumulative	Who Values Security
Cash & Equivalents	40%		40%	40%	-
Level I	62%	(6%)	68%	108%	Exchange
Level II	2%		2%	110%	MarkIt Group, Counterparties
Level III	1%		1%	111%	Houlihan Lokey
Liabilities (counterparty collateral)			(11%)	100%	-

Business Risk: Stability of our Capital

- ▶ **New investor additions for 2008 totaled \$1.3bn from 25 new clients**
- ▶ **We have a diversified client base**

Investor Breakdown by Type in December 2008



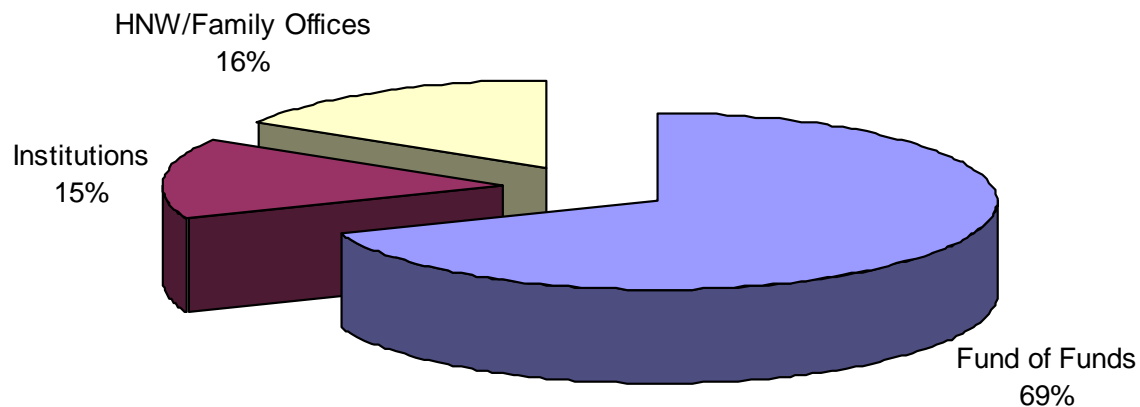
- ▶ **We are seeing continued interest in our Funds from high-quality investors across all investor types**

Business Risk: Controlled Redemptions in 2008

Our liquidity terms reasonably match our investment horizon

- ▶ **2008 redemptions totaled \$670mm**
- ▶ **Not surprisingly, a majority of the redemptions came in December: \$413mm**

Redemptions by Type for December 31, 2008



Operational Controls and Systems

Require segregation of duties

- ▶ **Multiple authorizations are required for all movements of assets**

Brought technology team in-house

- ▶ **Hired a CTO and a Technology Manager**

Added new systems

- ▶ **Client Management System: ProTrak**
- ▶ **Portfolio Risk Management and Straight-Through Order Processing System: Imagine**

Finalizing our Global Investment Performance Standards (GIPS) certification

Thoughts on 2009...

Thoughts on 2009

- ▶ **A year of macroeconomic uncertainty**
 - Timing and depth of current recession is unknown
- ▶ **Despite uncertainty, large spread exists between intrinsic value and current market prices**
- ▶ **Pershing will focus on attractive businesses where we can be a catalyst to unlock value**
- ▶ **Distressed situations will offer unique opportunities**

The Pershing Square Foundation

- ▶ **Launched in 2007**
- ▶ **Hired Amy Herskovitz as Executive Director**
- ▶ **To date, we have made more than \$19 million of grants and pledges**
- ▶ **Later this evening you will be hearing from one of our grantees**

Additional Disclaimers and Notes to Performance Results

The performance results of the Pershing funds included in this presentation are presented on a net-of-fees basis and reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses, and performance allocation, if any. Net performance includes the reinvestment of all dividends, interest, and capital gains; it assumes an investor that has been in the Pershing funds since their respective inception dates and participated in any "new issues," as such term is defined under Rule 2790 of the NASD. Performance data for 2008 is estimated and unaudited.

Pershing Square, L.P.'s net returns for 2004 were calculated net of a \$1.5 million (approximately 3.9%) annual management fee and performance allocation equal to 20% above a 6% hurdle, in accordance with the terms of the limited partnership agreement of Pershing Square, L.P., which was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid Pershing Square Capital Management, L.P. an additional \$840,000 for overhead expenses.

The market indices shown in this presentation have been selected for purposes of comparing the performance of an investment in the Pershing funds with certain well-known, broad-based equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the Pershing funds are subject. The Pershing funds are not restricted to investing in those securities which comprise any of these indices, their performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices. The S&P 500 is comprised of a representative sample of 500 large-cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poors. The Russell 1000 Index measures the performance of the 1,000 highest ranking stocks in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks by market capitalization.

Questions & Answers