

Seritage Growth Properties  
Form 424B3  
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## PROSPECTUS

### Seritage Growth Properties

#### Up to 53,298,899 Class A Common Shares Issuable Upon the Exercise of Subscription Rights at \$29.58 Per Share

#### Subscription Rights to Purchase Class A Common Shares

#### Class C Non-voting Common Shares at \$29.58 Per Share, in lieu of certain Class A Common Shares

#### Class A Common Shares Issuable Upon the Conversion of Class C Non-voting Common Shares

This prospectus is being furnished to you as a holder of common stock of Sears Holdings Corporation (together with its subsidiaries, Sears Holdings or SHC) in connection with the planned distribution by Sears Holdings to each holder of its common stock as of the close of business on June 11, 2015 (the record date), at no charge, transferable subscription rights (the subscription rights) to purchase up to an aggregate of 53,298,899 Class A common shares of beneficial interest, par value \$0.01 per share (the Seritage Growth common shares), of Seritage Growth Properties, a Maryland real estate investment trust (Seritage Growth), at a price of \$29.58 per whole share (the rights offering), as well as the offering of 9,527,194 Class C non-voting common shares of beneficial interest, par value \$0.01 per share (the Seritage Growth non-voting shares), of Seritage Growth to clients (Fairholme Clients) of Fairholme Capital Management L.L.C. (FCM), in lieu of certain Class A Common Shares also at a price of \$29.58 per share. The Seritage Growth non-voting shares are convertible into Seritage Growth common shares as more fully described in this prospectus. Sears Holdings will distribute to each holder of its common stock as of the record date one subscription right for each full share of common stock owned by that stockholder as of the record date. Each subscription right will entitle its holder to purchase one half of one Seritage Growth common share. Additionally, holders of subscription rights who fully exercise all of their basic subscription rights, after giving effect to any purchases or sales of subscription rights by them prior to such exercise, may also make a request to purchase additional Seritage Growth common shares through the exercise of an over-subscription privilege, although over-subscriptions may not be filled.

In this prospectus, we refer to the acquisition of properties from Sears Holdings by Seritage Growth, the rights offering and the related transactions described in this prospectus as the Transaction. In connection with the Transaction, we have entered into or will enter into various agreements with Sears Holdings which, among other things, govern the principal transactions relating to this offering, the sale to a subsidiary of Seritage Growth of 235 properties owned (or, in one case, ground-leased) by Sears Holdings, the leaseback of most of these properties to

Sears Holdings, and the sale to a subsidiary of Seritage Growth by Sears Holdings of its 50% interests in three joint ventures (the GGP JV, the Simon JV and the Macerich JV ) that own an additional 12, 10 and 9 properties, respectively.

The subscription rights will expire if they are not exercised by 5:00 p.m., New York City time, on July 2, 2015. We are requiring that the rights offering be fully subscribed in order to complete the rights offering. In addition, Sears Holdings has the right to withdraw and cancel the rights offering if, at any time prior to its expiration, the board of directors of Sears Holdings determines, in its sole discretion, that the rights offering is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering.

We intend to elect and qualify to be taxed as a real estate investment trust ( REIT ) for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2015. To assist us in qualifying to be taxed as a REIT, among other purposes, Seritage Growth's declaration of trust contains certain restrictions relating to the ownership and transfer of Seritage Growth common shares, including a provision generally restricting shareholders from owning more than 9.6% by value or number of shares, whichever is more restrictive, of all outstanding shares of beneficial interest of Seritage Growth without the prior consent of the Seritage Growth Board of Trustees. In addition, Seritage Growth's declaration of trust also provides for restrictions on such ownership or transfer that are designed to, among other things, prevent rents received or accrued from Sears Holdings from being treated as non-qualifying rent for purposes of the REIT gross-income requirements. The Seritage Growth Board of Trustees is expected to grant a waiver of certain of these provisions to FCM and certain Fairholme Clients. See Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer for a detailed description of the ownership and transfer restrictions applicable to Seritage Growth common shares.

As of the date of this prospectus, ESL Investments, Inc. and its affiliates, including Edward S. Lampert (collectively, ESL ), beneficially own approximately 53.2% of the outstanding common stock of Sears Holdings, and Fairholme Clients beneficially own approximately 24.6% of the outstanding common stock of Sears Holdings. ESL has advised Seritage Growth that it intends to exchange a majority of its subscription rights for interests in a subsidiary of Seritage Growth and for Class B non-economic common shares of beneficial interest of Seritage Growth holding voting power in Seritage Growth, and FCM has advised Seritage Growth that it anticipates that certain Fairholme Clients, subject to the final terms of the offering and other considerations including market conditions and tax, regulatory and investment mandate restrictions, are likely to exchange a portion of their subscription rights for the Seritage Growth non-voting shares and that, subject to such considerations, certain other Fairholme Clients intend to exercise their subscription rights to purchase Seritage Growth common shares, in each case as more fully described in this prospectus.

An affiliate of General Growth Properties, Inc. and an affiliate of Simon Property Group, Inc, which (through subsidiaries) own the remaining 50% interests in the GGP JV and the Simon JV, respectively, have each agreed to acquire 1,125,760 Seritage Growth common shares at a purchase price per share equal to the subscription price for the rights offering set forth above in private placements that will close concurrently with the closing of this offering.

We are an emerging growth company, as that term is used in the Jumpstart Our Business Startups Act of 2012, and, as such, we will be subject to reduced public company reporting requirements compared to other public companies. See Prospectus Summary Our Status as an Emerging Growth Company.

**You should carefully consider whether to exercise your subscription rights before the rights offering expires.  
All exercises of subscription rights are irrevocable.**

**Exercising the rights and investing in Seritage Growth common shares involves risks. We urge you to carefully read the section entitled Risk Factors beginning on page 32 of this prospectus, and all other information in this prospectus in its entirety before you decide whether to exercise your rights. Neither Sears Holdings nor Seritage Growth, nor their respective boards, is making any recommendation regarding your exercise of the subscription rights.**

The subscription rights are transferable during the course of the subscription period, until June 26, 2015, the fourth business day prior to the expiration of the rights offering, and we intend to apply to list the rights for trading on the New York Stock Exchange (the NYSE ) under the symbol SRGRT . We currently expect that the subscription rights will begin to trade on a when-issued basis on the date of this prospectus, however, we cannot assure you that a market for the subscription rights will develop. We intend to apply to list the Seritage Growth common shares for trading on the NYSE under the symbol SRG. No public market currently exists for the Seritage Growth common shares or for the subscription rights.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

**Prospectus dated June 9, 2015**

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You should rely only on information contained in this prospectus or in any prospectus supplement or free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone to provide you with additional or different information. Neither this prospectus nor any prospectus supplement or free writing prospectus constitutes an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. The information contained in this prospectus or any prospectus supplement or free writing prospectus is accurate only as of the date of this prospectus or such prospectus supplement or free writing prospectus, as applicable.



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**MARKET AND INDUSTRY DATA**

Although we are responsible for all of the disclosure contained in this prospectus, this prospectus contains industry, market and competitive position data that are based on industry publications and studies conducted by third parties. The industry publications and third-party studies generally state that the information that they contain has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe the industry, market and competitive position information included in this prospectus is generally reliable, such information is inherently imprecise.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before making an investment decision to purchase Seritage Growth common shares in this offering. You should read the entire prospectus carefully, including the section entitled Risk Factors, our consolidated financial statements and the related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus, before making an investment decision to purchase Seritage Growth common shares.*

**Seritage Growth Properties**

**Our Company**

Seritage Growth Properties, a Maryland real estate investment trust, ( Seritage Growth ) is a newly organized entity that was formed in Maryland on June 3, 2015. Seritage Growth conducts its operations through Seritage Growth Properties, L.P. (together with its subsidiaries, Operating Partnership ), a Delaware limited partnership, formed on April 22, 2015. In this prospectus, we refer to our business, including Seritage Growth, Operating Partnership and, as applicable, Old Seritage Growth Properties ( Old Seritage ), as we, our or us. Our principal offices are currently located at 3333 Beverly Road, Hoffman Estates, Illinois 60179, and our main telephone number is currently (847) 286-2500. We expect to change our principal offices and main telephone number prior to the completion of the Transaction. Seritage Growth intends to elect to be treated as a real estate investment trust ( REIT ) for federal income tax purposes commencing with our taxable year ending December 31, 2015.

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, our portfolio will consist of 235 properties (the Acquired Properties ) that are owned (or, in one case, ground-leased) by Sears Holdings Corporation (together with its subsidiaries, Sears Holdings or SHC ), as of the date of this prospectus. In addition, we will own three 50% joint venture interests in an additional twelve, ten and nine properties (collectively, the JV Properties ), respectively, which joint venture interests are owned by Sears Holdings as of the date of this prospectus and will be sold to us in the Transaction. We will lease (or sublease) a substantial majority of the space at all but eleven of the Acquired Properties (such eleven properties, the Third Party Properties ) back to Sears Holdings under a master lease agreement (the Master Lease ), with the remainder of such space leased to third-party tenants. The Third Party Properties, which do not currently contain a Sears Holdings store, will not have any space leased to Sears Holdings, and will instead be leased solely to third-party tenants. A substantial majority of the space at the JV Properties is also leased to Sears Holdings by GS Portfolio Holdings LLC (the GGP JV ), a joint venture between Sears Holdings and a subsidiary of General Growth Properties, Inc. (together with its subsidiaries, GGP ), SPS Portfolio Holdings LLC (the Simon JV ), a joint venture between Sears Holdings and a subsidiary of Simon Property Group, Inc. (together with its subsidiaries, Simon ), or MS Portfolio LLC (the Macerich JV and, together with the GGP JV and the Simon JV, each, a JV ), a joint venture between Sears Holdings and a subsidiary of The Macerich Company (together with its subsidiaries, Macerich ), as applicable, in each case under a separate master lease with each JV (the JV Master Leases ). We will acquire Sears Holdings' 50% interest in each of the JVs in the Transaction.

We expect to generate revenues primarily by leasing our properties to tenants, including both Sears Holdings and third-party tenants, who will operate retail stores (and potentially other uses) in the leased premises, a business model common to many publicly traded REITs. In addition to revenues generated under the Master Lease through rent payments from Sears Holdings, we expect to generate revenue through leases to third-party tenants under existing and future leases for space at our properties, including the Acquired Properties. In addition, we will have an interest in the JV Properties through our 50% interest in each JV. The Master Lease provides us with the right to





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recapture up to approximately 50% of the space within the Sears or Kmart stores located at the Acquired Properties (the Stores ) (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease. We will have the right to reconfigure and rent the recaptured space to third-party tenants on potentially superior terms determined by us and for our own account. The JV Master Leases provide each JV with a similar right in respect of its JV Properties (other than one property owned by the Macerich JV). We also have the right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties by making a specified lease termination payment to Sears Holdings, after which we expect to be able to reposition and re-lease those stores and potentially generate additional revenue. See Certain Relationships and Related Transactions The Master Lease.

Our initial portfolio of 235 Acquired Properties, consisting of approximately 36.7 million square feet of building space, will be broadly diversified by location across 49 states and Puerto Rico. These Acquired Properties will consist of 84 properties operated under the Kmart brand, 140 operated under the Sears brand, and eleven properties leased entirely to third parties. At certain of the Acquired Properties, third parties under existing leases occupy a portion of the overall leasable space alongside Sears Holdings. Third-party tenants will initially represent approximately 6.6% of our overall portfolio of Acquired Properties as a percentage of total leasable space and approximately 10% of existing rent. The amount of space leased to third-party tenants, and the resulting revenue, are expected to increase as we recapture space under the Master Lease and then re-lease it to such third-party tenants.

In addition, through our 50% interests in each of the GGP JV (the GGP JV Interest ), the Simon JV (the Simon JV Interest ) and the Macerich JV (the Macerich JV Interest and, together with the GGP JV Interest and the Simon JV Interest, the JV Interests ), we will have an interest in the JV Properties, which consist of twelve, ten and nine properties, respectively, formerly owned or leased by Sears Holdings and currently leased back to Sears Holdings under the JV Master Leases, as well as to certain third parties under third-party leases. Except with respect to the rent amounts and the properties covered and certain additional matters described in Business and Properties The GGP JV, the Simon JV and the Macerich JV, the general format of each of the JV Master Leases is similar to the Master Lease.

To maintain REIT status, Seritage Growth must meet a number of organizational and operational requirements, including a requirement that Seritage Growth distribute annually to Seritage Growth shareholders at least 90% of Seritage Growth's REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See U.S. Federal Income Tax Considerations.

## **The Transaction**

Seritage Growth is a recently formed entity that will, in connection with this offering and through Operating Partnership, purchase the 235 Acquired Properties that are currently owned (or, in one case, ground-leased) by Sears Holdings and lease space at all of them except for the eleven Third Party Properties back to Sears Holdings, and also purchase the JV Interests. This offering and the related transactions described in this prospectus (the Transaction ) will include a series of interim steps summarized below:

On December 18, 2014, Old Seritage, a Maryland REIT that conducted certain of our initial transaction activities, was formed. As part of the Transaction, prior to the Closing of the Transaction, Seritage Growth will acquire Operating Partnership and Old Seritage;

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On June 3, 2015, Seritage Growth, a Maryland REIT that will be structured as an umbrella partnership real estate investment trust (commonly referred to as an UPREIT), was formed;

On April 22, 2015, Old Seritage formed Operating Partnership, a Delaware limited partnership;

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A majority of the 235 Acquired Properties, consisting of Sears Holdings fee-owned (or, in one instance, ground leased) real estate assets, will be transferred to one or more subsidiaries of Sears Holdings (the Acquired Entities ) and the Acquired Entities will incur approximately \$1,161.2 million of indebtedness, and will establish a \$100.0 million future funding facility (the Financing );

Operating Partnership will purchase for cash from Sears Holdings the Acquired Properties (directly or through the purchase of the Acquired Entities) and the JV Interests for an aggregate purchase price of approximately \$2,677.3 million (a value which includes \$2,248.3 million in respect of the Acquired Properties, which amount was determined by Sears Holdings with the assistance of a third-party appraisal process conducted by Cushman & Wakefield ( Cushman ), taking into account all the terms of the Master Lease and other relevant factors), inclusive of the amount of debt assumed by Operating Partnership through the purchase of the Acquired Entities;

Sears Holdings and certain of the Acquired Entities will enter into the Master Lease pursuant to which a substantial majority of the Acquired Properties or certain space therein will be leased (or subleased) back to Sears Holdings, and Sears Holdings will assign existing third-party leases in the Acquired Properties to Operating Partnership, except for certain minor leases, agreements, concessions, licenses or departments within the Sears Holdings stores and the Lands End lease agreements, which will be treated as described in Certain Relationships and Related Transactions The Master Lease ;

For purposes of, among other things, funding the purchase price for the Acquired Properties and the JV Interests:

Seritage Growth has entered into an agreement with Sears Holdings for Sears Holdings to subscribe for rights to purchase Seritage Growth Class A common shares of beneficial interest, par value \$0.01 per share (the Seritage Growth common shares or the common shares ) from Seritage Growth and distribute such rights to Sears Holdings stockholders in the rights offering;

Seritage Growth has agreed to issue and sell to each of GGP and Simon in private placements 1,125,760 Seritage Growth common shares at a purchase price per share equal to the subscription price in the rights offering, for an aggregate purchase price of \$33.3 million for each of GGP and Simon (together, the Seritage Private Placements );

Seritage Growth and Fairholme Capital Management, L.L.C. ( FCM ) intend to enter into an agreement giving certain clients ( Fairholme Clients ) of FCM the right to exchange that portion of its subscription rights that, if exercised, would result in such Fairholme Clients receiving, in the aggregate, in excess of 11.7% of the Seritage Growth common shares to be outstanding immediately following this offering, for 9,527,194 Class C non-voting common shares of beneficial interest, par value \$0.01 per share, of Seritage Growth (the Seritage Growth non-voting shares );

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We are offering the Seritage Growth non-voting shares in this offering to Fairholme Clients at a purchase price per share of \$29.58 (the subscription price in the rights offering) (the Non-Voting Shares Offering );

The Seritage Growth non-voting shares will be entitled to per-share dividends and distributions equal to those issued with respect to Seritage Growth common shares but have no voting power;

In the aspects of the Transaction relating to FCM and the Fairholme Clients, (i) the Seritage Growth Board of Trustees expects to grant FCM and certain Fairholme Clients waivers of certain ownership restrictions in the Seritage Growth declaration of trust, which are described in Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer (collectively, the Excess Share Waivers ), and (ii) FCM will agree to vote a portion of any Seritage Growth common shares owned by the Fairholme Clients following this offering in

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proportion to the votes of other holders of such shares and to abide by certain other restrictions described in *Certain Relationships and Related Transactions* *Fairholme Exchange Agreement* ;

The Non-Voting Shares Offering and Excess Share Waivers are intended to allow certain Fairholme Clients, which (in the aggregate) own a significant number of shares of Sears Holdings common stock and therefore will receive a significant number of subscription rights, to purchase interests in us in excess of the amounts they would otherwise be able to purchase in light of regulatory and tax considerations;

Operating Partnership and Seritage Growth intend to enter into an agreement with ESL Investments, Inc. (together with its affiliates, including Edward S. Lampert, collectively, *ESL* ) giving ESL the right to exchange cash and subscription rights that, if exercised, would result in ESL receiving in excess of 3.1% of the Seritage Growth common shares for Operating Partnership units (the *OP Private Placement* ) and Class B non-economic common shares of beneficial interest ( *Seritage Growth non-economic shares* ), par value \$0.01 per share, of Seritage Growth (the *Non-Economic Shares Private Placement*, and together with the *OP Private Placement*, the *ESL Private Placement* ).

The Seritage Growth non-economic shares will have, in the aggregate, 5.4% of the voting power of Seritage Growth at the closing of the Transaction but will not be entitled to any dividends or other distributions;

The *OP Private Placement* and *Non-Economic Shares Private Placement* are intended to allow ESL, which owns a significant number of shares of Sears Holdings common stock and therefore will receive a significant number of subscription rights, to purchase interests in us in excess of the amounts it would otherwise be able to purchase in light of tax considerations, including the ownership limits set forth in Seritage Growth's declaration of trust, which are designed to protect Seritage Growth's REIT status;

At the closing of the Transaction:

Seritage Growth and Operating Partnership will use the proceeds from this offering, the *Seritage Private Placements*, the *ESL Private Placement* and the assumption of the indebtedness incurred in the Financing to purchase the *Acquired Properties* (directly or through the purchase of the *Acquired Entities*) and the *JV Interests* from Sears Holdings and pay related fees and expenses (with remaining proceeds used for working capital and other general purposes);

As part of the Financing, the *Acquired Entities* will have access to a future funding facility in the amount of \$100.0 million to provide funding for redevelopment activities at the *Properties* following the closing, subject to satisfaction of certain conditions;

Certain of the Acquired Entities and Sears Holdings will enter into the Master Lease; and

the indebtedness incurred by the Acquired Entities in the Financing will become, on a consolidated basis, indebtedness of Operating Partnership and Seritage Growth (with the proceeds of such indebtedness having been distributed by the Acquired Entities to Sears Holdings prior to the closing of the Transaction and, therefore, not available to us).

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The following table sets forth the sources and uses of funds for the Transaction, assuming that the subscription rights are exercised in full (or, in the case of the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements, exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively). See [Principal Shareholders](#) and [Capitalization](#).

| <b>Sources of Funds</b>                                 | <i>thousands</i>    | <b>Uses of Funds</b>                                      | <i>thousands</i>    |
|---|---------------------|---|---------------------|
| Proceeds from this offering                             | \$ 557,425          | Purchase of the Acquired Properties                       | \$ 2,248,274        |
| Proceeds from the Seritage Private Placements           | 66,600              | Purchase of the JV Interests                              | 429,000             |
| Proceeds from the Non-Economic Shares Private Placement | 658                 | Offering related costs                                    | 8,720               |
| Proceeds from the Non-Voting Shares Offering            | 281,815             | Other Closing Costs                                       | 10,000              |
| Proceeds from ESL Private Placement                     | 737,342             | Organization related costs                                | 1,080               |
| Proceeds from debt issuance                             | 1,161,196           | Cash for general corporate purposes                       | 31,303              |
|   |                     | Redevelopment & capital expenditures for tenant occupancy | 41,500              |
|   |                     | Debt issuance costs                                       | 25,759              |
|   |                     | Interest rate cap   | 9,400               |
| <b>Total Sources of Funds</b>                           | <b>\$ 2,805,036</b> | <b>Total Uses of Funds</b>                                | <b>\$ 2,805,036</b> |

**Our Relationship with Sears Holdings**

In connection with the Transaction, we and Sears Holdings have entered or will enter into: (i) a subscription, distribution and purchase and sale agreement governing the sale of the Acquired Properties and the JV Interests to Operating Partnership, and pursuant to which Sears Holdings will subscribe for Seritage Growth common shares and distribute such subscription rights to its stockholders (the [Subscription, Distribution and Purchase and Sale Agreement](#) ), (ii) the Master Lease, pursuant to which subsidiaries of Operating Partnership, as landlord, will lease to Sears Holdings, as tenant, most of the Acquired Properties, and (iii) an agreement pursuant to which Sears Holdings Management Corporation ( [SHMC](#) ), a wholly owned subsidiary of Sears Holdings, will provide certain services to us (the [Transition Services Agreement](#) ). The terms of our agreements with Sears Holdings have been and will be established by Sears Holdings with the intention of producing sustainable and fair terms consistent with the respective business plans of both Sears Holdings and Seritage Growth following the Transaction. Because these agreements will be negotiated in the context of the Transaction, they necessarily will involve negotiations between affiliated entities. Accordingly, the terms of these agreements may have different terms than would have resulted from negotiations with one or more unrelated third parties. See [Certain Relationships and Related Transactions](#).

**Financing**

In connection with the Transaction, the Acquired Entities and Operating Partnership are expected to enter into the Financing. The proceeds of this offering, the Seritage Private Placements, the ESL Private Placement, and the assumption of the indebtedness incurred in the Financing will be used to purchase the Acquired Properties (directly or through the purchase of the Acquired Entities) and the JV Interests from Sears Holdings and pay related fees and expenses (with remaining proceeds used for working capital and other purposes); the indebtedness incurred by the

Acquired Entities in the Financing will become indebtedness of Operating Partnership on a consolidated basis; and, as part of the Financing, the Acquired Entities will have access to a future funding facility in the amount of \$100.0 million to provide funding for redevelopment activities at the Properties following the closing, subject to satisfaction of certain conditions. Sears Holdings and Seritage Growth have entered into a commitment letter with two institutional lenders in respect of the Financing and the post-closing future funding facility (the Commitment ). The Commitment and the Financing are subject to certain customary and other conditions precedent. While Sears Holdings and Seritage expect to consummate the Financing on the terms contemplated by the Commitment, no assurances can be given that we will be able to do so.



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To assist Seritage Growth in complying with the limitations on the concentration of ownership of REIT shares imposed by the Internal Revenue Code of 1986, as amended (the Code), among other purposes, Seritage Growth's declaration of trust will provide for restrictions on ownership and transfer of its common shares, including, subject to certain exceptions, prohibitions on any person actually or constructively owning more than 9.6% in value or in number, whichever is more restrictive, of all outstanding shares, or all outstanding common shares (including Seritage Growth common shares, Seritage Growth non-economic shares and Seritage Growth non-voting shares), of beneficial interest of Seritage Growth. These restrictions are collectively referred to herein as the ownership limits. A person that did not acquire more than 9.6% of Seritage Growth's outstanding shares (in value or number of shares, whichever is more restrictive) may become subject to its declaration of trust restrictions if repurchases by Seritage Growth cause such person's holdings to exceed 9.6% of its outstanding shares. Under certain circumstances, the Board of Trustees of Seritage Growth may waive the ownership limits if it determines that Seritage Growth will not fail to qualify as a REIT and certain other conditions are satisfied. The Seritage Growth Board of Trustees expects to grant the Excess Share Waivers to FCM and certain Fairholme Clients. Seritage Growth's declaration of trust provides that shares of beneficial interest of Seritage Growth acquired or held in excess of the ownership limit will be transferred to a trust for the benefit of a designated charitable beneficiary, and that any person who acquires shares of beneficial interest of Seritage Growth in violation of the ownership limits will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the price paid by such person for the shares (or, if such person did not give value for the shares, the market price on the day the shares were transferred to the trust) or the amount realized from the sale. Seritage Growth or its designee will have the right to purchase the shares from the trustee at this calculated price as well. In addition, a transfer of shares of beneficial interest of Seritage Growth in violation of the restrictions on ownership and transfer in the declaration of trust may be void under certain circumstances. Seritage Growth's ownership limits may have the effect of delaying, deferring or preventing a change in control of Seritage Growth, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for Seritage Growth's shareholders or otherwise be in their best interest. See Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer.

**Seritage Growth's Tax Status**

Seritage Growth intends to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes, currently expected to occur commencing with the taxable year ending December 31, 2015. Seritage Growth's qualification as a REIT depends upon its ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code, relating to, among other things, the sources of Seritage Growth's gross income, the composition and value of its assets, its distribution levels and the diversity of ownership of its shares. Seritage Growth believes that, at the time of the Transaction, it will be organized in conformity with the requirements for qualification and taxation as a REIT under the Code and that its intended manner of operation will enable Seritage Growth to meet the requirements for qualification and taxation as a REIT.

So long as Seritage Growth qualifies to be taxed as a REIT, it generally will not be required to pay U.S. federal income tax on its net REIT taxable income that it distributes currently to its shareholders. If Seritage Growth fails to qualify to be taxed as a REIT in any taxable year and does not qualify for certain statutory relief provisions, it would be subject to U.S. federal income tax at regular corporate rates and would be precluded from re-electing to be taxed as a REIT for the subsequent four taxable years following the year during which it lost REIT qualification. Even if Seritage Growth qualifies to be taxed as a REIT, it may be subject to certain U.S. federal, state, local and foreign taxes on its income or property, and the income of its taxable REIT subsidiaries (TRSs), if any, will be subject to taxation at regular corporate rates. See U.S. Federal Income Tax Considerations.



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**Our Status as an Emerging Growth Company**

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, since we meet certain specifications under the JOBS Act such as having total annual gross revenue of under \$1.0 billion. As an emerging growth company, we have chosen to take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. We have taken advantage of reduced disclosure regarding executive compensation arrangements and the presentation of certain historical financial information in this prospectus, and we may in the future choose to take advantage of some or all of the reduced reporting obligations, which include exceptions from requirements to provide an auditor's attestation report on the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), to comply with certain audit firm rotation and audit rule requirements, to provide certain disclosure regarding executive compensation and to hold advisory votes on executive compensation, among other things. As a result, the information we provide to shareholders would be different than what you may receive from other public companies in which you hold stock. We will remain an emerging growth company until the earliest of:

the last day of the fiscal year (i) following the fifth anniversary of the completion of the Transaction or (ii) in which we have total annual gross revenue of at least \$1.0 billion; or

the date on which Seritage Growth is deemed to be a large accelerated filer, which would occur if the market value of Seritage Growth common shares that are held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter; or

the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

See Risk Factors Risks Related to Our Business and Operations For as long as we are an emerging growth company and while remaining a non-accelerated filer, we will not be required to comply with certain reporting requirements that apply to other public companies.

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**QUESTIONS AND ANSWERS ABOUT THE COMPANY AND THE OFFERING**

*Set forth below are examples of what we anticipate will be commonly asked questions about this offering and the transactions contemplated thereby. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about this offering. This prospectus contains more detailed descriptions of the terms and conditions of the rights offering and provides additional information about us and our business, including potential risks related to this offering, Seritage Growth common shares and our business.*

**Exercising the rights and investing in Seritage Growth common shares involves risks. We urge you to carefully read the section entitled Risk Factors beginning on page 32 of this prospectus and all other information in this prospectus in its entirety before you decide whether to exercise your rights.**

**What is the rights offering?**

Sears Holdings is distributing, at no charge, to holders of shares of its common stock as of the record date, transferable subscription rights to purchase Seritage Growth common shares in the amount of one subscription right for each full share of common stock of Sears Holdings owned by that stockholder as of the record date, except that holders of Sears Holdings restricted stock that is unvested as of the record date will receive cash awards in lieu of subscription rights. Each subscription right will entitle its holder to purchase from Seritage Growth one half of one Seritage Growth common share. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege, as described below. We intend to apply to list the Seritage Growth common shares to be issued upon exercise of the subscription rights for trading on the New York Stock Exchange (the NYSE ) under the ticker symbol SRG.

**What is Seritage Growth?**

Seritage Growth is a newly organized REIT that was formed in Maryland on June 3, 2015. Its principal offices are currently located at 3333 Beverly Road, Hoffman Estates, Illinois 60179. Its main telephone number is currently (847) 286-2500. Seritage Growth expects to change its principal offices and main telephone number prior to the completion of the Transaction. Seritage Growth intends to elect to be treated as a REIT under the Code.

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, our portfolio will consist of 235 Acquired Properties that are owned (or, in one case, ground-leased) by Sears Holdings as of the date of this prospectus, as well as the JV Interests that are owned by Sears Holdings as of the date of this prospectus. Operating Partnership will lease (or sublease) a substantial majority of the space at all but eleven of the Acquired Properties back to Sears Holdings under the Master Lease, with the remainder of such space leased to third-party tenants. A substantial majority of the space at the JV Properties is also leased by the JVs to Sears Holdings under the JV Master Leases. In addition, we will lease all of certain Acquired Properties and certain space within other Acquired Properties to third parties pursuant to leases under which Sears Holdings currently is the lessor and which will be assigned to us, along with certain redevelopment and other obligations under such leases. Lease agreements pursuant to which Sears Holdings currently leases space at certain of the Acquired Properties to Lands End will be treated as described in Certain Relationships and Related Transactions The Master Lease. The Master Lease will provide Operating Partnership with the right to recapture up to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease. Upon exercise of this recapture right, we must

pay all costs and expenses for the separation of the recaptured space from the remaining Sears Holdings space and will have the

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right to reconfigure and rent such space to third-party tenants on terms we agree to with such third parties. The JV Master Leases provide each JV with a similar right in respect of its JV Properties (other than one property owned by the Macerich JV). We will also have the further right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties, subject to a specified lease termination payment made to Sears Holdings. However, Sears Holdings will have the right to terminate the lease as to an Acquired Property or a JV Property if its earnings before interest, taxes, depreciation, amortization and rent costs ( EBITDAR ) for the twelve-month period ending as of the most recent fiscal quarter end attributable to such Acquired Property or JV Property is less than the rent attributable to it. Sears Holdings' ability to exercise this termination right will be limited so that the aggregate base rent under the Master Lease in any lease year does not decline by more than 20% as a result of such terminations or, in the case of the JV Properties owned by the GGP JV, the Simon JV and the Macerich JV, so that the applicable JV Master Lease is not terminated as to more than four JV Properties, three JV Properties and three JV Properties, respectively, in any lease year.

Prior to the closing of this offering, we have not operated as a business; instead the Acquired Properties that make up our business were generally used in Sears Holdings' retail operations and the JV Interests were owned by Sears Holdings. Following the closing of this offering and subscription for Seritage Growth common shares, we will be a publicly traded company independent from Sears Holdings, and Sears Holdings will not have any ownership interest in us.

In connection with the Transaction, we have entered into or will enter into various agreements with Sears Holdings that, among other things, govern the principal transactions relating to this offering and certain aspects of our relationship with Sears Holdings following the Transaction. These agreements were made or will be made in the context of our current relationship with Sears Holdings and were or will be negotiated in the overall context of the Transaction. Accordingly, the terms of these agreements may be different than those we could have negotiated with unaffiliated parties. For more information regarding the agreements between us and Sears Holdings, see Certain Relationships and Related Transactions.

## **What is a REIT?**

Following the Transaction, Seritage Growth intends to qualify and elect to be taxed as a REIT under Sections 856 through 859 of the Code, which election is currently expected to occur commencing with the taxable year ending December 31, 2015. As a REIT, Seritage Growth generally will not be required to pay U.S. federal income tax on REIT taxable income it distributes to its shareholders. Seritage Growth's qualification as a REIT depends upon its ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code, relating to, among other things, the sources of Seritage Growth's gross income, the composition and value of its assets, its distribution levels and the diversity of ownership of its shares. Seritage Growth believes that, at the time of the Transaction, it will be organized in conformity with the requirements for qualification and taxation as a REIT under the Code and that its intended manner of operation will enable Seritage Growth to meet the requirements for qualification and taxation as a REIT. Seritage Growth anticipates that distributions we make to shareholders generally will be taxable to shareholders as ordinary income, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital. For a more complete discussion of the U.S. federal income tax treatment of distributions to Seritage Growth shareholders, see U.S. Federal Income Tax Considerations.

## **What are the OP Private Placement, the Non-Economic Shares Private Placement and the Non-Voting Shares Offering?**

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As of the date of this prospectus, ESL beneficially owns approximately 48.5% of the outstanding common stock of Sears Holdings (53.2% including shares issuable upon the exercise of warrants held by ESL), and Fairholme Clients beneficially own approximately 24.6% of the outstanding common stock of Sears Holdings. In light of the restrictions on ownership in Seritage Growth's declaration of trust, we intend to enter into an

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agreement with FCM pursuant to which certain Fairholme Clients have the right to exchange subscription rights that, if exercised, would result in Fairholme Clients receiving, in the aggregate, in excess of 11.7% of the Seritage Growth common shares outstanding immediately following this offering for the Seritage Growth non-voting shares. These Seritage Growth non-voting shares are entitled to per-share dividends and distributions equal to those issued with respect to Seritage Growth common shares but have no voting power. We refer to this as the Non-Voting Shares Offering, and it is a part of this offering. In addition, we intend to enter into an agreement with ESL pursuant to which ESL will have the right to exchange (a) that portion of its subscription rights that, if exercised, would result in ESL receiving in excess of 3.1% of the Seritage Growth common shares to be outstanding immediately following this offering and (b) cash in the aggregate amount ESL would have paid had it exercised such subscription rights, plus the value of the Seritage Growth non-economic shares. ESL will have the right to exchange that portion of its subscription rights and cash for (i) Seritage Growth non-economic shares having 5.5% of the voting power of Seritage Growth but not entitled to dividends or distributions in the Non-Voting Shares Private Placement and (ii) Operating Partnership units constituting 44.9% of the Operating Partnership units outstanding immediately following the closing of the Transaction in the OP Private Placement. The ESL Private Placement and the Non-Voting Shares Offering to Fairholme Clients are intended to allow ESL and certain Fairholme Clients, respectively, to purchase interests in us in excess of the amounts they would otherwise be able to purchase in light of regulatory and tax considerations, including, in the case of ESL, the ownership limits set forth in Seritage Growth's declaration of trust, which are designed to, among other purposes, protect Seritage Growth's REIT status. Seritage Growth common shares that would be issued upon the exercise of any subscription rights exchanged in the ESL Private Placement and the Non-Voting Shares Offering will not be sold in this offering and will not be available as part of the over-subscription process.

**What are the Seritage Private Placements?**

In connection with the agreements to enter into the GGP JV and the Simon JV, respectively, each of GGP and Simon agreed to acquire 1,125,760 Seritage Growth common shares at a price of \$29.58 per share (the subscription price for the rights offering), for an aggregate purchase price of \$33.3 million for each of GGP and Simon, in the Seritage Private Placements. Seritage Growth will issue and sell these Seritage Growth common shares to each of GGP and Simon concurrently with the closing of this offering, subject to the satisfaction of certain other related closing conditions. The shares to be issued and sold in the Seritage Private Placements are not registered as part of, and are in addition to the Seritage Growth common shares offered in, this offering.

**What is the basic subscription right?**

Holders of the basic subscription rights will have the opportunity to purchase from Seritage Growth, in the aggregate, 53,298,899 Seritage Growth common shares at a subscription price of \$29.58 per whole share (which amount would be reduced to give effect to the anticipated exchanges by ESL and Fairholme Clients). Sears Holdings has granted to you, as a stockholder of record on the record date, one subscription right allowing you to subscribe for one half of one Seritage Growth common share on the terms set forth in this offering, for every share of Sears Holdings common stock you owned at that time. Fractional shares or cash in lieu of fractional shares will not be issued in the rights offering. Instead, the number of shares issuable upon the exercise of the basic subscription right will be rounded down to the nearest whole share. The subscription rights are contractual obligations of Seritage Growth.

You may exercise all or a portion of your basic subscription right or you may choose not to exercise any subscription rights at all. However, if you exercise less than your full basic subscription right (after giving effect to any purchases or sales of subscription rights prior to the time of such exercise), you will not be entitled to purchase Seritage Growth common shares pursuant to the over-subscription privilege. If you are a registered holder of Sears Holdings common stock, the number of Seritage Growth common shares you may purchase pursuant to your basic subscription right is indicated on the enclosed rights certificate. If you hold your shares in the name of a broker, dealer, custodian bank or



other nominee that uses the services of the Depository Trust Company ( DTC ), you will

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not receive a rights certificate. Instead, DTC will electronically issue one subscription right to your nominee record holder for every share of Sears Holdings common stock that you own as of the record date. If you are not contacted by your nominee, you should contact your nominee as soon as possible.

Holders of the basic subscription rights (other than ESL and Fairholme Clients) will not have the right to participate in the OP Private Placement, the Non-Economic Shares Private Placement or the Non-Voting Shares Offering and will not be entitled to purchase Seritage Growth non-economic shares or Seritage Growth non-voting shares in this offering.

### **What is the over-subscription privilege and how will Seritage Growth common shares be allocated in the rights offering?**

If you purchase all of the Seritage Growth common shares available to you pursuant to your basic subscription rights, you may also choose to purchase from Seritage Growth a portion of any Seritage Growth common shares that other holders of subscription rights do not purchase through the exercise of their basic subscription rights. Only holders who fully exercise all of their basic subscription rights, after giving effect to any purchases or sales of subscription rights prior to the time of such exercise, may participate in the over-subscription privilege. ESL and Fairholme Clients may participate in the over-subscription privilege; however, in light of tax and regulatory restrictions, ESL and Fairholme Clients are expected to acquire interests in Seritage Growth and the Operating Partnership (in ESL's case) and in Seritage Growth (in the case of Fairholme Clients) by means of the ESL Private Placement and the Non-Voting Shares Offering, respectively. Seritage Growth common shares with respect to any subscription rights exchanged in the ESL Private Placement and the Non-Voting Shares Offering will not be sold in this offering and will not be available as part of the over-subscription process. In no circumstance will any holder (other than Fairholme Clients, which are expected to receive the Excess Share Waivers) be allocated Seritage Growth common shares pursuant to the over-subscription privilege to the extent such allocation would result in such holder beneficially owning 9.6% or more of the outstanding shares of beneficial interest of Seritage Growth (as calculated for certain federal income tax purposes), nor will any holder, other than ESL and Fairholme Clients, participate in the OP Private Placement, the Non-Economic Shares Private Placement or the Non-Voting Shares Offering. See [Certain Relationships and Related Transactions](#) ESL Exchange Agreement and [Certain Relationships and Related Transactions](#) Fairholme Exchange Agreement.

If you wish to exercise your over-subscription privilege, you must indicate on your rights certificate, or the form provided by your nominee if your Sears Holdings shares are held in the name of a nominee, how many additional Seritage Growth common shares you would like to purchase pursuant to your over-subscription privilege, and provide payment as described below.

Seritage Growth common shares will be allocated in the rights offering as follows:

First, shares will be allocated to holders of rights who exercise their basic subscription rights for one-half of one Seritage Growth common share per exercised subscription right.

Second, any remaining shares that were eligible to be purchased in the rights offering will be allocated among the holders of rights who exercise the over-subscription privilege, in accordance with the following formula:

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Each holder who exercises the over-subscription privilege will be allocated a percentage of the remaining shares equal to the percentage that results from dividing (i) the number of basic subscription rights which that holder exercised by (ii) the number of basic subscription rights which all holders who wish to participate in the over-subscription privilege validly exercised. Such percentage could result in the allocation of more or fewer over-subscription shares than the holder requested to purchase through the exercise of the over-subscription privilege.

