

SERITAGE
GROWTH PROPERTIES

**ANNUAL
REPORT
2021**

SERITAGE

GROWTH PROPERTIES

In March of 2022, almost a year to the day after I joined as Seritage's CEO, our Board and I decided to explore strategic alternatives for the Company. I would like to share with you the process that led us to the conclusion that this pursuit of strategic alternatives was and remains the best path forward to maximize value for you, our shareholders.

During my early tenure as CEO, my first priority was to fully understand the Company's real estate assets. While the assets were varied in both location and quality, I nevertheless recognized that each asset had intrinsic value waiting to be realized. The management team and I thoroughly evaluated the most value-maximizing use of each asset, which generally fall into one of three categories: mixed use/premier/master planned developments, stabilized retail destinations, and multifamily development sites. We then marketed for sale the assets with the lowest projected returns so the proceeds could be used to pay down debt, fund operating expenses and provide capital to invest in our higher value opportunities. Additionally, we streamlined our organization to accelerate the execution of our business plans, which reduced our run-rate G&A expense.

As I look back over the last year and a half, I am extremely proud of what our management team has accomplished:

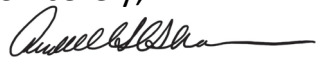
- Signed 69 leases covering approximately 1.1 million square feet at an average projected annual rent of \$26.37 per square foot;
- Increased occupancy of the 38 Multi-Tenant Retail properties from 76% to 84.2%;
- Opened the Collection at UTC at 95% leased, anchored by a 123,000 square foot Amazon office lease;
- Leased or under negotiation on over 80% of the space at Aventura;
- Divested 64 properties, generating total proceeds of \$725 million;
- Repaid \$260 million of debt;
- Entitled 2,400 residential units, 1.3 million square feet of office, medical office, and life sciences, and 235,000 square feet of retail; and
- Advanced entitlements for approximately 3 million square feet of tech office/life science product and approximately 4,000 units of multifamily.

These value-accretive accomplishments exemplify how aspects of our business' fundamentals are improving and how our team is driving improved performance. As previously discussed, we do not believe that the public markets fully appreciate and recognize the value of our company's assets. Therefore, we believe that this strategic review is the best way to maximize value for our shareholders.

The positive feedback we have received from investors reinforces our conviction in the wisdom of this plan. As we proceed with our strategic review, we remain open-minded to pursuing any and all value-maximizing alternatives for our shareholders, including a potential sale or merger of the Company. Alternatively, the sale of individual assets or groups of assets may produce maximum value for shareholders. **Accordingly, we are recommending that you, our shareholders, vote to approve our plan, which would give management and the Board the ability to pursue a sale of all or substantially all of the assets of the Company to the highest bidders through a range of competitive market processes.** We believe that providing management and the Board with this flexibility will best position us to realize the true value of the portfolio and, subsequently, deliver this value to you.

We thank you for your ongoing support of the Seritage Board and management team. We have confidence in the decisive steps we are taking to maximize the value of your investment, and we are committed to achieving that objective.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Olshan", with a long horizontal flourish extending to the right.

Andrea Olshan

Chief Executive Officer and President

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

Commission file number 001-37420

SERITAGE GROWTH PROPERTIES

(Exact name of registrant as specified in its charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

38-3976287
(I.R.S. Employer
Identification No.)

500 Fifth Avenue, Suite 1530, New York, New York
(Address of principal executive offices)

10110
(Zip Code)

Registrant's telephone number, including area code (212) 355-7800
Securities registered pursuant to Section 12(b) of the Act:

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A common shares of beneficial interest, par value \$0.01 per share	SRG	New York Stock Exchange
7.00% Series A cumulative redeemable preferred shares of beneficial interest, par value \$0.01 per share	SRG-PA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-Accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>			Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

On June 30, 2021, the last business day of the most recently completed second quarter of the registrant, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$540,000,000 based upon the closing price of \$18.40 of the common stock as reported on the New York Stock Exchange on such date.

As of March 11, 2022, the registrant had the following common shares outstanding:

Class	Shares Outstanding
Class A common shares of beneficial interest, par value \$0.01 per share	43,632,364
Class B common shares of beneficial interest, par value \$0.01 per share	0
Class C common shares of beneficial interest, par value \$0.01 per share	0

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Seritage Growth Properties' Proxy Statement for its 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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SERITAGE GROWTH PROPERTIES
ANNUAL REPORT ON FORM 10-K
DECEMBER 31, 2021

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the “Annual Report”) of Seritage Growth Properties contains statements that constitute forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters 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,” “plans,” “pro forma,” “estimates” or “anticipates” or the opposite 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. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. 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. 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;
- Competition and related challenges in the real estate and retail industries and the ability of our top tenants to successfully operate their businesses;
- Failure to achieve expected occupancy and/or rent levels within the projected time frame or at all;
- Our historical exposure to Sears Holdings and the effects of its previously announced bankruptcy filing;
- The litigation filed against us and other defendants in the Sears Holdings adversarial proceeding pending in bankruptcy court;
- Risks relating to our redevelopment activities and potential acquisition or disposition of properties;
- The process and results of our review of strategic alternatives;
- The impact of ongoing negative operating cash flow on our ability to fund operations and ongoing development;
- Contingencies to the commencement of rent under signed leases;
- Environmental, health, safety and land use and other laws and regulations;
- The terms of our indebtedness and availability or sources of liquidity;
- Possible acts of war, terrorist activity or other acts of violence or cybersecurity interests; and
- The impact of the coronavirus (“COVID-19”) pandemic on the business of our tenants and our business, income, cash flow, results of operations, financial condition, liquidity, prospects, ability to service our debt obligations and our ability to pay dividends and other distributions to our shareholders;

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. Except as required by law, 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 “Item 1A. Risk Factors.”

