

Seritage Growth Properties  
Form S-11/A  
June 08, 2015  
Table of Contents

As filed with the Securities and Exchange Commission on June 8, 2015

Registration No. 333-203163

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

**Amendment No. 4**

**to**

**FORM S-11**

***FOR REGISTRATION***

***Under***

***THE SECURITIES ACT OF 1933***

***OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES***

**Seritage Growth Properties**

**(Exact Name of Registrant as Specified in Its Governing Instruments)**

**Seritage Growth Properties**

**3333 Beverly Road**

**Hoffman Estates, Illinois 60179**

**(847) 286-2500**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Robert A. Riecker**

**c/o Sears Holdings Corporation**

**3333 Beverly Road**

**Hoffman Estates, Illinois 60179**

**(847) 286-2500**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*Copies to:*

**Kristin M. Coleman, Esq.**

**Senior Vice President, General Counsel and Corporate  
Secretary**

**Sears Holdings Corporation**

**3333 Beverly Road**

**Hoffman Estates, Illinois 60179**

**(847) 286-2500**

**Daniel A. Neff, Esq.**

**Robin Panovka, Esq.**

**Wachtell, Lipton, Rosen & Katz**

**51 West 52nd Street**

**New York, New York 10019**

**(212) 403-1000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Subscription rights to purchase Class A common shares of beneficial interest, par value \$0.01 per share	N/A	N/A <sup>(1)</sup>
Class A common shares of beneficial interest, par value \$0.01 per share, underlying the subscription rights	\$1,576,581,444 <sup>(2)</sup>	183,198.76 <sup>(2)</sup>
Class C common shares of beneficial interest, par value \$0.01 per share, issuable in lieu of Class A common shares upon the election of certain holders	N/A	N/A <sup>(3)</sup>
	N/A	N/A <sup>(4)</sup>

Class A common shares of beneficial interest, par value \$0.01 per share,  
issuable upon conversion of Class C common shares of beneficial interest, par  
value \$0.01 per share

Total \$1,576,581,444<sup>(2)</sup> \$183,198.76<sup>(5)</sup>

- (1) The subscription rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended. Includes the estimated maximum aggregate gross proceeds from the exercise of the maximum number of subscription rights that may be issued.
- (3) Class C common shares will be issued only in lieu of Class A common shares for the same consideration as Class A common shares. Pursuant to Rule 457(i), no separate registration fee is payable.
- (4) The Class A common shares will be issued upon conversion of the Class C common shares for no additional consideration. Pursuant to Rule 457(i), no separate registration fee is payable.
- (5) The registrant previously paid \$11,620 of the registration fee.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

#### EXPLANATORY NOTE

This registration statement has been prepared on a prospective basis on the assumption that, among other things, the offering (as described in the prospectus which is a part of this registration statement) and the related transactions (including the negotiation, execution and performance of the agreements referred to in the prospectus) and approvals contemplated to occur prior to or contemporaneously with the offering will be consummated as contemplated by the prospectus. There can be no assurance, however, that any or all of such transactions will occur or will occur as so contemplated. Any significant modifications to or variations in the transactions contemplated will be reflected in an amendment or supplement to this registration statement.

**Table of Contents**

**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JUNE 8, 2015**

**PRELIMINARY 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 9,527,198 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 8, 2015**

Table of Contents

## TABLE OF CONTENTS

	<b>Page</b>
<u>MARKET AND INDUSTRY DATA</u>	ii
<u>PROSPECTUS SUMMARY</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE COMPANY AND THE OFFERING THIS OFFERING</u>	8
<u>SUMMARY PRO FORMA FINANCIAL DATA</u>	26
<u>RISK FACTORS</u>	31
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	32
<u>USE OF PROCEEDS</u>	62
<u>DIVIDEND POLICY</u>	64
<u>CAPITALIZATION</u>	65
<u>OWNERSHIP AND ORGANIZATIONAL STRUCTURE</u>	66
<u>UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA</u>	67
<u>SELECTED FINANCIAL DATA</u>	68
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	78
<u>BUSINESS AND PROPERTIES</u>	79
<u>MANAGEMENT</u>	88
<u>EXECUTIVE COMPENSATION</u>	112
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	118
<u>POLICIES WITH RESPECT TO CERTAIN ACTIVITIES</u>	128
<u>PRINCIPAL SHAREHOLDERS</u>	134
<u>DESCRIPTION OF SHARES OF BENEFICIAL INTEREST</u>	137
<u>CERTAIN PROVISIONS OF MARYLAND LAW AND OF SERITAGE GROWTH'S DECLARATION OF TRUST AND BYLAWS</u>	140
<u>DESCRIPTION OF PARTNERSHIP AGREEMENT OF OPERATING PARTNERSHIP</u>	148
<u>DESCRIPTION OF INDEBTEDNESS</u>	154
<u>THE RIGHTS OFFERING</u>	160
<u>FAIRNESS OPINION AND APPRAISALS</u>	162
<u>SERITAGE GROWTH UNAUDITED PROSPECTIVE FINANCIAL INFORMATION</u>	174
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	184
<u>U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	186
<u>PLAN OF DISTRIBUTION</u>	188
<u>LEGAL MATTERS</u>	213
<u>EXPERTS</u>	214
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	214
<u>INDEX TO FINANCIAL STATEMENTS</u>	214
	F-1

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.





**Table of Contents**

**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.

---

**Table of Contents**

**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



---

**Table of Contents**

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;

Edgar Filing: Seritage Growth Properties - Form S-11/A

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;

**Table of Contents**

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 ) have entered into an agreement giving certain clients ( Fairholme Clients ) of FCM the right to exchange 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 outstanding immediately following this offering for 9,527,198 Class C non-voting common shares of beneficial interest, par value \$0.01 per share, of Seritage Growth (the Seritage Growth non-voting shares );

## Edgar Filing: Seritage Growth Properties - Form S-11/A

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 has agreed to vote a portion of any Seritage Growth common shares owned by the Fairholme Clients following this offering in



**Table of Contents**

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 have entered into an agreement with ESL Investments, Inc. (together with its affiliates, including Edward S. Lampert, collectively, *ESL* ) giving 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).

**Table of Contents**

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.

---

**Table of Contents****Restrictions on Ownership and Transfer of Seritage Growth Shares**

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.



**Table of Contents**

**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.

---

**Table of Contents**

**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

## **Table of Contents**

expenses for the separation of the recaptured space from the remaining Sears Holdings space and will have the 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?**

Edgar Filing: Seritage Growth Properties - Form S-11/A

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.

## **Table of Contents**

In light of the restrictions on ownership in Seritage Growth's declaration of trust, we have entered into an 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 have entered into an agreement with ESL pursuant to which ESL has the right to exchange (a) subscription rights that, if exercised, would result in ESL receiving in excess of 3.1% of the Seritage Growth common shares 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 such 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 (without giving effect to any potential exchange by ESL or any Fairholme Client). 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

## **Table of Contents**

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