For example, if Stockholder A holds 200 subscription rights and Stockholder B holds 300 subscription rights and they are the only two stockholders who exercise the over-subscription

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privilege, Stockholder A will be allocated 40% and Stockholder B will be allocated 60% of all remaining shares available. (Example A)

Third, if the allocation of remaining shares pursuant to the formula described above in the second step would result in any holder receiving a greater number of Seritage Growth common shares than that holder subscribed for pursuant to the over-subscription privilege, then such holder will be allocated only that number of shares for which the holder over-subscribed.

For example, if Stockholder A is allocated 100 shares pursuant to the formula described above but subscribed for only 40 additional shares pursuant to the over-subscription privilege, Stockholder A's allocation would be reduced to 40 shares. (Example B)

Fourth, any Seritage Growth common shares that remain available as a result of the allocation described above being greater than a holder's over-subscription request (the 60 additional shares in Example B above) will be allocated among all remaining holders who exercised the over-subscription privilege and whose initial over-subscription allocations were less than the number of shares they requested. This second allocation will be made pursuant to the same formula described above and repeated, if necessary, until all available Seritage Growth common shares have been allocated or all over-subscription requests have been satisfied in full.

However, in no circumstance will any holder (other than Fairholme Clients, which are expected to receive the Excess Share Waivers) be allocated Seritage Growth common shares pursuant to the over-subscription privilege to the extent such allocation would result in such holder beneficially owning 9.6% or more of the outstanding shares of beneficial interest of Seritage Growth (as calculated for certain federal income tax purposes), nor will any holder, other than ESL and Fairholme Clients, participate in the OP Private Placement, the Non-Economic Shares Private Placement or the Non-Voting Shares Offering. See Risk Factors Risks Related to the Offering If you own more than 5.3% of the Sears Holdings common stock as of the record date, you will not be able to exercise all of your basic subscription rights received in the rights offering, Certain Relationships and Related Transactions ESL Exchange Agreement and Certain Relationships and Related Transactions Fairholme Exchange Agreement. Seritage Growth common shares with respect to any subscription rights exchanged in the ESL Private Placement or the Non-Voting Shares Offering will not be sold in this offering and will not be available as part of the over-subscription process.

To properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege before the rights offering expires. Because we will not know the total number of unsubscribed common shares before the rights offering expires, if you wish to maximize the number of Seritage Growth common shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares that could be available to you at the time you exercise your basic subscription rights (*i.e.*, the aggregate payment for both your basic subscription right and for all additional shares you desire to purchase pursuant to your over-subscription request). See The Rights Offering The Subscription Rights Over-subscription Privilege. Any excess subscription payments received by the subscription agent, including payments for additional shares you requested to purchase pursuant to the over-subscription privilege but which were not allocated to you will be returned, without interest or penalty, promptly following the expiration of the rights offering.

Computershare Trust Company, N.A., our subscription agent for the rights offering, will determine, in its sole discretion, the over-subscription allocation based on the formula described above.



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### **What is the purpose of the Transaction?**

Sears Holdings believes that the Transaction would provide, among other things, financial and operational benefits to both us and Sears Holdings, including but not limited to the following expected benefits:

*Additional Liquidity and Financial Flexibility.* The Transaction is intended to monetize a portion of Sears Holdings' real estate assets in a manner that provides current value to Sears Holdings while allowing Sears Holdings to continue to operate in its existing store locations and creating significant flexibility and potential upside for both us and Sears Holdings. Specifically, the Transaction will provide Sears Holdings the ability to rationalize certain of its real estate holdings in a deliberate and considered manner, immediately gain increased liquidity, and subsequently rationalize a portion of its rental costs to the extent its stores become unprofitable below certain levels.

*Additional Strategic Opportunities.* We will immediately have an income stream from an existing tenant, with enhanced flexibility as a lessor due to the ability to recapture substantial amounts of space from Sears Holdings and diversify its tenant mix by leasing recaptured space to other tenants. As a REIT, Seritage Growth will generally not pay income taxes on income that is distributed to shareholders, and will be required to distribute at least 90% of its REIT taxable income to shareholders. Sears Holdings expects the Transaction to facilitate strategic expansion opportunities for us by providing us with the ability to pursue transactions with other operators that would not pursue transactions with Sears Holdings as a current competitor and to diversify into different businesses.

*Business-Appropriate Capital Structure.* The Transaction will create an independent equity structure that will afford us direct access to capital markets and facilitate our ability to effect future real estate acquisitions utilizing Seritage Growth common shares and Operating Partnership units.

*Focused Management.* The Transaction will allow management of each of Sears Holdings and Seritage Growth to devote time and attention to the development and implementation of corporate strategies and policies that are based on the specific business characteristics of the respective companies, and to design more tailored compensation structures that better reflect these strategies, policies and business characteristics. Our separate equity-based compensation arrangements should more closely align the interests of management with the interests of shareholders and more directly incentivize our employees and attract new talent.

*Distinct Investment Opportunities.* The Transaction will provide investors with two distinct and targeted investment opportunities. Since the subscription rights are being distributed at no charge to Sears Holdings' existing stockholders, stockholders will have the choice to acquire a stake in Seritage Growth in addition to retaining their existing Sears Holdings stake.

### **What are the GGP JV, the Simon JV and the Macerich JV?**

The GGP JV is a joint venture between Sears Holdings and GGP formed on March 31, 2015. The Simon JV is a joint venture between Sears Holdings and Simon formed on April 13, 2015. The Macerich JV is a joint venture between Sears Holdings and Macerich formed on April 30, 2015. Each JV entered into a sale-leaseback transaction with Sears Holdings with respect to the JV Properties, which consist of twelve properties sold by Sears Holdings to the GGP JV, ten properties sold by Sears Holdings to the Simon JV and nine properties sold by Sears Holdings to the Macerich JV. The JVs currently own the JV Properties and lease them to Sears Holdings under their respective JV Master Leases, as well as to certain third parties under third-party leases. Except with respect to the rent amounts and the properties covered, the general formats of the JV Master Leases are similar to one another and to the Master Lease, including with respect to the lessor's right to recapture space leased to Sears Holdings (other than at one property owned by the Macerich JV) and Sears Holdings' right to terminate a portion of the lease as to certain properties.

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As of the date of this prospectus, each of GGP and Sears Holdings owns a 50% interest in the GGP JV, each of Simon and Sears Holdings owns a 50% interest in the Simon JV and each of Macerich and Sears Holdings owns a 50% interest in the Macerich JV. In the Transaction, Sears Holdings will sell to Operating Partnership its 50% interests in the GGP JV, the Simon JV and the Macerich JV for \$165 million, \$114 million and \$150 million, respectively (which is equal to the purchase price previously paid by GGP, Simon and Macerich, respectively, for their 50% interests in the applicable JVs). As a result, the GGP JV will become a joint venture between Operating Partnership and GGP, the Simon JV will become a joint venture between Operating Partnership, and Simon and the Macerich JV will become a joint venture between Operating Partnership and Macerich.

Each JV will be governed by an executive committee that consists of one representative designated by GGP, Simon or Macerich, as applicable, and one representative that, following the Transaction, will be designated by us. Day-to-day operation of the GGP JV, the Simon JV and the Macerich JV and responsibility for leasing and redevelopment activities related to the JV Properties owned by each JV, are generally delegated to GGP, Simon and Macerich, respectively, subject to certain exceptions and to mutual approval of major decisions relating to the JV Properties or the applicable JV. In addition, GGP will be entitled to certain fees in connection with the management, leasing and development of the JV Properties owned by the GGP JV, except that if GGP fails to meet certain leasing performance conditions by March 31, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. Similarly, Simon will be entitled to certain fees in connection with the management, leasing and development of the JV Properties owned by the Simon JV, except that if Simon fails to meet certain leasing performance conditions by April 13, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. Likewise, Macerich will be entitled to certain fees in connection with the management, lease and development of the JV Properties owned by the Macerich JV, except that if Macerich fails to meet certain leasing performance conditions by April 30, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. In addition, at any time after March 31, 2018 in the case of the GGP JV, April 13, 2018, in the case of the Simon JV, and April 30, 2018 in the case of the Macerich JV we will have the right to cause GGP to purchase from the GGP JV, Simon to purchase from the Simon JV, or Macerich to purchase from the Macerich JV, as applicable, any JV Property owned by the applicable JV with respect to which a certain third-party leasing threshold has been satisfied at the fair market value of the property, less certain mortgage loans and other debt in respect of such property and certain selling expenses. A substantial majority of the space at the JV Properties is leased by the JVs to Sears Holdings under the JV Master Leases. See Business and Properties The GGP JV, the Simon JV and the Macerich JV.

**How was the \$29.58 per share subscription price determined?**

In determining the subscription price, the board of directors of Sears Holdings considered, among other things, (1) the opinion of Duff & Phelps LLC, which it engaged to act as a financial advisor in connection with the Transaction, (2) the appraisal reports of Cushman & Wakefield, which assisted in valuing the Acquired Properties, (3) the desirability of broad participation in the rights offering by Sears Holdings stockholders and of the development of a trading market for both the subscription rights and Seritage Growth common shares, (4) the fair market value of the Acquired Properties and the JV Interests purchased in the Transaction, including the terms of the Master Lease, and (5) Seritage Growth's liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Transaction if the rights offering were fully subscribed.

**Am I required to exercise all of the subscription rights I receive in the rights offering?**

No. You may exercise any number of your subscription rights or you may choose not to exercise any subscription rights. If you do not exercise any subscription rights, you will not receive any Seritage Growth common shares.



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The number of shares of Sears Holdings common stock that you own, and your percentage ownership, will not change as a result of the rights offering. If you do not exercise your subscription rights to purchase Seritage

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Growth common shares, following the Transaction you will no longer retain an ownership interest in the assets and liabilities transferred to us, as the common stock of Sears Holdings that you hold will no longer reflect the activities, assets or liabilities transferred to us. In addition, the trading price of Sears Holdings common stock immediately following the rights offering may be higher or lower than immediately prior to the rights offering because the assets and liabilities transferred to us will no longer be held by Sears Holdings, those assets and liabilities and related activities will no longer be reflected in Sears Holdings financial statements, and Sears Holdings will receive cash proceeds of approximately \$2,677.3 million as a result of the sale of the Acquired Properties and the JV Interests to us (including the distribution of the net proceeds of the debt incurred in the Financing, which will become, on a consolidated basis, indebtedness of the Operating Partnership and Seritage Growth) and will become obligated to pay rent (of \$140.0 million per year, initially) as well as other charges associated with the Acquired Properties pursuant to the Master Lease. See [Certain Relationships and Related Transactions](#) [The Master Lease](#).

See [Risk Factors](#) [Risks Related to the Offering](#) If you receive and exercise the subscription rights, you may be subject to adverse U.S. federal income tax consequences and [Risk Factors](#) [Risks Related to the Offering](#) If you receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences.

### **How soon must I act to exercise my subscription rights?**

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription agent must receive your completed and signed rights certificate and payments before the rights offering expires on July 2, 2015 at 5:00 p.m., New York City time. If you hold your shares of Sears Holdings common stock in the name of a broker, dealer, custodian bank or other nominee, your nominee may establish a deadline before the expiration of the rights offering by which you must provide it with your instructions to exercise your subscription rights. Although Sears Holdings may, in its discretion, extend the expiration date of the rights offering, it currently does not intend to do so. In addition, Sears Holdings may cancel the rights offering for various reasons. If the rights offering is cancelled, all subscription payments received will be returned, without interest or penalty, as soon as practicable. See [The Rights Offering](#) [Conditions, Withdrawal and Cancellation](#).

Although we will make reasonable attempts to provide this prospectus to Sears Holdings' stockholders, the rights offering and all subscription rights will expire on the expiration date, whether or not we have been able to locate each person entitled to subscription rights.

### **May I transfer my subscription rights?**

Yes. The subscription rights are transferable during the course of the subscription period and we intend to apply to list the subscription rights for trading on the NYSE under the symbol [SRGRT](#). We expect that a limited market, commonly known as a "when-issued" trading market, will develop on the NYSE for the subscription rights. We currently expect that the subscription rights will begin to trade on a when-issued basis on the date of this prospectus and will continue to trade until 4:00 p.m., New York City time, on June 26, 2015, the fourth business day prior to the scheduled expiration date of the rights offering (or, if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Seritage Growth common shares. However, the subscription rights are a new issue of securities with no prior trading market, and there may be insufficient liquidity in any trading market for the subscription rights or the market value of the subscription rights may be lower than expected.

If you hold your Sears Holdings common shares through a broker, custodian bank or other nominee, you may sell your subscription rights by contacting your broker, custodian bank or other nominee until the close of



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business on the business day preceding the expiration date of this rights offering. To sell your subscription rights, in addition to any other procedures your broker, custodian bank or other nominee may require, you must deliver your order to sell to your broker, custodian bank or other nominee such that it will be actually received prior to 4:00 p.m., New York City time, on June 26, 2015, the fourth business day prior to the expiration date of this rights offering. If you are a record holder of a subscription rights certificate, you may take your subscription rights certificate to a broker who can sell your subscription rights for you. To do so, you must deliver your properly executed subscription rights certificate, with appropriate instructions, and any additional documentation required by the broker. Commissions and applicable taxes or broker fees may apply if you sell your subscription rights. See [The Rights Offering Transferability of Subscription Rights](#).

### **What is the effect of transferring subscription rights?**

You may transfer or sell your subscription rights if you do not want to exercise them to purchase Seritage Growth common shares. However, if you transfer all or a portion of your subscription rights, you will be unable to purchase the Seritage Growth common shares underlying such transferred rights. In addition, if you transfer all or a portion of your subscription rights, you will not be entitled to exercise the over-subscription privilege with respect to the portion of your rights so transferred.

### **What is the effect of purchasing subscription rights?**

If you purchase subscription rights prior to the expiration of the subscription period, you may exercise such subscription rights and the over-subscription privilege related thereto or further transfer such subscription rights in accordance with the terms set forth in this prospectus. If Sears Holdings cancels the rights offering, the subscription rights will be void, of no value and will cease to be exercisable for Seritage Growth common shares. If you purchase subscription rights during the subscription period and Sears Holdings cancels the rights offering, you will lose the entire purchase price paid to acquire such subscription rights in the market; however any subscription payments that you paid and that were received by the subscription agent will be returned to you, without interest or penalty, as soon as practicable. See [Risk Factors Risks Related to the Offering](#) Sears Holdings may cancel the rights offering at any time prior to the expiration of the rights offering and in such case neither Sears Holdings nor the subscription agent will have any obligation to you except to return your exercise payments.

### **Is Sears Holdings requiring a minimum subscription to complete the offering?**

Yes. Sears Holdings is requiring that the offering be fully subscribed (including taking into account any exchanges by ESL or any Fairholme Client) to complete the offering. If this offering is not fully subscribed, the offering will be terminated unless the Sears Holdings board of directors, in its sole discretion, waives the minimum subscription requirement. If the rights offering is terminated, any money received by the subscription agent from subscribing stockholders will be refunded promptly, without interest or deduction.

### **Are there any conditions to closing the rights offering?**

Yes. Sears Holdings' obligation to close the rights offering and to distribute the Seritage Growth common shares subscribed for in the rights offering is conditioned upon the satisfaction or waiver of certain conditions, including that the board of directors of Sears Holdings does not determine, in its sole discretion, that the rights offering is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering (which could occur if, among other things, we do not receive sufficient proceeds from this offering, the OP Private Placement, the Seritage Private Placements and the Non-Economic Shares Private Placement, or if the Acquired Entities do not receive sufficient proceeds from the Financing). See [The Rights](#)

Offering Conditions, Withdrawal and Cancellation.

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### **Can Sears Holdings cancel or extend the rights offering?**

The rights offering is subject to the satisfaction or waiver of certain conditions. In addition, Sears Holdings has the right to withdraw and cancel the rights offering if, at any time prior to its expiration, the board of directors of Sears Holdings determines, in its sole discretion, that the rights offering is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering. If the rights offering is cancelled, any money received by the subscription agent from subscribing holders of rights will be returned, without interest or penalty, as soon as practicable. If Sears Holdings cancels the rights offering, the subscription rights will be void, of no value and will cease to be exercisable for Seritage Growth common shares. If you purchase rights during the subscription period and Sears Holdings cancels the rights offering, you will lose the entire purchase price paid to acquire such subscription rights in the market; however, any subscription payments that you paid and that were received by the subscription agent will be returned to you, without interest or penalty, as soon as practicable. Sears Holdings may also extend the rights offering for additional periods ending no later than July 17, 2015, although it does not presently intend to do so.

You should discuss with your tax advisor the tax consequences of receiving subscription rights if Sears Holdings subsequently cancels the rights offering. See [What are the material U.S. federal income tax consequences if I receive a subscription right from Sears Holdings and Sears Holdings subsequently cancels the rights offering?](#)

### **Will Sears Holdings directors and officers and Seritage Growth s trustees and officers be able to exercise their subscription rights?**

Sears Holdings directors and officers and Seritage Growth s trustees and officers that hold shares of Sears Holdings common stock, excluding shares of Sears Holdings restricted stock that is unvested as of the record date, may participate in the rights offering at the same subscription price per share as all other holders of subscription rights, but none of Sears Holdings directors and officers nor our trustees and officers is obligated to participate.

Holders of Sears Holdings restricted stock that is unvested as of the record date will receive a cash award, to be paid on the applicable vesting date, in lieu of any right such holder may have to receive subscription rights with respect to such unvested restricted stock. Such cash awards will represent the right to receive, on the applicable vesting date, a cash payment from Sears Holdings equal to the value of the subscription rights that would have been distributed to such holder had such holder s unvested restricted stock been unrestricted shares of Sears Holdings common stock, calculated on the basis of the volume-weighted average trading price per subscription right for the 10 trading-day period beginning on the first day on which the subscription rights trade on the NYSE. The subscription rights are expected to begin to trade on the NYSE on the first business day following the distribution of the subscription rights.

### **Has the Sears Holdings board of directors made a recommendation to Sears Holdings stockholders regarding the rights offering?**

No. Neither Sears Holdings nor Seritage Growth, nor their respective boards, is making any recommendation regarding the exercise of the subscription rights or the purchase, retention or sale of Sears Holdings common stock or Seritage Growth common shares. Stockholders who exercise subscription rights will incur investment risk on new money invested. Neither we nor Sears Holdings can predict the price at which Seritage Growth common shares will trade after this offering. The market price for Seritage Growth common shares may be below the subscription price, and if you purchase common shares at the subscription price, you may not be able to sell the shares in the future at the same price or a higher price. You should make your decision based on your assessment of our business and financial condition, our prospects for the future, the terms of the rights offering and the information contained in this prospectus. See [Risk Factors](#) for a discussion of some of the risks involved in investing in Seritage Growth common

shares.

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ESL beneficially owns approximately 48.5% of Sears Holdings' outstanding shares of common stock as of the date of this prospectus (53.2% including shares issuable upon the exercise of warrants held by ESL). Edward S. Lampert is the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL. You should not view the intentions of ESL or Mr. Lampert as a recommendation or other indication, by them or any member of the Sears Holdings or Seritage Growth boards, regarding whether the exercise of the subscription rights is or is not in your best interests.

### **How do I exercise my subscription rights if I am a registered holder of Sears Holdings Common Stock?**

If you are a registered holder of Sears Holdings common stock and you wish to participate in the rights offering, you must take the following steps:

deliver payment (as set forth below) to the subscription agent before 5:00 p.m., New York City time, on July 2, 2015; and

deliver a properly completed and duly executed rights certificate to the subscription agent before 5:00 p.m., New York City time, on July 2, 2015.

In certain cases, you may be required to provide additional documentation or signature guarantees. For example, your signature on the rights certificate must be guaranteed by an eligible institution unless you provide on the rights certificate that shares are to be delivered to you as record holder of those subscription rights or you are an eligible institution. See "The Rights Offering" for more information.

Please follow the delivery instructions on the rights certificate. Do not deliver subscription documents, the rights certificate or payment to Sears Holdings or to us. The risk of delivery to the subscription agent of your subscription documents, rights certificate and payment is borne by you, and not by us, Sears Holdings or the subscription agent. You should allow sufficient time for delivery of your subscription materials to the subscription agent so that the subscription agent receives them prior to 5:00 p.m., New York City time, on July 2, 2015.

You must timely pay the full subscription price in U.S. dollars for the full number of Seritage Growth common shares you wish to acquire in the rights offering, including any shares you wish to acquire pursuant to the over-subscription privilege. You must deliver to the subscription agent payment in full, by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth below, before the expiration of the rights offering period. Personal checks and wire transfers will not be accepted.

### **How do I participate in the rights offering if my shares are held in the name of a broker, dealer, custodian bank or other nominee?**

If you hold your shares of Sears Holdings common stock in the name of a broker, dealer, custodian bank or other nominee, then your nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf in accordance with your instructions. If you wish to purchase Seritage Growth common shares through the rights offering, you should contact your broker, dealer, custodian bank or nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the rights offering.

### **How do I exercise subscription rights that were purchased during the subscription period?**



If you purchased subscription rights during the subscription period through a broker, dealer, custodian bank or other nominee, you will not receive a rights certificate. Instead, your broker, dealer, custodian bank or other nominee must exercise the subscription rights on your behalf. If you wish to exercise your subscription rights and purchase Seritage Growth common shares through the rights offering, you should contact your nominee as soon as possible. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the expiration date of the rights offering.

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If you purchased subscription rights during the subscription period directly from a registered holder of Sears Holdings common stock, you should contact the subscription agent as soon as possible regarding the exercise of your subscription rights. Please follow the instructions of the subscription agent in order to properly exercise your subscription rights. See [The Rights Offering Method of Exercising Subscription Rights](#).

### **When will I receive my subscription rights certificate?**

Promptly after the date of this prospectus, the subscription agent will send a subscription rights certificate to each registered holder of Sears Holdings common stock on the record date, based on the stockholder registry maintained by the transfer agent for Sears Holdings common stock. If you hold your shares of common stock in the name of a broker, dealer, custodian bank or other nominee, you will not receive an actual subscription rights certificate. Instead, DTC will electronically issue one subscription right to your nominee record holder for every share of Sears Holdings common stock that you beneficially own as of the record date.

### **What form of payment must I use to pay the subscription price?**

You must timely pay the full subscription price in U.S. dollars for the full number of Seritage Growth common shares you wish to acquire in the rights offering, including any shares you wish to acquire pursuant to the over-subscription privilege. You must deliver to the subscription agent payment in full, by cashier's or certified check drawn upon a United States bank payable to the subscription agent at the address set forth below, before the expiration of the rights offering period. Personal checks and wire transfers will not be accepted.

If you send a subscription payment that is insufficient to purchase the number of Seritage Growth common shares you requested, or if the number of shares you requested is not specified in the rights certificate or subscription documents, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of Seritage Growth common shares under the over-subscription privilege and the elimination of fractional shares.

If you send a subscription payment that exceeds the amount necessary to purchase the number of Seritage Growth common shares for which you have indicated an intention to purchase, then the remaining amount will be returned to you by the subscription agent, without interest or penalty, as soon as practicable following the expiration of the rights offering.

### **What is the record date for the rights offering?**

Record ownership will be determined as of the close of business on June 11, 2015 (the record date).

### **When will I receive my Seritage Growth common shares?**

The distribution of the Seritage Growth common shares will be made by way of direct registration in book-entry form. No share certificates will be issued. If you purchase Seritage Growth common shares in the rights offering, as soon as practicable after the closing of the rights offering and the valid exercise of subscription rights pursuant to the basic subscription right and over-subscription privilege, and after all allocations and adjustments contemplated by the terms of the rights offering have been effected, the subscription agent will (i) credit your account or the account of your record holder with the number of Seritage Growth common shares that you purchased pursuant to the basic subscription right and the over-subscription privilege and (ii) mail to each holder of subscription rights who exercises the over-subscription privilege any excess amount, without interest or penalty, received in payment of the subscription price for excess Seritage Growth common shares that are subscribed for by such holder of subscription rights but not

allocated to such holder of subscription rights pursuant to the over-subscription privilege.

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### **After I exercise my subscription rights and send in my payment, may I withdraw or cancel my exercise of subscription rights?**

No. All exercises of subscription rights are irrevocable unless the rights offering is cancelled, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase Seritage Growth common shares at a price of \$29.58 per whole share.

### **What effect does this offering have on the outstanding common stock of Sears Holdings?**

The issuance of Seritage Growth shares of beneficial interest in this offering, the Non-Economic Shares Private Placement and the Seritage Private Placements will not affect the number of shares of Sears Holdings common stock you own or your percentage ownership of Sears Holdings. If you do not exercise your subscription rights to purchase Seritage Growth common shares, following the Transaction you will no longer retain an ownership interest in the assets and liabilities transferred to us, as the common stock of Sears Holdings that you hold will no longer reflect the activities, assets or liabilities transferred to us. In addition, the trading price of Sears Holdings common stock immediately following this offering may be higher or lower than immediately prior to this offering because the assets and liabilities transferred to us will no longer be held by Sears Holdings, those assets and liabilities and related activities will no longer be reflected in Sears Holdings financial statements, and Sears Holdings will receive cash proceeds of approximately \$2,677.3 million as a result of the sale of the Acquired Properties and the JV Interests to us (including the distribution of the net proceeds of the debt incurred in the Financing, which will become, on a consolidated basis, indebtedness of Operating Partnership and Seritage Growth) and will become obligated to pay rent (of \$140.0 million per year, initially) as well as other charges associated with the Acquired Properties pursuant to the Master Lease. See [Certain Relationships and Related Transactions](#) [The Master Lease](#).

### **What is the expected distribution policy of Seritage Growth?**

Seritage Growth intends to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires, among other things, that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, and that it pay regular corporate rates to the extent that it annually distributes less than 100% of its taxable income.

Seritage Growth currently intends to pay quarterly distributions in cash. For purposes of satisfying the minimum distribution requirement to qualify for and maintain REIT status, Seritage Growth's taxable income will be calculated without reference to its cash flow. Consequently, under certain circumstances, Seritage Growth may not have available cash to pay its required distributions and may distribute a portion of its dividends in the form of Seritage Growth common shares. In either event, a shareholder of Seritage Growth will be required to report dividend income to the extent of current or accumulated earnings and profit as a result of such distributions even though Seritage Growth distributed only nominal amounts of cash to such shareholder. The Internal Revenue Service (the "IRS") has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in shares as taxable dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but Seritage Growth could request a similar ruling from the IRS. In addition, the IRS previously issued a revenue procedure authorizing publicly traded REITs to make elective cash/share dividends, but that revenue procedure does not apply to Seritage Growth's taxable year ending December 31, 2015 and future taxable years. Accordingly, it is unclear whether and to what extent Seritage Growth will be able to make taxable dividends payable in-kind. For more information, see [U.S. Federal Income Tax Considerations](#). Seritage Growth currently believes that it will have sufficient available cash to pay its required distribution for 2015 in cash but there can be no assurance that

this will be the case.

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It presently is anticipated that acquisitions, investment and redevelopment activities with respect to our properties will be financed through internally generated cash flow, borrowings under the debt agreements to be entered into by Operating Partnership in connection with the Transaction, other debt financing or the issuance of equity securities. To the extent that those sources of funds are insufficient to meet all such cash needs, or the cost of such financing exceeds the cash flow generated by our properties for any period, cash available for distribution could be reduced. In that event, we may also borrow funds, liquidate or sell a portion of our properties or investments or find another source of funds, such as the issuance of equity securities, in order to pay required distributions. See Risk Factors Risk Related to Status as a REIT.

Seritage Growth anticipates that its distributions generally will be taxable as ordinary income to its shareholders, although a portion of the distributions may be designated by Seritage Growth as qualified dividend income or capital gain or may constitute a return of capital. Seritage Growth will furnish annually to each Seritage Growth shareholder a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. For a more complete discussion of the U.S. federal income tax treatment of distributions to shareholders of Seritage Growth, see U.S. Federal Income Tax Considerations.

### **Are there risks in exercising my subscription rights?**

Yes. Exercising the rights and investing in Seritage Growth common shares involves risks. We urge you to carefully read the section entitled Risk Factors beginning on page 32 of this prospectus, and all other information in this prospectus in its entirety before you decide whether to exercise your rights.

### **If the rights offering is not completed, will my subscription payment be refunded to me?**

The subscription agent will hold all funds it receives in escrow in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable. If you own shares of Sears Holdings common stock in the name of a broker, dealer, custodian bank or other nominee, it may take longer for you to receive your subscription payment because the subscription agent will return payments through the nominee record holder of your shares. If you purchase rights during the subscription period and Sears Holdings cancels the rights offering, you will lose the entire purchase price paid to acquire such subscription rights in the market; however any subscription payments that you paid and that were received by the subscription agent will be returned to you, without interest or penalty, as soon as practicable. See Risk Factors Risks Related to the Offering Sears Holdings may cancel the rights offering at any time prior to the expiration of the rights offering and in such case neither Sears Holdings nor the subscription agent will have any obligation to you except to return your exercise payments.

### **Will the rights be listed on a securities exchange?**

The subscription rights are transferable during the course of the subscription period and we intend to apply to list the subscription rights for trading on the NYSE under the symbol SRGRT. No public market currently exists for the subscription rights. We currently expect that they will begin to trade on a when-issued basis on the date of this prospectus, and will continue to trade until 4:00 p.m., New York City time, on June 26, 2015, the fourth business day prior to the scheduled expiration date of this rights offering (or if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to purchase any or all of the Seritage Growth common shares you are entitled to purchase through the rights offering. However, the subscription rights are a new issue of securities with no prior trading market, and we cannot provide you with any assurances as to the liquidity of any trading market for the subscription rights or the market value of the subscription rights.



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### **Will the Seritage Growth common shares be listed on a securities exchange?**

We intend to apply to list the Seritage Growth common shares on the NYSE under the symbol **SRG** and expect that trading will begin the first trading day after the completion of this offering. Currently, there is no public market for Seritage Growth common shares. We cannot predict the trading prices for the common shares or whether an active trading market for the common shares will develop. See **Risk Factors** **Risks Related to the Offering** There is currently no public market for Seritage Growth common shares. An active trading market for Seritage Growth common shares may not develop following this offering, and you may be unable to sell your shares at a price above the initial public offering price or at all.

### **What will happen to the listing of Sears Holdings shares?**

Sears Holdings shares will continue to be traded on the NASDAQ Global Select Market under the symbol **SHLD**.

### **What if I want to sell my Sears Holdings common stock or my Seritage Growth common shares?**

You should consult with your financial advisors, such as your stockbroker, bank or tax advisor. Neither Sears Holdings nor Seritage Growth, nor their respective boards, is making any recommendation regarding the exercise of the subscription rights or the purchase, retention or sale of Sears Holdings common stock or Seritage Growth common shares. In addition, the trading price of Sears Holdings common stock immediately following the Transaction may be higher or lower than immediately prior to the Transaction because the assets and liabilities of transferred to us will no longer be held by Sears Holdings, those assets and liabilities and related activities will no longer be reflected in Sears Holdings financial statements and Sears Holdings will receive cash proceeds of approximately \$2,677.3 million as a result of the sale of the Acquired Properties and the JV Interests to us (including the distribution of the net proceeds of the debt incurred in the Financing, which will be assumed by Operating Partnership) and will become obligated to pay rent (of \$140.0 million per year, initially) as well as other charges associated with the properties pursuant to the Master Lease. See **Certain Relationships and Related Transactions** **The Master Lease**.

If you decide to sell any shares of Sears Holdings common stock before the record date, you will not receive any subscription rights described in this prospectus in respect of the shares sold. If you own Sears Holdings common stock on the record date and sell those shares after the record date, you will still receive the subscription rights that you would be entitled to receive in respect of the Sears Holdings common stock you owned on the record date.

### **What fees or charges apply if I purchase Seritage Growth common shares in the rights offering?**

Sears Holdings is not charging any fee or sales commission to issue subscription rights to you or to deliver shares to you if you exercise your subscription rights. If you exercise your subscription rights through your broker, dealer, custodian bank or other nominee, you are responsible for paying any fees your intermediary may charge you.

### **What are the material U.S. federal income tax consequences if I receive and exercise a subscription right?**

You should discuss with your tax advisor the tax consequences of receiving and exercising a subscription right; however, if you receive a subscription right and exercise that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) no additional income upon the exercise of the subscription right. You will need to fund any tax resulting from the receipt of the subscription right with cash from other sources. For a detailed discussion, see **U.S. Federal Income Tax Considerations**.





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**What are the material U.S. federal income tax consequences if I receive and sell a subscription right?**

You should discuss the tax consequences of receiving and selling a subscription right with your tax advisor; however, if you receive a subscription right and sell that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) short-term capital gain or loss on the sale of the subscription right equal to the difference between the proceeds received upon the sale and the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings. It is possible that the sale proceeds received upon a sale of the subscription rights will be less than any tax resulting from your receipt of the subscription right. In this event, you will generally need to fund the remaining portion of any tax with cash from other sources. For a detailed discussion, see U.S. Federal Income Tax Considerations.

**What are the material U.S. federal income tax consequences if I receive and do not sell or exercise the right before it expires?**

You should discuss with your tax advisor the tax consequences of receiving a subscription right and neither selling nor exercising that right; however, if you receive a subscription right from Sears Holdings and do not sell or exercise that right before it expires, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) a short-term capital loss upon the expiration of such right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to offset only capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. shareholder). Accordingly, if you receive a subscription right from Sears Holdings and take no action, you may owe tax and need to fund that tax with cash from other sources. See Risk Factors Risks Related to the Offering If you receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences. For a detailed discussion, see U.S. Federal Income Tax Considerations.

**How will I be impacted if the distribution of rights to me is subject to withholding tax?**

In certain circumstances, withholding tax or backup withholding tax may apply to the distribution by Sears Holdings of the subscription rights. If withholding tax or backup withholding tax applies to the distribution of the subscription rights to you, your broker (or other applicable withholding agent) will be required to remit any such withholding tax or backup withholding tax in cash to the IRS. Depending on the circumstances, the broker (or other applicable withholding agent) may obtain the funds necessary to remit any such withholding tax by asking you to provide the funds, by using funds in your account with the broker or by selling (on your behalf) all or a portion of the subscription rights or by another means (if any) available. For a detailed discussion, see U.S. Federal Income Tax Considerations.

**What are the material U.S. federal income tax consequences if I receive a subscription right from Sears Holdings and Sears Holdings subsequently cancels the rights offering?**

You should discuss with your tax advisor the tax consequences of receiving a subscription right if Sears Holdings subsequently cancels the rights offering. There are limited authorities addressing the tax consequences that would apply to you in this circumstance. Certain of the authorities suggest that in this circumstance you may not have taxable dividend income upon the receipt of the subscription rights if you do not sell or otherwise dispose of the rights and if the receipt and cancellation occur in the same taxable year. However, the scope of those authorities is unclear and Sears Holdings (and any other applicable withholding agent) is likely to take the position, for information reporting and withholding purposes, that you have taxable dividend income upon the receipt of the subscription rights even if Sears Holdings subsequently cancels the rights offering. If withholding tax is withheld from you in this event, you

may wish to seek a refund of such amount from the IRS.

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If you do have taxable dividend income upon the receipt of a subscription right even though Sears Holdings subsequently cancels the rights offering, you should generally expect to have a short-term capital loss upon the cancellation of the subscription right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to offset only capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. shareholder). For a detailed discussion, see U.S. Federal Income Tax Considerations.

### **How do I exercise my subscription rights if I live outside of the United States and Canada or have an army post office or fleet post office address?**

The subscription agent will hold rights certificates for holders of Sears Holdings common stock having an address outside the United States and Canada, or who have an Army Post Office (APO) address or Fleet Post Office (FPO) address. In order to exercise subscription rights, such stockholders must notify the subscription agent and timely follow the additional procedures described under the heading The Rights Offering Foreign Stockholders.

### **To whom should I send my forms and payment?**

If your Sears Holdings shares are held in the name of a broker, dealer or other nominee, you should send your subscription documents and subscription payment to that nominee.

If you are the record holder, you should send your subscription documents, rights certificate and subscription payment by first class mail or courier service to:

*By Registered Certified or Express Mail:*

*Computershare  
c/o Voluntary Corporate Actions  
P.O. Box 43011  
Providence, RI 02940-3011*

*By Overnight Courier:*

*Computershare  
c/o Voluntary Corporate Actions  
250 Royall Street  
Suite V  
Canton, MA 02021*

The risk of delivery to the subscription agent of subscription documents, rights certificates and subscription payments is borne by the holders of subscription rights, and not by us, Sears Holdings or the subscription agent. You should allow sufficient time for delivery of your subscription materials to the subscription agent.

### **How will this offering affect outstanding Sears Holdings warrants?**

On November 21, 2014, Sears Holdings issued an aggregate of approximately 22 million warrants. Each warrant, when exercised, entitles the holder thereof to purchase one share of Sears Holdings common stock at an exercise price of \$28.41 per share under the terms of the warrant agreement. The exercise price and the number of shares of Sears Holdings common stock issuable upon exercise of a warrant are subject to adjustment in certain circumstances as provided in the related warrant agreement. Because Sears Holdings is distributing the subscription rights to holders of its common stock as of the record date, holders of Sears Holdings warrants will not receive subscription rights for their warrants or the shares of Sears Holdings common stock for which such warrants may be exercised unless they exercise their warrants and are issued Sears Holdings common stock prior to the record date.



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**How will this offering affect participants of the savings plans sponsored within the Sears Holdings controlled group of corporations?**

The Sears Holdings Savings Plan and the Sears Holdings Puerto Rico Savings Plan (collectively, the Savings Plans ) offer an employer stock fund through which participants (current and former Sears Holdings employees) may invest in Sears Holdings common stock. The applicable trust of each Savings Plan will, on behalf of each participant, receive one subscription right for each full share of Sears Holdings common stock held in the Sears Holdings stock fund under the applicable Savings Plan as of the record date. If necessary Sears Holdings will apply to the U.S. Department of Labor requesting that it grant a prohibited transaction exemption, effective as of the date of the distribution of the subscription rights, with respect to the acquisition, holding and disposition of the subscription rights by the Savings Plans. It is anticipated that an independent fiduciary will be engaged for each Savings Plan to determine whether and/or when to exercise or sell the subscription rights on behalf of the trusts of the Savings Plans, subject to the terms of any prohibited transaction exemption. Proceeds from the exercise or sale of the subscription rights will be credited to the Sears Holdings Stock Fund and reflected in the unit value of that fund, in accordance with the Savings Plans and related trust documents.

**Whom should I contact if I have other questions?**

If you have more questions about this offering or need additional copies of the offering documents, please contact Georgeson Inc., our information agent, by calling (866) 257-5415 (toll-free) or emailing [SearsSeritageOffer@georgeson.com](mailto:SearsSeritageOffer@georgeson.com).

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**THIS OFFERING**

**Securities Offered by Us**

Sears Holdings is distributing, at no charge, to holders of shares of its common stock as of the record date, transferable subscription rights to purchase from Seritage Growth up to an aggregate of 53,298,899 Seritage Growth common shares (which amount would be reduced to give effect to the anticipated exchanges by ESL and Fairholme Clients), at a price of \$29.58 per share. Sears Holdings will distribute to each holder of its common stock one subscription right for each full share of its common stock owned by that stockholder as of 5:00 p.m., New York City time, on June 11, 2015, the Record Date, except that holders of Sears Holdings restricted stock that is unvested as of the Record Date are expected to receive a cash award (equal to the value of the subscription rights that would have been distributed to such holder) in lieu of subscription rights. Each subscription right is a contractual obligation of Seritage Growth that allows the holder thereof to subscribe for one half of one Seritage Growth common shares at any time following the holder's receipt of a subscription rights certificate and prior to the expiration date. Each subscription right entitles the holder to a basic subscription right and an over-subscription privilege. The subscription rights will expire if they are not exercised by 5:00 p.m., New York City time, on July 2, 2015.