PART I

ITEM 1. BUSINESS

The Company

Seritage Growth Properties (“Seritage”) (NYSE: SRG), a Maryland real estate investment trust formed on June 3, 2015, is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”) as defined under Section 856(c) of the Internal Revenue Code (the “Code”). Seritage’s assets are held by and its operations are primarily conducted, directly or indirectly, through Seritage Growth Properties, L.P., a Delaware limited partnership (the “Operating Partnership”). Under the partnership agreement of the Operating Partnership, Seritage, as the sole general partner, has exclusive responsibility for and discretion in the management and control of the Operating Partnership. Unless otherwise expressly stated or the context otherwise requires, the “Company”, “we,” “us,” and “our” as used herein refer to Seritage, the Operating Partnership and its owned and controlled subsidiaries.

Seritage is principally engaged in the ownership, development, redevelopment, management, sale and leasing of diversified retail and mixed-use properties throughout the United States. As of December 31, 2021, the Company’s portfolio consisted of interests in 162 properties comprised of approximately 19.2 million square feet of gross leasable area (“GLA”) or build-to-suit leased area, approximately 600 acres held for or under development and approximately 9.4 million square feet or approximately 800 acres to be disposed of. The portfolio consists of approximately 15.4 million square feet of GLA held by 137 wholly owned properties (such properties, the “Consolidated Properties”) and 3.9 million square feet of GLA held by 25 unconsolidated entities (such properties, the “Unconsolidated Properties”).

The Company’s mission is to create long-term value for our shareholders by unlocking the value of our portfolio whether through re-leasing, redevelopment, dispositions, formation of strategic partnerships or other bespoke solutions.

Background

The Company commenced operations on July 7, 2015 following a rights offering to the shareholders of Sears Holding Corporation (“Sears Holdings” or “Sears”) to purchase common shares of Seritage in order to fund, in part, the \$2.7 billion acquisition of certain of Sears Holdings’ owned properties and its 50% interests in three joint ventures which were simultaneously leased back to Sears Holdings under master lease agreements (the “Original Master Lease” and the “JV Original Master Leases”, respectively).

On October 15, 2018, Sears Holdings and certain of its affiliates filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). Subsequently, the Company and certain affiliates of Transform Holdco LLC (“Holdco”), an affiliate of ESL Investments, Inc., executed a master lease (the “Holdco Master Lease”) with respect to 51 Consolidated Properties, which became effective when the Bankruptcy Court issued an order approving the rejection of the Original Master Lease.

As of December 31, 2021, the Company did not have any remaining properties leased to Holdco or Sears Holdings after giving effect to the termination of the remaining five Consolidated Properties, which were completed in March 2021.

Edward S. Lampert is the Chairman and Chief Executive Officer of ESL Investments, Inc, which owns Holdco. Mr. Lampert was also the Chairman of Seritage prior to his retirement, effective March 1, 2022, and controlled each of the tenant entities that was a party to the Holdco Master Lease prior to the termination of the remaining five Consolidated Properties in March 2021.

Board of Trustees Matters

On March 1, 2022, the Company announced that Mr. Lampert retired as its Chairman and resigned from its board of trustees (the “Board of Trustees”) effective March 1, 2022, and that each of Messrs. David S. Fawer and Thomas M. Steinberg, members of the Board of Trustees, notified the Board of Trustees that he would not stand for reelection as a trustee. Messrs. Fawer’s and Steinberg’s terms will each end at our 2022 annual meeting of shareholders.

Review of Strategic Alternatives

On March 1, 2022, the Company announced that its Board of Trustees has commenced a process to review a broad range of strategic alternatives to enhance shareholder value. The Board of Trustees created a special committee of the Board of Trustees (the “Special Committee”) to oversee the process. The Special Committee has retained a financial advisor. The Company is in the early stages of the strategic review process and its current intention is not to disclose or comment on interim developments with respect to the process. There can be no assurance that the review process will result in any transaction or any strategic change at this time. See “Item 1A. Risk Factors—Risks Related to Our Business and Operations— There can be no assurance that our review of strategic alternatives will result in any transaction or any strategic change at this time.”