Seritage Growth is also offering to certain Fairholme Clients 9,527,194 Seritage Growth non-voting shares at a price of \$29.58 per share (the subscription price for the rights offering), in lieu of certain Class A Common Shares. FCM has advised us that it anticipates that certain Fairholme Clients, subject to the final terms of the offering and other considerations including market conditions and tax, regulatory and investment mandate restrictions, are likely to exchange a portion of their subscription rights for the Seritage Growth non-voting shares and that, subject to such considerations, certain other Fairholme Clients are likely to exercise their subscription rights to purchase Seritage Growth common shares. This offering also includes 9,527,194 Seritage Growth common shares that may be issued from time to time upon conversion of the Seritage Growth non-voting shares. See Description of Shares of Beneficial Interest Non-Voting Shares.

Sears Holdings expects the gross proceeds from this offering, together with the Seritage Private Placements and the ESL Private Placement, will be approximately \$1,644.5 million, assuming that the subscription rights are exercised in full (or, in the case of the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements, exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively).

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**Seritage Private Placements**

Seritage Growth will issue and sell to each of GGP and Simon, concurrently with the closing of this offering and subject to the satisfaction of certain other related closing conditions, 1,125,760 Seritage Growth common shares at a price of \$29.58 per share (the subscription price for the rights offering), for an aggregate purchase price of \$33.3 million for each of Simon and GGP, in the Seritage Private Placements. The shares to be issued and sold in the Seritage Private Placements are not registered as part of, and are in addition to the Seritage Growth common shares offered in, this offering.

**Basic Subscription Right**

The basic subscription right gives holders of the subscription rights the right to purchase, in the aggregate, up to 53,298,899 Seritage Growth common shares (which amount would be reduced to give effect to the anticipated exchanges by ESL and Fairholme Clients) at a subscription price of \$29.58 per whole share. Sears Holdings will distribute to each stockholder of record on the record date one subscription right allowing the holder to subscribe for one half of one Seritage Growth common share on the terms set forth in this offering, for every share of its common stock owned by such stockholder at that time. Fractional shares or cash in lieu of fractional shares will not be delivered in the rights offering. Instead, the number of shares issuable upon the exercise of the basic subscription right will be rounded down to the nearest whole share.

**Over-subscription Privilege**

If you purchase all of the Seritage Growth common shares available to you pursuant to your basic subscription right, you may also choose to purchase from Seritage Growth a portion of any common shares that other holders of subscription rights do not purchase through the exercise of their basic subscription rights, subject to limitations on ownership contained in Seritage Growth's declaration of trust. ESL and Fairholme Clients may participate in the over-subscription privilege; however, in light of tax and regulatory restrictions ESL and certain Fairholme Clients are expected to acquire interests in Seritage Growth and the Operating Partnership (in ESL's case) and in Seritage Growth (in the case of Fairholme Clients) by means of the ESL Private Placement and the Non-Voting Shares Offering. Seritage Growth common shares with respect to any subscription rights exchanged in the ESL Private Placement and the Non-Voting Shares Offering will not be sold in this offering and will not be available as part of the over-subscription process. In no circumstance will any holder (other than Fairholme Clients, which are expected to receive the Excess Share Waivers) be allocated common shares pursuant to the over-subscription privilege to the extent such allocation would result in such holder owning shares of beneficial interest of Seritage Growth in excess of the ownership limits, nor will any holder, other than ESL and Fairholme Clients, participate in the OP Private Placement, the Non-Economic Shares Private Placement or the Non-Voting Shares Offering. See Certain Relationships and



Related Transactions ESL Exchange Agreement and Certain Relationships and Related Transactions Fairholme Exchange Agreement.

**Ownership and Transfer Restrictions** To assist Seritage Growth in qualifying and maintaining its status as a REIT, among other purposes, Seritage Growth's declaration of trust

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contains certain restrictions relating to the ownership and transfer of shares of beneficial interest of Seritage Growth, including a provision restricting shareholders from beneficially or constructively owning more than 9.6% by value or number of shares, whichever is more restrictive, of all outstanding shares, or all outstanding common shares (including Seritage Growth common shares, Seritage Growth non-economic shares and Seritage Growth non-voting shares), of beneficial interest, of Seritage Growth. The Seritage Growth Board of Trustees is expected to grant the Excess Share Waiver to FCM and Fairholme Clients. See Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer.

**Subscription Price**

\$29.58 per whole share.

**Record Date**

5:00 p.m., New York City time, on June 11, 2015.

**Expiration Date**

5:00 p.m., New York City time, on July 2, 2015, unless Sears Holdings extends the rights offering period.

**Trading of Subscription Rights**

The subscription rights are transferable during the course of the subscription period. Sears Holdings currently expects that the subscription rights will begin to trade on the NYSE on a when-issued basis on the date of this prospectus, and will continue to trade until close of business on June 26, 2015, the fourth business day prior to the scheduled expiration date of the rights offering (or if the offer is extended, on the fourth business day immediately prior to the extended expiration date). As a result, you may transfer or sell your subscription rights if you do not want to exercise them to purchase Seritage Growth common shares. However, the subscription rights are a new issue of securities with no prior public trading market, and there can be no assurances provided as to the liquidity of the trading market for the subscription rights or their market value. See The Rights Offering Transferability of Subscription Rights.

**No Revocation**

All exercises of subscription rights are irrevocable, subject to applicable law, even if you later learn of information about us that you consider to be unfavorable. You should not exercise your subscription rights unless you are certain that you wish to purchase Seritage Growth common shares at the subscription price.

**Conditions; Extension and Cancellation**

The offering is subject to the satisfaction or waiver of certain conditions. It is a condition to this offering that the offering be fully subscribed

(including taking into account any exchanges by ESL or any Fairholme Client), which the Sears Holdings board of directors, at its sole discretion, may waive. In addition, Sears Holdings has the right to withdraw and cancel the rights offering if, at any time prior to its expiration, the board of directors of Sears Holdings determines, in its sole discretion, that the rights offering is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering. See The Rights Offering Conditions, Withdrawal and Cancellation.

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**Shares of Beneficial Interest to Be Outstanding After this Offering** 55,550,420 Seritage Growth common shares, assuming full exercise of the subscription rights.

Or, if the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements is exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively and including the Seritage Private Placements:

21,096,270 Seritage Growth Class A common shares

1,228,680 Seritage Growth non-economic shares.

9,527,194 Seritage Growth non-voting shares.

**Use of Proceeds**

Assuming the subscription rights are exercised in full, which is a condition to the completion of this offering (and including the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements, exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively), we expect to receive gross cash proceeds of approximately \$839.2 million as a result of the sale of Seritage Growth common shares and Seritage Growth non-voting shares in this offering. We also expect to receive gross cash proceeds of approximately \$737.3 million through the sale of Operating Partnership units in the OP Private Placement, gross cash proceeds of approximately \$0.7 million through the sale of Seritage Growth non-economic shares in the Non-Economic Shares Private Placement, and gross cash proceeds of approximately \$66.6 million through the sale of Seritage Growth common shares in the Seritage Private Placements. We intend to contribute the proceeds from this offering, the Non-Economic Shares Private Placement and the Seritage Private Placements to Operating Partnership, which will, together with the proceeds of the OP Private Placement and the assumption of the indebtedness incurred in the Financing, be used to pay the purchase price to Sears Holdings for the Acquired Entities, the remaining Acquired Properties and the JV Interests and related fees and expenses, with remaining proceeds used for working capital and other general purposes.

**Listing**

We intend to apply to list the Seritage Growth common shares on the NYSE under the symbol SRG.

**Ownership by ESL and Fairholme Clients** As of the date of this prospectus, ESL beneficially owns approximately 48.5% of the outstanding common stock of Sears Holdings (53.2%

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including shares issuable upon the exercise of

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warrants held by ESL) and Fairholme Clients beneficially own approximately 24.6% of the outstanding common stock of Sears Holdings. In light of tax and regulatory restrictions ESL and Fairholme Clients are expected to acquire interests in Seritage Growth and the Operating Partnership (in ESL's case) and in Seritage Growth (in the case of Fairholme Clients) by means of the ESL Private Placement and the Non-Voting Shares Offering, respectively. See Certain Relationships and Related Transactions ESL Exchange Agreement and Certain Relationships and Related Transactions Fairholme Exchange Agreement.

**No Recommendation**

Neither Sears Holdings nor Seritage Growth, nor their respective boards, is making any recommendation regarding the exercise of the subscription rights or the purchase, retention or sale of Sears Holdings common stock or Seritage Growth common shares. In addition, the trading price of Sears Holdings common stock immediately following the Transaction may be higher or lower than immediately prior to the Transaction because the assets and liabilities transferred to us will no longer be held by Sears Holdings, those assets and liabilities and related activities will no longer be reflected in Sears Holdings financial statements and Sears Holdings will receive cash proceeds of \$2,677.3 million as a result of the sale of the Acquired Properties and the JV Interests to us and will become obligated to pay rent (of \$140.0 million per year, initially) as well as other charges associated with the Acquired Properties pursuant to the Master Lease. See Risk Factors for a discussion of some of the risks involved in investing in Seritage Growth common shares.

**Subscription Agent**

Computershare Trust Company, N.A.

**Information Agent**

Georgeson Inc. If you have questions about the Transaction offering or need additional copies of the offering documents, please contact the information agent by calling (866) 257-5415 (toll-free) or emailing [SearsSeritageOffer@georgeson.com](mailto:SearsSeritageOffer@georgeson.com).

**Risk Factors**

Exercising the rights and investing in Seritage Growth common shares involves risks. We urge you to carefully read the section entitled Risk Factors beginning on page 32 of this prospectus, and all other information in this prospectus in its entirety before you decide whether to exercise your rights.

Information related to the Acquired Properties and the JV Interests, and with respect to uses of proceeds, is estimated as of the anticipated consummation of the Transaction. Except as otherwise stated, this prospectus assumes that ESL exchanges subscription rights to purchase 24,927,033 Seritage Growth common shares and cash for 24,927,033 Operating Partnership units and 1,228,680 Seritage Growth non-economic shares in the ESL Private Placement, and certain Fairholme Clients exchange subscription rights to purchase 9,527,194 Seritage Growth common shares and cash for 9,527,194 Seritage Growth non-voting shares in the Non-Voting Shares Offering, although neither ESL nor

any such Fairholme Client is obligated to do so.

**Table of Contents****SUMMARY PRO FORMA FINANCIAL DATA**

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, Operating Partnership portfolio will consist of 235 Acquired Properties that are owned (or, in one case, ground-leased) by Sears Holdings as of the date of this prospectus, as well as the JV Interests that are owned by Sears Holdings as of the date of this prospectus, which will be sold to Operating Partnership in the Transaction. Operating Partnership will lease (or sublease) a substantial majority of the space at all of the Acquired Properties other than the Third Party Properties back to Sears Holdings under a Master Lease, with the remainder of such space leased to third-party tenants. The eleven Third Party Properties, which do not currently contain a Sears Holdings store, will not have any space leased to Sears Holdings, and will instead be leased solely to third-party tenants. A substantial majority of the space at the JV Properties is also leased by the JVs to Sears Holdings under the JV Master Leases. We expect to generate revenues primarily by leasing retail properties to Sears Holdings and eventually other operators.

The following summary pro forma financial data does not reflect the financial position or results of operations of Seritage Growth for the periods indicated. The following table sets forth the historical real estate assets to be acquired by Seritage Growth and pro forma financial data for Seritage Growth. The following table should be read in conjunction with the sections entitled **Unaudited Pro Forma Consolidated Financial Data** and **Management's Discussion and Analysis of Financial Condition and Results of Operations**.

The pro forma financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a publicly traded company independent from Sears Holdings during the periods presented.

|   | <b>As of and for the<br/>Three Months ended<br/>March 31, 2015</b> | <b>As of and for the<br/>Year ended<br/>December 31,<br/>2014</b> |
|---|--|---|
| <i>thousands, except properties and per share data</i>              |  |   |
| Sears Holdings historical basis of Acquired Properties              | \$ 1,297,656   | \$ 1,307,808  |
| Sears Holdings historical basis of JV Properties (i)                | \$ 240,485   | \$ 243,525  |
| <b>Seritage Growth Properties</b>                                   |  |   |
| <b>Pro Forma Data (unaudited):</b>                                  |  |   |
| <b>Income Statement data:</b>                                       |  |   |
| Pro Forma revenues  | \$ 64,670  | \$ 260,092  |
| Pro Forma equity in income in unconsolidated real estate affiliates | \$ 3,251   | \$ 13,004   |
| Pro Forma net loss attributable to common shareholders              | \$ (1,093)   | \$ (4,372)  |
| Pro Forma loss per share  |  |   |
| Class A shares - Pro Forma basic & diluted loss per share           | \$ (0.04)  | \$ (0.14)   |
| Class C shares - Pro Forma basic & diluted loss per share           | \$ (0.04)  | \$ (0.14)   |

**Balance Sheet data:**



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|   |    |           |
|---|----|-----------|
| Pro Forma purchase price of Acquired Properties               | \$ | 2,248,274 |
| Pro Forma investment in unconsolidated real estate affiliates | \$ | 429,000   |
| Pro Forma total debt  | \$ | 1,161,196 |
| Pro Forma number of real estate properties (ii)               |    | 235       |

- (i) The amount related to the JV Properties is based on Sears Holdings' historical cost basis in 100% of the JV Properties, as opposed to the 50% interest Seritage Growth expects to acquire of the JV Interests.
- (ii) The number of properties represents the properties to be acquired by Seritage Growth not included in joint ventures.

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**Table of Contents****RISK FACTORS**

*Exercising the rights and investing in Seritage Growth common shares involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring Seritage Growth common shares offered by this prospectus. The occurrence of any of the following risks might cause you to lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled *Special Note Regarding Forward-Looking Statements*.*

**Risks Related to Our Business and Operations**

***We will be substantially dependent on Sears Holdings until we substantially diversify our portfolio, and an event or development that has a material adverse effect on Sears Holdings' business, financial condition or results of operations could have a material adverse effect on our business, financial condition or results of operations.***

Immediately following the Transaction, Sears Holdings will be the lessee of all but eleven of the Acquired Properties pursuant to the Master Lease and will account for a substantial majority of our revenues. Sears Holdings will also be the lessee of most of the space at each of the JV Properties and will account for a substantial majority of each JV's revenues immediately following the Transaction. Under the Master Lease, we will depend on Sears Holdings to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with these leased properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business, subject to proportionate sharing of certain of these expenses with occupants of the remainder of the space not leased to Sears Holdings. We may also rely on Sears Holdings for various support services, pursuant to the Transition Services Agreement that we expect to enter into with Sears Holdings. See *Following this offering, we will continue to depend on Sears Holdings to provide us with certain services for our business, including, among other things, corporate and real estate redevelopment services, which may not be sufficient to meet our business needs, and we may have difficulty finding replacement services or be required to pay increased costs to replace these services after our agreements with Sears Holdings expire. Sears Holdings may not have sufficient assets, income and access to financing to enable it to satisfy its payment obligations under the Master Lease following the Transaction. In addition, Sears Holdings has disclosed that its domestic pension and postretirement benefit plan obligations are currently underfunded. Sears Holdings may have to make significant cash payments to some or all of its pension and postretirement benefit plans, which would reduce the cash available for its businesses, potentially including its rent obligations under the Master Lease. The inability or unwillingness of Sears Holdings to meet its rent obligations and other obligations under the Master Lease could materially adversely affect our business, financial condition or results of operations, including our ability to pay the obligations under ground leases for properties that following the completion of the Transaction will be leased by Operating Partnership, to pay the interest, principal and other costs and expenses under our financings, or to pay dividends to Seritage Growth shareholders as required to maintain Seritage Growth's status as a REIT. For these reasons, if Sears Holdings were to experience a material adverse effect on its business, financial condition or results of operations, our business, financial condition or results of operations could also be materially adversely affected.*

Due to our dependence on rental payments from Sears Holdings as our main source of revenues, we may be limited in our ability to enforce our rights under the Master Lease. In addition, we may be limited in our ability to enforce our rights under the Master Lease because it is a unitary lease and does not provide for termination with respect to individual properties by reason of the default of the tenant. Failure by Sears Holdings to comply with the terms of the Master Lease or to comply with the regulations to which the leased properties are subject could require us to find another master lessee for all such leased property and there could be a decrease or cessation of rental payments by Sears Holdings. In such event, we may be unable to locate a suitable master lessee or a lessee for individual properties

at similar rental rates and other obligations and in a timely manner or at all, which would have the effect of reducing our rental revenues. In addition, each JV will be subject to similar limitations

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and risks under its JV Master Lease, which could reduce the value of our investment in, or distributions to us by, one or more JVs.

***The bankruptcy or insolvency of any of our tenants, particularly Sears Holdings, could result in the termination of such tenant's lease and material losses to us.***

A tenant bankruptcy or insolvency could diminish the rental revenue we receive from that property or could force us to take back a property as a result of a default or a rejection of the lease by a tenant in bankruptcy. In particular, a bankruptcy or insolvency of Sears Holdings, which will be our primary tenant, could result in a loss of a substantial portion of our rental revenue and materially and adversely affect us. Any claims against bankrupt tenants for unpaid future rent would be subject to statutory limitations that would likely result in our receipt, if at all, of rental revenues that are substantially less than the contractually specified rent we are owed under their leases. In addition, any claim we have for unpaid past rent will likely not be paid in full. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. We may also be unable to re-lease a terminated or rejected space or re-lease it on comparable or more favorable terms. If we do re-lease rejected space, we may incur significant costs for brokerage, marketing and tenant expenses.

Sears Holdings leases a substantial majority of the Acquired Properties pursuant to the Master Lease and most of the space at each of the JV Properties pursuant to the JV Master Lease. Bankruptcy laws afford certain protections to tenants that may also affect the Master Lease or JV Master Lease. Subject to certain restrictions, a tenant under a master lease generally is required to assume or reject the master lease as a whole, rather than making the decision on a property-by-property basis. This prevents the tenant from assuming only the better performing properties and terminating the master lease with respect to the poorer performing properties. Whether or not a bankruptcy court will require that a master lease must be assumed or rejected as a whole depends upon a facts and circumstances analysis considering a number of factors, including the parties' intent, the nature and purpose of the relevant documents, whether there was separate and distinct consideration for each property included in the master lease, the provisions contained in the relevant documents and applicable state law. If a bankruptcy court in a Sears Holdings bankruptcy were to allow the Master Lease or a JV Master Lease to be rejected in part, certain underperforming leases related to properties we or the JV party to that JV Master Lease, respectively, own could be rejected by the tenant in bankruptcy while tenant-favorable leases are allowed to remain in place, thereby adversely affecting payments to us derived from the properties. For this and other reasons, a Sears Holdings bankruptcy could materially and adversely affect us.

In addition, although we believe that the Master Lease is a true lease for purposes of bankruptcy law, it is possible that a bankruptcy court could re-characterize the lease transaction set forth in the Master Lease as a secured lending transaction. If the Master Lease were judicially recharacterized as a secured lending transaction, we would not be treated as the owner of the property and could lose certain rights as the owner in the bankruptcy proceeding. In addition, each JV is subject to this risk with respect to its JV Master Lease, which could reduce the value of our investment in, or distribution to us by, one or more JVs.

***Sears Holdings' right to terminate the Master Lease with respect to a portion of the Acquired Properties could negatively impact our business, results of operations and financial condition.***

Under the terms of the Master Lease, in each year, Sears Holdings will have the right to terminate the Master Lease with respect to Acquired Properties representing up to 20% of the aggregate annual rent payment under the Master Lease with respect to all Acquired Properties, if, with respect to an Acquired Property, the EBITDAR for the twelve-month period ending as of the most recent fiscal quarter end produced by the Sears Holdings store operated there is less than the rent allocated to such Acquired Property payable during that year. While Sears Holdings must pay a termination fee equal to one year of rent (together with taxes and other expenses) with respect to such property,

the value of some of the Acquired Properties could be materially

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adversely affected if we are not able to relet such Acquired Properties at the same rates which Sears Holdings was paying in a timely manner or at all, and this may negatively impact our business, results of operations and financial condition. Moreover, we are advised by Sears Holdings that approximately 59 of the Acquired Properties and JV Properties would qualify for such right of termination as of April 30, 2015. In addition, Sears Holdings will have the right to terminate a portion of the JV Master Lease with the GGP JV with respect to up to four JV Properties in any lease year, the JV Master Lease with the Simon JV with respect to up to three JV Properties in any lease year and the JV Master Lease with the Macerich JV with respect to up to three JV Properties in any lease year, in each case if, with respect to a JV Property owned by the applicable JV, the same EBITDAR condition is satisfied, which could reduce the value of our investment in, or distributions to us by, one or more JVs.

***We may not be able to renew leases or relet space at the Acquired Properties, or lease space in newly recaptured properties, and property vacancies could result in significant capital expenditures.***

When leases for our properties expire, the premises may not be relet in a timely manner or at all, or the terms of reletting, including the cost of allowances and concessions to tenants, may be less favorable than the current lease terms. The loss of a tenant through lease expiration or other circumstances may require us to spend (in addition to other re-letting expenses) significant amounts of capital to renovate the property before it is suitable for a new tenant and cause us to incur significant costs in the form of ongoing expenses for property maintenance, taxes, insurance and other expenses. Many of the leases we will enter into or acquire may be for properties that are especially suited to the particular business of the tenants operating on those properties. Because these properties have been designed or physically modified for a particular tenant, if the current lease is terminated or not renewed, we may be required to renovate the property at substantial costs, decrease the rent we charge or provide other concessions to re-lease the property. In addition, if we are required to sell the property, we may have difficulty selling it to a party other than the tenant due to the special purpose for which the property may have been designed or modified. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, including tenant demand. Also, we may not be able to lease new properties to an appropriate mix of tenants or for rents that are consistent with our expectations. To the extent that our leasing plans are not achieved or that we incur significant capital expenditures as a result of property vacancies, our business, results of operations and financial condition could be materially adversely affected.

***Real estate investments are relatively illiquid.***

Our properties represent a substantial portion of our total consolidated assets, and these investments are relatively illiquid. Significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes, insurance, and repair and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. If income from a property declines while the related expenses do not decline, our income and cash available to us would be adversely affected. If it becomes necessary or desirable for us to dispose of one or more of our mortgaged properties, we might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt or other costs and expenses. As a result, our ability to sell one or more of our properties or investments in real estate in response to any changes in economic or other conditions may be limited. If we want to sell a property, we may not be able to dispose of it in the desired time period or at a sale price that would exceed the cost of our investment in that property.

The number of potential buyers for certain properties that we may seek to sell may be limited by the presence of such properties in retail or mall complexes owned or managed by other property owners. In addition, our ability to sell or dispose of certain of the Acquired Properties may be hindered by the fact that such properties will be subject to the Master Lease, as the terms of the Master Lease or the fact that Sears Holdings is the lessee may make such properties less attractive to a potential buyer than alternative properties that may be for sale. Furthermore, if we decide to sell

any of our properties, we may provide financing to purchasers and bear the risk that the purchasers may default, which may delay or prevent our use of the proceeds of the sales for other purposes or the distribution of such proceeds to Seritage Growth shareholders.

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***Both we and our tenants face a wide range of competition that could affect our ability to operate profitably.***

The presence of competitive alternatives, both to our properties and the businesses that lease our properties, affects our ability to lease space and the level of rents we can obtain. Our properties will operate in locations that compete with other retail properties and also compete with other forms of retailing, such as catalogs and e-commerce websites. Competition may also come from strip centers, outlet centers, lifestyle centers and malls, and both existing and future development projects. New construction, renovations and expansions at competing sites could also negatively affect our properties. In addition, we compete with other retail property companies for tenants and qualified management. These other retail property companies may have relationships with tenants that we do not have since we have no operating history, including with respect to national chains that may be desirable tenants. If we are unable to successfully compete, our business, results of operations and financial condition could be materially adversely affected.

In addition, the retail business is highly competitive and if our tenants fail to differentiate their shopping experiences, create an attractive value proposition or execute their business strategies, they may terminate, default on, or fail to renew their leases with us, and our results of operations and financial condition could be materially adversely affected. Furthermore, we believe that the increase in digital and mobile technology usage has increased the speed of the transition from shopping at physical locations to web-based purchases and that our tenants, including Sears Holdings, may be negatively affected by these changing consumer spending habits. If our tenants are unsuccessful in adapting their businesses, and, as a result terminate, default on, or fail to renew their leases with us, our results of operations and financial condition could be materially adversely affected.

***Our pursuit of investments in and redevelopment of Acquired Properties, and investments in and acquisitions or development of additional properties, may be unsuccessful or fail to meet our expectations.***

We intend to grow our business through investments in, and acquisitions or development of, properties, including through the recapture and redevelopment of space at many of the Acquired Properties. However, our industry is highly competitive, and we will face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, lenders, and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. This competition will make it more challenging to identify and successfully capitalize on acquisition and development opportunities that meet our investment objectives. If we cannot identify and purchase a sufficient quantity of properties at favorable prices or if we are unable to finance acquisitions or other development opportunities on commercially favorable terms, our business, financial condition or results of operations could be materially adversely affected. Additionally, the fact that Seritage Growth must distribute 90% of its net taxable income in order to maintain its qualification as a REIT may limit Seritage Growth's ability to rely upon rental payments from leased properties or subsequently acquired properties in order to finance acquisitions. As a result, if debt or equity financing is not available on acceptable terms, further acquisitions or other development opportunities might be limited or curtailed.

Investments in, and acquisitions of, properties we might seek to acquire entail risks associated with real estate investments generally, including (but not limited to) the following risks and as noted elsewhere in this section:

we may be unable to acquire a desired property because of competition;



even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

we may incur significant costs and divert management attention in connection with evaluation and negotiation of potential acquisitions, including ones that we are subsequently unable to complete;

we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

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we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;

even if we are able to finance the acquisition, our cash flow may be insufficient to meet our required principal and interest payments;

we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

we may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities.

In addition, we intend to redevelop a portion of the Acquired Properties purchased from Sears Holdings in order to make space available for lease to additional retail tenants (and potentially other third-party lessees for other uses). The redevelopment of the Acquired Properties involves the risks associated with real estate development activities generally. See Current and future redevelopment may not yield expected returns. Our redevelopment strategies also involve additional risks, including that Sears Holdings may terminate or fail to renew leases with us for the applicable portion of the redeveloped space as a result of our redevelopment activities. If we are unable to successfully redevelop properties or to lease the redeveloped properties to third parties on acceptable terms, our business, results of operations and financial condition could be materially adversely affected.

***Current and future redevelopment may not yield expected returns.***

We expect to undertake redevelopment, expansion and reinvestment projects involving the Acquired Properties, and potentially other properties, as part of our long-term strategy. Likewise, each JV expects to undertake redevelopment, expansion and reinvestment projects involving its JV Properties, with respect to which we may be required to make additional capital contributions to the applicable JV under certain circumstances. These projects are subject to a number of risks, including (but not limited to):

abandonment of redevelopment activities after expending resources to determine feasibility;

loss of rental income, as well as payments of maintenance, repair, real estate taxes and other charges, from Sears Holdings related to space that is recaptured pursuant to the Master Lease (or the JV Master Leases) and which may not be re-leased to third parties;

restrictions or obligations imposed pursuant to other agreements (see Certain properties within our portfolio are subject to restrictions pursuant to reciprocal easement agreements, operating agreements, or similar

agreements, some of which contain a purchase option or right of first refusal or right of first offer in favor of a third party );

construction and/or lease-up costs (including tenant improvements or allowances) and delays and cost overruns, including construction costs that exceed original estimates;

failure to achieve expected occupancy and/or rent levels within the projected time frame or at all;

inability to operate successfully in new markets where new properties are located;

inability to successfully integrate new or redeveloped properties into existing operations;

difficulty obtaining financing on acceptable terms or paying operating expenses and debt service costs associated with redevelopment properties prior to sufficient occupancy and commencement of rental obligations under new leases;

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changes in zoning, building and land use laws, and conditions, restrictions or limitations of, and delays or failures to obtain, necessary zoning, building, occupancy, land use and other governmental permits;

changes in local real estate market conditions, including an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;

negative perceptions by retailers or shoppers of the safety, convenience and attractiveness of the property;

exposure to fluctuations in the general economy due to the significant time lag between commencement and completion of redevelopment projects; and

vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options.

If any of these events occur at any time during the process with respect to any project, overall project costs may significantly exceed initial cost estimates, which could result in reduced returns or losses from such investments. In addition, we may not have sufficient liquidity to fund such projects, and delays in the completion of a redevelopment project may provide various tenants the right to withdraw from a property.

Independent appraisals of the highest and best use for the Acquired Properties conducted by Cushman have noted that the redevelopment value of the Acquired Properties is speculative.

***Rising expenses could reduce cash flow and funds available for future acquisitions.***

If any property is not fully occupied or becomes vacant in whole or in part, or if rents are being paid in an amount that is insufficient to cover operating costs and expenses, we could be required to expend funds with respect to that property for operating expenses. Our properties will be subject to increases in tax rates and tax assessments, utility costs, insurance costs, repairs, maintenance and administrative expenses, and other operating expenses. We may also incur significant expenditures as a result of deferred maintenance for the Acquired Properties and other properties we may acquire in the future. While Acquired Properties under the Master Lease are generally leased on a triple-net basis (subject to proportionate sharing of operating expenses with respect to space not leased by Sears Holdings), renewals of leases or future leases may not be negotiated on that basis, in which event we may have to pay those costs. If we are unable to lease properties on a triple-net-lease basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions and other operating expenses, we could be required to pay those costs which could adversely affect funds available for future acquisitions or cash available for distributions.

***Real estate related taxes may increase (including as a result of the Transaction) and if these increases are not passed on to tenants, our income will be reduced.***

Some local real property tax assessors may seek to reassess some of our properties as a result of our acquisitions of properties, including as a result of the Transaction. Generally, from time to time our property taxes increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although the Master Lease and some third-party tenant leases may permit us to pass through such tax

increases to the tenants for payment, there is no assurance that renewal leases or future leases will be negotiated on the same basis. Increases not passed through to tenants will reduce our income and the cash available for distributions to Seritage Growth shareholders.

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***Changes in building and/or zoning laws may require us to update a property in the event of recapture or prevent us from fully restoring a property in the event of a substantial casualty loss and/or require us to meet additional or more stringent construction requirements.***

Due to changes, among other things, in applicable building and zoning laws, ordinances and codes that may affect certain of our properties that have come into effect after the initial construction of the properties, certain properties may not comply fully with current building and/or zoning laws, including electrical, fire, health and safety codes and regulations, use, lot coverage, parking and setback requirements, but may qualify as permitted non-conforming uses. Such changes may require updating various existing physical conditions of buildings in connection with our recapture, renovation, and/or redevelopment of properties. In addition, such changes may limit our or our tenant's ability to restore the premises of a property to its previous condition in the event of a substantial casualty loss with respect to the property or the ability to refurbish, expand or renovate such property to remain compliant, or increase the cost of construction in order to comply with changes in building or zoning codes and regulations. If we are unable to restore a property to its prior use after a substantial casualty loss or are required to comply with more stringent building or zoning codes and regulations, we may be unable to re-lease the space at a comparable effective rent or sell the property at an acceptable price, which may materially and adversely affect us.

***Our real estate assets may be subject to impairment charges.***

On a periodic basis, we must assess whether there are any indicators that the value of our real estate assets and other investments may be impaired. A property's value is considered to be impaired only if the estimated aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. In our estimate of cash flows, we will consider factors such as expected future operating income, trends and prospects, the effects of demand, competition and other factors. If we are evaluating the potential sale of an asset or development alternatives, the undiscounted future cash flows considers the most likely course of action at the balance sheet date based on current plans, intended holding periods and available market information. We are required to make subjective assessments as to whether there are impairments in the value of our real estate assets and other investments. These assessments may have a direct impact on our earnings because recording an impairment charge results in an immediate negative adjustment to earnings. We may take charges in the future related to the impairment of our assets, and any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken.

***Properties in our portfolio may be subject to ground leases; if we are found to be in breach of these ground leases or are unable to renew them, we could be materially and adversely affected.***

We have one property in our portfolio that is on land subject to a ground lease. Accordingly, we only own a long-term leasehold or similar interest in the land underlying this property, and we own the improvements thereon only during the term of the ground lease. In the future, our portfolio may include additional properties subject to ground leases. If we are found to be in breach of a ground lease, we could lose the right to use the property and could also be liable to the ground lessor for damages. In addition, unless we can purchase a fee interest in the underlying land or extend the terms of these leases before their expiration, which we may be unable to do, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases. Assuming that we exercise all available options to extend the terms of our ground lease, it will expire after the term of the Master Lease (including all renewal options). However, our ability to exercise such options under the ground lease is subject to the condition that we are not in default under the terms of the ground lease at the time that we exercise such options, and we may not be able to exercise our options at such time. Furthermore, we may not be able to renew our ground lease or future ground leases upon their expiration (after the exercise of all renewal options). If we were to lose the right to use a property due to a breach or non-renewal or final expiration of the ground lease, we would be unable to derive income from such

property, which could materially and adversely affect our business, financial conditions or results of operations.

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***Certain properties within our portfolio are subject to restrictions pursuant to reciprocal easement agreements, operating agreements, or similar agreements, some of which contain a purchase option or right of first refusal or right of first offer in favor of a third party.***

Many of the Acquired Properties and the JV Properties are, and properties that we acquire in the future may be, subject to use restrictions and/or operational requirements imposed pursuant to ground leases, restrictive covenants or conditions, reciprocal easement agreements or operating agreements (collectively, Property Restrictions ) that could adversely affect our ability to lease space to third parties. Such Property Restrictions could include, for example, limitations on alterations, changes, expansions, or reconfiguration of properties; limitations on use of properties, including for retail uses only; limitations affecting parking requirements; restrictions on exterior or interior signage or facades; or access to an adjoining mall, among other things. In certain cases, consent of the other party or parties to such agreements may be required when altering, reconfiguring, expanding, redeveloping or re-leasing properties. Failure to secure such consents when necessary may harm our ability to execute leasing, redevelopment or expansion strategies, which could adversely affect our business, financial condition or results of operations. In certain cases, a third party has a purchase option or right of first refusal or right of first offer that is activated by a sale or transfer of the property, or a change in use or operations, including a closing of the Sears Holdings operation or cessation of business operations, on the encumbered property.

***Economic conditions may affect the cost of borrowing, which could materially adversely affect our business.***

Our business is affected by a number of factors that are largely beyond our control but may nevertheless have a significant negative impact on us. These factors include, but are not limited to:

interest rates and credit spreads;

the availability of credit, including the price, terms and conditions under which it can be obtained;

a decrease in consumer spending or sentiment, including as a result of increases in savings rates and tax increases, and any effect that this may have on retail activity;

the actual and perceived state of the real estate market, market for dividend-paying stocks and public capital markets in general; and

unemployment rates, both nationwide and within the primary markets in which we operate.

In addition, economic conditions such as inflation or deflation could materially adversely affect our business, financial condition and results of operations. Deflation may have an impact on our ability to repay our debt. Deflation may delay consumption and thus weaken tenant sales, which may reduce our tenants' ability to pay rents. Deflationary pressure on retailers may diminish their ability to rent our space and decrease our ability to re-lease the space on favorable terms to us. In an inflationary economic environment, increased inflation may have a pronounced negative impact on the interest expense we pay in connection with our indebtedness and our general and administrative expenses, as these costs could increase at a rate higher than rents we collect. Also, inflation may adversely affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation



could also have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our own results of operations. Restricted lending practices may impact our ability to obtain financing for our properties and may also negatively impact our tenants' ability to obtain credit. Decreases in consumer demand can have a direct impact on our tenants and the rents we receive.

***Compliance with the Americans with Disabilities Act may require us to make expenditures that adversely affect our cash flows.***

The Americans with Disabilities Act (the ADA) has separate compliance requirements for public accommodations and commercial facilities, but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers, and non-

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compliance could result in imposition of fines by the United States government or an award of damages to private litigants, or both. While the tenants to whom our properties are leased are generally obligated by law or lease to comply with the ADA provisions applicable to the property being leased to them, if required changes involve other property not being leased to such tenants, if the required changes include greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of these tenants to cover costs could be adversely affected. Moreover, certain third-party leases may require the landlord to comply with the ADA with respect to the building as a whole and/or the tenant's space. As a result of any of the foregoing circumstances, we could be required to expend funds to comply with the provisions of the ADA, which could adversely affect our results of operations and financial condition.

***Environmental, health, safety and land use laws and regulations may limit or restrict some of our operations.***

As the owner or operator of various real properties and facilities, we must comply with various federal, state and local environmental, health, safety and land use laws and regulations. We and our properties are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety, as well as zoning restrictions. Historically, Sears Holdings has not incurred significant expenditures to comply with these laws with respect to the substantial majority of the space at the properties. However, a substantial portion of the Acquired Properties that have resulted in certain remediation activities currently include, or previously included, automotive care center facilities and retail fueling facilities, and/or above-ground or underground storage tanks, and are or were subject to laws and regulations governing the handling, storage and disposal of hazardous substances contained in some of the products or materials used or sold in the automotive care center facilities (such as gasoline, motor oil, fluid in hydraulic lifts, antifreeze, solvents and lubricants), the recycling/disposal of batteries and tires, air emissions, wastewater discharges and waste management. In addition to these products, the equipment in use or previously used at such Acquired Properties, such as service equipment, car lifts, oil/water separators, and storage tanks, has been subject to increasing environmental regulation relating to, among other things, the storage, handling, use, disposal and transportation of hazardous materials. There are also federal, state and local laws, regulations and ordinances that govern the use, removal and/or replacement of underground storage tanks in the event of a release on, or an upgrade or redevelopment of, certain properties. Such laws, as well as common-law standards, may impose liability for any releases of hazardous substances associated with the underground storage tanks and may provide for third parties to seek recovery from owners or operators of such properties for damages associated with such releases. If hazardous substances are released from any underground storage tanks on any of our properties, we may be materially and adversely affected. In a few states, transfers of some types of sites are conditioned upon clean-up of contamination prior to transfer. If any of our properties are subject to such contamination, we may be subject to substantial clean-up costs before we are able to sell or otherwise transfer the property.

Under the Master Lease, Sears Holdings is required to indemnify us from certain environmental liabilities at the Acquired Properties before or during the period in which each Acquired Property is leased to Sears Holdings, including removal and remediation of all affected facilities and equipment constituting the automotive care center facilities (and each JV Master Lease includes a similar requirement of Sears Holdings). Although existing and future third-party leases are expected to require tenants generally to indemnify us for such tenants' non-compliance with environmental laws as a result of their occupancy, such tenants typically will not be required to indemnify us for environmental non-compliance arising prior to their occupancy. In such cases, we may incur costs and expenses under such leases or as a matter of law. The amount of any environmental liabilities could exceed the amounts for which Sears Holdings or other third parties are required to indemnify us (or the applicable JV) or their financial ability to do so.

In addition, additional laws which may be passed in the future, or a finding of a violation of or liability under existing laws, could require us and/or one or more JVs to make significant expenditures and otherwise limit or restrict some of our or its or their operations, which could have an adverse effect on our business, financial condition and results of operations.

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***Environmental compliance costs and liabilities associated with real estate properties owned by us may materially and adversely affect us.***

Our properties may be subject to known and unknown environmental liabilities under various federal, state and local laws and regulations relating to human health and the environment. Certain of these laws and regulations may impose joint and several liability on certain statutory classes of persons, including owners or operators, for the costs of investigation or remediation of contaminated properties. These laws and regulations apply to past and present business operations on the properties, and the use, storage, handling and recycling or disposal of hazardous substances or wastes. We may face liability regardless of our knowledge of the contamination, the timing of the contamination, the cause of the contamination or the party responsible for the contamination of the property.

We may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any of our properties from which there has been a release or threatened release of a regulated material as well as other affected properties, regardless of whether we knew of or caused the release.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material (or ACM). Environmental, health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment. In addition, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or increase ventilation and/or expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs.

In addition to these costs, which are typically not limited by law or regulation and could exceed the property's value, we could be liable for certain other costs, including governmental fines, and injuries to persons, property or natural resources. Further, some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs the government incurs in connection with such contamination. Any such costs or liens could have a material adverse effect on our business or financial condition.

Although we intend to require our tenants to undertake to indemnify us for certain environmental liabilities, including environmental liabilities they cause, the amount of such liabilities could exceed the financial ability of the tenant to indemnify us. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease the real estate or to borrow using the real estate as collateral.

Each JV is subject to similar risks relating to environmental compliance costs and liabilities associated with its JV Properties, which may reduce the value of our investment in, or distributions to us by, one or more JVs, or require that we make additional capital contributions to one or more JVs.

***Possible terrorist activity or other acts of violence could adversely affect our financial condition and results of operations.***

Terrorist attacks or other acts of violence may result in declining economic activity, which could harm the demand for goods and services offered by our tenants and the value of our properties and might adversely affect the value of an

investment in our securities. Such a resulting decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. Terrorist activities or violence also could directly affect the value of our properties through damage, destruction or loss, and the availability of insurance for such acts, or of insurance generally, might be lower or cost more, which could increase our operating expenses and adversely affect our financial condition and results of operations. To the extent that our tenants are

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affected by future attacks, their businesses similarly could be adversely affected, including their ability to continue to meet obligations under their existing leases. These acts might erode business and consumer confidence and spending and might result in increased volatility in national and international financial markets and economies. Any one of these events might decrease demand for real estate, decrease or delay the occupancy of our new or redeveloped properties, and limit our access to capital or increase our cost of raising capital.

***We may have future capital needs and may not be able to obtain additional financing on acceptable terms.***

In connection with the Transaction, the Acquired Entities are expected to incur indebtedness of approximately \$1,161.2 million in the aggregate, and, as part of the Financing, we expect the Acquired Entities to have approximately \$100 million available to fund redevelopment activities at the Properties following the closing of the Transaction subject to satisfaction of certain conditions. Following the closing of the Transaction, the indebtedness incurred by the Acquired Entities in the Financing will become, on a consolidated basis, indebtedness of Operating Partnership. We may incur additional indebtedness in the future to refinance our existing indebtedness or to finance newly acquired properties or capital contributions to joint ventures. The debt to be incurred to finance the Transaction and any significant additional indebtedness could require a substantial portion of our cash flow to make interest and principal payments. Demands on our cash resources from debt service will reduce funds available to us to pay dividends, make capital expenditures and acquisitions or carry out other aspects of our business strategy. Our indebtedness may also limit our ability to adjust rapidly to changing market conditions, make us more vulnerable to general adverse economic and industry conditions and create competitive disadvantages for us compared to other companies with relatively lower debt levels. Increased future debt service obligations may limit our operational flexibility, including our ability to acquire properties, finance or refinance our properties, contribute properties to joint ventures or sell properties as needed.

Moreover, our ability to obtain additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to then- prevailing general economic, real estate and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. A prolonged worsening of credit market conditions would have a material adverse effect on our ability to obtain financing on favorable terms, if at all.

We may be unable to obtain additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under any indebtedness outstanding from time to time. Among other things, the absence of an investment grade credit rating or any credit rating downgrade could increase our financing costs and could limit our access to financing sources. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to enhance our properties or develop new properties, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

If additional funds are raised through the issuance of equity securities, Seritage Growth shareholders may experience significant dilution. Additionally, sales of substantial amounts of Seritage Growth common shares in the public market following the Transaction, or the perception that such sales could occur, could adversely affect the market price of Seritage Growth common shares, may make it more difficult for Seritage Growth shareholders to sell their common shares at a time and price that they deem appropriate, and could impair our future ability to raise capital through an offering of our equity securities.

***We expect to incur mortgage indebtedness and other borrowings, which may increase our business risks.***

We may incur mortgage debt and pledge all or some of our real properties as security for that debt to obtain funds to acquire additional real properties. Seritage Growth may also borrow if it needs funds or deems it necessary or advisable to assure that it maintains its qualification as a REIT for federal income tax purposes. If

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there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on a property, then the amount available for distributions to shareholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. In such event, Seritage Growth may be unable to pay the amount of distributions required in order to maintain its REIT status. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties. If any properties are foreclosed upon due to a default, Seritage Growth's ability to pay cash distributions to its shareholders may be adversely affected, which could result in Seritage Growth losing its REIT status.

***Covenants in our debt agreements may limit our operational flexibility, and a covenant breach or default could materially adversely affect our business, financial condition or results of operations.***

The agreements governing our indebtedness are expected to contain customary covenants for a real estate financing, including restrictions on our ability to grant liens on our assets, incur additional indebtedness, pay dividends, make investments or distributions and other restricted payments, or transfer or sell our assets. These restrictions may limit our operational flexibility. Covenants that limit our operational flexibility as well as defaults under our debt instruments could have a material adverse effect on our business, financial condition or results of operations.

***We have no operating history as a REIT or an independent public company, and our inexperience may impede our ability to successfully manage our business or implement effective internal controls.***

We have no operating history owning, leasing or developing properties independent from Sears Holdings or operating as a REIT. Similarly, we have no operating history as an independent public company. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or an independent public company. Upon completion of this offering, Seritage Growth will be required to implement substantial control systems and procedures in order to maintain its qualification as a REIT, satisfy its periodic and current reporting requirements under applicable Securities and Exchange Commission (SEC) regulations and comply with the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the NYSE listing standards. As a result, we will incur significant legal, accounting and other expenses that we have not previously incurred, and our management and other personnel will need to devote a substantial amount of time to comply with these rules and regulations and establish the corporate infrastructure and controls demanded of a publicly traded REIT. These costs and time commitments could be substantially more than we currently expect. If our finance and accounting organization is unable for any reason to respond adequately to the increased demands that will result from being an independent public company, the quality and timeliness of our financial reporting may suffer, and we could experience significant deficiencies or material weaknesses in our disclosure controls and procedures or our internal control over financial reporting.

An inability to establish effective disclosure controls and procedures and internal control over financial reporting or remediate existing deficiencies could cause us to fail to meet our reporting obligations under the Securities Exchange Act of 1934, as amended (the Exchange Act), or result in material weaknesses, material misstatements or omissions in our Exchange Act reports, any of which could cause investors to lose confidence in our company, which could have an adverse effect on our revenues and results of operations or the market price of Seritage Growth common shares.



For as long as we are an emerging growth company under the recently enacted JOBS Act or we remain a non-accelerated filer, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b). We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal

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controls could detect problems that our management's assessment might not detect. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

***For as long as we are an emerging growth company and while remaining a non-accelerated filer, we will not be required to comply with certain reporting requirements that apply to other public companies.***

As an emerging growth company under the JOBS Act, we may take advantage of provisions that, among other things, reduce certain reporting requirements, including relating to accounting standards and compensation disclosure. For as long as we are an emerging growth company and while remaining a non-accelerated filer, which may be up to five full fiscal years, unlike most other public companies, we will not be required to:

provide an auditor's attestation report on the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;

comply with any new requirements adopted by the Public Company Accounting Oversight Board, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;

provide certain disclosure regarding executive compensation required of larger public companies; or

hold shareholder advisory votes on executive compensation.

***Our status as an emerging growth company under the JOBS Act may make it more difficult to raise capital as and when we need it.***

Because of the exemptions from various reporting requirements provided to us as an emerging growth company, we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

***Our rights and the rights of Seritage Growth shareholders to take action against our trustees and officers are limited.***

As permitted by the Maryland REIT Law (the "MRL"), Seritage Growth's declaration of trust limits the liability of its trustees and officers to Seritage Growth and its shareholders for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

In addition, Seritage Growth's declaration of trust authorizes it and Seritage Growth's bylaws obligate it to indemnify its present and former trustees and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law, and effective upon completion of this offering, Seritage Growth will enter into indemnification agreements with its trustees and executive officers. As a result, Seritage Growth and its shareholders may have more limited rights against our trustees and officers than might otherwise exist absent the provisions in Seritage Growth's declaration of trust and bylaws or that might exist with other companies. Accordingly, in the event that actions taken by any of Seritage Growth's trustees or officers are immune or exculpated from, or indemnified against, liability but which impede Seritage Growth's performance, Seritage Growth and its shareholders' ability to recover damages from that trustee or officer will be limited.

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*Seritage Growth's declaration of trust and bylaws, Maryland law, and the partnership agreement of Operating Partnership contain provisions that may delay, defer or prevent an acquisition of Seritage Growth common shares or a change in control.*

Seritage Growth's declaration of trust and bylaws, Maryland law and the partnership agreement of Operating Partnership contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for Seritage Growth shareholders or otherwise be in their best interests, including the following:

**The Seritage Growth Declaration of Trust Contains Restrictions on the Ownership and Transfer of Seritage Growth Shares of Beneficial Interest.** In order for us to qualify as a REIT, no more than 50% of the value of outstanding Seritage Growth common shares may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than the first year for which we elect to be taxed as a REIT. Additionally, at least 100 persons must beneficially own Seritage Growth common shares during at least 335 days of a taxable year (other than the first taxable year for which we elect to be taxed as a REIT). The Seritage Growth declaration of trust, with certain exceptions, will authorize the Board of Trustees to take such actions as are necessary and desirable to preserve its qualification as a REIT. For this and other purposes, subject to certain exceptions, Seritage Growth's declaration of trust provides that no person may beneficially or constructively own more than 9.6%, in value or in number of shares, whichever is more restrictive, of all outstanding shares, or all outstanding common shares (including Seritage Growth common shares, Seritage Growth non-economic shares and Seritage Growth non-voting shares), of beneficial interest of Seritage Growth. We refer to these restrictions collectively as the ownership limits. The constructive ownership rules under the Code are complex and may cause shares owned directly or constructively by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.6% of the outstanding shares of beneficial interest of Seritage Growth shares by an individual or entity could cause that individual or entity or another individual or entity to own, beneficially or constructively, Seritage Growth shares of beneficial interest in violation of the ownership limits. Seritage Growth's declaration of trust also prohibits any person from owning Seritage Growth common shares that would result in our being closely held under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer Seritage Growth common shares or any of our other shares of beneficial interest in violation of these restrictions or other restrictions on ownership or transfer in Seritage Growth's declaration of trust may result in the transfer being automatically void. Seritage Growth's declaration of trust also provides that Seritage Growth common shares in excess of the ownership limits will be transferred to a trust for the exclusive benefit of a designated charitable beneficiary, and that any person who acquires Seritage Growth common shares in violation of the ownership limits will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the price paid by such person for the shares (or, if such person did not give value for such shares, the market price on the day the shares were transferred to the trust) or the amount realized from the sale. We or our designee will have the right to purchase the shares from the trustee at this calculated price as well. The ownership limits and other restrictions on ownership and transfer in Seritage Growth's declaration of trust may have the effect of preventing, or may be relied upon to prevent, a third party from acquiring control of us if the Seritage Growth Board of Trustees does not grant an exemption from the ownership limits, even if Seritage Growth shareholders believe the change in control is in their best interests. See Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer and U.S. Federal Income Tax Considerations.

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**The Seritage Growth Board of Trustees Has the Power to Cause Us to Issue Additional Shares of Beneficial Interest and Classify and Reclassify Any Unissued Seritage Growth Common Shares without Shareholder Approval.** Immediately following the closing of the Transaction, Seritage Growth will have issued and outstanding, in addition to the Seritage Growth common shares, Seritage Growth non-economic shares having, in the aggregate, 5.4% of the voting power of Seritage Growth, all of which will be held by ESL, and Seritage Growth non-voting shares entitled to, in the aggregate, 31.0% of the dividends or other distributions issued to holders of shares of beneficial interest of Seritage Growth, all of which will be held by Fairholme Clients. Seritage Growth's declaration of trust authorizes us to issue additional authorized but unissued common shares or preferred shares of beneficial interest. In addition, the Seritage Growth Board of Trustees may, without shareholder approval, (i) amend the declaration of trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of beneficial interest of any class or series that we have authority to issue and (ii) classify or reclassify any unissued common shares or preferred shares of beneficial interest and set the preferences, rights and other terms of the classified or reclassified shares. As a result, the Seritage Growth Board of Trustees may establish a class or series of common shares or preferred shares of beneficial interest that could delay or prevent a transaction or a change in control that might involve a premium price for Seritage Growth common shares or otherwise be in the best interests of Seritage Growth shareholders. See [Description of Shares of Beneficial Interest](#) [Power to Increase or Decrease Authorized Shares, Reclassify Unissued Shares and Issue Additional Common Shares and Preferred Shares of Beneficial Interest](#).

**The Seritage Growth Board of Trustees Is Divided into Three Classes and Trustee Elections Require a Vote of 75% of the Seritage Growth Common Shares and Seritage Growth Non-Economic Shares Entitled to Vote.** The Seritage Growth Board of Trustees is divided into three classes of trustees, with each class to be as nearly equal in number as possible. As a result, approximately one-third of the Board of Trustees will be elected at each annual meeting of shareholders, with, in both contested and uncontested elections, trustees elected by the vote of 75% of the votes of the Seritage Growth common shares and Seritage Growth non-economic shares (voting together as a single class) entitled to be cast in the election of trustees. In the event that an incumbent trustee does not receive a sufficient percentage of votes cast for election, he or she will continue to serve on the Board of Trustees until a successor is duly elected and qualifies. The classification of trustees and requirement that trustee nominees receive a vote of 75% of the votes of the Seritage Growth common shares and Seritage Growth non-economic shares (voting together as a single class) entitled to be cast in the election of trustees may have the effect of making it more difficult for shareholders to change the composition of the Board of Trustees. The requirement that trustee nominees receive a vote of 75% of the votes of the Seritage Growth common shares and Seritage Growth non-economic shares (voting together as a single class) entitled to be cast in the election of trustees may also have the effect of making it more difficult for shareholders to elect trustee nominees that do not receive the votes of shares of beneficial interest held by ESL and/or Fairholme clients, which will initially control approximately 9.8% and 9.0%, respectively, of the voting power of Seritage Growth. See [Management](#) [Board of Trustees Following the Transaction](#).

**The Partnership Agreement of Operating Partnership Provides Holders of Operating Partnership Units Approval Rights over Certain Change in Control Transactions Involving Seritage Growth or Operating Partnership.** Pursuant to the partnership agreement of Operating Partnership, certain transactions, including mergers, consolidations, conversions or other combinations or extraordinary transactions or transactions that constitute a change of control of Seritage Growth or Operating Partnership, as defined in the partnership agreement, will require the approval of the partners (other than Seritage Growth and entities controlled by it) holding a majority of all the outstanding Operating Partnership units held by all partners (other than Seritage Growth and entities controlled by it). These provisions could have the effect of delaying or preventing a change in control. See [Description of Partnership Agreement of Operating Partnership](#) [Restrictions on General Partner's Authority; Change of Control Transactions](#). Immediately following the closing of the Transaction, ESL will hold all of the Operating Partnership units not held by Seritage Growth and entities controlled by it.



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**Certain Provisions of Maryland Law May Limit the Ability of a Third Party to Acquire Control of Us.** Certain provisions of the Maryland General Corporation Law (the "MGCL") applicable to Maryland REITs may have the effect of inhibiting a third party from acquiring us or of impeding a change of control of Seritage Growth under circumstances that otherwise could provide Seritage Growth common shareholders with the opportunity to realize a premium over the then-prevailing market price of such shares or otherwise be in the best interest of shareholders, including:

**business combination** provisions that, subject to certain exceptions and limitations, prohibit certain business combinations between a Maryland REIT and an interested shareholder (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of Seritage Growth's outstanding voting shares or an affiliate or associate of the Maryland REIT who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding shares of Seritage Growth) or an affiliate of any interested shareholder and the Maryland REIT for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes two supermajority shareholder voting requirements on these combinations;

**control share** provisions that provide that, subject to certain exceptions, holders of control shares of our company (defined as voting shares that, if aggregated with all other shares owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing trustees) acquired in a control share acquisition (defined as the direct or indirect acquisition of issued and outstanding control shares) have no voting rights with respect to the control shares except to the extent approved by Seritage Growth shareholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares; and

Additionally, Title 3, Subtitle 8 of the MGCL permits the Seritage Growth Board of Trustees, without shareholder approval and regardless of what is currently provided in Seritage Growth's declaration of trust or bylaws, to implement certain takeover defenses. See Certain Provisions of Maryland Law and of Seritage Growth's Declaration of Trust and Bylaws Business Combinations, Control Share Acquisitions and Subtitle 8.

The Seritage Growth Board of Trustees has, by resolution, exempted from the provisions of the Maryland Business Combination Act all business combinations (a) between us and (i) Sears Holdings or its affiliates or (ii) ESL or FCM and/or Fairholme Clients and their respective affiliates and (b) between us and any other person, provided that such business combination is first approved by the Board of Trustees (including a majority of our trustees who are not affiliates or associates of such person). In addition, Seritage Growth's bylaws contain a provision opting out of the Maryland control share acquisition act.

*We may experience uninsured or underinsured losses, or insurance proceeds may not otherwise be available to us which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expense.*

While the Master Lease and other existing third-party leases will require, and new lease agreements are expected to require, that comprehensive general insurance and hazard insurance be maintained by the tenants with respect to their premises, and we expect to obtain casualty insurance with respect to the Acquired Properties, there are certain types of

losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, that may be uninsurable or not economically insurable. Insurance coverage (net of deductibles) may not be effective or be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building and zoning codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to restore or replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to such property or to comply with the requirements of our mortgages and Property Restrictions. Moreover, the holders of any mortgage indebtedness may require some or all property insurance proceeds to be applied to reduce such indebtedness, rather than being made available for property restoration.



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If we experience a loss that is uninsured or that exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, Property Restrictions or ground leases, we could continue to be liable for the indebtedness or subject to claims for damages even if these properties were irreparably damaged.

In addition, even if damage to our properties is covered by insurance, a disruption of our business or that of our tenants caused by a casualty event may result in the loss of business and/or tenants. The business interruption insurance we or our tenants carry may not fully compensate us for the loss of business or tenants due to an interruption caused by a casualty event. Further, if one of our tenants has insurance but is underinsured, that tenant may be unable to satisfy its payment obligations under its lease with us or its other payment or other obligations.

A disruption in the financial markets may make it more difficult to evaluate the stability, net assets and capitalization of insurance companies and any insurer's ability to meet its claim payment obligations. A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy, losses in excess of our policy coverage limits or disruptions to our business or the business of our tenants caused by a casualty event could adversely affect our business, financial condition and results of operations.

Each JV may also experience uninsured or underinsured losses, and also faces other risks related to insurance that are similar to those we face, which could reduce the value of our investment in, or distributions to us by, one or more JVs, or require that we make additional capital contributions to one or more JVs.

***Conflicts of interest may exist or could arise in the future between the interests of Seritage Growth shareholders and the interests of holders of Operating Partnership units, and the partnership agreement of Operating Partnership grants holders of Operating Partnership units certain rights, which may harm the interests of Seritage Growth shareholders.***

Conflicts of interest may exist or could arise in the future as a result of the relationships between Seritage Growth and its affiliates, on the one hand, and Operating Partnership or any of its partners, on the other. Seritage Growth's trustees and officers have duties to Seritage Growth under Maryland law in connection with their oversight and management of the company. At the same time, Seritage Growth, as general partner of Operating Partnership, will have duties and obligations to Operating Partnership and its limited partners under Delaware law, as modified by the partnership agreement of Operating Partnership in connection with the management of Operating Partnership.

For example, without the approval of the majority of the Operating Partnership units not held by Seritage Growth and entities controlled by it, Seritage Growth will be prohibited from taking certain extraordinary actions, including change of control transactions of Seritage Growth or Operating Partnership. See Certain Relationships and Related Transactions and Description of Partnership Agreement of Operating Partnership.

***Upon completion of this offering, ESL will own a substantial percentage of the Operating Partnership Units, which may be exchanged for cash or, at the election of Seritage Growth, Seritage Growth common shares, and which will result in certain transactions involving Seritage Growth or Operating Partnership requiring the approval of ESL.***

Upon completion of the OP Private Placement, ESL is expected to own approximately 44.9% of the Operating Partnership units, with the remainder of the units held by Seritage Growth. In addition, ESL will have the right to acquire additional Operating Partnership units in order to allow it to maintain its relative ownership interest in Operating Partnership if Operating Partnership issues additional units to Seritage Growth under certain circumstances, including if Seritage Growth issues additional equity and contributes the funds to Operating Partnership to fund acquisitions or redevelopment of properties, among other uses. In addition, ESL will have the



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right to require Operating Partnership to redeem its Operating Partnership units in whole or in part in exchange for cash or, at the election of Seritage Growth, Seritage Growth common shares, except as described below. If exchanged for Seritage Growth common shares (and assuming the ownership limits set forth in Seritage Growth's declaration of trust did not apply), the Operating Partnership units owned by ESL would represent approximately 44.9% of the outstanding Seritage Growth common shares based on the number of shares outstanding as of the closing of the Transaction. Due to the ownership limits set forth in Seritage Growth's declaration of trust, ESL may dispose of some or all of the Seritage Growth common shares it beneficially owns prior to exercising its right to require Operating Partnership to redeem Operating Partnership units, and the partnership agreement of Operating Partnership will permit ESL (and only ESL) to transfer its Operating Partnership units to one or more underwriters to be exchanged for Seritage Growth common shares in connection with certain dispositions in order to achieve the same effect as would occur if ESL were to exchange a larger portion of its Operating Partnership units for Seritage Growth common shares and then dispose of those shares in an underwritten offering. See Description of Partnership Agreement of Operating Partnership. Sales of a substantial number of Seritage Growth common shares in connection with or to raise cash proceeds to facilitate, such a redemption, or the perception that such sales may occur, could adversely affect the market price of the Seritage Growth common shares. See The number of shares available for future sale could adversely affect the market price of Seritage Growth common shares.

In addition, the partnership agreement of Operating Partnership requires the approval of a majority of the Operating Partnership units not held by Seritage Growth and entities controlled by it for certain transactions and other actions, including certain change of control transactions involving Seritage Growth or Operating Partnership, sales of all or substantially all of the assets of Operating Partnership, waivers to the excess share provision in the declaration of trust of Seritage Growth, certain modifications to the partnership agreement, withdrawal or succession of Seritage Growth as general partner of Operating Partnership, limits on the right of holders of Operating Partnership units to redeem their units, tax elections and certain other matters. See Description of Partnership Agreement of Operating Partnership. As long as ESL owns a majority of the outstanding Operating Partnership units not held by Seritage Growth and entities controlled by it (and, for certain actions, as long as ESL holds at least 40% of the economic interests of Seritage Growth and Operating Partnership on a combined basis), ESL's approval will be required in order for the general partner to undertake such actions. If ESL refuses to approve a transaction, our business could be materially adversely affected. For example, without the approval of limitations on the right of holders of Operating Partnership units to redeem their units, potential lenders may be unwilling to lend to us because funds may be needed to pay for redemptions of Operating Partnership units. Furthermore, upon the completion of this offering, ESL is expected to own approximately 4.5%, of the outstanding Seritage Growth common shares, as well as Seritage Growth non-economic shares having, in the aggregate, 9.8% of the voting power of Seritage Growth. In any of these matters, the interests of ESL may differ from or conflict with the interests of our other shareholders.

***ESL exerts substantial influence over us and Sears Holdings, and its interests may differ from or conflict with the interests of our other shareholders.***

Following the Transaction, ESL is expected to beneficially own approximately 44.9% of the Operating Partnership units, and approximately 4.5% of the outstanding Seritage Growth common shares and Seritage Growth non-economic shares having, in the aggregate, 9.8% of the voting power of Seritage Growth. ESL is also expected to beneficially own approximately 48.5% of the outstanding common stock of Sears Holdings (53.2% including shares issuable upon the exercise of warrants held by ESL). In addition, Mr. Lampert, the Chairman of the Board and Chief Executive Officer of Sears Holdings and Chairman and Chief Executive Officer of ESL, will serve on the Seritage Growth Board of Trustees. As a result, ESL and its affiliates will have substantial influence over us and Sears Holdings. In any matter affecting us, including our relationship with Sears Holdings, the interests of ESL may differ from or conflict with the interests of our other shareholders.



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***The businesses of each of the GGP JV, the Simon JV, and the Macerich JV are similar to our business and the occurrence of risks that adversely affect us could also adversely affect our investment in the GGP JV, the Simon JV and/or the Macerich JV.***

In the Transaction, Sears Holdings will sell to Operating Partnership its 50% interests in each of the GGP JV, the Simon JV and the Macerich JV. In connection with our purchase of Sears Holdings JV Interests, we will assume Sears Holdings obligation to make capital contributions to each JV under certain circumstances. The GGP JV is a joint venture that owns and operates certain JV Properties, which consist of twelve properties formerly owned by Sears Holdings, the Simon JV is a joint venture that owns and operates certain other JV Properties, which consist of ten other properties formerly owned by Sears Holdings and the Macerich JV is a joint venture that owns and operates the remaining JV Properties, which consist nine other properties formerly owned by Sears Holdings. A substantial majority of the space at the JV Properties is leased by the applicable JV to Sears Holdings under the applicable JV Master Lease. Except with respect to the rent amounts and the properties covered, the general formats of the JV Master Leases are similar to one another and to the Master Lease, including with respect to the lessor's right to recapture space leased to Sears Holdings (other than at one property owned by the Macerich JV) and Sears Holdings right to terminate a portion of the lease as to certain properties. As a result, each JV's business is similar to our business, and each JV is subject to many of the same risks that we face, including those described in Risks Related to Our Business and Operations. The occurrence of risks that adversely affect us could also adversely affect one or more JVs and reduce the value of our investment in, or distributions to us from, one or more JVs, or require that we make additional capital contributions to one or more JVs.

In addition, our influence over each JV may be limited by the fact that day-to-day operation of the GGP JV, the Simon JV and the Macerich JV, and responsibility for leasing and redevelopment activities related to the JV Properties owned by the GGP JV, the Simon JV and the Macerich JV, as applicable, are generally delegated to GGP, Simon and Macerich, respectively, subject to certain exceptions. The JV Properties owned by the GGP JV are located at malls owned and operated by GGP, the JV Properties owned by the Simon JV are located at malls owned and operated by the Simon JV and the JV Properties owned by the Macerich JV are located at malls owned and operated by the Macerich JV. As a result, conflicts of interest may exist or could arise in the future between the interests of GGP, Simon or Macerich and our interests as a holder of 50% interests in the GGP JV, the Simon JV and the Macerich JV, respectively, including, for example, with respect to decisions as to whether to lease to third parties space at a JV Property or other space at the mall at which such JV Property is located.

***Following this offering, we will continue to depend on Sears Holdings to provide us with certain services for our business, including, among other things, corporate and real estate redevelopment services, which may not be sufficient to meet our business needs, and we may have difficulty finding replacement services or be required to pay increased costs to replace these services after our agreements with Sears Holdings expire.***

Certain administrative services required for the operation of our business will be provided by Sears Holdings during the 18-month period following the closing of the Transaction. Prior to the closing of this offering, we will have entered into various agreements that will effect the purchase and sale of the Acquired Properties and the lease or sublease of a substantial majority of the Acquired Properties to Sears Holdings, including, among others, the Subscription, Distribution and Purchase and Sale Agreement, the Master Lease and the Transition Services Agreement. The Subscription, Distribution and Purchase and Sale Agreement will provide for, among other things, our responsibility for liabilities relating to our business and the responsibility of Sears Holdings for liabilities unrelated to our business. The agreements between us and Sears Holdings will also govern our various interim and ongoing relationships. The Subscription, Distribution and Purchase and Sale Agreement will also contain indemnification obligations and ongoing commitments of us and Sears Holdings. The Master Lease will govern the terms of the use and operation of the Acquired Properties leased by us to Sears Holdings, including our redevelopment

and recapture rights and Sears Holdings' lease termination rights, and the repair, maintenance and redevelopment-related services Sears Holdings may provide to us. Under the Transition Services Agreement, Sears Holdings Management Corporation will continue to provide various interim facilities

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management and corporate support services to us. The terms of the Transaction were determined by Sears Holdings, and thus may be different than the terms we could have obtained from an unaffiliated third party. These agreements will continue in accordance with their terms after the closing of the Transaction. For a description of these agreements and the other agreements that we will enter into with Sears Holdings, see **Certain Relationships and Related Transactions**.

After these agreements expire, or if Sears Holdings is unable to meet its obligations under these agreements, we may be forced to seek replacement services from alternate providers. These replacement services may be more costly to us or of lower quality, and the transition process to a new service provider may result in interruptions to our business or operations, which could harm our financial condition or results of operations.

***In connection with the Transaction, Sears Holdings will indemnify us for certain liabilities. However, these indemnities may be insufficient to insure us against the full amount of such liabilities, and Sears Holdings' ability to satisfy its indemnification obligations may be impaired in the future.***

Pursuant to the Subscription, Distribution and Purchase and Sale Agreement and the Master Lease, Sears Holdings will agree to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that Sears Holdings will agree to retain, and Sears Holdings may be unable to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Sears Holdings any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from Sears Holdings. Any liabilities in excess of amounts for which we receive timely indemnification from Sears Holdings could have a material adverse effect on our business and financial condition.

**Risks Related to Status as a REIT**

***If we do not qualify to be taxed as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to Seritage Growth shareholders.***

We intend to operate in a manner that will allow us to qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2015. References throughout this document to the first taxable year for which we have elected to be taxed as a REIT refer to the taxable year ending December 31, 2015. Seritage Growth expects to receive an opinion of Wachtell, Lipton, Rosen & Katz ( **Wachtell Lipton** ) with respect to its qualification as a REIT in connection with the Transaction. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Wachtell Lipton represents only the view of Wachtell Lipton based on its review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Wachtell Lipton will have no obligation to advise Seritage Growth or the holders of Seritage Growth common shares of any subsequent change in the matters stated, represented or assumed or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Wachtell Lipton and Seritage Growth's qualification as a REIT will depend on Seritage Growth's satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Wachtell Lipton. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for some of which we will not obtain independent appraisals.

If Seritage Growth were to fail to qualify as a REIT in any taxable year, Seritage Growth would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates,

and dividends paid to Seritage Growth shareholders would not be deductible by Seritage Growth in computing its taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to Seritage Growth shareholders, which in turn could have an adverse impact on the value of Seritage Growth common shares. Unless we were entitled to relief under certain Code



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provisions, Seritage Growth also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which Seritage Growth failed to qualify as a REIT.

***Qualifying as a REIT involves highly technical and complex provisions of the Code.***

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize Seritage Growth's REIT qualification. Seritage Growth's qualification as a REIT will depend on the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, Seritage Growth's ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which Seritage Growth has no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

***We could fail to qualify to be taxed as a REIT if income we receive from Sears Holdings is not treated as qualifying income.***

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. See U.S. Federal Income Tax Considerations. Rents we receive or accrue from Sears Holdings will not be treated as qualifying rent for purposes of these requirements if the Master Lease is not respected as a true lease for U.S. federal income tax purposes and is instead treated as a service contract, joint venture, financing, or some other type of arrangement. If the Master Lease is not respected as a true lease for U.S. federal income tax purposes, we may fail to qualify to be taxed as a REIT. Furthermore, Seritage Growth's qualification as a REIT will depend on the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Seritage Growth's ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for some of which Seritage Growth will not obtain independent appraisals.

In addition, subject to certain exceptions, rents we receive or accrue from Sears Holdings (or other tenants) will not be treated as qualifying rent for purposes of these requirements if we or an actual or constructive owner of 10% or more of the Seritage Growth common shares actually or constructively owns 10% or more of the total combined voting power of all classes of Sears Holdings stock (or the stock of such other tenant) entitled to vote or 10% or more of the total value of all classes of Sears Holdings stock (or the stock of such other tenant). Seritage Growth's declaration of trust provides for restrictions on ownership and transfer of Seritage Growth common shares, including restrictions on such ownership or transfer that would cause the rents we receive or accrue from Sears Holdings (or other tenants) to be treated as non-qualifying rent for purposes of the REIT gross income requirements. The provisions of Seritage Growth's declaration of trust that restrict the ownership and transfer of Seritage Growth common shares are described in Description of Shares of Beneficial Interest Restrictions on Ownership and Transfer. Nevertheless, such restrictions may not be effective in ensuring that rents we receive or accrue from Sears Holdings (or other tenants) will be treated as qualifying rent for purposes of REIT qualification requirements.

***Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.***

The maximum U.S. federal income tax rate applicable to income from qualified dividends payable by U.S. corporations to U.S. shareholders that are individuals, trusts and estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than

investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the Seritage Growth common shares.

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We generally must distribute annually at least 90% of Seritage Growth's REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify to be taxed as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of Seritage Growth's REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to Seritage Growth shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to make distributions to Seritage Growth shareholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of Seritage Growth common shares.

Restrictions in our indebtedness following the Transaction, including restrictions on our ability to incur additional indebtedness or make certain distributions, could preclude us from meeting the 90% distribution requirement. Decreases in funds from operations due to unfinanced expenditures for acquisitions of properties or increases in the number of Seritage Growth common shares outstanding without commensurate increases in funds from operations each would adversely affect our ability to maintain distributions to Seritage Growth shareholders. Moreover, the failure of Sears Holdings to make rental payments under the Master Lease would materially impair our ability to make distributions. Consequently, we may be unable to make distributions at the anticipated distribution rate or any other rate. See Dividend Policy.

***Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.***

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state, local and foreign taxes on our income and assets, including taxes on any undistributed income and state, local or foreign income, property and transfer taxes. See U.S. Federal Income Tax Considerations. For example, in order to meet the REIT qualification requirements, Seritage Growth may hold some of our assets or conduct certain of our activities through one or more TRSs or other subsidiary corporations that will be subject to federal, state and local corporate-level income taxes as regular C corporations. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes would decrease cash available for distribution to Seritage Growth shareholders.

***Complying with REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities.***

To qualify to be taxed as a REIT, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and securities. The remainder of our investments (other than government securities, qualified

real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the

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securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. See U.S. Federal Income Tax Considerations. If Seritage Growth fails to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing Seritage Growth's REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to Seritage Growth shareholders.

In addition to the asset tests set forth above, to qualify to be taxed as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to Seritage Growth shareholders and the ownership of Seritage Growth shares of beneficial interest. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

***Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.***

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See U.S. Federal Income Tax Considerations. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

***Legislative or other actions affecting REITs could have a negative effect on us.***

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the Treasury). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect Seritage Growth's ability to qualify as a REIT or the U.S. federal income tax consequences to Seritage Growth's investors and Seritage Growth of such qualification.

**Risks Related to the Offering**

***The subscription price determined for the rights offering is not necessarily an indication of the price at which Seritage Growth common shares will trade.***

The board of directors of Sears Holdings based the per share subscription price being used in the rights offering on various factors, including, among other things (1) the opinion of Duff & Phelps, LLC, which it engaged to act as a financial advisor in connection with the Transaction, (2) the appraisal reports of Cushman & Wakefield, which

assisted in valuing the Acquired Properties, (3) the desirability of broad participation in the rights offering by Sears Holdings stockholders and of the development of a trading market for both the subscription rights and Seritage Growth common shares, (4) the fair market value of the Acquired Properties and the JV Interests purchased in the Transaction, including the terms of the Master Lease, and (5) Seritage Growth's liquidity needs and the aggregate amount of proceeds to be paid to Sears Holdings pursuant to the Transaction if

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the rights offering were fully subscribed. The per share subscription price may not be indicative of the price at which Seritage Growth common shares will trade after this offering. After the date of this prospectus, you may not be able to sell Seritage Growth common shares that you hold at prices equal to or above the subscription price.

***Sears Holdings may cancel the rights offering at any time prior to the expiration of the rights offering and in such case neither Sears Holdings nor the subscription agent will have any obligation to you except to return your exercise payments.***

The rights offering is subject to the satisfaction or waiver of certain conditions. In addition, Sears Holdings has the right to withdraw and cancel the rights offering if, at any time prior to its expiration, the board of directors of Sears Holdings determines, in its sole discretion, that the rights offering is not in the best interest of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering (which could occur if, among other things, we do not receive sufficient proceeds from this offering, the OP Private Placement, the Seritage Private Placements and the Non-Economic Shares Private Placement, or if the Acquired Entities do not receive sufficient proceeds from the Financing). See The Rights Offering Conditions, Withdrawal and Cancellation. Sears Holdings and Seritage have entered into the Commitment in respect of the Financing with two institutional lenders. The Commitment and the Financing are subject to certain customary and other conditions precedent. While Sears Holdings and Seritage expect to consummate the Financing on the terms contemplated by the Commitment, no assurances can be given that we will be able to do so.

If the rights offering is cancelled, any money received by the subscription agent from subscribing stockholders will be returned, without interest or penalty, as soon as practicable. Sears Holdings may also extend the rights offering for additional periods ending no later than July 17, 2015, although it does not presently intend to do so. If Sears Holdings cancels the rights offering and you have not exercised any rights, the subscription rights will expire, have no value, and cease to be exercisable for Seritage Growth common shares. If you purchase subscription rights during the subscription period and Sears Holdings cancels the rights offering, you will lose the entire purchase price paid to acquire such subscription rights in the market; however, any subscription payments that you paid and that were received by the subscription agent will be returned to you, without interest or penalty, as soon as practicable.

***If you own more than 5.3% of the Sears Holdings common stock outstanding as of the record date, you will not be able to exercise all of your basic subscription rights received in the rights offering.***

In light of the restrictions on ownership in Seritage Growth's declaration of trust designed to, among other purposes, help Seritage Growth maintain its qualification as a REIT, including prohibitions on any person actually or constructively owning more than 9.6% in value or in number, whichever is more restrictive, of all outstanding shares, or all outstanding common shares (including Seritage Growth common shares, Seritage Growth non-economic shares and Seritage Growth non-voting shares), of beneficial interest of Seritage Growth, and based on the number of shares of Sears Holdings common stock outstanding as of the record date and the current anticipated ownership of Seritage Growth and the Operating Partnership, if you beneficially own more than 5.3% of the Sears Holdings common stock outstanding as of the record date, you will not be able to exercise your basic subscription rights in full because the exercise of subscription rights to purchase more than Seritage Growth common shares would result in you receiving more than 9.6% of the outstanding shares of beneficial interest of Seritage Growth (as calculated for certain federal income tax purposes). Despite this limit, only ESL will be permitted to participate in the OP Private Placement and the Non-Economic Shares Private Placement and only Fairholme Clients (which are expected to receive the Excess Share Waivers) will be permitted to participate in the Non-Voting Shares Offering. Your rights are transferable during the course of the subscription period, but if you do not sell your excess rights that, if exercised, would result in ownership in excess of the ownership limits, these excess rights will not be exercisable and will be cancelled. Furthermore, because the over-subscription privilege is only available to those who fully exercise their basic

subscription

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rights, if you beneficially own more than 5.3% of the Sears Holdings common stock as of the record date, you will not be able to participate in the over-subscription privilege.

***No prior market exists for the subscription rights and a liquid market for the subscription rights may not develop.***

We intend to apply to list the subscription rights for trading on the NYSE under the symbol SRGRT. However, the subscription rights are a new issue of securities with no prior trading market. Neither we nor Sears Holdings can provide you with any assurances as to the liquidity of the trading market for the subscription rights or the price at which the subscription rights may trade following the rights offering. In addition, the listing of the subscription rights on the NYSE is subject to Seritage Growth meeting the listing requirements of the NYSE. In the event that these listing approvals cannot be obtained, holders of subscription rights will own unlisted securities, which may affect the pricing of the rights in the secondary market, the transparency and availability of trading prices, and the liquidity of the rights.

***If you do not act promptly and follow the subscription instructions, your exercise of subscription rights will be rejected.***

If you desire to purchase Seritage Growth common shares in the rights offering, you must act promptly to ensure that the subscription agent actually receives all required forms and payments before the expiration of the rights offering at 5:00 p.m., New York City time, on July 2, 2015 unless Sears Holdings extends the rights offering for additional periods ending no later than July 17, 2015. If you are a beneficial owner of Sears Holdings common stock, you must act promptly to ensure that your broker, dealer, custodian bank or other nominee acts for you and that the subscription agent receives all required forms and payments before the rights offering expires. Neither we nor Sears Holdings is or will be responsible if your nominee fails to ensure that the subscription agent receives all required forms and payments before the rights offering expires. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to the exercise of your subscription rights before the rights offering expires, the subscription agent will reject your subscription or accept it only to the extent of the payment received. None of Seritage Growth, Operating Partnership, Sears Holdings or the subscription agent undertakes any responsibility or action to contact you concerning an incomplete or incorrect subscription form or payment, nor are we or Sears Holdings under any obligation to correct such forms or payment. Sears Holdings has the sole discretion to determine whether a subscription exercise properly complies with the subscription procedures.

***You will not be able to sell the Seritage Growth common shares you buy in this offering until your account is credited with the common shares.***

If you are a registered stockholder of Sears Holdings and you purchase shares in this offering, your account will be credited with Seritage Growth common shares as soon as practicable after the expiration of the rights offering. If your shares of Sears Holdings common stock are held by a broker, dealer, custodian bank or other nominee and you purchase Seritage Growth common shares pursuant to your subscription rights, your account with your nominee will be credited with the Seritage Growth common shares you purchased in the rights offering as soon as practicable after the expiration of the rights offering. Until your account is credited, you may not be able to sell your shares even though the Seritage Growth common shares issued in the rights offering will be listed for trading on the NYSE. The share price may decline between the time you decide to sell your Seritage Growth common shares and the time you are actually able to sell such shares.

***You may not revoke your exercise of the subscription rights and you could be committed to buying shares at a price above the prevailing market price after completion of the rights offering.***

Once you exercise your rights, you may not revoke the exercise even if you later learn information that you consider to be unfavorable to the exercise of your rights. If you exercise your rights, you may not be able to sell the Seritage Growth common shares purchased under the rights at a price equal to or greater than the subscription price, and you may lose all or part of your investment in Seritage Growth common shares.

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***You will not receive interest on your subscription funds during the period pending the closing of the offering.***

The subscription agent will hold the gross proceeds from the sale of shares underlying the rights in escrow in a segregated bank account, and it will release the proceeds together with any interest earned on the proceeds, less any applicable withholding taxes, to Sears Holdings as soon as is practicable after the expiration of the rights offering. If the rights offering is cancelled, any money received by the subscription agent from subscribing stockholders will be returned, without interest or penalty, as soon as practicable.

***The tax consequences of the receipt, sale, exercise, expiration and cancellation of the subscription rights are not certain.***

We believe that the treatment of the receipt, sale, exercise, expiration and cancellation of the subscription rights for U.S. federal income tax purposes is not entirely clear. The IRS may disagree with the tax treatment discussed herein. You should discuss with your tax advisor the treatment of the receipt, sale, exercise, expiration and cancellation of the subscription rights for U.S. federal income tax purposes.

***If you receive and exercise the subscription rights, you may be subject to adverse U.S. federal income tax consequences.***

If you receive a subscription right and exercise that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) no additional income upon the exercise of the subscription right. You may need to fund any tax resulting from the receipt of the subscription right with cash from other sources. You should discuss with your tax advisor the U.S. federal income tax consequences of receiving and exercising the subscription rights. For a detailed discussion, see U.S. Federal Income Tax Considerations.

***If you receive and sell the subscription rights, you may be subject to adverse U.S. federal income tax consequences.***

If you receive a subscription right and sell that right, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) short-term capital gain or loss upon the sale equal to the difference between the proceeds received upon the sale and the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings. It is possible that the sale proceeds received by you upon a sale of the subscription rights will be less than any tax resulting from your receipt of the subscription right. In this event, you will generally need to fund the remaining portion of any tax with cash from other sources. You should discuss with your tax advisor the U.S. federal income tax consequences of receiving and selling the subscription rights. For a detailed discussion, see U.S. Federal Income Tax Considerations.

***If you receive but do not sell or exercise the subscription rights before they expire, you may be subject to adverse U.S. federal income tax consequences.***

If you receive a subscription right from Sears Holdings and do not sell or exercise that right before it expires, you should generally expect to have (1) taxable dividend income equal to the fair market value (if any) of the subscription right on the date of its distribution by Sears Holdings and (2) a short-term capital loss upon the expiration of such right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to offset only capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. stockholder). Accordingly, if you receive a subscription right from Sears Holdings and take no action, you may owe tax and need to fund that tax with cash from other sources.



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By illustration, if you receive subscription rights that have a value of \$5,000 on the date they are distributed by Sears Holdings, you do not sell or exercise those rights before they expire and Sears Holdings does not cancel the rights offering, you should generally expect to have \$5,000 of dividend income upon the receipt of the subscription rights and a \$5,000 short-term capital loss upon the expiration of those rights.

You should discuss with your tax advisor the U.S. federal income tax consequences of receiving and neither selling nor exercising the subscription rights. For a detailed discussion, see U.S. Federal Income Tax Considerations.

***If you receive subscription rights and Sears Holdings subsequently cancels the rights offering, you may be subject to adverse U.S. federal income tax consequences.***

You should discuss with your tax advisor the tax consequences of receiving subscription rights if Sears Holdings subsequently cancels the rights offering. There are limited authorities addressing the tax consequences that would apply to you in this circumstance. Certain of the authorities suggest that in this circumstance you may not have taxable dividend income upon the receipt of the subscription rights if you do not sell or otherwise dispose of the rights and if the receipt and cancellation occur in the same taxable year. However, the scope of those authorities is unclear and Sears Holdings (and any other applicable withholding agent) is likely to take the position, for information reporting and withholding purposes, that you have taxable dividend income upon the receipt of the subscription rights even if Sears Holdings subsequently cancels the rights offering. If withholding tax is withheld from you in this event, you should consult your tax advisor as to whether to seek a refund of such amount from the IRS.

If you have taxable dividend income upon the receipt of a subscription right even though Sears Holdings subsequently cancels the rights offering, you should generally expect to have a short-term capital loss upon the cancellation of the subscription right in an amount equal to your adjusted tax basis (if any) in such right. In general, capital losses are available to offset only capital gains and may not be used to offset dividend or other income (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. stockholder). For a detailed discussion, see U.S. Federal Income Tax Considerations.

***There is currently no public market for Seritage Growth common shares. An active trading market for Seritage Growth common shares may not develop following this offering, and you may be unable to sell your shares at a price above the subscription price or at all.***

There has not been any public market for Seritage Growth common shares prior to this offering. We intend to apply to list Seritage Growth common shares for trading on the NYSE under the symbol SRG. However, an active trading market for Seritage Growth common shares may not develop after this offering or, if one develops, may not be sustained. In the absence of a public market, you may be unable to liquidate an investment in Seritage Growth common shares.

***The market price and trading volume of Seritage Growth common shares may be volatile following this offering.***

Even if an active trading market develops for Seritage Growth common shares, the market price of common shares may be volatile. In addition, the trading volume in Seritage Growth common shares may fluctuate and cause significant price variations to occur. If the market price of Seritage Growth common shares declines significantly, you may be unable to resell your shares at or above the public offering price or at all. The market price of the common shares may fluctuate or decline significantly in the future.

Some of the factors that could negatively affect the market price of Seritage Growth common shares or result in fluctuations in the price or trading volume of the common shares include:

actual or anticipated variations in our quarterly results of operations or distributions;

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changes in our funds from operations or earnings estimates;

publication of research reports about us or the real estate or retail industries;

increases in market interest rates that may cause purchasers of Seritage Growth common shares to demand a higher yield;

changes in market valuations of similar companies;

adverse market reaction to any additional debt we may incur in the future;

actions by ESL or FCM and/or Fairholme Clients, or by institutional shareholders;

speculation in the press or investment community about our company or industry or the economy in general;

Adverse performance by Sears Holdings, our primary tenant;

the occurrence of any of the other risk factors presented in this prospectus;

specific real estate market and real estate economic conditions; and

general market and economic conditions.

***Future offerings of debt, which would be senior to Seritage Growth common shares upon liquidation, and/or preferred equity securities, which may be senior to Seritage Growth common shares for purposes of distributions or upon liquidation, may adversely affect the market price of Seritage Growth common shares.***

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred shares. Upon liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings may receive distributions of our available assets prior to the holders of Seritage Growth common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of Seritage Growth common shares, or both. Holders of Seritage Growth common shares are not entitled to preemptive rights or other protections against dilution, and will have no voting rights in connection with the issuance of these securities. Our preferred shares of beneficial interest, if issued, could have a preference on liquidating distributions or a preference on distribution payments that could limit our ability to make a distribution to the holders of Seritage Growth common shares. Since our decision to issue securities in any future offering will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, Seritage Growth shareholders bear the risk of our future offerings reducing the market price of

Seritage Growth common shares and diluting their holdings in us.

***The historical and pro forma financial information included in this prospectus may not be a reliable indicator of future results.***

The historical financial statements included herein are (1) a Combined Statement of Investments of Real Estate Assets to be Acquired by Seritage Growth Properties as of December 31, 2014 and (2) a balance sheet of Seritage Growth Properties as of June 3, 2015 (Formation Date). In addition, this prospectus includes pro forma financial information regarding Seritage Growth.

The historical financial statements and the pro forma financial information included herein may not reflect what our business, financial position or results of operations will be in the future when we are a separate, publicly traded company. Until the Transaction is completed, we will not have been an operating business and will not have had historical operations. The Acquired Properties we will purchase from Sears Holdings were operated by Sears Holdings as part of its larger corporate organization and not as a stand-alone business or independent company. Because we have no historical operations and will not own any properties or commence our real estate ownership and development business until the Transaction is completed, there are no historical financial statements for



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Seritage Growth as it will exist following the Transaction. The financial information that we have included in this prospectus may not reflect what our financial condition, results of operations or cash flows would have been had we been a stand-alone business or independent entity, or had we operated as a REIT, during the periods presented. Significant changes will occur in our cost structure, financing and business operations as a result of our operation as a stand-alone company and the entry into transactions with Sears Holdings that have not existed historically, including the Master Lease. The pro forma financial information included in this prospectus was prepared on the basis of assumptions derived from available information that we believed to be reasonable. However, these assumptions may change or may be incorrect, and actual results may differ, perhaps significantly. Therefore, the financial information we have included in this prospectus may not necessarily be indicative of what our financial condition, results of operations or cash flows will be in the future. For additional information about the basis of presentation of the financial information included in this prospectus, see Capitalization, Selected Financial Data, Unaudited Pro Forma Consolidated Financial Data and the financial statements.

***The Transaction could give rise to disputes or other unfavorable effects, which could have a material adverse effect on our business, financial condition or results of operations.***

Disputes with third parties could arise out of the Transaction, and we could experience unfavorable reactions to the Transaction from employees, ratings agencies, regulators or other interested parties. These disputes and reactions of third parties could have a material adverse effect on our business, financial condition or results of operations. In addition, following the Transaction, disputes between us and Sears Holdings (and our subsidiaries) could arise in connection with any of the Subscription, Distribution and Purchase and Sale Agreement, the Master Lease, the Transition Services Agreement or other agreements.

***A court could deem aspects of the Transaction to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.***

A court could deem aspects of the Transaction (such as the sale of the Acquired Properties in connection with the Transaction) to be a fraudulent conveyance upon a subsequent legal challenge by unpaid creditors or a bankruptcy trustee of the debtor that made the conveyance. Fraudulent conveyances include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors, or transfers made or obligations incurred in exchange for less than reasonably equivalent value when the debtor was, or was rendered, insolvent, inadequately capitalized or unable to pay its debts as they become due. To remedy a fraudulent conveyance, a court could void the challenged transfer or obligation, requiring us to return consideration that we received in the Transaction, or impose substantial liabilities upon us for the benefit of unpaid creditors of the debtor that made the fraudulent conveyance, which could adversely affect our financial condition and our results of operations. Among other things, the court could require Seritage Growth shareholders to return to Sears Holdings some or all of the Seritage Growth common shares issued in the distribution. Whether a transaction is a fraudulent conveyance will vary depending upon, among other things, the jurisdiction whose law is being applied.

***The number of shares available for future sale could adversely affect the market price of Seritage Growth common shares.***

We cannot predict whether future issuances of Seritage Growth common shares, the availability of Seritage Growth common shares for resale in the open market or the conversion of Seritage Growth non-voting shares into Seritage Growth common shares will decrease the market price per share of Seritage Growth common shares. Sales of a substantial number of Seritage Growth common shares in the public market, or the perception that such sales might occur, could adversely affect the market price of the Seritage Growth common shares.

***Our earnings and cash distributions will affect the market price of Seritage Growth common shares.***

We believe that the market value of a REIT's equity securities is based primarily upon market perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancing, and is secondarily based upon the value of the underlying assets.

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For these reasons, Seritage Growth common shares and Seritage Growth non-voting shares may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing the cash flow to shareholders, these retained funds, while increasing the value of our underlying assets, may negatively impact the market price of Seritage Growth common shares. Our failure to meet market expectations with regard to future earnings and cash distributions would likely adversely affect the market price of Seritage Growth common shares and Seritage Growth non-voting shares.

***The Sears Holdings board of directors has reserved the right, in its sole discretion, to amend, modify or abandon the Transaction and the related transactions at any time prior to the distribution date. In addition, the Transaction and related transactions are subject to the satisfaction or waiver (by Sears Holdings board of directors in its sole discretion) of a number of conditions. We and Sears Holdings cannot assure that any or all of these conditions will be met.***

The Sears Holdings board of directors has reserved the right, in its sole discretion, to amend, modify or abandon the Transaction and the related transactions at any time prior to the distribution date. This means Sears Holdings may cancel or delay the rights offering if at any time the board of directors of Sears Holdings determines that the rights offering is not in the best interests of Sears Holdings or its stockholders, or that market conditions are such that it is not advisable to consummate the rights offering. If the Sears Holdings board of directors determines to cancel the Transaction, stockholders of Sears Holdings will not receive any Seritage Growth common shares. In addition, the Transaction and related transactions are subject to the satisfaction or waiver (by the Sears Holdings board of directors in its sole discretion) of a number of conditions. See The Rights Offering Conditions, Withdrawal and Cancellation. We and Sears Holdings cannot assure that any or all of these conditions will be met. The fulfillment of the conditions to the Transaction will not create any obligation on Sears Holdings part to effect the Transaction.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, pro forma, estimates or anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

Declines in retail, real estate and general economic conditions;

Our substantial dependence on, or agreements entered into with, Sears Holdings, and indemnities from Sears Holdings that may be insufficient to insure us against certain liabilities;

Sears Holdings' rights under the Master Lease, including the right to terminate with respect to a portion of the properties;

Competition with us or our tenants;

Tax, environmental, health, safety and land use laws and regulations;

The terms of our investments in the GGP JV, the Simon JV and the Macerich JV and future acquisitions and other strategic transactions or investments in and redevelopment of properties;

The ownership of ESL of Seritage Growth common shares, Seritage Growth non-economic shares and Operating Partnership units, and the ownership of Fairholme Clients of Seritage Growth common shares and Seritage Growth non-voting shares;

Our lack of an operating history as an independent public company;

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The ability of the Seritage Growth Board of Trustees to cause it to issue additional shares of beneficial interest without shareholder approval;

Certain provisions of Maryland law, the declaration of trust and bylaws of Seritage Growth and the partnership agreement of Operating Partnership that may limit the ability of a third party to acquire control of us;

Limitations on our rights and the rights of Seritage Growth shareholders to take action against our trustees and officers;

The failure to realize the expected benefits of the Transaction;

Our substantial indebtedness, which could adversely affect our financial condition;

The terms of the agreements governing our indebtedness that restrict our current and future operations, particularly our ability to incur additional debt that we may need to fund initiatives in response to changes in our business, the industries in which we operate, the economy and governmental regulations;

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Incurrence of additional debt, including secured debt, and funds for future capital needs and the availability of external sources of capital;

The reliability of the financial information included in this prospectus as an indicator of our future results and different results than if we were a stand-alone public company;

Legislative or other actions affecting REITs, including positions taken by the IRS;

Restrictions on ownership and transfer of Seritage Growth common shares and our failure to qualify, or remain qualified, to be taxed as a REIT;

The failure of dividends payable by REITs to qualify for the reduced tax rates available for some dividends;

Failure to qualify as a REIT if income received from Sears Holdings is not treated as qualifying income;

REIT distribution requirements;

An active trading market for Seritage Growth common shares may not develop or market price and trading volumes may be volatile;

Dilution following this offering; and

Delays in the completion of the Transaction or the nonoccurrence of the Transaction.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors.

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**USE OF PROCEEDS**

Assuming the subscription rights are exercised in full, which is a condition to the completion of this offering, (and including the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements, exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively), we expect to receive gross cash proceeds of approximately \$839.2 million as a result of the sale of Seritage Growth common shares and Seritage Growth non-voting shares in this offering. We also expect to receive gross cash proceeds of approximately \$737.3 million through the sale of Operating Partnership units in the OP Private Placement, gross cash proceeds of approximately \$0.7 million through the sale of Seritage Growth non-economic shares in the Non-Economic Shares Private Placement, and gross cash proceeds of approximately \$66.6 million through the sale of Seritage Growth common shares in the Seritage Private Placements. We intend to contribute the proceeds from this offering, the Non-Economic Shares Private Placement and the Seritage Private Placements to Operating Partnership, which will, together with the proceeds of the OP Private Placement and the assumption of the indebtedness incurred in the Financing, be used to pay the purchase price to Sears Holdings for the Acquired Entities, the remaining Acquired Properties and the JV Interests and related fees and expenses, with remaining proceeds used for working capital and other general purposes. We expect the Acquired Entities to receive, in the aggregate, gross cash proceeds of approximately \$1,161.2 million from the Financing. The net proceeds of the Financing will be distributed by the Acquired Entities to Sears Holdings prior to the closing of the Transaction, and therefore will not be available to us following the closing of the Transaction.

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**DIVIDEND POLICY**

Seritage Growth intends to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with Seritage Growth's taxable year ending December 31, 2015. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay regular corporate rates to the extent that it annually distributes less than 100% of its taxable income.

Initially, cash available for distribution to Seritage Growth shareholders will be derived solely from the rental payments under the Master Lease and leases with certain parties other than Sears Holdings as well as any distributions to us from the GGP JV, the Simon JV and the Macerich JV. All distributions will be made by Seritage Growth at the discretion of the Board of Trustees and will depend on the financial position, results of operations, cash flows, capital requirements, debt covenants (which are expected to include limits on distributions by Seritage Growth), applicable law and other factors as the Board of Trustees of Seritage Growth deems relevant. The Seritage Growth Board of Trustees has not yet determined when any distributions will be declared or paid.

Seritage Growth currently intends to pay quarterly distributions in cash. For purposes of satisfying the minimum distribution requirement to qualify for and maintain REIT status, Seritage Growth's taxable income will be calculated without reference to its cash flow. Consequently, under certain circumstances, Seritage Growth may not have available cash to pay its required distributions and may distribute a portion of its dividends in the form of its shares of beneficial interest. In either event, to the extent the distribution represents a distribution of Seritage Growth's current or accumulated earnings and profits, a shareholder of Seritage Growth will be required to report dividend income as a result of such distributions even though Seritage Growth distributed only nominal amounts of cash to such shareholder. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in shares as taxable dividends that would satisfy that REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but Seritage Growth could request a similar ruling from the IRS. The IRS previously issued a revenue procedure authorizing publicly traded REITs to make elective cash/share dividends, but that revenue procedure does not apply to Seritage Growth's taxable year ending on December 31, 2015 and future taxable years. Accordingly, it is unclear whether and to what extent Seritage Growth will be able to make taxable dividends payable in-kind. For more information, see U.S. Federal Income Tax Considerations. Seritage Growth currently believes that it will have sufficient available cash to pay its required distribution for 2015 in cash but there can be no assurance that this will be the case.

It presently is anticipated that acquisitions, investment and redevelopment activities will be financed through internally generated cash flow, borrowings under the debt agreements to be entered into by Operating Partnership in connection with the Transaction, other debt financing or the issuance of equity securities. To the extent that those sources of funds are insufficient to meet all such cash needs, or the cost of such financing exceeds the cash flow generated by our properties for any period, cash available for distribution could be reduced. In that event, we may also borrow funds, liquidate or sell a portion of our properties or investments or find another source of funds, such as the issuance of equity securities, in order to pay its required distributions. See Risk Factors Risks Related to Status as a REIT.

Seritage Growth anticipates that its distributions generally will be taxable as ordinary income to its shareholders, although a portion of the distributions may be designated by Seritage Growth as qualified dividend income or capital gain or may constitute a return of capital. Seritage Growth will furnish annually to each Seritage Growth shareholder a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. For a more complete discussion of the U.S. federal income



tax treatment of distributions to shareholders of Seritage Growth, see U.S. Federal Income Tax Considerations.

**Table of Contents****CAPITALIZATION**

The following table sets forth the unaudited pro forma capitalization of Seritage Growth as of March 31, 2015, which gives effect to the Transaction (and all other related transactions) as if they occurred on March 31, 2015 and were fully subscribed (which is a condition to this offering).

The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information and Seritage Growth believes such assumptions are reasonable under the circumstances.

This table should be read in conjunction with Use of Proceeds, Selected Financial Data, Description of Shares of Beneficial Interest, Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the financial information on Seritage Growth and the Unaudited Pro Forma Consolidated Financial Data and accompanying notes included in this prospectus.

| <i>thousands</i>  | As of March 31, 2015 (unaudited) |                    |                  |
|---|----------------------------------|--------------------|------------------|
|   |                                  | Pro Forma          | Pro Forma        |
| <b>Seritage Growth Properties</b>   | <b>Actual</b>                    | <b>Adjustments</b> | <b>Forma</b>     |
| Long-term debt  | \$                               | \$ 1,161,196       | (1) \$ 1,161,196 |
| <b>Equity</b>   |                                  |                    |                  |
| Class A shares \$0.01 par value; 100,000,000 shares authorized; 21,096,270 shares outstanding |                                  | 211                | (3) 211          |
| Class B shares \$0.01 par value; 5,000,000 shares authorized; 1,228,680 shares outstanding    |                                  | 12                 | (3) 12           |
| Class C shares \$0.01 par value; 50,000,000 shares authorized; 9,527,194 shares outstanding   |                                  | 95                 | (3) 95           |
| Additional paid-in capital  |                                  | 901,075            | (3) 901,075      |
| Accumulated deficit   |                                  | (6,110)            | (4) (6,110)      |
| Redeemable Noncontrolling Interest in Operating Partnership                                   |                                  | 728,756            | (2) 728,756      |
| Total Equity  |                                  | 1,624,039          | 1,624,039        |
| Total Capitalization  | \$                               | \$ 2,785,235       | \$ 2,785,235     |

- (1) The pro forma adjustments give effect to the expected indebtedness incurred by the Acquired Entities which will become, on a consolidated basis, indebtedness of the Operating Partnership and Seritage Growth.
- (2) The pro forma adjustments give effect to \$737.3 million from the issuance of Operating Partnership units in the OP Private Placement transaction, \$0.3 million for the proportional relationship in the carrying value of equity associated with our common shareholders relative to that of the unitholders of the Operating Partnership, and less the portion of offering, organization and other closing costs attributable to noncontrolling interest of \$3.9 million, \$0.5 million, and \$4.4 million, respectively.
- (3) The pro forma adjustments give effect to the expected proceeds from this offering, the Non-Economic Shares Private Placement, the Non-Voting Shares Offering, and the Seritage Private Placements, net of our share of

offering related costs of \$4.8 million.

- (4) The pro forma adjustments give effect to our share of the expected organization costs and other closing costs from the Transaction.

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**OWNERSHIP AND ORGANIZATIONAL STRUCTURE**

The following diagram sets forth our ownership and organizational structure as of immediately following the completion of this offering, assuming that the subscription rights are exercised in full (or, in the case of the maximum portion of the subscription rights held by each of ESL and certain Fairholme Clients permitted to be exchanged under their respective Exchange Agreements, exchanged for Operating Partnership units and Seritage Growth non-economic shares, and for Seritage Growth non-voting shares, respectively). The diagram reflects the voting power of each holder as well as the percentage of economic ownership of the consolidated Seritage Growth and Operating Partnership group that such holder has. See [Principal Shareholders](#) and [Capitalization](#).

- (1) Consolidated economic ownership represents such person's economic interest in Seritage Growth if all Operating Partnership units were converted into Seritage Common Shares.

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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

Seritage Growth is a newly organized REIT that was formed in Maryland on June 3, 2015. Seritage Growth will conduct its operations through Operating Partnership, formed on April 22, 2015.

Seritage Growth will hold directly or indirectly 235 of the assets associated with Sears Holdings' real property interests in connection with the Transaction as well as the JV Interests. Seritage Growth's primary business following the Transaction will consist of acquiring, financing and owning real estate property to be leased to retailers. Initially, Seritage Growth's primary tenant will be Sears Holdings under a Master Lease.

The following unaudited pro forma consolidated statement of operations of Seritage Growth for the three months ended March 31, 2015 and for the fiscal year ended December 31, 2014 are presented as if the Transaction, including the rights offering, the Seritage Private Placements, the OP Private Placement, the acquisition of properties and the other adjustments described in the unaudited pro forma financial information beginning on page 70, had occurred on January 1, 2014. The following unaudited pro forma consolidated balance sheet as of March 31, 2015 assumes that the Transaction occurred on March 31, 2015.

The statements are presented based on information currently available, are intended for informational purposes only, and do not purport to represent what Seritage Growth's financial position and results of operations actually would have been had the Transaction occurred on the dates indicated, or to project Seritage Growth's financial performance for any future period.

The unaudited pro forma consolidated financial statements and the accompanying notes should be read in conjunction with the audited Combined Statement of Investments of Real Estate Assets to be Acquired by Seritage Growth Properties, and Combined Statement of Investments of Real Estate Assets of JV Properties to be Acquired by Seritage Growth Properties and accompanying notes included herein.

The Pro Forma Adjustments column in the Unaudited Pro Forma Consolidated Financial Statements reflects pro forma adjustments, which are further described in the accompanying notes to the Unaudited Pro Forma Consolidated Financial Statements.

**Table of Contents****Seritage Growth Properties****Unaudited Pro Forma Consolidated Balance Sheet****As of March 31, 2015**

| (in thousands, except for share and per share amounts)  | Historical<br>(a) | Pro<br>Forma<br>Adjustments |        | Pro Forma<br>Seritage<br>Growth<br>Properties |
|---|-------------------|-----------------------------|--------|---|
| <b>ASSETS</b>   |                   |                             |        |   |
| Investment in real estate assets:   |                   |                             |        |   |
| Land  | \$                | \$ 965,516                  | (b)(l) | \$ 965,516                                    |
| Buildings and improvements, less accumulated depreciation                                     |                   | 1,026,838                   | (b)(l) | 1,026,838                                     |
| Land, buildings and improvements, net   |                   | 1,992,354                   | (b)(l) | 1,992,354                                     |
| Investment in unconsolidated real estate affiliates   |                   | 429,000                     | (g)    | 429,000                                       |
| Total investments in real estate, net   |                   | 2,421,354                   |        | 2,421,354                                     |
| Cash and cash equivalents   |                   | 31,303                      | (f)    | 31,303  |
| Restricted cash   |                   | 102,000                     | (i)    | 102,000                                       |
| Rent and tenant receivables   |                   |                             |        |   |
| Deferred expenses, net  |                   | 96,211                      | (j)(l) | 96,211  |
| Prepaid expenses and other assets   |                   | 207,038                     | (h)(l) | 207,038                                       |
| <b>TOTAL ASSETS</b>   | <b>\$</b>         | <b>\$ 2,857,906</b>         |        | <b>\$ 2,857,906</b>                           |
| <b>LIABILITIES</b>  |                   |                             |        |   |
| Long-term debt  | \$                | \$ 1,161,196                | (c)    | \$ 1,161,196                                  |
| Accounts payable and accrued expenses   |                   | 72,671                      | (k)(l) | 72,671  |
| Other liabilities   |                   |                             |        |   |
| Total liabilities   | \$                | \$ 1,233,867                |        | \$ 1,233,867                                  |
| Commitments and contingencies   |                   |                             |        |   |
| <b>EQUITY</b>   |                   |                             |        |   |
| Shareholders' Equity  |                   |                             |        |   |
| Class A shares \$0.01 par value; 100,000,000 shares authorized; 21,096,270 shares outstanding |                   | 211                         | (e)    | 211   |
| Class B shares \$0.01 par value; 5,000,000 shares authorized; 1,228,680 shares outstanding    |                   | 12                          | (e)    | 12  |
| Class C shares \$0.01 par value; 50,000,000 shares authorized; 9,527,194 shares outstanding   |                   | 95                          | (e)    | 95  |
| Additional paid-in capital  |                   | 901,075                     | (e)    | 901,075                                       |
| Accumulated deficit   |                   | (6,110)                     | (m)    | (6,110)                                       |

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|   |    |              |     |              |
|---|----|--------------|-----|--------------|
| Total Shareholders Equity                                   |    | 895,283      |     | 895,283      |
| Redeemable Noncontrolling interest in Operating Partnership |    | 728,756      | (d) | 728,756      |
| Total Equity  | \$ | \$ 1,624,039 |     | \$ 1,624,039 |
| <b>TOTAL LIABILITIES AND EQUITY</b>                         | \$ | \$ 2,857,906 |     | \$ 2,857,906 |

See accompanying notes to unaudited pro forma consolidated financial statements.

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## Seritage Growth Properties

## Unaudited Pro Forma Consolidated Statement of Operations

Three Months Ended March 31, 2015

| (in thousands, except for per share amounts)   | Historical<br>(aa) | Pro Forma<br>Adjustments |      | Pro Forma         |
|--|--------------------|--------------------------|------|-------------------|
| <b>Revenues:</b>   |                    |                          |      |                   |
| Rental and other property income (SHC)   | \$                 | \$ 38,084                | (bb) | \$ 38,084         |
| Rental and other property income   |                    | 4,392                    | (bb) | 4,392             |
| Tenant reimbursement income  |                    | 22,194                   | (cc) | 22,194            |
| <b>Total revenues</b>  |                    | <b>64,670</b>            |      | <b>64,670</b>     |
| <b>Expenses:</b>   |                    |                          |      |                   |
| General and administrative expenses  |                    | 963                      | (hh) | 963               |
| Property operating expenses  |                    | 23,660                   | (ff) | 23,660            |
| Property and asset management expenses   |                    |                          |      |                   |
| Acquisition related expenses   |                    |                          |      |                   |
| Depreciation and amortization  |                    | 28,573                   | (dd) | 28,573            |
| <b>Total operating expenses</b>  |                    | <b>53,196</b>            |      | <b>53,196</b>     |
| <b>Operating income</b>  |                    | <b>11,474</b>            |      | <b>11,474</b>     |
| Interest expense   |                    | 16,712                   | (ee) | 16,712            |
| Equity in income in unconsolidated real estate affiliates                            |                    | 3,251                    | (ii) | 3,251             |
| <b>Net loss</b>  |                    | <b>(1,987)</b>           |      | <b>(1,987)</b>    |
| Net loss attributable to redeemable noncontrolling interest in Operating Partnership |                    | 894                      | (gg) | 894               |
| <b>Net loss attributable to common shareholders</b>                                  | <b>\$</b>          | <b>\$ (1,093)</b>        |      | <b>\$ (1,093)</b> |
| <b>CLASS A SHARES</b>  |                    |                          |      |                   |
| Weighted average number of common shares   |                    |                          |      |                   |
| Basic  |                    | 21,096                   | (jj) | 21,096            |
| Diluted  |                    | 30,623                   | (jj) | 30,623            |
| Basic loss per share   | \$                 | \$ (0.04)                | (jj) | \$ (0.04)         |
| Diluted loss per share   | \$                 | \$ (0.04)                | (jj) | \$ (0.04)         |
| <b>CLASS C SHARES</b>  |                    |                          |      |                   |
| Weighted average number of common shares   |                    |                          |      |                   |
| Basic  |                    | 9,527                    | (jj) | 9,527             |
| Diluted  |                    | 9,527                    | (jj) | 9,527             |



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|                        |    |    |        |      |    |        |
|------------------------|----|----|--------|------|----|--------|
| Basic loss per share   | \$ | \$ | (0.04) | (jj) | \$ | (0.04) |
| Diluted loss per share | \$ | \$ | (0.04) | (jj) | \$ | (0.04) |

See accompanying notes to unaudited pro forma consolidated financial statements.

**Table of Contents****Seritage Growth Properties****Unaudited Pro Forma Consolidated Statement of Operations****Year Ended December 31, 2014**

| (in thousands, except for per share amounts)   | Historical<br>(aa) | Pro Forma<br>Adjustments |      | Pro<br>Forma      |
|--|--------------------|--------------------------|------|-------------------|
| <b>Revenues:</b>   |                    |                          |      |                   |
| Rental and other property income (SHC)   | \$                 | \$ 152,336               | (bb) | \$ 152,336        |
| Rental and other property income   |                    | 17,569                   | (bb) | 17,569            |
| Tenant reimbursement income  |                    | 90,187                   | (cc) | 90,187            |
| <b>Total revenues</b>  |                    | <b>260,092</b>           |      | <b>260,092</b>    |
| <b>Expenses:</b>   |                    |                          |      |                   |
| General and administrative expenses  |                    | 3,850                    | (hh) | 3,850             |
| Property operating expenses  |                    | 96,051                   | (ff) | 96,051            |
| Property and asset management expenses   |                    |                          |      |                   |
| Acquisition related expenses   |                    |                          |      |                   |
| Depreciation and amortization  |                    | 114,293                  | (dd) | 114,293           |
| <b>Total operating expenses</b>  |                    | <b>214,194</b>           |      | <b>214,194</b>    |
| <b>Operating income</b>  |                    | <b>45,898</b>            |      | <b>45,898</b>     |
| Interest expense   |                    | 66,850                   | (ee) | 66,850            |
| Equity in income in unconsolidated real estate affiliates                            |                    | 13,004                   | (ii) | 13,004            |
| <b>Net loss</b>  |                    | <b>(7,948)</b>           |      | <b>(7,948)</b>    |
| Net loss attributable to redeemable noncontrolling interest in Operating Partnership |                    | 3,576                    | (gg) | 3,576             |
| <b>Net loss attributable to common shareholders</b>                                  | <b>\$</b>          | <b>\$ (4,372)</b>        |      | <b>\$ (4,372)</b> |
| <b>CLASS A SHARES</b>  |                    |                          |      |                   |
| Weighted average number of common shares   |                    |                          |      |                   |
| Basic  |                    | 21,096                   | (jj) | 21,096            |
| Diluted  |                    | 30,623                   | (jj) | 30,623            |
| Basic loss per share   | \$                 | \$ (0.14)                | (jj) | \$ (0.14)         |
| Diluted loss per share   | \$                 | \$ (0.14)                | (jj) | \$ (0.14)         |
| <b>CLASS C SHARES</b>  |                    |                          |      |                   |
| Weighted average number of common shares   |                    |                          |      |                   |
| Basic  |                    | 9,527                    | (jj) | 9,527             |
| Diluted  |                    | 9,527                    | (jj) | 9,527             |

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|                        |    |    |        |      |    |        |
|------------------------|----|----|--------|------|----|--------|
| Basic loss per share   | \$ | \$ | (0.14) | (jj) | \$ | (0.14) |
| Diluted loss per share | \$ | \$ | (0.14) | (jj) | \$ | (0.14) |

See accompanying notes to unaudited pro forma consolidated financial statements.

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**Seritage Growth Properties**

**Notes to Unaudited Pro Forma Consolidated Financial Information**

1. Adjustments to the Pro Forma Consolidated Balance Sheet

- (a) Represents the newly formed Maryland REIT, which will be the ultimate parent entity upon the completion of the Transaction. Seritage Growth Properties is the public registrant under the Securities Act of 1933. Seritage Growth has not had any operating activity since its formation on June 3, 2015. We expect to conduct substantially all of our operations and make substantially all of our investments through the Operating Partnership. At such time, we, as the sole general partner of the Operating Partnership, are expected to own approximately 55% of the interests in the Operating Partnership and control the Operating Partnership. Accordingly, under accounting principles generally accepted in the United States of America, or GAAP, we will consolidate the assets, liabilities and results of operations of the Operating Partnership and its subsidiaries.
- (b) Represents the fair value of real estate assets to be acquired by Seritage Growth based on a preliminary purchase price allocation. Land has an indefinite useful life and is not depreciated. Buildings and improvements generally have a useful life of 3 to 35 years.
- (c) Reflects Seritage Growth's indebtedness. For purposes of funding a portion of the purchase price of the Acquired Properties, Seritage Growth will raise indebtedness. The indebtedness bears interest at one-month LIBOR plus a margin. The term of the indebtedness is four years with the right to extend the maturity date on two occasions for one-year increments, subject to payment of an extension fee and certain other terms and conditions.
- (d) Reflects our redeemable noncontrolling interest in the anticipated issuance of Operating Partnership units in the OP Private Placement transaction. We, as the sole general partner of the Operating Partnership, own approximately 55% of the interest in the Operating Partnership. Redeemable noncontrolling interest in Operating Partnership is comprised of \$737.3 million from the issuance of Operating Partnership units in the OP Private Placement transaction, \$0.3 million for the proportional relationship in the carrying value of equity associated with our common shareholders relative to that of the unitholders of the Operating Partnership, and less the portion of offering, organization and other closing costs attributable to noncontrolling interest of \$3.9 million, \$0.5 million, and \$4.4 million, respectively.
- (e) Reflects the sale of Seritage Growth Class A shares for \$557.4 million in this rights offering and \$66.6 million in the Seritage Private Placements, Seritage Growth Class B shares for \$0.7 million in the Non-Economic Shares private placement, and Seritage Growth Class C shares for \$282 million in the Non-Voting Shares Offering. Seritage Growth accounts for specific incremental costs directly attributable to this offering by offsetting it against the gross proceeds of this offering and concurrent private placements and recognizing those costs directly in the equity issued. Such costs are comprised of accounting fees, legal fees,

and other professional fees.

|   |                     |
|---|---------------------|
| <b>Gross proceeds from offering and concurrent private placements</b> | <b>\$ 1,643,840</b> |
| Transfer taxes and other costs  | \$ 8,720            |
| <b>Net proceeds from offering</b>                                     | <b>\$ 1,635,120</b> |

For purposes of this pro forma presentation, the net proceeds from the offering have been applied to the pro forma consolidated balance sheet assuming they had occurred on March 31, 2015.

Seritage Growth has determined that the ownership of Operating Partnership units, Seritage Growth non-economic shares and Seritage Growth non-voting shares by ESL and Fairholme Clients will not impact its ability to qualify as a REIT under the Code.

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(f) Cash and cash equivalents includes the following cash inflows and cash outflows:

**Sources**

|   |                     |
|---|---------------------|
| Proceeds from this offering   | \$ 557,425          |
| Proceeds from the Seritage Private Placements                             | 66,600              |
| Proceeds from the Non-Economic Shares Private Placement                   | 658                 |
| Proceeds from the Non-Voting Shares Offering                              | 281,815             |
| Proceeds from Redeemable Noncontrolling interest in Operating Partnership | 737,342             |
| Proceeds from debt issuance   | 1,161,196           |
|   | <b>\$ 2,805,036</b> |

**Uses**

|   |                     |
|---|---------------------|
| Purchase of the Acquired Properties                       | \$ 2,248,274        |
| Purchase of the JV Interests                              | 429,000             |
| Offering related costs                                    | 8,720               |
| Organization related costs                                | 1,080               |
| Other closing costs                                       | 10,000              |
| Cash for general corporate purposes                       | 31,303              |
| Redevelopment & capital expenditures for tenant occupancy | 41,500              |
| Debt issuance costs                                       | 25,759              |
| Interest rate cap   | 9,400               |
|   | <b>\$ 2,805,036</b> |

(g) Reflects unconsolidated real estate affiliates, which represents our investment in the GGP JV, Simon JV and Macerich JV. The acquisition of our 50% interest in the JVs will be recorded at fair value in accordance with accounting standards applicable to Business Combinations. Generally, we will share in the profits and losses, cash flows and other matters relating to the JVs in accordance with our ownership percentage. As we will have joint control of the JVs with our venture partners, we will account for the JVs under the equity method of accounting.

(h) Prepaid expenses and other assets represent the following:

|                           |            |       |
|---------------------------|------------|-------|
| In-place tenant leases    | \$ 157,028 | (i)   |
| Debt issuance costs       | 25,759     | (ii)  |
| Below-market ground lease | 14,202     | (iii) |
| Other assets              | 9,400      | (iv)  |
| Above-market leases       | 649        | (v)   |

\$ 207,038

- (i) Represents the fair value of identified intangible assets related to in-place tenant leases based on a preliminary purchase price allocation. In-place tenant leases are amortized over periods that approximate the related non-cancelable remaining lease term.
- (ii) Represents debt issuance costs related to Seritage Growth's indebtedness. Debt issuance costs will be amortized over the term of the related indebtedness on a straight-line basis as a component of interest expense.
- (iii) Represents the fair value of identified intangible assets related to below-market leases where we are the lessee and own real estate subject to a ground lease based on a preliminary purchase price allocation. Below-market ground leases are amortized over 5 years, which represents the remaining contractual term, as a component of property operating expenses.
- (iv) Represents the fair value of an interest rate cap related to Seritage Growth's indebtedness. The notional amount of the interest rate cap is \$1,261 million. The interest rate cap has a LIBOR strike rate of 3.0% and a term of four years. Seritage Growth manages interest rate risk by varying its exposure to variable rates while attempting to minimize interest costs, principally through the use of an interest rate cap. Seritage Growth enters into interest rate cap agreements with high credit quality counterparties in order to reduce its exposure to credit losses. The cap limits exposure on variable rate debt that would result from an increase in interest rates. Our lender, as stipulated in the respective loan agreements, requires an interest rate cap agreement. All derivatives are recognized at fair value in prepaid expenses and other assets on the Unaudited Pro Forma Consolidated Balance Sheet.

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- (v) Represents the fair value of identified intangible assets related to above-market leases where we are the lessor based on a preliminary purchase price allocation. Above-market leases are accreted to rental and other property income over the estimated useful life of the contractual term ranging from 3 to 23 years.
- (i) Reflects amounts that will be held in escrow pursuant to the terms of our financing arrangements, and are accordingly classified as Restricted Cash, related to redevelopment and capital expenditures necessary for tenant occupancy of \$41.5 million, and certain other escrow accounts funded by Sears Holdings of \$60.5 million related to repairs and maintenance, environmental remediation, and redevelopment for certain JV Properties.
- (j) Deferred expenses consist of leasing commissions and related costs based on a preliminary purchase price allocation and are amortized using the straight-line method over the life of the leases.
- (k) Represents escrow accounts funded by Sears Holdings of \$60.5 million related to obligations for repairs and maintenance, environmental remediation, and redevelopment for certain JV Properties. Also, represents the fair value of identified intangible liabilities based on a preliminary purchase price allocation of \$12.1 million which relates to below-market leases where we are the lessor. These intangible liabilities are accreted to rental and other property income over the estimated useful life of the contractual term ranging from 3 to 23 years.
- (l) The purchase price of the Acquired Properties is \$2.2 billion. The assets acquired pursuant to the Transaction will be recorded at fair value as the Transaction will be accounted for in accordance with accounting standards applicable to Business Combinations. The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. These fair values were based, in part, on preliminary third-party market valuations. Because these fair values were based on currently available information and assumptions and estimates that we believe are reasonable at this time, they are subject to reallocation as additional information becomes available. As we finalize our purchase price allocation, actual adjustments may differ from the pro forma adjustments and the difference, if any, may be material. For further description regarding the components of the preliminary purchase price allocation, please refer to adjustment (b) for land, buildings and improvements, net; adjustment (h) for in-place tenant leases, below-market ground lease, and above-market leases; adjustment (j) for deferred expenses, net; and adjustment (k) for below-market leases.

|                                       |              |
|---------------------------------------|--------------|
| Land, buildings and improvements, net | \$ 1,992,354 |
| In-place tenant leases                | 157,028      |
| Deferred expenses, net                | 96,211       |
| Below-market ground lease             | 14,202       |
| Above-market leases                   | 649          |
| Below-market leases                   | (12,170)     |
|                                       | \$ 2,248,274 |



(m) Reflects our share of the organization costs of \$1 million and other closing costs of \$10 million from the Transaction.

2. Adjustments to the Pro Forma Consolidated Income Statements

(aa) Represents the newly formed Maryland REIT, which will be the ultimate parent entity upon the completion of the Transaction. Seritage Growth Properties is the public registrant under the Securities Act of 1933. Seritage Growth has not had any operating activity since its formation on June 3, 2015. We expect to conduct substantially all of our operations and make substantially all of our investments through the Operating Partnership. At such time, we, as the sole general partner of the Operating Partnership, are expected to own approximately 55% of the interests in the Operating Partnership and control the Operating Partnership. Accordingly, under accounting principles generally accepted in the

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United States of America, or GAAP, we will consolidate the assets, liabilities and results of operations of the Operating Partnership and its subsidiaries.

- (bb) Reflects rental revenues pursuant to the anticipated terms of the Master Lease. Rental revenue is \$13 million higher than lease payments due as a result of recording rental revenue on a straight-line basis. Rental revenues will consist of base rent of \$140 million per year from Sears Holdings, pursuant to the Master Lease, and \$16 million per year from third parties for leases currently in place for which rent has commenced. The aggregate rent for all of the Acquired Properties (except for those already subject to existing third-party leases) will initially be set at fair market value, and in each of the initial and first two renewal terms, after the first lease year, the annual rent will be increased by 2% per annum (cumulative and compounded) for each lease year over the rent for immediately preceding lease year. For properties with additional renewal options, rent for the renewal period will be set at a fair market rent determined based on a customary third-party appraisal process, taking into account all the terms of the Master Lease and other relevant factors. Also reflects an increase for the accretion and amortization related to below-market leases where we are the lessor of \$1.2 million, and above-market leases where we are the lessor of (\$74 thousand), based on a preliminary purchase price allocation.
- (cc) Reflects reimbursement from Sears Holdings and certain third party tenants for maintenance, real estate taxes and insurance of the Acquired Properties pursuant to the anticipated terms of the Master Lease and the historical expenses incurred by Sears Holdings. Under the Master Lease, Sears Holdings and/or one or more of its subsidiaries will be required to make all expenditures reasonably necessary to maintain the premises in good appearance and condition, subject to ordinary wear and tear.
- (dd) Reflects depreciation and amortization expense related to the building and improvements based on fair values pursuant to a preliminary purchase price allocation and the useful lives of the properties. Depreciation and amortization also reflects amortization of intangible assets based on fair values pursuant to a preliminary purchase price allocation related to in-place tenant leases, leasing commissions and related costs acquired by Seritage Growth. Depreciation and amortization expense is recorded over the estimated useful lives of the respective assets using the straight-line method.
- (ee) Reflects interest expense related to Seritage Growth's indebtedness, amortization of related debt issuance costs, and the amortization of the value of the related interest rate cap. Seritage Growth Properties will incur interest expense from its borrowing obligations plus the amortization of its debt issuance costs related to its indebtedness. Following the Transaction, Seritage Growth will have \$1,162 million in outstanding borrowings and annual interest costs of approximately \$58 million. A 1/8% variance in interest rates could impact interest expense by approximately \$1.5 million on an annual basis. Debt issuance costs of \$26 million will be amortized over the term of the related indebtedness on a straight-line basis as a component of interest expense.
- (ff) Reflects expenses expected to be incurred by Seritage Growth for maintenance, real estate taxes and insurance of the Acquired Properties. These expenses were based on the historical expenses incurred by Sears Holdings. Ground lease rent expenses of \$45 thousand are included in the adjustment to property operating expenses based on the terms of the executed ground leases. Property operating expenses also

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reflects amortization expense related to below-market ground leases of \$3 million based on fair values pursuant to a preliminary purchase price allocation and recognized over 5 years on a straight-line basis, which represents the remaining contractual term.

- (gg) Represents the net loss attributable to Seritage Growth's redeemable noncontrolling interest in Operating Partnership.
  
- (hh) Represents expense related to the base salary and cash bonus pursuant to the employment agreement with our Chief Executive Officer, General Counsel, and Executive Vice President Development and Construction of \$1.9 million, \$0.7 million, and \$0.5 million, respectively. General and administrative expenses also includes \$0.2 million and \$0.5 million, respectively, related to restricted stock units pursuant to annual equity award grants and sign-on equity awards for our Chief Executive Officer. We

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also expect to incur expense related to performance-based restricted stock units for our Chief Executive Officer.

As amounts related to performance-based restricted stock units are not factually supportable, an adjustment for these amounts has been excluded. We also expect to incur expense related to restricted stock units pursuant to annual equity award grants and sign-on equity awards for our General Counsel and Executive Vice President Development and Construction. As amounts related to these restricted stock units are not factually supportable, an adjustment for these amounts has been excluded. We account for stock-based compensation using the fair value method in accordance with accounting standards regarding share-based payment transactions. We also expect to incur other additional costs as a result of becoming a publicly traded company independent from Sears Holdings. As these amounts are not factually supportable, an adjustment for such additional general and administrative costs has been excluded. As an independent public company, we expect to incur incremental costs to support our business, including management personnel, legal expense, finance, and human resources as well as certain costs associated with becoming a public company. These additional annual operating charges are estimated to be approximately \$15 million dollars.

- (ii) Represents unconsolidated real estate affiliates, which represents our investment in the GGP JV, Simon JV and Macerich JV. Generally, we will share in the profits and losses, cash flows and other matters relating to the JVs in accordance with our 50% ownership percentage. As we will have joint control of the JVs with our venture partners, we will account for the JVs under the equity method of accounting.

Equity in income in unconsolidated real estate affiliates is based on our expected 50% interest multiplied by the sum of: rental revenues pursuant to the JV Master Lease, plus, reimbursement from Sears Holdings and certain third party tenants for maintenance, real estate taxes and insurance, and rent of the JV Properties, less, expenses expected to be incurred by the JVs for maintenance, real estate taxes, insurance, rent, property management fees, and depreciation and amortization.

Rental revenues were determined based on the terms of the JV Master Lease, calculated on a straight-line basis over the ten year lease term. Reimbursement from Sears Holdings and certain third-party tenants, and expenses expected to be incurred by the JVs, for maintenance, real estate taxes and insurance and rent were determined based on the historical expenses incurred by Sears Holdings. Under the JV Master Lease, Sears Holdings and/or one or more of its subsidiaries will be required to make all expenditures reasonably necessary to maintain the premises in good appearance and conditions, subject to ordinary wear and tear. Property management fees were determined based on 4% of rental revenues pursuant to the terms of the JV agreements. Depreciation and amortization was determined based on a preliminary purchase price allocation of the fair value of the properties and the estimated useful lives of the properties using the straight-line method.

- (jj) We compute net earnings (loss) per share of Class A and Class C common shares using the two-class method. Basic net earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per share is computed using the weighted-average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of the redeemable noncontrolling interest in Operating Partnership. The redeemable noncontrolling interest in Operating Partnership has been excluded from the diluted earnings (loss) per share calculation because including such interests would also require that the share of Operating Partnership income attributable to such interests be added back to net income, therefore, resulting in no effect on earning per share. There were no potentially dilutive securities included in the pro forma calculation of earnings (loss) per share. We did not include the effect of restricted stock units or performance-based restricted stock units in the pro forma calculation of earnings per share as certain

terms related to these units, including participation in dividends, is not factually supportable. The computation of the diluted net earnings (loss) per share of Class A common shares assumes the conversion of Class C common shares, while the diluted net earnings (loss) per share of Class C common shares does not assume the conversion of those shares.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class C common shares are identical, except with respect to voting. As the liquidation and dividend rights are

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identical, the undistributed earnings are allocated on a proportionate basis. The net earnings (loss) per share amounts are the same for Class A and Class C common shares because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. Further, as we assume the conversion of Class C common shares in the computation of the diluted net earnings (loss) attributable to common shareholders per share of Class A common shares, the undistributed earnings are equal to net income (loss) for that computation.

The following table sets forth the computation of basic and diluted net loss attributable to common shareholders per share of Class A and Class C common shares (in thousands, except share amounts which are reflected in thousands and per share amounts):

|   | For the Three<br>Months ended<br>March 31, 2015 |                   | For the Year ended<br>December 31, 2014 |                   |
|---|---|-------------------|---|-------------------|
|   | Class A<br>shares                               | Class C<br>shares | Class A<br>shares                       | Class C<br>shares |
| <b>Basic net loss attributable to common shareholders per share:</b>                      |   |                   |   |                   |
| Numerator   |   |                   |   |                   |
| Allocation of undistributed loss  | (753)   | (340)             | (3,013)                                 | (1,359)           |
| Denominator   |   |                   |   |                   |
| Number of shares used in per share computation  | 21,096  | 9,527             | 21,096                                  | 9,527             |
| Basic net loss per share  | \$ (0.04)                                       | \$ (0.04)         | \$ (0.14)                               | \$ (0.14)         |
| <b>Diluted net loss attributable to common shareholders per share:</b>                    |   |                   |   |                   |
| Numerator   |   |                   |   |                   |
| Allocation of undistributed loss among Class A and Class C shares                         | (753)   | (340)             | (3,013)                                 | (1,359)           |
| Reallocation of undistributed loss as a result of conversion of Class C to Class A shares | (340)   |                   | (1,359)                                 |                   |
| Allocation of undistributed loss  | (1,093)   | (340)             | (4,372)                                 | (1,359)           |
| Denominator   |   |                   |   |                   |
| Number of shares used in basic loss per share computation                                 | 21,096  | 9,527             | 21,096                                  | 9,527             |
| Add:  |   |                   |   |                   |
| Conversion of Class C shares to Class A shares  | 9,527   |                   | 9,527                                   |                   |
| Number of shares used in diluted loss per share computation                               | 30,623  | 9,527             | 30,623                                  | 9,527             |
| Diluted net loss per share:   | \$ (0.04)                                       | \$ (0.04)         | \$ (0.14)                               | \$ (0.14)         |



**Table of Contents****SELECTED FINANCIAL DATA**

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, Operating Partnership portfolio will consist of 235 Acquired Properties that are owned (or, in one case, ground-leased) by Sears Holdings as of the date of this prospectus, as well as the JV Interests that are owned by Sears Holdings as of the date of this prospectus, which will be sold to Operating Partnership in the Transaction. Operating Partnership will lease (or sublease) a substantial majority of the space at all of the Acquired Properties other than the Third Party Properties back to Sears Holdings under the Master Lease, with the remainder of such space leased to third-party tenants. The eleven Third Party Properties, which do not currently contain a Sears Holdings store, will not have any space leased to Sears Holdings, and will instead be leased solely to third-party tenants. A substantial majority of the space at the JV Properties is also leased by the JVs to Sears Holdings under the JV Master Leases. We expect to generate revenues primarily by leasing retail properties to Sears Holdings and eventually other operators.

The following selected financial data does not reflect the financial position or results of operations of Seritage Growth for the periods indicated. The following table sets forth the historical real estate assets to be acquired by Seritage Growth and pro forma financial data for Seritage Growth. The following table should be read in conjunction with:

Unaudited Pro Forma Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The pro forma financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a publicly traded company independent from Sears Holdings during the periods presented.

|  | <b>As of and for the<br/>Three Months ended<br/>March 31, 2015</b> | <b>As of and for the<br/>Year ended<br/>December 31, 2014</b> |
|--|--|---|
| <i>thousands, except properties and per share data</i> |  |   |
| Sears Holdings historical basis of Acquired Properties | \$ 1,297,656   | \$ 1,307,808  |
| Sears Holdings historical basis of JV Properties (i)   | \$ 240,485   | \$ 243,525  |

**Seritage Growth Properties****Pro Forma Data (unaudited):****Income Statement data:**

|   |            |            |
|---|------------|------------|
| Pro Forma revenues  | \$ 64,670  | \$ 260,092 |
| Pro Forma equity in income in unconsolidated real estate affiliates | \$ 3,251   | \$ 13,004  |
| Pro Forma net loss attributable to common shareholders              | \$ (1,093) | \$ (4,372) |
| Pro Forma loss per share  |            |            |
| Class A shares - Pro Forma basic & diluted loss per share           | \$ (0.04)  | \$ (0.14)  |
| Class C shares - Pro Forma basic & diluted loss per share           | \$ (0.04)  | \$ (0.14)  |

**Balance Sheet data:**

|   |              |
|---|--------------|
| Pro Forma purchase price of Acquired Properties | \$ 2,248,274 |
|---|--------------|



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|   |    |           |
|---|----|-----------|
| Pro Forma investment in unconsolidated real estate affiliates | \$ | 429,000   |
| Pro Forma total debt  | \$ | 1,161,196 |
| Pro Forma number of real estate properties (ii)               |    | 235       |

- (i) The amount related to the JV Properties is based on Sears Holdings' historical cost basis in 100% of the JV Properties, as opposed to the 50% interest Seritage Growth expects to acquire of the JV Interests.
- (ii) The number of properties represents the properties to be acquired by Seritage Growth not included in joint ventures.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following is a discussion and analysis of the anticipated financial condition of Seritage Growth immediately following the Transaction. Seritage Growth was formed in connection with the Transaction and did not have material predecessor real estate or other operations. In addition, the Acquired Properties did not have business activities or, other than with respect to certain leases with third-party retailers, rental history. Therefore, there are no historical revenues other than the leases with third-party retailers. The statement of operations and cash flows of Seritage Growth will consist primarily of its operations after the Transaction. Accordingly, the following does not include a discussion and analysis of the historical results of operations for Seritage Growth. This discussion contains forward-looking statements that involve risks and uncertainties. Seritage Growth's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed below and elsewhere in this registration statement. See also Risk Factors.*

**Overview**

Seritage Growth Properties ( Seritage Growth ) is a newly organized entity that was formed in Maryland on June 3, 2015. Seritage Growth conducts its operations through Seritage Growth Properties, L.P. ( Operating Partnership ), a Delaware limited partnership, formed on April 22, 2015. In this prospectus, we refer to our business, including Seritage Growth and Operating Partnership, as we, our or us. Our principal offices are currently located at 3333 Beverly Road, Hoffman Estates, Illinois 60179, and our main telephone number is currently (847) 286-2500. We expect to change our principal offices and main telephone number prior to the completion of the Transaction. Seritage Growth intends to elect to be treated as a real estate investment trust ( REIT ) for federal income tax purposes commencing with our taxable year ending December 31, 2015.

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, our portfolio will consist of 235 properties (the Acquired Properties ) that are owned (or, in one case, ground-leased) by Sears Holdings. In addition, we will own the JV Interests, three 50% joint venture interests in an additional twelve, ten and nine properties (collectively, the JV Properties ), respectively, which JV Interests are owned by Sears Holdings as of the date of this prospectus and will be sold to us in the Transaction. We will lease (or sublease) a substantial majority of the space at all but eleven of the Acquired Properties (such eleven properties, the Third-Party Properties ) back to Sears Holdings under a master lease agreement (the Master Lease ), with the remainder of such space leased to third-party tenants. The Third Party Properties, which do not currently contain a Sears Holdings store, will not have any space leased to Sears Holdings, and will instead be leased solely to third-party tenants. A substantial majority of the space at the JV Properties is also leased by GS Portfolio Holdings LLC (the GGP JV ), a joint venture between Sears Holdings and a subsidiary of General Growth Properties, Inc. (together with its other subsidiaries, GGP ), SPS Portfolio Holdings LLC (the Simon JV ), a joint venture between Sears Holdings and a subsidiary of Simon Property Group, Inc. (together with its other subsidiaries, Simon ), or MS Portfolio LLC (the Macerich JV and, together with the GGP JV and the Simon JV, each, a JV ) and a subsidiary of The Macerich Company (together with its subsidiaries, Macerich ), as applicable, in each case under a separate master lease with each JV (the JV Master Leases ). We will acquire Sears Holdings' 50% interests in each of the JVs in the Transaction.

We expect to generate revenues primarily by leasing our properties to tenants, including both Sears Holdings and third-party tenants, who will operate retail stores (and potentially other uses) in the leased premises, a business model common to many publicly traded REITs. In addition to revenues generated under the Master Lease through rent payments from Sears Holdings, we expect to generate revenue through leases to third-party tenants under existing and

future leases for space at our properties, including the Acquired Properties. The Master Lease will provide us with the right to recapture up to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or

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attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease. Upon exercise of this recapture right, we must pay all costs and expenses for the separation of the recaptured space from the remaining Sears Holdings space and can reconfigure and rent the recaptured space to third-party tenants on potentially superior terms determined by us and for our own account. We also have the right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties by making a specified lease termination payment to Sears Holdings, after which we expect to be able to reposition and re-lease those stores and potentially generate additional revenue. See *Certain Relationships and Related Transactions* *The Master Lease*.

Our initial portfolio of 235 Acquired Properties, consisting of approximately 36.7 million square feet of building space, will be broadly diversified by location across 49 states and Puerto Rico. These Acquired Properties will consist of 84 properties operated under the Kmart brand, 140 operated under the Sears brand, and eleven properties leased entirely to third parties. At certain of the Acquired Properties, third parties under existing leases occupy a portion of the overall leasable space alongside Sears Holdings. Third-party tenants will initially represent approximately 6.6% of our overall portfolio as a percentage of total leasable space and approximately 10% of existing rent. The amount of space leased to third-party tenants, and the resulting revenue, are expected to increase as we recapture space under the Master Lease and then re-lease it to such third-party tenants.

To maintain REIT status, Seritage Growth must meet a number of organizational and operational requirements, including a requirement that Seritage Growth distribute annually to Seritage Growth shareholders at least 90% of Seritage Growth's REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See *U.S. Federal Income Tax Considerations*.

**Results of Operations*****Revenues***

Following the Transaction, Seritage Growth's earnings will primarily be the result of the rental revenue from the Master Lease through rent payments from Sears Holdings. Rental revenue from the Master Lease is expected to be approximately \$153 million per year. The Master Lease generally will be a triple net lease between Operating Partnership and Sears Holdings. The Master Lease will have an initial term of ten years and the aggregate rent for all of the Acquired Properties will initially be set at fair market value. In each of the initial and first two renewal terms, after the first lease year, the annual rent will be increased by 2% per annum (cumulative and compounded) for each lease year over the rent for immediately preceding lease year. For properties with additional renewal options, rent for the renewal period will be set at a fair market rent determined based on a customary third-party appraisal process, taking into account all the terms of the Master Lease and other relevant factors.

The Master Lease provides Seritage Growth the right to recapture up to approximately 50% of the space within the Sears or Kmart stores located at the Acquired Properties (the *Stores*) (subject to certain exceptions), in addition to all of any automotive care centers which are freestanding or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease, allowing us to reconfigure and rent the recaptured space to third-party tenants on potentially superior terms determined by us and for our own account. We also have the right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties by making a specified lease termination payment to Sears Holdings, after which we expect to be able to reposition and re-lease those stores and potentially generate additional revenue. See *Certain Relationships and Related Transactions* *The Master Lease*.

Sears Holdings will initially represent approximately 90% of existing rent. The Master Lease will contain provisions requiring Sears Holdings to provide Seritage Growth with financial information about it which is intended to help Seritage Growth monitor Sears Holdings' creditworthiness, including certain audited annual

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financial statements and unaudited quarterly financial statements and statements of EBITDA and EBITDAR with respect to each Acquired Property that is within a specified threshold of the EBITDAR condition that would allow Sears Holdings to terminate the Master Lease as to that Acquired Property, and upon Seritage Growth's request, to provide documentation and/or information to help it ensure that Sears Holdings is complying with the requirements to maintain Seritage Growth's status as a REIT.

Under the Master Lease, Sears Holdings and/or one or more of its subsidiaries will be required to make all expenditures reasonably necessary to maintain the premises in good appearance, repair and condition. Revenues from tenant reimbursement income will equal expenditures for which Sears Holdings reimburses Seritage Growth pursuant to the terms of the Master Lease.

In addition to revenues generated under the Master Lease through rent payments from Sears Holdings, we expect to generate revenue through leases to third-party tenants under existing and future leases for space at our properties, including the Acquired Properties. Rental revenue from third-party tenants is expected to be approximately \$16 million per year for lease agreements currently in place for which rent has commenced. Rental revenue for third-party tenants is expected to increase by approximately \$15 million per year within the next two years as redevelopment activities are completed, the third-party tenants take possession of the demised premises, and rent commences for lease agreements currently in place.

Revenues will also include the accretion related to below-market leases where we are the lessor, and amortization related to above-market leases where we are the lessor, which are expected to be \$1.2 million, and (\$74 thousand) annually based on a preliminary purchase price allocation.

### ***Expenses***

General and administrative expenses are expected for items such as compensation costs, professional services, legal expenses, property management and leasing costs, office costs and other costs associated with development activities. To the extent requested by Seritage Growth, Sears Holdings Management Corporation will provide Seritage Growth with certain administrative and support services pursuant to a Transition Services Agreement. The fees charged to Seritage Growth for the services furnished pursuant to this agreement will generally be determined on cost plus basis.

We will incur costs as a result of becoming a publicly traded company independent from Sears Holdings. As an independent public company, we expect to incur incremental costs to support our business, including management personnel, legal expenses, finance, and human resources as well as certain costs associated with becoming a public company. These additional annual operating charges are estimated to be approximately \$15 million.

Property operating expenses are expected for expenditures necessary to maintain the premises in good appearance, repair and condition and will be paid or reimbursed by Sears Holdings pursuant to the Master Lease with respect to space occupied by Sears Holdings and, in many cases, by tenants under third-party leases with respect to space occupied by such tenants. Property operating expenses will also include other expenses expected to be paid or reimbursed by Sears Holdings or third-party tenants such as property taxes, common area expenses and management fees. Property operating expenses, including property taxes, which are not expected to be paid or reimbursed by Sears Holdings or third-party tenants are expected to be paid by us. Property operating expenses are expected to be approximately \$96 million per year, with the majority of such expenses being paid or reimbursed by Sears Holdings or third-party tenants.

Seritage Growth will incur depreciation expense related to the buildings and improvements acquired from Sears Holdings pursuant to the Transaction. Depreciation expense will be determined based on the useful lives of the

properties. Depreciation expense is expected to be \$114 million annually.

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Seritage Growth will incur interest expense and other loan-related charges related to Seritage Growth's indebtedness. Seritage Growth will incur interest expense from its borrowing obligations plus the amortization of its anticipated debt issuance costs related to its indebtedness. Following the Transaction, Seritage Growth will have approximately \$1,162 million in outstanding borrowings and annual interest costs of approximately \$58 million.

## **Liquidity and Capital Resources**

For purposes of funding the purchase price of the Acquired Properties (directly or through the acquisition of the Acquired Entities) and the JV Interests (with remaining proceeds used for working capital and other general purposes): (1) Seritage Growth has entered into an agreement with Sears Holdings to subscribe for subscription rights to acquire Seritage Growth common shares, which Sears Holdings will distribute to its stockholders, as well as an agreement with each of GGP and Simon to issue and sell to each of GGP and Simon, respectively, Seritage Growth common shares for an aggregate purchase price of \$33.3 million for each of GGP and Simon in the Seritage Private Placements and (2) Operating Partnership expects to engage in the OP Private Placement of Operating Partnership units to ESL and Seritage Growth expects to engage in the Non-Economic Shares Private Placement of Seritage Growth non-economic shares to ESL and the Non-Voting Shares Offering of Seritage Growth non-voting shares to Fairholme Clients, in each case in exchange for a portion of their subscription rights and cash.

At the closing of the Transaction, Seritage Growth and Operating Partnership will use the proceeds from this offering, the Seritage Private Placements, the OP Private Placement, the Non-Economic Shares Private Placement and the assumption of the indebtedness incurred in the Financing to purchase the Acquired Properties (directly or through the acquisition of the Acquired Entities) and the JV Interests from Sears Holdings, the indebtedness incurred by the Acquired Entities in the Financing will become, on a consolidated basis, indebtedness of Operating Partnership (with the proceeds of such indebtedness distributed by the Acquired Entities to Sears Holdings prior to the closing of the Transaction and, therefore, not available to us) and Sears Holdings and Operating Partnership will enter into the Master Lease.

We also expect that, as part of the Financing, the Acquired Entities will have access to a future funding facility in the amount of \$100 million that will be undrawn at the closing of the Transaction and available to finance redevelopment projects at the properties post-closing subject to satisfaction of certain conditions.

## ***Capital Expenditures***

Capital expenditures for Acquired Properties leased under the Master Lease will be the responsibility of the tenant. Additionally, Seritage Growth anticipates incurring capital expenditures of approximately \$65 million over the next one to two years in connection with the redevelopment of certain properties.

## ***Contractual Obligations and Commitments***

In addition to the indebtedness described above, Sears Holdings will assign to Operating Partnership various ground leases on certain of the Acquired Properties. The anticipated future minimum lease commitments of Seritage Growth are approximately \$1.3 million. Note that this does not include commitments related to obligations that are variable in nature and as such is not an illustration of anticipated payments Seritage Growth will incur related to these leases over the respective lease terms.



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Information concerning our obligations and commitments to make future payments under contracts such as debt and lease agreements is aggregated in the following table.

|  | <b>Total</b> | <b>Payments Due by Period</b> |                      |                      |                              |
|--|--------------|-------------------------------|----------------------|----------------------|------------------------------|
|  |              | <b>Within 1<br/>Year</b>      | <b>1-3<br/>Years</b> | <b>4-5<br/>Years</b> | <b>After<br/>5<br/>Years</b> |
| Contractual Obligations<br><i>thousands</i>                            |              |                               |                      |                      |                              |
| <b>Pro Forma data (unaudited):</b>                                     |              |                               |                      |                      |                              |
| Pro Forma Long-term debt <sup>(1)</sup>                                | \$ 1,393,435 | \$ 58,060                     | \$ 1,335,375         | \$                   | \$                           |
| Pro Forma Operating leases   | \$ 1,282     | 45                            | 135                  | 90                   | 1,012                        |
| Pro Forma Redevelopment & capital expenditures<br>for tenant occupancy | \$ 64,977    | 46,987                        | 17,990               |                      |                              |
| Total Pro-Forma Contractual obligations                                | \$ 1,459,694 | \$ 105,092                    | \$ 1,353,500         | \$ 90                | \$ 1,012                     |

(1) Including interest payments

**Application of Critical Accounting Policies and Estimates**

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. Our critical accounting policies are as follows:

**Revenue Recognition**

Minimum rent revenues will be recognized on a straight-line basis over the terms of the related leases. Rental and other property income will include accretion related to above and below-market tenant leases on acquired properties and properties that will be fair valued at Seritage Growth's acquisition date.

In leasing tenant space, we may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, we will determine whether the allowance represents funding for the construction of leasehold improvements and evaluate the ownership of such improvements. If we are considered the owner of the leasehold improvements for accounting purposes, we capitalize the amount of the tenant allowance and depreciate it over the shorter of the useful life of the leasehold improvements or the related lease term. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event we are not considered the owner of the improvements for accounting purposes, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue on a straight-line basis.

We provide an allowance for doubtful accounts against the portion of accounts receivable, including straight-line rents, which is estimated to be uncollectible. Such allowances are reviewed periodically based upon our recovery experience.

The Master Lease provides Seritage Growth the right to recapture up to approximately 50% of the space within the Sears or Kmart stores located at the Acquired Properties (the Stores) (subject to certain exceptions), in addition to all

of any automotive care centers which are freestanding or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease, allowing us to reconfigure and rent the recaptured space to third-party tenants on potentially superior terms determined by us and for our own account. We also have the right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties by making a specified lease termination payment to Sears Holdings, after which we expect to be able to reposition and re-lease those stores and potentially generate additional revenue. To the extent Seritage Growth must pay a fee to recapture any space and Seritage has identified a replacement tenant and entering into a replacement lease is reasonably assured, amounts paid to Sears Holdings to recapture the

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space qualifies as an initial indirect cost of the new lease and the payment shall be deferred and it will be recognized as income over the term of the new lease. If a replacement tenant has not been identified or a replacement lessee has been identified but entering into a new lease with that replacement lessee is not reasonably assured, the payment will be expensed as incurred. Our lease term is the fixed noncancelable lease term. As the recapture right is within our control as a lessor, we included this right in our determination of our lease term. Any deferred rent receivable will be expensed as part of a recapture exercise.

The Master Lease will also provide for certain rights of Sears Holdings to terminate the Master Lease with respect to Acquired Properties that cease to be profitable for operation by Sears Holdings. Specifically, Sears Holdings will have the right to terminate the Master Lease with respect to an Acquired Property where the fixed rent (together with all other costs and expenses payable under the Master Lease) attributable to such Acquired Property exceeds Sears Holdings' EBITDAR attributable thereto for any 12-month period beginning after the commencement of the lease and ending at the end of the most recent fiscal quarter. In order to terminate the Master Lease with respect to a certain property, Sears Holdings must make a payment to us of an amount equal to one year of rent (together with taxes and other expenses) with respect to such property. Such termination right, however, will be limited so that it will not have the effect of reducing the fixed rent under the Master Lease by more than 20% per annum. The lease term is not impacted by the Sears Holdings right to terminate, as they may only be exercised based on a contingency of tenant operational metrics. A termination fee earned by Seritage Growth will be recognized when the payment is earned concurrent with the termination and will reduce any deferred rent receivable.

The recapture rights and termination rights are also included with similar terms in the leases with Sears Holdings in the GGP JV, Simon JV, and Macerich JV. The accounting policies for these terms will follow the accounting discussed above.

***Consolidation of variable interests***

The Company evaluates its variable interests to assess whether it holds interests in variable interest entities and whether the Company is the primary beneficiary of those interests. To the extent such variable interests are not entities that do not meet the definition of Variable Interest Entities in ASC 810-10, we evaluate our interests in the Voting Interest Entity Model. We have a variable interest in Seritage Growth Properties, LP, our operating partnership. The operating partnership is not within the scope of the Variable Interest Model and is instead evaluated under the Voting Interest Entity Model. While the Company holds a voting interest of 55.1% in the operating partnership, the Company also holds the general partner interest in the operating partnership. As the limited partners in the operating partnership and not held by the Company do not possess kick-out rights and substantive participating rights, the Company consolidates its interest in the operating partnership.

The Company will evaluate all other variable interests held within the consolidation guidance articulated in ASC 810.

***Allocation of Purchase Price of Acquired Assets***

Upon the acquisition of real properties, it is the Company's policy to allocate the purchase price of properties to acquired tangible assets, consisting of land, building, fixtures and improvements, and identified intangible lease assets and liabilities, consisting of the value of above-market and below-market leases, as applicable, other value of in-place leases and ground leases, based in each case on their fair values.

The Company will record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair

market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company will amortize any capitalized above-market or below-market lease values as an increase or reduction to rental income over the remaining non-cancelable terms of the respective leases.

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The Company will measure the aggregate value of other intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are expected to be made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors to be considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases.

The Company will also consider information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management will also include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management will also estimate costs to execute similar leases including leasing commissions and legal and other related expenses to the extent that such costs have not already been incurred in connection with a new lease origination as part of the transaction.

The total amount of other intangible assets acquired will be further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The Company will amortize the value of in-place leases to expense over the initial term of the respective leases. Should a tenant terminate its lease, the unamortized portion of the in-place lease value would be charged to expense in that period.

The determination of the fair value of the assets and liabilities acquired requires the use of significant assumptions with regard to current market rental rates, discount rates and other variables. The use of inappropriate estimates would result in an incorrect assessment of the fair value of these assets and liabilities, which could impact the amount of the Company's reported net income. These estimates are subject to change until all information is finalized, which is generally within one year of the acquisition date.

***Investment in Real Estate***

Rental property and improvements, including interest and other costs capitalized during construction, are included in investments in real estate and will be stated at cost. Expenditures for ordinary repairs and maintenance will be expensed as incurred. Significant renovations which improve the property or extend the useful life of the assets are capitalized. Rental property and improvements, excluding land, will be depreciated over their estimated useful lives using the straight-line method. Construction in progress includes costs for capital projects that are in process of being completed. These costs will be depreciated upon completion of the projects.

The table below shows the estimated useful lives by asset category:

Building 28-35 years

Building improvements 3-10 years

Tenant improvements shorter of the asset's useful life or the noncancellable term of lease

Furniture and fixtures 3-5 years

We make subjective assessments as to the useful lives of our assets. These assessments have a direct impact on our results of operations. Should we lengthen the expected useful life of an asset, it would be depreciated over a longer period, resulting in less annual depreciation expense and higher annual net income. Should we shorten the expected useful life of an asset, it would be depreciated over a shorter period resulting in more annual depreciation expense and lower annual net income.

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**Table of Contents*****Impairment of Long-Lived Assets***

In accordance with accounting standards governing the impairment or disposal of long-lived assets, the carrying value of long-lived assets, including land, buildings and improvements and definite-lived intangible assets, is evaluated whenever events or changes in circumstances indicate that a potential impairment has occurred relative to a given asset or assets. Factors that could result in an impairment review include, but are not limited to, a current period cash flow loss combined with a history of cash flow losses, current cash flows that may be insufficient to recover the investment in the property over the remaining useful life, or a projection that demonstrates continuing losses associated with the use of a long-lived asset, significant changes in the manner of use of the assets or significant changes in business strategies. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value as determined based on quoted market prices or through the use of other valuation techniques.

***Investments in Unconsolidated Real Estate Affiliates***

We will account for investments in joint ventures where we own a non-controlling joint interest using the equity method. To determine the method of accounting for partially owned joint ventures, we evaluate the characteristics of associated entities and determine whether an entity is a variable interest entity ( VIE ) and, if so, determine which party is primary beneficiary by analyzing whether we have both the power to direct the entity's significant economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. Significant judgments and assumptions inherent in this analysis include the nature of the entity's operations, future cash flow projections, the entity's financing and capital structure, and contractual relationship and terms. We consolidate a VIE when we have determined that we are the primary beneficiary. Primary risks associated with our VIEs include the potential of funding the entities' debt obligations or making additional contributions to fund the entities' operations.

***Impairment of Investment in Unconsolidated Affiliates***

A series of operating losses of an investee or other factors may indicate that a decrease in value of a company's investment in unconsolidated affiliates has occurred which is other-than-temporary. Accordingly, the investment in each of the unconsolidated affiliates is evaluated periodically for valuation declines that are other-than-temporary. If the investment is other than temporarily impaired, the investment is written down to its estimated fair value. Also taken into consideration when testing for impairment is the value of the underlying real estate investments, the ownership and distribution preferences and limitations and rights to sell and repurchase of its ownership interests. Any such adjustments could be material, but will be non-cash.

Partially owned, non-variable interest joint ventures over which we would have controlling financial interest will be consolidated in our consolidated financial statements. In determining if we have a controlling financial interest, we consider factors such as ownership interest, authority to make decisions, kick-out rights and substantive participating rights. Partially owned joint ventures where we do not have a controlling financial interest, but have the ability to exercise significant influence, are accounted for using the equity method.

We continually analyze and assess reconsideration events, including changes in the factors mentioned above, to determine if the consolidation treatment remains appropriate. Decisions regarding consolidation of partially owned entities frequently require significant judgment by our management. Errors in the assessment of consolidation could result in material changes to our consolidated financial statements.

***Recently Issued Accounting Pronouncements***

In August 2014, the FASB issued new accounting guidance which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. The standard provides guidance on determining when and how to disclose going



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concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. This guidance is effective on January 1, 2017. The Company will apply the guidance prospectively and does not anticipate the guidance will have a material impact on its consolidated financial statements or disclosures.

In May 2014, companies will be required to apply a five-step model in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that a company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Lease contracts will be excluded from this revenue recognition criteria; however, the sale of real estate will be required to follow the new model. Expanded quantitative and qualitative disclosures regarding revenue recognition will be required for contracts that are subject to this pronouncement. This new guidance is effective January 1, 2015. On April 1, 2015, the Financial Accounting Standards Board voted for a one-year deferral of the effective date of the new revenue recognition standard. If approved, the new standard will become effective for the Company beginning with the first quarter 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is evaluating the potential impact of this pronouncement on its consolidated financial statements.

In February 2015, the FASB issued an update ( ASU 2015-02 ) *Amendments to the Consolidation Analysis* to ASC Topic 810, *Consolidation*. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ( VIEs ) or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs, and (iv) provide a scope exception for certain entities. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is evaluating the impact of the adoption of this pronouncement on its consolidated financial statements.

In April 2015, the Financial Accounting Standards Board (FASB) issued new guidance which changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the debt issuance costs is reported as interest expense. The new guidance is effective on January 1, 2016, with early adoption permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance. The new guidance must be applied retrospectively to all prior periods presented. The Company expects to adopt the new guidance on January 1, 2016 and will apply the presentation guidance to all periods presented in its consolidated financial statements.

***REIT Qualification***

Seritage Growth has determined that the ownership of Operating Partnership units, Seritage Growth non-economic shares and Seritage Growth non-voting shares by ESL and Fairholme Clients will not impact its ability to qualify as a REIT under the Code.

***Emerging Growth Company***

We are an emerging growth company under the federal securities laws and, as such, we have elected to provide reduced public company reporting requirements in this and in future filings. The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to opt out of this provision and, as a result, we

will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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**BUSINESS AND PROPERTIES**

**Our Business**

Seritage Growth Properties is a newly organized entity that was formed in Maryland on June 3, 2015. Seritage Growth conducts its operations through Seritage Growth Properties, L.P., a Delaware limited partnership, formed on April 22, 2015. Our principal offices are currently located at 3333 Beverly Road, Hoffman Estates, Illinois 60179, and our main telephone number is currently (847) 286-2500. We expect to change our principal offices and main telephone number prior to the completion of the Transaction. Seritage Growth intends to elect to be treated as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2015.

Following the Transaction, Seritage Growth will be a publicly traded, self-administered, self-managed REIT primarily engaged in the real property business through its investment in Operating Partnership. Initially, our portfolio will consist of the 235 Acquired Properties that are owned (or, in one case, ground-leased) by Sears Holdings as of the date of this prospectus. In addition, we will own the JV Interests, which are owned by Sears Holdings as of the date of this prospectus and will be sold to us in the Transaction. We will lease (or sublease) a substantial majority of the space at all of the Acquired Properties other than the Third Party Properties back to Sears Holdings under the Master Lease, with the remainder of such space leased to third-party tenants. The eleven Third Party Properties, which do not currently contain a Sears Holdings store, will not have any space leased to Sears Holdings, and will instead be leased solely to third-party tenants. A substantial majority of the space at the JV Properties is also leased by the JVs to Sears Holdings under the JV Master Leases.

We expect to generate revenues primarily by leasing our properties to tenants, including both Sears Holdings and third-party tenants, who will operate retail stores (and potentially other uses) in the leased premises, a business model common to many publicly traded REITs. In addition to revenues generated under the Master Lease through rent payments from Sears Holdings, we expect to generate revenue through leases to third-party tenants under existing and future leases for space at our properties, including the Acquired Properties. The Master Lease will provide us with the right to recapture up to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease. Upon exercise of this recapture right we must pay all costs and expenses for the separation of the recaptured space from the remaining Sears Holdings space and can reconfigure and rent the recaptured space to third-party tenants on potentially superior terms determined by us and for our own account. We also have the right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties by making a specified lease termination payment to Sears Holdings, after which we expect to be able to reposition and re-lease those stores and potentially generate additional revenue. See Certain Relationships and Related Transactions The Master Lease.

Our initial portfolio of 235 Acquired Properties, consisting of approximately 36.7 million square feet of building space, will be broadly diversified by location across 49 states and Puerto Rico. These Acquired Properties will consist of 84 properties operated under the Kmart brand, 140 operated under the Sears brand, and eleven properties leased entirely to third parties. At certain of the Acquired Properties, third parties under existing leases occupy a portion of the overall leasable space alongside Sears Holdings. Third-party tenants will initially represent approximately 6.6% of our overall portfolio as a percentage of total leasable space and approximately 10% of existing rent. The amount of space leased to third-party tenants, and the resulting revenue, are expected to increase as we recapture space under the Master Lease and then re-lease it to such third-party tenants. In addition, we will have interests in twelve additional properties through our investment in the GGP JV, ten additional properties through our investment in the Simon JV and nine additional properties through our investment in the Macerich JV.



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To maintain REIT status, Seritage Growth must meet a number of organizational and operational requirements, including a requirement that Seritage Growth distribute annually to Seritage Growth shareholders at least 90% of Seritage Growth's REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See U.S. Federal Income Tax Considerations.

## **History**

Seritage Growth is a newly organized REIT that was formed in Maryland on June 3, 2015, and Operating Partnership is a Delaware limited partnership formed on April 22, 2015. We have operated prior to the Transaction. Sears Holdings, the parent company of Sears Roebuck and Co. and Kmart Holding Corporation, was formed in connection with the merger of Sears Roebuck and Kmart in March 2005.

## **Corporate Information**

Our principal executive offices are located at 3333 Beverly Road, Hoffman Estates, Illinois 60179. Our telephone number is (847) 286-2500.

## **Industry Background / Market Opportunity**

### ***Strategic Opportunities***

We expect the Transaction to facilitate increased revenue generation from the Acquired Properties through recapturing of space and then re-leasing such space to third-party retailers (and potentially other third-party lessees for other uses) for higher rents than are payable under the Master Lease by Sears Holdings. We also expect the Transaction to facilitate the redevelopment and possible sale of certain properties in order to maximize their value. In addition to diversifying our tenant base, we will have greater opportunity to expand into new business activities outside of the retail industry. Historically, Sears Holdings has not pursued significant development opportunities unrelated to the retail industry, in part because of the expectations and preferences of its stockholders. However, we are being formed as a property acquisition, development, ownership and management company, and will be positioned to capitalize on these opportunities without similar constraints, subject to any applicable Property Restrictions. We do not currently have a fixed schedule of the number of acquisitions we intend to make over a particular time period, but instead we intend to pursue those acquisitions that meet our investing and financing strategy and that are attractively priced. We also intend to further develop our relationships with tenants with a goal to progressively expand the mixture of tenants leasing our properties.

The Transaction will also provide stockholders with two distinct and targeted investment opportunities.

## **Competitive Strengths**

We believe the following competitive strengths will contribute significantly to our success:

### ***Geographically Diverse Property Portfolio***

Initially, our portfolio will consist of 235 retail facilities (excluding the JV Properties). Our portfolio of 235 Acquired Properties, comprising approximately 36.7 million square feet of building space, is broadly diversified by location across 49 states and Puerto Rico. Our geographic diversification will limit the effect of a decline in any one regional market on our overall performance. In addition, we will have interests in twelve additional properties through our investment in the GGP JV, ten additional properties through our investment in the Simon JV and nine additional

properties through our investment in the Macerich JV.

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**Table of Contents*****Long-Term, Triple-Net Lease Structure***

Immediately following the Transaction, all but eleven of the Acquired Properties will be leased to Sears Holdings under the Master Lease, generally a triple net operating lease guaranteed by Sears Holdings with an average term of ten years (in addition to between two and four five-year renewals to be exercised at Sears Holdings option), pursuant to which the tenant is responsible for all costs and expenses of operation, facility maintenance, repairs, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties, subject to proportionate sharing of repair and maintenance charges and other costs and expenses which are common to both the space leased by Sears Holdings and other space occupied by unrelated third-party tenants, common area maintenance expenses and real property taxes with respect to space not occupied by Sears Holdings.

We will immediately have an income stream from an existing tenant, with enhanced flexibility as a lessor with the ability to recapture substantial amounts of space from Sears Holdings and diversify the tenant mix by leasing recaptured space to other tenants.

***Unrelated Third-Party Leases***

The Acquired Properties are currently subject to various existing leases with unrelated third-party retail tenants for approximately 2.4 million square feet of space in the aggregate (excluding certain minor leases, agreements, concessions, licenses or departments within the Sears Holdings stores and the lease agreements between Sears Holdings and Lands End, the Third-Party Leases). The Third-Party Leases are further described in Our Portfolio / Properties, including a list of the five largest tenants under Third-Party Leases. The Third-Party Leases will be assigned by Sears Holdings to us for our own account and benefit, so that we will be the landlord thereunder, and the space leased thereunder will not be leased to Sears Holdings under the Master Lease. Lease agreements between Sears Holdings and Lands End will be retained by Sears Holdings for its own account under the Master Lease and will not be considered Third-Party Leases (and, therefore, will not be assigned to Operating Partnership along with the Third-Party Leases). However, Sears Holdings will pay as additional rent under the Master Lease (in lieu of base rent attributable to the Lands End space leased to Sears Holdings under the Master Lease) an amount equal to rent payments (including expenses, if any) required to be made by Lands End under existing Lands End lease agreements with respect to the Lands End space within the Acquired Properties and Operating Partnership will perform all repair, maintenance and other similar obligations of the landlord under the Lands End lease agreements and hold harmless Sears Holdings therefrom. Should the lease arrangements between Sears Holdings and Lands End terminate with respect to the Acquired Properties, Sears Holdings rent obligations under the Master Lease for the space previously occupied by Lands End will reflect the base rent (on a square footage basis) under the Master Lease for the affected Acquired Properties.

We also intend to enter into additional leases with third parties from time to time for our own account and benefit if and when we exercise recapture rights under the Master Lease. The existing Third-Party Leases generally provide for payments of fixed rent (and, in some cases, percentage rent based on such tenant's sales at the premises), and additional rent for certain costs, expenses and charges under the lease; the tenant is generally required to perform ordinary repairs and maintenance to their respective space and to either pay (a) additional rent for their proportionate share of taxes and/or operating costs and expenses for the building in which the space is located as well as common area expenses, including structural repairs, insurance, real estate taxes and all other customary operating costs and expenses, or (b) fixed rental that takes into account and includes an amount for some or all of these costs and expenses (and, in certain cases, requires separate payment of taxes and/or other expenses); and the landlord thereunder may in some cases perform certain construction and preparation work for the tenant and/or make financial contributions to

certain tenant improvements for the tenant's initial occupancy. Certain Third-Party Leases include redevelopment and capital expenditures for tenant occupancy, and other obligations that we will assume in the Transaction. Other terms and conditions for such existing Third-Party Leases include provisions for insurance, indemnity, casualty, condemnation and other provisions which are usual and customary for retail space leases depending on the size of the space, rent and creditworthiness of the tenant.



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Future third-party leases may incorporate some or all of the features of the existing unrelated Third-Party Leases, or may be made on some net or modified net lease basis, depending on the retail space market and the particular circumstances at the time such leases are negotiated.

### ***UPREIT Structure***

We will operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held by Operating Partnership or by subsidiaries of Operating Partnership. Conducting business through Operating Partnership allows us flexibility in the manner in which we structure and acquire properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in exchange for Operating Partnership units, which provides property owners the opportunity to diversify their portfolios in a tax-efficient manner and to defer the tax consequences that would otherwise arise from a sale of their real properties and other assets to us. As a result, this structure potentially may facilitate our acquisition of assets in a more efficient manner and may allow us to acquire assets that the owner would otherwise be unwilling to sell because of tax considerations.

### **Business and Growth Strategies**

#### ***Develop New Tenant Relationships***

We will seek to cultivate our relationships with tenants in order to expand the mixture of tenants operating our properties and, in doing so, to reduce our dependence on any single tenant or operator. We expect that this objective will be achieved over time as part of our overall strategy to lease space recaptured under the Master Lease and acquire new properties and further diversify our overall portfolio of properties.

#### ***Pursue Strategic Development Opportunities***

We intend to identify strategic development opportunities. These opportunities may involve replacing or renovating facilities in our portfolio that may have become less competitive. We also intend to identify new development opportunities that present attractive risk-adjusted returns.

#### ***Maintain Balance Sheet Strength and Liquidity***

We will seek to maintain a capital structure that provides the resources and flexibility to support the growth of our business. We intend to maintain a mix of credit facility debt, mortgage debt and unsecured term debt which, together with our anticipated ability to complete future equity financings, we expect will fund the growth of our operations.

#### ***Diversify Asset Portfolio***

We expect to diversify through the acquisition of new properties. We will employ what we believe to be a disciplined, opportunistic acquisition strategy. Initially following the Transaction, we expect to grow our portfolio by pursuing opportunities to acquire additional retail facilities to lease.

### **The GGP JV, the Simon JV and the Macerich JV**

The GGP JV is a joint venture between Sears Holdings and GGP formed on March 31, 2015. The Simon JV is a joint venture between Sears Holdings and Simon formed on April 13, 2015. The Macerich JV is a joint venture between Sears Holdings and Macerich formed on April 30, 2015. Each JV entered into a sale-leaseback transaction with Sears

Holdings with respect to the JV Properties, which consist of twelve properties sold by Sears Holdings to the GGP JV, ten properties sold by Sears Holdings to the Simon JV and nine properties sold by Sears Holdings to the Macerich JV. The JVs currently own the JV Properties and lease them to Sears Holdings under their respective JV Master Leases, as well as to certain third parties under third-party leases.

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As of the date of this prospectus, each of GGP and Sears Holdings owns a 50% interest in the GGP JV, each of Simon and Sears Holdings owns a 50% interest in the Simon JV and each of Macerich and Sears Holdings owns a 50% interest in the Macerich JV. In the Transaction, Sears Holdings will sell to Operating Partnership its 50% interest in the GGP JV, the Simon JV and the Macerich JV for \$165 million, \$114 million and \$150 million, respectively (which is equal to the purchase price previously paid by GGP, Simon and Macerich, respectively, for their 50% interests in the applicable JVs). As a result, the GGP JV will become a joint venture between Operating Partnership and GGP, the Simon JV will become a joint venture between Operating Partnership, and Simon and the Macerich JV will become a joint venture between Operating Partnership and Macerich.

Each JV will be governed by an executive committee that consists of one representative designated by GGP, Simon or Macerich, as applicable, and one representative that, following the Transaction, will be designated by us. Day-to-day operation of the GGP JV, the Simon JV and the Macerich JV, and responsibility for leasing and redevelopment activities related to the JV Properties owned by each JV, are generally delegated to GGP, Simon and Macerich, respectively, subject to mutual approval of major decisions relating to the JV Properties or the applicable JV, including approval of the venture's budget, capital calls and distributions, sales of properties, issuances of equity interests in the venture, incurrences of indebtedness, extensions of credit, mergers and other extraordinary transactions, and key operational decisions regarding the JV and the JV Properties, including approval of all leasing and development plans for the properties, material changes to any property management agreement, entry into lease terms not in keeping with the pre-approved leasing plans, formation of subsidiaries of the JV, appointments of accountants and legal counsel for the JV, and material contracts (including any material employment or collective bargaining agreement). Under certain circumstances, including if a party to the limited liability company agreement of each JV is in default of that agreement, a party may be removed from the executive committee and as managing member of the JV and replaced by the other party (with the defaulting party thereafter having minimal governance rights). In addition, GGP will be entitled to a management fee based on the GGP JV's gross revenues, as well construction management fees based on the cost of work and a leasing commission, in connection with the management, leasing and development of the JV Properties owned by the GGP JV, except that if GGP fails to meet certain leasing performance conditions by March 31, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. Similarly, Simon will be entitled to a management fee based on the Simon JV's gross revenues, as well construction management fees based on the cost of work and a leasing commission, in connection with the management, leasing and development of the JV Properties owned by the Simon JV, except that if Simon fails to meet certain leasing performance conditions by April 13, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. Likewise, Macerich will be entitled to a management fee based on the Macerich JV's gross revenues, as well construction management fees based on the cost of work and a leasing commission, in connection with the management, leasing and development of the JV Properties owned by the Macerich JV, except that if Macerich fails to meet certain leasing performance conditions by April 30, 2018, we (assuming the applicable JV Interest has been transferred to us) will have increased involvement in leasing. In addition, at any time after March 31, 2018 in the case of the GGP JV, April 13, 2018, in the case of the Simon JV, and April 30, 2018, in the case of the Macerich JV, we will have the right to cause GGP to purchase from the GGP JV, Simon to purchase from the Simon JV, and Macerich to purchase from the Macerich JV, respectively, any JV Property owned by the applicable JV with respect to which a certain third-party leasing threshold has been satisfied at the fair market value of such JV property, less certain mortgage loans and other debt in respect of such property and certain selling expenses, determined in accordance with the limited liability company agreement of the applicable JV. A substantial majority of the space at the JV Properties is leased by the JVs to Sears Holdings under the JV Master Leases. 7.0% of the space at the JV Properties owned by the GGP JV, 4.3% of the space at the JV Properties owned by the Simon JV and 8.7% of the space at the JV Properties owned by the Macerich JV is leased to third parties.

The JV Master Leases are unitary, non-severable leases for all JV Properties in the applicable JV Master Lease and are generally triple net leases with respect to the space occupied by Sears Holdings, subject to Sears Holdings proportionate sharing of taxes and other operating expenses with respect to properties that have third-party tenants of the GGP JV, the Simon JV and the Macerich JV, as applicable. The JV Master Leases each

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have an initial term of ten years, and in each case Sears Holdings has three separate, consecutive five-year renewal options to extend the initial term. The aggregate base rent for all of the JV Properties leased to Sears Holdings under the JV Master Lease with the GGP JV is set at \$15.5 million, under the JV Master Lease with Simon is set at \$12.7 million, and under the JV Master Lease with the Macerich JV is set at \$14.1 million, plus in each case the rent for the Lands End space. For each JV Master Lease in each of the initial and renewal terms, after the third lease year of the initial term, the annual base rent (excluding the Lands End rent) for the remainder of the term and all renewal terms will be increased by 2% per annum (cumulative and compounded) for each lease year over the rent for the immediately preceding lease year.

Each JV Master Lease provides Sears Holdings with the right to terminate the lease with respect to underperforming stores upon payment of a termination fee calculated as provided in the JV Master Lease and provides the GGP JV, the Simon JV and the Macerich JV, as applicable, with the right to recapture (without additional payment) up to approximately 50% of the space occupied by Sears Holdings under such JV Master Lease (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the JV Properties, all outparcels or outlots, and certain portions of parking areas and common areas at the JV Properties, in each case under such JV Master Lease (other than with respect to one property owned by the Macerich JV). The Simon JV will have the additional right to recapture 100% of the space occupied by Sears Holdings at some of the JV Properties under its JV Master Lease for termination fees as provided in such JV Master Lease. Except with respect to the rent amounts and the properties covered, the general formats of the JV Master Leases are similar to one another and to the Master Lease. Under each JV Master Lease, the rent payable to the JV by Sears Holdings for Lands End space is an amount equal to the rent required to be paid by Lands End under the Lands End leases, which amount will be paid to the JV throughout the term and renewal terms of the JV Master Lease (whether or not the Lands End leases continue), unless the JV Master Lease is terminated with respect to the applicable JV Property subject to a Lands End lease.

**Table of Contents****Our Portfolio / Properties (including Operating Data)**

The following is a list of the Acquired Properties as of June 3, 2015. The categories are based, in part, on certain rights and restrictions that we have with respect to the assets in our portfolio. In particular, our portfolio has been divided into Type I Properties (where we can recapture up to 100% of the space leased to Sears Holdings), Type II Properties (where we can recapture up to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, leased to Sears Holdings), and, finally Type III Properties (where Sears Holdings is no longer operating a Store and the property is not leased to Sears Holdings by us). There is also one ground-leased property where we lease, and do not own, the land on which the property is located.

In addition, set forth below, as a separate category, are the JV Properties owned by the GGP JV, the Simon JV or the Macerich JV.

| Type I Properties <sup>(a)</sup> |                  |       |         |         |                          |        |   |                               |
|----------------------------------|------------------|-------|---------|---------|--------------------------|--------|---|-------------------------------|
| GLA                              |                  |       |         |         |                          |        |   |                               |
|                                  | City             | State | Total   | SHC     | 3rd Party <sup>(b)</sup> | Vacant | Significant Tenants <sup>(c)</sup>  | Occupancy Rate <sup>(d)</sup> |
| 1                                | Anchorage        | AK    | 257,948 | 212,079 | 34,956                   | 10,913 | SHC, Nordstrom Rack   | 96%                           |
| 2                                | San Bernardino   | CA    | 264,682 | 264,682 | 0                        | 0      | SHC   | 100%                          |
| 3                                | Santa Monica     | CA    | 117,801 | 117,801 | 0                        | 0      | SHC   | 100%                          |
| 4                                | Westminster      | CA    | 197,904 | 197,904 | 0                        | 0      | SHC   | 100%                          |
| 5                                | West Hartford    | CT    | 194,385 | 194,385 | 0                        | 0      | SHC, Olive Garden   | 100%                          |
| 6                                | Boca Raton       | FL    | 174,333 | 174,333 | 0                        | 0      | SHC, Washington Mutual Bank   | 100%                          |
| 7                                | Miami            | FL    | 173,322 | 173,322 | 0                        | 0      | SHC   | 100%                          |
| 8                                | Miami            | FL    | 170,122 | 170,122 | 0                        | 0      | SHC   | 100%                          |
| 9                                | North Miami      | FL    | 106,305 | 106,305 | 0                        | 0      | SHC, Aldi   | 100%                          |
| 10                               | Orlando          | FL    | 202,000 | 202,000 | 0                        | 0      | SHC, UP Development   | 100%                          |
| 11                               | St. Petersburg   | FL    | 187,000 | 187,000 | 0                        | 0      | SHC, Simon Property Group   | 100%                          |
| 12                               | Savannah         | GA    | 155,684 | 155,684 | 0                        | 0      | SHC   | 100%                          |
| 13                               | Honolulu         | HI    | 77,452  | 77,452  | 0                        | 0      | SHC   | 100%                          |
| 14                               | Braintree        | MA    | 113,442 | 102,396 | 11,046                   | 0      | SHC, Ulta   | 100%                          |
| 15                               | St. Clair Shores | MI    | 122,137 | 117,959 | 4,178                    | 0      | SHC, Champs Complete Auto Service   | 100%                          |
| 16                               | St. Paul         | MN    | 217,930 | 216,304 | 1,626                    | 0      | SHC, License Bureau, Department of Administration/Plant Management Division | 100%                          |
| 17                               | Middletown       | NJ    | 184,540 | 184,540 | 0                        | 0      | SHC, Township of Middletown, Wendy's, Investors Bank                        | 100%                          |
| 18                               | Watchung         | NJ    | 262,902 | 262,902 | 0                        | 0      | SHC, License Bureau, Department of Administration/Plant Management Division | 100%                          |
| 19                               | Hicksville       | NY    | 340,434 | 340,434 | 0                        | 0      | SHC, Red Lobster, Chipotle Mexican Grill, TD Bank, Citigroup, Chase Bank    | 100%                          |

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|    |             |    |         |         |   |   |                                |      |
|----|-------------|----|---------|---------|---|---|--------------------------------|------|
| 20 | Memphis     | TN | 196,564 | 196,564 | 0 | 0 | SHC, On the Border             | 100% |
| 21 | Valley View | TX | 229,227 | 229,227 | 0 | 0 | SHC, Jared Galleria of Jewelry | 100% |

- a In addition to the recapture rights for Type II properties, subject to recapture of the entire space within a store for a specified fee.
- b Includes all lessees who are not SHC, but does not include the square footage of improvements constructed on land ground-leased by SHC to other parties.
- c Includes major third-party lessees (including all of those who lease over 10% of the property's rental value based on total GLA).
- d As of June 3, 2015.

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|             |                   | <b>Type II Properties<sup>(a)</sup></b> |            |                                |               |  |  |                                     |
|-------------|-------------------|---|------------|--------------------------------|---------------|--|--|-------------------------------------|
|             |                   | <b>GLA</b>                              |            |                                |               |  |  |                                     |
| <b>City</b> | <b>State</b>      | <b>Total</b>                            | <b>SHC</b> | <b>3rd Party<sup>(b)</sup></b> | <b>Vacant</b> | <b>Significant Tenants<sup>(c)</sup></b> |  | <b>Occupancy Rate<sup>(d)</sup></b> |
| 22          | Cullman           | AL                                      | 98,522     | 98,522                         | 0             | 0  | SHC  | 100%                                |
| 23          | North Little Rock | AR                                      | 185,718    | 185,718                        | 0             | 0  | SHC  | 100%                                |
| 24          | Russellville      | AR                                      | 88,032     | 88,032                         | 0             | 0  | SHC  | 100%                                |
| 25          | Flagstaff         | AZ                                      | 66,162     | 66,162                         | 0             | 0  | SHC  | 100%                                |
| 26          | Mesa              | AZ                                      | 121,911    | 121,911                        | 0             | 0  | SHC  | 100%                                |
| 27          | Phoenix           | AZ                                      | 144,228    | 144,228                        | 0             | 0  | SHC  | 100%                                |
| 28          | Prescott          | AZ                                      | 102,338    | 102,338                        | 0             | 0  | SHC  | 100%                                |
| 29          | Sierra Vista      | AZ                                      | 86,079     | 86,079                         | 0             | 0  | SHC  | 100%                                |
| 30          | Sierra Vista      | AZ                                      | 94,707     | 94,707                         | 0             | 0  | SHC  | 100%                                |
| 31          | Tucson            | AZ                                      | 250,096    | 250,096                        | 0             | 0  | SHC  | 100%                                |
| 32          | Yuma              | AZ                                      | 90,376     | 90,376                         | 0             | 0  | SHC  | 100%                                |
| 33          | Antioch           | CA                                      | 95,165     | 95,165                         | 0             | 0  | SHC  | 100%                                |
| 34          | Big Bear Lake     | CA                                      | 80,008     | 69,288                         | 7,915         | 2,805                                    | SHC, Wells Fargo Bank, Cash Plus, Subway, Patchworks, Big Bear Furniture, Radio Shack      | 96%                                 |
| 35          | Carson            | CA                                      | 175,456    | 163,440                        | 12,016        | 0  | SHC, Chipotle, Smash Burger, Jersey Mike s, Applebee s, Vintage Capital Group, Chick-Fil-A | 100%                                |
| 36          | Chula Vista       | CA                                      | 250,092    | 250,092                        | 0             | 0  | SHC  | 100%                                |
| 37          | Citrus Heights    | CA                                      | 289,541    | 289,541                        | 0             | 0  | SHC  | 100%                                |
| 38          | Delano            | CA                                      | 86,079     | 86,079                         | 0             | 0  | SHC  | 100%                                |
| 39          | El Cajon          | CA                                      | 286,481    | 282,181                        | 4,300         | 0  | SHC, Star-West Parkway Mall  | 100%                                |
| 40          | El Centro         | CA                                      | 139,738    | 139,738                        | 0             | 0  | SHC  | 100%                                |
| 41          | Fairfield         | CA                                      | 164,126    | 164,126                        | 0             | 0  | SHC  | 100%                                |
| 42          | Florin            | CA                                      | 272,691    | 272,691                        | 0             | 0  | SHC  | 100%                                |
| 43          | Fresno            | CA                                      | 217,566    | 217,566                        | 0             | 0  | SHC  | 100%                                |
| 44          | McKinleyville     | CA                                      | 94,774     | 94,774                         | 0             | 0  | SHC  | 100%                                |
| 45          | Merced            | CA                                      | 92,624     | 92,624                         | 0             | 0  | SHC  | 100%                                |
| 46          | Montclair         | CA                                      | 174,675    | 174,675                        | 0             | 0  | SHC  | 100%                                |
| 47          | Moreno Valley     | CA                                      | 169,371    | 169,371                        | 0             | 0  | SHC  | 100%                                |
| 48          | Newark            | CA                                      | 145,801    | 145,801                        | 0             | 0  | SHC  | 100%                                |
| 49          | North Hollywood   | CA                                      | 150,982    | 150,982                        | 0             | 0  | SHC  | 100%                                |
| 50          | Northridge        | CA                                      | 291,767    | 256,917                        | 34,850        | 0  | SHC, Ashley Furniture  | 100%                                |
| 51          | Palm Desert       | CA                                      | 151,458    | 151,458                        | 0             | 0  | SHC  | 100%                                |
| 52          | Ramona            | CA                                      | 107,470    | 86,988                         | 14,670        | 5,812                                    | SHC, Little Caesar s, Top Nails, Los Rancheros Taco Shop, Dollar Tree                      | 95%                                 |
| 53          | Riverside         | CA                                      | 129,732    | 94,500                         | 35,232        | 0  | SHC, Jack In The Box, Stater Brothers  | 100%                                |
| 54          | Riverside         | CA                                      | 202,030    | 202,030                        | 0             | 0  | SHC, Bank of America   | 100%                                |
| 55          | Roseville         | CA                                      | 138,990    | 138,990                        | 0             | 0  | SHC  | 100%                                |
| 56          | Salinas           | CA                                      | 132,974    | 132,974                        | 0             | 0  | SHC  | 100%                                |



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|    |             |    |         |         |        |   |   |      |
|----|-------------|----|---------|---------|--------|---|---|------|
| 57 | San Bruno   | CA | 276,594 | 276,594 | 0      | 0 | SHC, Forest City  | 100% |
| 58 | Santa Cruz  | CA | 111,478 | 111,478 | 0      | 0 | SHC, Takara Japanese Restaurant                                 | 100% |
| 59 | San Diego   | CA | 194,656 | 174,648 | 20,008 | 0 | SHC, Sprint Spectrum, Corner Bakery, Williams-Sonoma, Westfield | 100% |
| 60 | San Jose    | CA | 262,491 | 262,491 | 0      | 0 | SHC   | 100% |
| 61 | Santa Maria | CA | 108,596 | 108,596 | 0      | 0 | SHC   | 100% |
| 62 | Santa Paula | CA | 71,257  | 71,257  | 0      | 0 | SHC   | 100% |

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|    |                   | <b>Type II Properties<sup>(a)</sup></b> |              |            |                            |               |  |                           |
|----|-------------------|---|--------------|------------|----------------------------|---------------|--|---------------------------|
|    |                   | <b>GLA</b>                              |              |            |                            | <b>3rd</b>    |  | <b>Occupancy</b>          |
|    | <b>City</b>       | <b>State</b>                            | <b>Total</b> | <b>SHC</b> | <b>Party<sup>(b)</sup></b> | <b>Vacant</b> | <b>Significant Tenants<sup>(c)</sup></b>   | <b>Rate<sup>(d)</sup></b> |
| 63 | Temecula          | CA                                      | 115,636      | 115,636    | 0                          | 0             | SHC  | 100%                      |
| 64 | Thousand Oaks     | CA                                      | 152,894      | 50,334     | 102,560                    | 0             | SHC, Nordstrom Rack, DSW, The Sports Authority, Tri-Party Thousand Oaks LP         | 100%                      |
| 65 | Ventura           | CA                                      | 178,565      | 178,565    | 0                          | 0             | SHC  | 100%                      |
| 66 | Visalia           | CA                                      | 75,570       | 75,570     | 0                          | 0             | SHC  | 100%                      |
| 67 | West Covina       | CA                                      | 142,000      | 142,000    | 0                          | 0             | SHC  | 100%                      |
| 68 | Lakewood          | CO                                      | 153,000      | 153,000    | 0                          | 0             | SHC  | 100%                      |
| 69 | Thornton          | CO                                      | 190,174      | 190,174    | 0                          | 0             | SHC  | 100%                      |
| 70 | Waterford         | CT                                      | 149,240      | 149,240    | 0                          | 0             | SHC  | 100%                      |
| 71 | Rehoboth Beach    | DE                                      | 117,162      | 117,162    | 0                          | 0             | SHC, Chick-Fil-A   | 100%                      |
| 72 | Altamonte Springs | FL                                      | 205,628      | 205,628    | 0                          | 0             | SHC, Seasons 52  | 100%                      |
| 73 | Bradenton         | FL                                      | 82,938       | 82,938     | 0                          | 0             | SHC  | 100%                      |
| 74 | Bradenton         | FL                                      | 99,946       | 99,946     | 0                          | 0             | SHC  | 100%                      |
| 75 | Clearwater        | FL                                      | 201,799      | 125,765    | 76,034                     | 0             | SHC, Nordstrom Rack, Whole Foods   | 100%                      |
| 76 | Doral             | FL                                      | 212,884      | 212,884    | 0                          | 0             | SHC  | 100%                      |
| 77 | Ft. Myers         | FL                                      | 146,792      | 146,792    | 0                          | 0             | SHC  | 100%                      |
| 78 | Gainesville       | FL                                      | 140,529      | 140,529    | 0                          | 0             | SHC  | 100%                      |
| 79 | Hialeah           | FL                                      | 106,390      | 88,390     | 18,000                     | 0             | SHC, Aldi  | 100%                      |
| 80 | Hialeah           | FL                                      | 197,453      | 184,442    | 13,011                     | 0             | SHC, Forever 21, Goodwill  | 100%                      |
| 81 | Kissimmee         | FL                                      | 148,885      | 112,505    | 36,380                     | 0             | SHC, Big Lots  | 100%                      |
| 82 | Lakeland          | FL                                      | 156,226      | 156,226    | 0                          | 0             | SHC  | 100%                      |
| 83 | Melbourne         | FL                                      | 102,577      | 102,577    | 0                          | 0             | SHC  | 100%                      |
| 84 | Naples            | FL                                      | 151,798      | 151,798    | 0                          | 0             | SHC, GGP   | 100%                      |
| 85 | Ocala             | FL                                      | 146,236      | 146,236    | 0                          | 0             | SHC  | 100%                      |
| 86 | Panama City       | FL                                      | 139,315      | 139,315    | 0                          | 0             | SHC  | 100%                      |
| 87 | Pensacola         | FL                                      | 212,274      | 212,274    | 0                          | 0             | SHC  | 100%                      |
| 88 | Plantation        | FL                                      | 201,596      | 201,596    | 0                          | 0             | SHC  | 100%                      |
| 89 | Sarasota          | FL                                      | 212,428      | 212,428    | 0                          | 0             | SHC  | 100%                      |
| 90 | St. Petersburg    | FL                                      | 120,631      | 120,631    | 0                          | 0             | SHC  | 100%                      |
| 91 | Atlanta           | GA                                      | 226,297      | 226,297    | 0                          | 0             | SHC  | 100%                      |
| 92 | Algona            | IA                                      | 99,260       | 99,260     | 0                          | 0             | SHC  | 100%                      |
| 93 | Cedar Rapids      | IA                                      | 146,000      | 146,000    | 0                          | 0             | SHC  | 100%                      |
| 94 | Charles City      | IA                                      | 96,569       | 96,569     | 0                          | 0             | SHC  | 100%                      |
| 95 | Webster City      | IA                                      | 40,800       | 40,800     | 0                          | 0             | SHC  | 100%                      |
| 96 | Boise             | ID                                      | 123,623      | 123,623    | 0                          | 0             | SHC  | 100%                      |
| 97 | Chicago           | IL                                      | 356,744      | 356,744    | 0                          | 0             | SHC  | 100%                      |
| 98 | Chicago           | IL                                      | 168,537      | 118,816    | 49,721                     | 0             | SHC, Sonrisa Family Dental, China Town Buffet, Unique Thrift Store, Chuck E Cheese | 100%                      |
| 99 | Chicago           | IL                                      | 293,718      | 293,718    | 0                          | 0             | SHC  | 100%                      |

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|     |                    |    |         |         |       |   |                     |      |
|-----|--------------------|----|---------|---------|-------|---|---------------------|------|
| 100 | Joliet             | IL | 204,629 | 204,629 | 0     | 0 | SHC                 | 100% |
| 101 | Moline             | IL | 123,693 | 120,488 | 3,205 | 0 | SHC, Bert Auto Plex | 100% |
| 102 | North<br>Riverside | IL | 203,001 | 203,001 | 0     | 0 | SHC                 | 100% |
| 103 | Orland Park        | IL | 199,599 | 199,599 | 0     | 0 | SHC                 | 100% |

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|     | City             | State | Type II Properties <sup>(a)</sup> |         |                          | Significant Tenants <sup>(c)</sup> | Occupancy Rate <sup>(d)</sup>  |        |
|-----|------------------|-------|-----------------------------------|---------|--------------------------|------------------------------------|--|--------|
|     |                  |       | Total                             | SHC     | 3rd Party <sup>(b)</sup> |                                    |  | Vacant |
| 104 | Springfield      | IL    | 124,885                           | 84,180  | 40,705                   | 0                                  | SHC, Popeyes, Green Mobile Champaign, Red Wing Shoes, Nail Time Spa, Casual Male, Los Agaves of Springfield, Mosser Shoes, Staples | 100%   |
| 105 | Steger           | IL    | 87,406                            | 87,406  | 0                        | 0                                  | SHC  | 100%   |
| 106 | Elkhart          | IN    | 86,479                            | 86,479  | 0                        | 0                                  | SHC  | 100%   |
| 107 | Ft. Wayne        | IN    | 220,000                           | 220,000 | 0                        | 0                                  | SHC  | 100%   |
| 108 | Merrillville     | IN    | 173,146                           | 108,339 | 38,910                   | 25,897                             | SHC, Palace Nails and Spa, Payless ShoeSource, Speedy Check, Sherwin-Williams, La Carreta Restaurant and Bar, Rainbow, Dollar Tree | 85%    |
| 109 | Leavenworth      | KS    | 83,552                            | 83,552  | 0                        | 0                                  | SHC  | 100%   |
| 110 | Overland Pk      | KS    | 223,252                           | 223,252 | 0                        | 0                                  | SHC  | 100%   |
| 111 | Hopkinsville     | KY    | 92,985                            | 70,326  | 4,859                    | 17,800                             | SHC, Cato  | 81%    |
| 112 | Owensboro        | KY    | 68,334                            | 68,334  | 0                        | 0                                  | SHC  | 100%   |
| 113 | Paducah          | KY    | 108,244                           | 108,244 | 0                        | 0                                  | SHC  | 100%   |
| 114 | Houma            | LA    | 101,393                           | 96,681  | 4,712                    | 0                                  | SHC, Meineke Car Care  | 100%   |
| 115 | Lafayette        | LA    | 194,933                           | 194,933 | 0                        | 0                                  | SHC  | 100%   |
| 116 | New Iberia       | LA    | 91,653                            | 91,653  | 0                        | 0                                  | SHC  | 100%   |
| 117 | Saugus           | MA    | 210,427                           | 210,427 | 0                        | 0                                  | SHC, Square One Mall   | 100%   |
| 118 | Bowie            | MD    | 131,536                           | 131,536 | 0                        | 0                                  | SHC  | 100%   |
| 119 | Cockeysville     | MD    | 165,946                           | 165,946 | 0                        | 0                                  | SHC  | 100%   |
| 120 | Edgewater        | MD    | 117,162                           | 117,162 | 0                        | 0                                  | SHC, SRC Main Street   | 100%   |
| 121 | Hagerstown       | MD    | 122,711                           | 122,711 | 0                        | 0                                  | SHC  | 100%   |
| 122 | Madawaska        | ME    | 49,650                            | 49,650  | 0                        | 0                                  | SHC  | 100%   |
| 123 | Alpena           | MI    | 118,200                           | 118,200 | 0                        | 0                                  | SHC  | 100%   |
| 124 | Jackson          | MI    | 144,162                           | 144,162 | 0                        | 0                                  | SHC, Panera Bread/Pizza Hut  | 100%   |
| 125 | Lincoln Park     | MI    | 297,905                           | 297,905 | 0                        | 0                                  | SHC, Bank of America   | 100%   |
| 126 | Manistee         | MI    | 94,696                            | 87,848  | 6,848                    | 0                                  | SHC, Hometown Dealer   | 100%   |
| 127 | Roseville        | MI    | 377,397                           | 377,397 | 0                        | 0                                  | SHC, Red Robin   | 100%   |
| 128 | Sault Ste. Marie | MI    | 92,650                            | 92,650  | 0                        | 0                                  | SHC  | 100%   |
| 129 | Troy             | MI    | 390,000                           | 390,000 | 0                        | 0                                  | SHC, Krispy Kreme, Logan s Roadhouse   | 100%   |
| 130 | Burnsville       | MN    | 167,337                           | 167,337 | 0                        | 0                                  | SHC  | 100%   |
| 131 | Detroit Lakes    | MN    | 87,102                            | 79,102  | 8,000                    | 0                                  | SHC, Hometown Dealer   | 100%   |
| 132 | Maplewood        | MN    | 174,970                           | 174,970 | 0                        | 0                                  | SHC  | 100%   |
| 133 | Cape Girardeau   | MO    | 82,597                            | 82,597  | 0                        | 0                                  | SHC  | 100%   |
| 134 | Florissant       | MO    | 119,040                           | 114,740 | 4,300                    | 0                                  | SHC, The Pit Crew  | 100%   |
| 135 | Jefferson City   | MO    | 92,016                            | 92,016  | 0                        | 0                                  | SHC, Ruby Tuesday  | 100%   |
| 136 | Columbus         | MS    | 166,682                           | 117,082 | 5,600                    | 44,000                             | SHC, Enterprise Leasing Company, Smart Phone Clinic,   | 74%    |

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|     |           |    |         |         |        | Beautiful Nails, Bokays |   |      |
|-----|-----------|----|---------|---------|--------|-------------------------|---|------|
| 137 | Havre     | MT | 94,658  | 94,658  | 0      | 0                       | SHC   | 100% |
| 138 | Asheville | NC | 240,643 | 240,643 | 0      | 0                       | SHC   | 100% |
| 139 | Concord   | NC | 171,266 | 137,499 | 33,767 | 0                       | SHC, Charlie s Auto Repair,<br>Sears Outlet | 100% |

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| <b>Type II Properties<sup>(a)</sup></b> |                |              |            |                                |               |  |                                      |      |
|---|----------------|--------------|------------|--------------------------------|---------------|--|--------------------------------------|------|
| <b>GLA</b>                              |                |              |            |                                |               |  |                                      |      |
| <b>City</b>                             | <b>State</b>   | <b>Total</b> | <b>SHC</b> | <b>3rd Party<sup>(b)</sup></b> | <b>Vacant</b> | <b>Significant Tenants<sup>(c)</sup></b> | <b>Occupancy Rate<sup>(d)</sup></b>  |      |
| 140                                     | Minot          | ND           | 108,110    | 108,110                        | 0             | 0  | SHC, US Bank                         | 100% |
| 141                                     | Kearney        | NE           | 86,479     | 86,479                         | 0             | 0  | SHC                                  | 100% |
| 142                                     | Manchester     | NH           | 144,070    | 144,070                        | 0             | 0  | SHC                                  | 100% |
| 143                                     | Nashua         | NH           | 167,082    | 167,082                        | 0             | 0  | SHC                                  | 100% |
| 144                                     | Portsmouth     | NH           | 127,058    | 127,058                        | 0             | 0  | SHC                                  | 100% |
| 145                                     | Salem          | NH           | 206,558    | 127,568                        | 78,990        | 0  | SHC, Dick's Sporting Goods           | 100% |
| 146                                     | Wayne          | NJ           | 327,334    | 327,334                        | 0             | 0  | SHC, Macy's                          | 100% |
| 147                                     | Deming         | NM           | 96,571     | 96,571                         | 0             | 0  | SHC                                  | 100% |
| 148                                     | Farmington     | NM           | 90,651     | 90,651                         | 0             | 0  | SHC                                  | 100% |
| 149                                     | Hobbs          | NM           | 88,914     | 88,914                         | 0             | 0  | SHC                                  | 100% |
| 150                                     | Henderson      | NV           | 143,914    | 122,823                        | 21,091        | 0  | SHC, Sears Outlet                    | 100% |
| 151                                     | Las Vegas      | NV           | 150,185    | 150,185                        | 0             | 0  | SHC                                  | 100% |
| 152                                     | Reno           | NV           | 198,833    | 198,833                        | 0             | 0  | SHC                                  | 100% |
| 153                                     | Albany         | NY           | 305,670    | 271,887                        | 33,783        | 0  | SHC, Whole Foods Market              | 100% |
| 154                                     | Clay           | NY           | 146,504    | 146,504                        | 0             | 0  | SHC                                  | 100% |
| 155                                     | East Northport | NY           | 195,300    | 195,300                        | 0             | 0  | SHC                                  | 100% |
| 156                                     | Johnson City   | NY           | 155,126    | 155,126                        | 0             | 0  | SHC                                  | 100% |
| 157                                     | Olean          | NY           | 118,004    | 118,004                        | 0             | 0  | SHC                                  | 100% |
| 158                                     | Rochester      | NY           | 128,513    | 128,513                        | 0             | 0  | SHC                                  | 100% |
| 159                                     | Sidney         | NY           | 94,428     | 94,428                         | 0             | 0  | SHC                                  | 100% |
| 160                                     | Victor         | NY           | 123,000    | 123,000                        | 0             | 0  | SHC, Wilmorite                       | 100% |
| 161                                     | Yorktown       | NY           | 160,004    | 160,004                        | 0             | 0  | SHC                                  | 100% |
| <b>Heights</b>                          |                |              |            |                                |               |  |                                      |      |
| 162                                     | Canton         | OH           | 219,363    | 219,363                        | 0             | 0  | SHC                                  | 100% |
| 163                                     | Chapel Hill    | OH           | 196,240    | 194,674                        | 1,566         | 0  | SHC, Forest City Commercial<br>Mgmt. | 100% |
| 164                                     | Dayton         | OH           | 192,501    | 192,501                        | 0             | 0  | SHC                                  | 100% |
| 165                                     | Kenton         | OH           | 96,066     | 96,066                         | 0             | 0  | SHC                                  | 100% |
| 166                                     | Marietta       | OH           | 87,543     | 87,543                         | 0             | 0  | SHC                                  | 100% |
| 167                                     | Mentor         | OH           | 219,132    | 219,132                        | 0             | 0  | SHC                                  | 100% |
| 168                                     | Middleburg     | OH           | 358,991    | 358,991                        | 0             | 0  | SHC                                  | 100% |
| <b>Heights</b>                          |                |              |            |                                |               |  |                                      |      |
| 169                                     | North Canton   | OH           | 84,180     | 84,180                         | 0             | 0  | SHC, Burger King                     | 100% |
| 170                                     | Tallmadge      | OH           | 84,180     | 84,180                         | 0             | 0  | SHC                                  | 100% |
| 171                                     | Toledo         | OH           | 218,720    | 218,720                        | 0             | 0  | SHC                                  | 100% |
| 172                                     | Muskogee       | OK           | 87,500     | 87,500                         | 0             | 0  | SHC                                  | 100% |
| 173                                     | Oklahoma City  | OK           | 173,658    | 173,658                        | 0             | 0  | SHC                                  | 100% |
| 174                                     | Happy Valley   | OR           | 144,321    | 144,321                        | 0             | 0  | SHC                                  | 100% |
| 175                                     | The Dalles     | OR           | 87,101     | 87,101                         | 0             | 0  | SHC                                  | 100% |
| 176                                     | Carlisle       | PA           | 117,781    | 117,781                        | 0             | 0  | SHC                                  | 100% |
| 177                                     | Columbia       | PA           | 86,721     | 86,721                         | 0             | 0  | SHC                                  | 100% |
| 178                                     | Lebanon        | PA           | 117,162    | 117,162                        | 0             | 0  | SHC                                  | 100% |
| 179                                     | Mount Pleasant | PA           | 83,536     | 83,536                         | 0             | 0  | SHC                                  | 100% |
| 180                                     | Walnutport     | PA           | 121,159    | 121,159                        | 0             | 0  | SHC                                  | 100% |

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|     |          |    |         |         |   |   |  |      |
|-----|----------|----|---------|---------|---|---|--|------|
| 181 | York     | PA | 82,033  | 82,033  | 0 | 0 | SHC  | 100% |
| 182 | Warwick  | RI | 225,104 | 225,104 | 0 | 0 | SHC, Wendy s, On The Border,<br>Chuck E Cheese | 100% |
| 183 | Anderson | SC | 118,749 | 118,749 | 0 | 0 | SHC  | 100% |

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|     |                | <b>Type II Properties<sup>(a)</sup></b> |              |            |                                |               |   |                                     |
|-----|----------------|---|--------------|------------|--------------------------------|---------------|---|-------------------------------------|
|     |                | <b>GLA</b>                              |              |            |                                |               |   |                                     |
|     | <b>City</b>    | <b>State</b>                            | <b>Total</b> | <b>SHC</b> | <b>3rd Party<sup>(b)</sup></b> | <b>Vacant</b> | <b>Significant Tenants<sup>(c)</sup></b>  | <b>Occupancy Rate<sup>(d)</sup></b> |
| 184 | Charleston     | SC                                      | 132,031      | 132,031    | 0                              | 0             | SHC, Carrabba s Italian Grill   | 100%                                |
| 185 | Rock Hill      | SC                                      | 89,299       | 89,299     | 0                              | 0             | SHC, Enterprise   | 100%                                |
| 186 | Sioux Falls    | SD                                      | 72,511       | 72,511     | 0                              | 0             | SHC   | 100%                                |
| 187 | Cordova        | TN                                      | 160,885      | 160,885    | 0                              | 0             | SHC   | 100%                                |
| 188 | Austin         | TX                                      | 172,016      | 172,016    | 0                              | 0             | SHC   | 100%                                |
| 189 | San Antonio    | TX                                      | 215,458      | 215,458    | 0                              | 0             | SHC, Long Horn Steak House  | 100%                                |
| 190 | Dallas         | TX                                      | 205,297      | 205,297    | 0                              | 0             | SHC   | 100%                                |
| 191 | El Paso        | TX                                      | 112,099      | 103,657    | 8,442                          | 0             | SHC, Pockets Billiards and Fun  | 100%                                |
| 192 | Friendswood    | TX                                      | 166,012      | 166,012    | 0                              | 0             | SHC   | 100%                                |
| 193 | Harlingen      | TX                                      | 91,653       | 91,653     | 0                              | 0             | SHC   | 100%                                |
| 194 | Houston        | TX                                      | 218,603      | 214,429    | 4,174                          | 0             | SHC, Torchy's Tacos   | 100%                                |
| 195 | Ingram         | TX                                      | 168,397      | 168,397    | 0                              | 0             | SHC   | 100%                                |
| 196 | Irving         | TX                                      | 79,635       | 79,535     | 100                            | 0             | SHC, Winco, Pollo Tropical, Taco Cabana, Julio Lopez Keys                                     | 100%                                |
| 197 | Shepherd       | TX                                      | 201,700      | 201,700    | 0                              | 0             | SHC   | 100%                                |
| 198 | Westwood       | TX                                      | 215,016      | 215,016    | 0                              | 0             | SHC   | 100%                                |
| 199 | Layton         | UT                                      | 166,869      | 90,010     | 11,043                         | 65,816        | SHC, Tanner Clinic, Vapor Loc, Pro Nails, J&D Coin-Op, Imperial Dragon, Arby s                | 61%                                 |
| 200 | West Jordan    | UT                                      | 205,458      | 205,458    | 0                              | 0             | SHC   | 100%                                |
| 201 | Alexandria     | VA                                      | 262,112      | 262,112    | 0                              | 0             | SHC   | 100%                                |
| 202 | Chesapeake     | VA                                      | 169,376      | 169,376    | 0                              | 0             | SHC   | 100%                                |
| 203 | Fairfax        | VA                                      | 225,778      | 225,778    | 0                              | 0             | SHC   | 100%                                |
| 204 | Hampton        | VA                                      | 245,000      | 245,000    | 0                              | 0             | SHC   | 100%                                |
| 205 | Virginia Beach | VA                                      | 186,099      | 84,239     | 101,860                        | 0             | SHC, DSW, REI, The Fresh Market, Nordstrom Rack, Smokey Bones, Branch Banking & Trust Company | 100%                                |
| 206 | Warrenton      | VA                                      | 121,078      | 121,078    | 0                              | 0             | SHC   | 100%                                |
| 207 | Redmond        | WA                                      | 267,407      | 267,407    | 0                              | 0             | SHC, Sprint Spectrum, Red Robin   | 100%                                |
| 208 | Vancouver      | WA                                      | 129,638      | 129,638    | 0                              | 0             | SHC   | 100%                                |
| 209 | Yakima         | WA                                      | 117,251      | 97,251     | 0                              | 20,000        | SHC   | 83%                                 |
| 210 | Greendale      | WI                                      | 238,416      | 238,416    | 0                              | 0             | SHC   | 100%                                |
| 211 | Madison        | WI                                      | 138,263      | 138,263    | 0                              | 0             | SHC   | 100%                                |
| 212 | Platteville    | WI                                      | 94,841       | 94,841     | 0                              | 0             | SHC   | 100%                                |
| 213 | Charleston     | WV                                      | 105,575      | 105,575    | 0                              | 0             | SHC   | 100%                                |
| 214 | Elkins         | WV                                      | 99,598       | 94,885     | 4,713                          | 0             | SHC, Appalachian Tire Products  | 100%                                |
| 215 | Scott Depot    | WV                                      | 89,790       | 89,790     | 0                              | 0             | SHC   | 100%                                |
| 216 | Casper         | WY                                      | 91,366       | 91,266     | 100                            | 0             | SHC, Wyoming Coffee Kiosk   | 100%                                |
| 217 | Gillette       | WY                                      | 94,587       | 94,587     | 0                              | 0             | SHC   | 100%                                |



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|              |    |         |         |     |   |                           |      |
|--------------|----|---------|---------|-----|---|---------------------------|------|
| 218 Riverton | WY | 94,840  | 94,840  | 0   | 0 | SHC                       | 100% |
| 219 Bayamon  | PR | 115,191 | 114,600 | 591 | 0 | SHC, Mps Digital Printing | 100% |
| 220 Caguas   | PR | 138,686 | 138,686 | 0   | 0 | SHC                       | 100% |
| 221 Carolina | PR | 198,009 | 198,009 | 0   | 0 | SHC                       | 100% |

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|     |          | Type II Properties <sup>(a)</sup> |         |         |                          |        |   |                               |
|-----|----------|-----------------------------------|---------|---------|--------------------------|--------|---|-------------------------------|
|     |          | GLA                               |         |         |                          |        |   |                               |
|     | City     | State                             | Total   | SHC     | 3rd Party <sup>(b)</sup> | Vacant | Significant Tenants <sup>(c)</sup>  | Occupancy Rate <sup>(d)</sup> |
| 222 | Guaynabo | PR                                | 213,335 | 115,745 | 85,478                   | 12,112 | SHC, Venetian Nails and Spa, McDonald's, T-Mobile, Claire's Boutique, Baskin Robbins, La Defensa, Sally Beauty Supply, Gamestop, Payless Shoesource, La Nueva Era, Firstbank, Me Salve, Rent-a-Center, All Ways 99, Rainbow, Kress Kids, Doral Bank, Ocean Garden Buffet, Amigo | 94%                           |
| 223 | Mayaguez | PR                                | 118,242 | 118,242 | 0                        | 0      | SHC   | 100%                          |
| 224 | Ponce    | PR                                | 126,887 | 126,887 | 0                        | 0      | SHC   | 100%                          |

- <sup>a</sup> Subject to a lessor right to recapture approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties leased to Sears Holdings under the Master Lease.
- <sup>b</sup> Includes all lessees who are not SHC, but does not include the square footage of improvements constructed on land ground-leased by SHC to other parties.
- <sup>c</sup> Includes major third-party lessees (including all of those who lease over 10% of the property's rental value based on total GLA).
- <sup>d</sup> As of June 3, 2015.

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|                            |                                | <b>Type III Properties<sup>(a)</sup></b> |            |                                |               |  |   |       |  |
|----------------------------|--------------------------------|--|------------|--------------------------------|---------------|--|---|-------|--|
|                            |                                | <b>GLA</b>                               |            |                                |               |  |   |       |  |
| <b>City</b>                | <b>State</b>                   | <b>Total</b>                             | <b>SHC</b> | <b>3rd Party<sup>(b)</sup></b> | <b>Vacant</b> | <b>Significant Tenants<sup>(c)</sup></b> | <b>Occupancy Rate<sup>(d)</sup></b>   |       |  |
| 225                        | Peoria                         | AZ                                       | 104,439    | 0                              | 104,439       | 0  | At Home Garden Ridge  | 100%  |  |
| 226                        | Phoenix                        | AZ                                       | 151,197    | 0                              | 151,197       | 0  | At Home Garden Ridge  | 100%  |  |
| 227                        | Orange Park                    | FL                                       | 84,180     | 0                              | 84,180        | 0  | Old Time Pottery  | 100%  |  |
| 228                        | Homewood                       | IL                                       | 196,125    | 0                              | 196,125       | 0  | Wal-Mart  | 100%  |  |
| 229                        | Lombard                        | IL                                       | 139,265    | 0                              | 139,265       | 0  | The Dump  | 100%  |  |
| 230                        | Ypsilanti                      | MI                                       | 99,399     | 0                              | 99,399        | 0  | At Home Garden Ridge,<br>Ypsilanti Real Estate<br>Holdings, Wholesale<br>Group of Ann Arbor | 100%  |  |
| 231                        | Springfield                    | MO                                       | 112,896    | 0                              | 112,896       | 0  | At Home Garden Ridge  | 100%  |  |
| 232                        | Greensboro                     | NC                                       | 173,333    | 0                              | 171,633       | 1,700                                    | Sears Outlet, Floor &<br>Décor, Gabriel Brothers  | 99%   |  |
| 233                        | Tulsa                          | OK                                       | 84,180     | 0                              | 84,180        | 0  | Hobby Lobby, Long John<br>Silvers   | 100%  |  |
| 234                        | King Of Prussia <sup>(e)</sup> | PA                                       | 215,252    | 0                              | 173,980       | 41,272                                   | Primark, Dick's Sporting<br>Goods   | 81%   |  |
| 235                        | Houston                        | TX                                       | 134,000    | 0                              | 134,000       | 0  | At Home Garden Ridge  | 100%  |  |
| <b>Acquired Properties</b> |                                |  |            |                                |               |  |   |       |  |
| Total GLA (thousands)      |                                |  | 36,660     | 33,981                         | 2,431         | 248                                      |   | 99.3% |  |

<sup>a</sup> These locations are not subject to the Master Lease.

<sup>b</sup> Includes all lessees who are not SHC, but does not include the square footage of improvements constructed on land ground-leased by SHC to other parties.

<sup>c</sup> Includes major third-party lessees (including all of those who lease over 10% of the property's rental value based on total GLA).

<sup>d</sup> As of June 3, 2015.

<sup>e</sup> The King of Prussia location is ground-leased.

**Table of Contents****JV Properties****GGP JV Properties**

The following properties are JV Properties owned by the GGP JV, in which Operating Partnership will have a 50% interest following the closing of the Transaction.

|     | Location       | State | GLA     |         | 3rd Party <sup>(a)</sup> | Vacant | Significant Tenants <sup>(b)</sup>                          | Occupancy Rate <sup>(c)</sup> |
|-----|----------------|-------|---------|---------|--------------------------|--------|---|-------------------------------|
|     |                |       | Total   | SHC     |                          |        |   |                               |
| 1.  | Bakersfield    | CA    | 204,226 | 204,226 | 0                        | 0      | SHC   | 100%                          |
| 2.  | Pembroke Pines | FL    | 144,109 | 144,109 | 0                        | 0      | SHC   | 100%                          |
| 3.  | Oak Brook      | IL    | 300,571 | 233,139 | 67,432                   | 0      | SHC, Pinstripes, Williams-Sonoma, Walter E Smithe Furniture | 100%                          |
| 4.  | Natick         | MA    | 190,720 | 190,720 | 0                        | 0      | SHC   | 100%                          |
| 5.  | Columbia       | MD    | 149,163 | 149,163 | 0                        | 0      | SHC   | 100%                          |
| 6.  | Minnetonka     | MN    | 204,866 | 204,866 | 0                        | 0      | SHC   | 100%                          |
| 7.  | Paramus        | NJ    | 192,333 | 192,333 | 0                        | 0      | SHC   | 100%                          |
| 8.  | Albuquerque    | NM    | 166,715 | 157,650 | 9,065                    | 0      | SHC, GGP  | 100%                          |
| 9.  | Staten Island  | NY    | 188,831 | 115,184 | 73,647                   | 0      | SHC, Primark  | 100%                          |
| 10. | Norman         | OK    | 66,876  | 66,876  | 0                        | 0      | SHC   | 100%                          |
| 11. | Frisco         | TX    | 162,903 | 162,903 | 0                        | 0      | SHC   | 100%                          |
| 12. | Lynnwood       | WA    | 177,740 | 177,740 | 0                        | 0      | SHC   | 100%                          |

**GGP JV Properties**

|                       |       |       |     |   |      |
|-----------------------|-------|-------|-----|---|------|
| Total GLA (thousands) | 2,149 | 1,999 | 150 | 0 | 100% |
|-----------------------|-------|-------|-----|---|------|

**Simon JV Properties**

The following properties are JV Properties owned by the Simon JV, in which Operating Partnership will have a 50% interest following the closing of the Transaction.

|    | Location   | State | GLA     |         | 3rd Party <sup>(a)</sup> | Vacant | Significant Tenants <sup>(b)</sup> | Occupancy Rate <sup>(c)</sup> |
|----|------------|-------|---------|---------|--------------------------|--------|------------------------------------|-------------------------------|
|    |            |       | Total   | SHC     |                          |        |                                    |                               |
| 1. | Brea       | CA    | 168,194 | 168,194 | 0                        | 0      | SHC                                | 100%                          |
| 2. | Santa Rosa | CA    | 165,447 | 165,447 | 0                        | 0      | SHC                                | 100%                          |
| 3. | Burlington | MA    | 271,237 | 197,997 | 73,240                   | 0      | SHC, Primark                       | 100%                          |
| 4. | Ann Arbor  | MI    | 170,568 | 170,568 | 0                        | 0      | SHC                                | 100%                          |
| 5. | Toms River | NJ    | 109,217 | 109,217 | 0                        | 0      | SHC, Simon                         | 100%                          |
| 6. | Nanuet     | NY    | 221,406 | 221,406 | 0                        | 0      | SHC                                | 100%                          |
| 7. | Tulsa      | OK    | 150,166 | 150,166 | 0                        | 0      | SHC                                | 100%                          |
| 8. | Pittsburgh | PA    | 176,571 | 176,571 | 0                        | 0      | SHC                                | 100%                          |
| 9. | Austin     | TX    | 164,554 | 164,554 | 0                        | 0      | SHC                                | 100%                          |

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|                            |                       |    |         |         |    |   |              |      |
|----------------------------|-----------------------|----|---------|---------|----|---|--------------|------|
| 10.                        | Midland               | TX | 116,619 | 116,619 | 0  | 0 | SHC, Verizon | 100% |
| <b>Simon JV Properties</b> |                       |    |         |         |    |   |              |      |
|                            | Total GLA (thousands) |    | 1,714   | 1,641   | 73 | 0 |              | 100% |

**Table of Contents****Macerich JV Properties**

The following properties are JV Properties owned by the Macerich JV, in which Operating Partnership will have a 50% interest following the closing of the Transaction.

| <b>Macerich JV Properties<br/>GLA</b> |              |              |            |                            |               |                              |   |
|---------------------------------------|--------------|--------------|------------|----------------------------|---------------|------------------------------|---|
| <b>Location</b>                       | <b>State</b> | <b>Total</b> | <b>SHC</b> | <b>3rd</b>                 |               | <b>Significant</b>           | <b>Occupancy<br/>Rate<sup>(c)</sup></b> |
|                                       |              |              |            | <b>Party<sup>(a)</sup></b> | <b>Vacant</b> | <b>Tenants<sup>(b)</sup></b> |   |
| 1 Glendale                            | AZ           | 124,991      | 124,991    | 0                          | 0             | SHC                          | 100%                                    |
| 2 Chandler                            | AZ           | 141,554      | 141,554    | 0                          | 0             | SHC                          | 100%                                    |
| 3 Danbury                             | CT           | 178,516      | 108,446    | 70,070                     | 0             | SHC, Primark                 | 100%                                    |
| 4 Deptford                            | NJ           | 191,718      | 191,718    | 0                          | 0             | SHC                          | 100%                                    |
| 5 Freehold                            | NJ           | 139,435      | 72,201     | 67,234                     | 0             | SHC, Primark                 | 100%                                    |
| 6 Cerritos                            | CA           | 277,559      | 277,559    | 0                          | 0             | SHC, Macerich                | 100%                                    |
| 7 Lubbock                             | TX           | 150,630      | 150,630    | 0                          | 0             | SHC                          | 100%                                    |
| 8 Modesto                             | CA           | 148,501      | 148,501    | 0                          | 0             | SHC                          | 100%                                    |
| 9 Portland                            | OR           | 220,000      | 220,000    | 0                          | 0             | SHC                          | 100%                                    |

**Macerich JV Properties**

|                       |       |       |     |   |      |
|-----------------------|-------|-------|-----|---|------|
| Total GLA (thousands) | 1,573 | 1,436 | 137 | 0 | 100% |
|-----------------------|-------|-------|-----|---|------|

**All Properties (including JV)**

|                       |        |        |       |     |       |
|-----------------------|--------|--------|-------|-----|-------|
| Total GLA (thousands) | 42,096 | 39,056 | 2,791 | 248 | 99.4% |
|-----------------------|--------|--------|-------|-----|-------|

<sup>a</sup> Includes all lessees who are not SHC, but does not include the square footage of improvements constructed on land ground-leased by the GGP JV, the Simon JV or the Macerich JV, as applicable to other parties.

<sup>b</sup> Includes major third-party lessees (including all of those who lease over 10% of the property's rental value based on total GLA).

<sup>c</sup> As of June 3, 2015.

**Operating Data**

The following table sets forth for each of the Acquired Properties categories the occupancy rate expressed as a percentage and the expected average effective annual rental per square foot according to the terms of the Master Lease and other leases in place as of June 3, 2015. Prior to this point, almost all of the Acquired Properties were owned and occupied by Sears Holdings.

|                       | <b>North<sup>(a)</sup></b> | <b>East<sup>(b)</sup></b> | <b>South<sup>(c)</sup></b> | <b>West<sup>(d)</sup></b> |
|-----------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| <b>Occupancy Rate</b> |                            |                           |                            |                           |
| As of May 22, 2015    | 98.6%                      | 99.6%                     | 99.5%                      | 99.9%                     |

**Average Effective Annual Rental Rate per Square Foot**

|                    |         |         |         |         |
|--------------------|---------|---------|---------|---------|
| As of May 22, 2015 | \$ 3.81 | \$ 5.10 | \$ 4.90 | \$ 5.20 |
|--------------------|---------|---------|---------|---------|

- a **North** Alaska, Colorado, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, North Dakota, Nebraska, South Dakota, Utah, Washington, Wisconsin, Wyoming
- b **East** Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, West Virginia
- c **South** Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, New Mexico, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas
- d **West** Arizona, California, Hawaii, Nevada, Oregon

**Table of Contents****Properties Under Development**

Immediately following the Transaction, we do not expect to have significant active construction ongoing at any of the Acquired Properties (with the exception of the properties listed below), subject to any construction which may be undertaken by or on behalf of third-party tenants in accordance with Third-Party Leases. On November 10, 2014, Sears Holdings announced plans for a re-development of its property in Aventura, Florida (listed as #7 in the list of properties included under Our Portfolio / Properties in this section) into a mixed-use development, and entitlement for this project is currently underway.

In addition, construction work is ongoing at the following properties in order to meet the needs of the specified third-party tenants. We expect that these projects will be completed by mid-2016. The projected total cost for the ongoing construction work listed below is approximately \$55.5 million (which includes some funds already spent).

| City                      | State | Tenant(s)                              |
|---------------------------|-------|--|
| Anchorage                 | AK    | Nordstrom Rack                         |
| Thousand Oaks             | CA    | Nordstrom Rack, DSW, Sports Authority  |
| Clearwater                | FL    | Nordstrom Rack                         |
| North Miami               | FL    | Aldi                                   |
| Burlington <sup>(a)</sup> | MA    | Primark                                |
| Salem                     | NH    | Dick's Sporting Goods                  |
| King of Prussia           | PA    | Primark                                |
| Virginia Beach            | VA    | Nordstrom Rack, REI, Fresh Market, DSW |

The following locations are encumbered by executed third-party leases and are pending permitting for construction. We expect that these projects will be completed by the end 2016 (subject to necessary permitting). The budgeted cost for the work listed below is approximately \$41.2 million (which includes some funds already spent).

| City                         | State | Tenant(s)   |
|------------------------------|-------|---|
| Carson                       | CA    | Chipotle, Applebee's, Smashburger, Jersey Mike's, Chick-Fil-A |
| San Diego                    | CA    | Williams-Sonoma   |
| Danbury                      | CT    | Primark   |
| Hialeah                      | FL    | Forever 21  |
| Freehold <sup>(a)</sup>      | NJ    | Primark   |
| Middletown                   | NJ    | Investors Bank  |
| Staten Island <sup>(a)</sup> | NY    | Primark   |
| Tulsa                        | OK    | Hobby Lobby   |
| Houston                      | TX    | Torchy's Tacos  |
| Irving                       | TX    | Winco, Pollo Tropical, Taco Cabana                            |

**(a) JV Property**

In addition, pursuant to the Master Lease, we would, upon compliance with a prescribed notice period, have a recapture right with respect to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, leased to Sears Holdings under



the Master Lease. The exercise of these rights will require us to reconfigure the affected space in cooperation with Sears Holdings, and this reconfiguration would be conducted at our own expense. In addition, we would have the further right to recapture 100% of the space within the Sears Holdings main store located on each of 21 identified Acquired Properties (excluding from such space all free-standing and appendage automotive care centers and all other free standing buildings located on such Acquired Properties, which are subject to a separate recapture right as described below).

## **Table of Contents**

While there are no present plans to exercise any of these recapture rights for specific properties, we may choose to do so from time to time in the future. See [Certain Relationships and Related Transactions](#) [The Master Lease](#) for more information on these rights and the Master Lease in general.

### **The Master Lease**

Space at all of the Acquired Properties other than the eleven Third Party Properties will be leased to Sears Holdings under the Master Lease. The Master Lease generally would be a triple net lease with respect to the space occupied by Sears Holdings and Sears Holdings' obligation to pay rent, costs and expenses of operation, repair, and maintenance of the space occupied, and all other amounts payable under the Master Lease (including a proportionate share of common area and operating expenses, based on occupancy) would be absolute and unconditional, subject to certain exceptions. See [Certain Relationships and Related Transactions](#) [The Master Lease](#). The Master Lease would have an initial term of ten years, and Sears Holdings would, depending on the property, have between three and four options for five-year renewals of the term.

The aggregate rent for all of the Acquired Properties leased to Sears Holdings will initially be set at fair market value (which will be determined by Sears Holdings with the assistance of appraisal work completed by Cushman, taking into account the terms of the Master Lease, including the recapture and termination rights described below and other relevant factors). In each of the initial and first two renewal terms, after the first lease year, the annual rent will be increased by 2% per annum (cumulative and compounded) for each lease year over the rent for immediately preceding lease year. For properties with additional renewal options, rent for the renewal period will be set at the commencement of the renewal period at a fair market rent determined based on a customary third-party appraisal process, taking into account all the terms of the Master Lease and other relevant factors, but in no event will the renewal rent be less than the rent payable in the immediately preceding lease year.

The Master Lease will provide Sears Holdings and us with certain rights designed to increase each party's benefits from the Transaction over time as independent entities, including Sears Holdings' right to terminate the lease with respect to underperforming stores and our right to recapture up to approximately 50% of the space within the Stores (subject to certain exceptions), in addition to all of any automotive care centers which are free-standing or attached as appendages to the Stores, and all outparcels or outlots, as well as certain portions of parking areas and common areas, at the Acquired Properties, and our additional right to recapture 100% of the space at some of the Acquired Properties. For a more detailed description of the principal provisions of the Master Lease, please see [Certain Relationships and Related Transactions](#) [The Master Lease](#).

### **Maintenance of the Properties**

Under the Master Lease, Sears Holdings will be required to make all expenditures reasonably necessary to maintain the space occupied by Sears Holdings at the Acquired Properties in good appearance, repair and condition, subject to ordinary wear and tear. However, if we recapture space from Sears Holdings pursuant to the Master Lease, Sears Holdings will no longer be required to make such expenditures. In addition, Sears Holdings will own and be required to maintain all of its personal property located at the space occupied by Sears Holdings at the leased properties and necessary for the operation thereof in good repair and condition as is necessary to operate all the premises in compliance with applicable legal, insurance and licensing requirements and all requirements of all Property Restrictions (subject to proportionate sharing of repair and maintenance charges and other costs and expenses which are common to both the space leased by Sears Holdings and other space occupied by unrelated third-party tenants, as well as common area maintenance expenses and real property taxes with respect to space not occupied by Sears Holdings).

**Mortgages, Liens or Encumbrances**

Immediately following the Transaction, we expect to have mortgages secured by all 235 of our operating properties. See [Description of Indebtedness](#) for a description of the mortgages.

**Table of Contents****Investment Diversification*****Diversification by Tenant***

The following table lists the top five tenants of our properties, including the JV Properties based on annual expected rent under the Master Lease and other leases in place as of June 3, 2015:

|   | <b>Tenant</b>         | <b>Number of Locations</b> | <b>Annual Rent<br/>(in thousands)<sup>(a)</sup></b> | <b>Percentage of<br/>Annual<br/>Total<br/>Rent</b> |
|---|-----------------------|----------------------------|---|--|
| 1 | Sears Holdings        | 254                        | \$ 162,287  | 81.31%   |
| 2 | Primark               | 5                          | \$ 5,544  | 2.78%  |
| 3 | Nordstrom Rack        | 4                          | \$ 2,946  | 1.48%  |
| 4 | At Home Garden Ridge  | 5                          | \$ 2,732  | 1.37%  |
| 5 | Dick's Sporting Goods | 2                          | \$ 2,564  | 1.28%  |

(a) We define annual rent as annualized base rent of the lessee's current term.

In addition to the third party tenants above, lease agreements between Sears Holdings and Lands End for 75 locations will be retained by Sears Holdings as a sublease under the Master Lease. However, Sears Holdings will pay as additional rent under the Master Lease (in lieu of base rent attributable to the Lands End space leased to Sears Holdings under the Master Lease) an amount equal to rent payments (including expenses) required to be made by Lands End under existing Lands End leases, as described further in Certain Relationships and Related Transactions The Master Lease. The income from these payments is expected to represent 3.6% of our annual rental income (inclusive of income from JV Properties).

***Diversification by Geography***

The following table sets forth information regarding the geographic diversification of our properties (excluding JV Properties) based on annual expected rent under the Master Lease and other leases in place as of June 3, 2015:

| <b>Location</b> | <b>Acquired Properties<br/>Number of<br/>Properties</b> | <b>Percentage of Total Annual<br/>Rent<sup>(a)</sup></b> |
|-----------------|---|--|
| California      | 38  | 20.61%   |
| Florida         | 26  | 12.98%   |
| New York        | 10  | 5.89%  |
| Texas           | 13  | 5.65%  |
| Illinois        | 11  | 4.21%  |
| Pennsylvania    | 7   | 3.98%  |
| Virginia        | 6   | 3.79%  |
| Puerto Rico     | 6   | 3.66%  |
| Michigan        | 9   | 3.39%  |

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|                |    |       |
|----------------|----|-------|
| Arizona        | 10 | 2.74% |
| Ohio           | 10 | 2.33% |
| New Hampshire  | 4  | 2.28% |
| New Jersey     | 3  | 2.15% |
| Maryland       | 4  | 1.59% |
| North Carolina | 3  | 1.56% |
| Alaska         | 1  | 1.29% |
| Indiana        | 3  | 1.16% |
| Washington     | 3  | 1.15% |

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| <b>Location</b> | <b>Acquired Properties<br/>Number of<br/>Properties</b> | <b>Percentage of Total Annual<br/>Rent<sup>(a)</sup></b> |
|-----------------|---|--|
| Nevada          | 3   | 1.08%  |
| Georgia         | 2   | 1.10%  |
| Minnesota       | 4   | 1.08%  |
| Missouri        | 4   | 1.05%  |
| Connecticut     | 2   | 1.05%  |
| Oklahoma        | 3   | 0.99%  |
| Massachusetts   | 2   | 0.94%  |
| Wisconsin       | 3   | 0.87%  |
| Iowa            | 4   | 0.87%  |
| Louisiana       | 3   | 0.86%  |
| Tennessee       | 2   | 0.84%  |
| Rhode Island    | 1   | 0.77%  |
| New Mexico      | 3   | 0.74%  |
| Colorado        | 2   | 0.69%  |
| South Carolina  | 3   | 0.66%  |
| Utah            | 2   | 0.64%  |
| Oregon          | 2   | 0.60%  |
| Kentucky        | 3   | 0.52%  |
| West Virginia   | 3   | 0.50%  |
| Kansas          | 2   | 0.48%  |
| Arkansas        | 2   | 0.46%  |
| Wyoming         | 3   | 0.44%  |
| Hawaii          | 1   | 0.42%  |
| Delaware        | 1   | 0.39%  |
| North Dakota    | 1   | 0.32%  |
| Mississippi     | 1   | 0.30%  |
| Idaho           | 1   | 0.27%  |
| South Dakota    | 1   | 0.18%  |
| Alabama         | 1   | 0.16%  |
| Montana         | 1   | 0.13%  |
| Nebraska        | 1   | 0.10%  |
| Maine           | 1   | 0.09%  |

(a) We define annual rent as annualized base rent of the lessee's current term.

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| <b>Location</b> | <b>JV Properties</b>        |  |
|-----------------|-----------------------------|--|
|                 | <b>Number of Properties</b> | <b>Percentage of Total Annual Rent</b> |
| Arizona         | 2                           | 4.96%                                  |
| Connecticut     | 1                           | 4.23%                                  |
| New Jersey      | 4                           | 12.84%                                 |
| California      | 5                           | 16.01%                                 |
| Texas           | 4                           | 9.43%                                  |
| Oregon          | 1                           | 4.33%                                  |
| Massachusetts   | 2                           | 9.76%                                  |
| New York        | 2                           | 8.05%                                  |
| Pennsylvania    | 1                           | 2.83%                                  |
| Michigan        | 1                           | 2.60%                                  |
| Oklahoma        | 2                           | 3.10%                                  |
| Illinois        | 1                           | 9.27%                                  |
| Minnesota       | 1                           | 2.84%                                  |
| Washington      | 1                           | 2.77%                                  |
| Maryland        | 1                           | 2.44%                                  |
| New Mexico      | 1                           | 2.45%                                  |
| Florida         | 1                           | 2.07%                                  |

**Table of Contents****Lease Expirations**

The following table sets forth a summary schedule of lease expirations for leases in place as of June 3, 2015 along with expected expirations under the Master Lease. The information set forth in the table assumes that tenants exercise no renewal options or early termination rights:

| Lease Expiring in                           | Acquired Properties |  |  |                                       |
|---|---------------------|--|--|---------------------------------------|
|   | Number of Leases    | Expiring Annual Rent (in thousands) <sup>(a)</sup> | Square Footage of Expiring Leases <sup>(b)</sup> | Percent of Total Expiring Annual Rent |
| Remainder of 2015 <sup>(c)</sup>            | 14                  | \$ 1,277   | 78,149   | 0.74%                                 |
| 2016  | 20                  | \$ 2,101   | 128,771  | 1.22%                                 |
| 2017  | 16                  | \$ 2,232   | 130,757  | 1.29%                                 |
| 2018  | 30                  | \$ 2,316   | 35,808   | 1.34%                                 |
| 2019  | 32                  | \$ 3,642   | 384,705  | 2.11%                                 |
| 2020  | 34                  | \$ 2,959   | 153,570  | 1.71%                                 |
| 2021  | 4                   | \$ 1,183   | 143,474  | 0.69%                                 |
| 2022  | 3                   | \$ 710   | 3,694  | 0.41%                                 |
| 2023  | 7                   | \$ 6,196   | 324,294  | 3.59%                                 |
| 2024  | 3                   | \$ 654   | 48,047   | 0.38%                                 |
| 2025 and thereafter                         | 224 <sup>(e)</sup>  | \$ 148,868   | 36,181,949                                       | 86.19%                                |
| <b>Vacant</b>                               | <b>n/a</b>          | <b>\$</b>  | <b>248,127</b>                                   | <b>0.00%</b>                          |
| <b>Total Owned Properties<sup>(d)</sup></b> | <b>234</b>          | <b>\$ 168,288</b>                                  | <b>36,444,364</b>                                | <b>97.44%</b>                         |

(a) We define annual rent as annualized base rent of Lessee's current term. Following the expiration of Lands' End lease agreements, the table assumes that SHC pays rent on space previously occupied by Lands' End at a rental rate consistent with the rest of the property.

(b) This figure does