Business Strategies

The Company's primary objective is to create value for its shareholders through the re-leasing and redevelopment of its core Consolidated Properties and Unconsolidated Properties, except for certain of its non-core assets which have been identified for near term disposition. In particular, we have identified various sites that we believe have the demand and demographic profile to support other uses such as residential, biotechnology, office and others. Given our fee ownership of these properties and control over parking lots and outparcels, we believe that these sites are well positioned for such value creation opportunities. We additionally look to further lease our built retail footprint and densify any excess parking land through the addition of triple net ("NNN") pad sites, which are standalone sites upon which a customized space can be built or leased for a tenant.

In order to achieve its objective, the Company intends to execute the following strategies:

- Multi-tenant Retail:* Our portfolio of over 40 multitenant retail assets provide positive cash flow and are primarily leased to a variety of national credit tenants. As of December 31, 2021, this portfolio was 85.1% leased with a pipeline of 0.2 million square feet. A majority of our leases are effectively NNN based on the structure of our leases, providing an important inflation hedge. This portfolio also affords numerous further densification opportunities through the addition of pads on excess parking areas.
- Densification and Redevelopment Opportunities:* In particular, we have identified various sites that we believe have the demand and demographic profile to support other uses such as residential, biotechnology, office and others. Given our fee ownership of these properties and control over parking lots and outparcels, we believe that these sites are well positioned for such value creation opportunities. We additionally look to further densification by converting vacant land to pad sites.
- Premier/Master Planned Mixed Use and Residential:* As of December 31, 2021, our full portfolio included approximately 2,150 acres of land, or an average of 13 acres per site, and our most significant geographic concentrations were in higher growth markets in California, Florida, Texas, and the Northeast. We believe these land holdings will provide meaningful opportunities to create value through relevant investments and developments. Thirty-three sites have been identified as potential residential developments. The average acreage per site is 14. We are in the process of hiring a development services firm to augment our own internal development team in an effort to accelerate the entitlements of the properties.
- Non-core Assets for Monetization:* We continue to assess the best use for all sites within our portfolio, including residential, retail, and converting excess land area to pad sites, and will strategically dispose of non-core assets in order to fund development and deploy capital more strategically.

On March 1, 2022, the Company announced that its Board of Trustees has commenced a process to review a broad range of strategic alternatives to enhance shareholder value. The Company will continue to evaluate its portfolio strategy and corporate structure to optimize the outcome of such review. See "—Review of Strategic Alternatives."

COVID-19 Pandemic

The COVID-19 pandemic continues to have a significant impact on conditions in the real estate industry in the United States, including the Company's properties.

These conditions may change, significantly, in future periods and results for the year ended December 31, 2021 may not be indicative of the impact of the COVID-19 pandemic on the Company's business for future periods. As such, the Company cannot reasonably estimate the impact of COVID-19 on its financial condition, results of operations or cash flows over the foreseeable future.

As of December 31, 2021, the Company had collected 97% of rental income for the year ended December 31, 2021 and agreed to defer an additional 1%. While the Company intends to enforce its contractual rights under its leases, there can be no assurance that tenants will meet their future obligations or that additional rental modification agreements will not be necessary.

Significant Tenants

Management believes the Company's portfolio is reasonably diversified and does not contain any significant concentrations of credit risk. As of December 31, 2021, the Company has one tenant that comprises 10.2% annualized based rent, with no other tenants exceeding 10% of annualized base rent. The Company's portfolio of 137 Consolidated Properties and 25 Unconsolidated Properties was diversified by location across 38 states and Puerto Rico.

Competition

We compete for investment opportunities and prospective tenants with other REITs, real estate partnerships and other real estate companies, private individuals, investment companies, private equity and hedge fund investors, sovereign funds, pension funds, insurance companies, lenders and other investors, including retailer operators that may close stores and pursue similar real estate strategies. In addition, revenues from our properties are dependent on the ability of our tenants and operators to compete.

Some of our competitors are significantly larger and have greater financial resources and lower costs of capital than we have. Increased competition will make it more challenging to identify and successfully capitalize on investment opportunities that meet our objectives. Our ability to compete is also impacted by national and local economic trends, availability of investment alternatives, availability and cost of capital, construction and renovation costs, existing laws and regulations, new legislation and population trends.

As a landlord, we compete in the real estate market with numerous developers and owners of properties, including the shopping centers in which our properties are located. Some of our competitors have greater economies of scale, relationships with national tenants at multiple properties which are owned or operated by such competitors, access to more resources and greater name recognition than we do. If our competitors offer space at rental rates below the current market rates or below the rentals we currently charge, or on terms and conditions which include locations at multiple properties, we may lose our existing and/or potential tenants and we may be pressured to reduce our rental rates or to offer substantial rent abatements, tenant improvement allowances, early termination rights or below-market renewal options in order to win new tenants and retain tenants when our leases expire.

Environmental Matters

Our properties are subject to environmental laws regulating, among other things, air emissions, wastewater discharges and the handling and disposal of wastes. Certain of the properties were built during the time that asbestos-containing building materials were routinely installed in residential and commercial structures. In addition, a substantial portion of the properties we acquired from Sears Holdings currently include, or previously included, automotive care center facilities and retail fueling facilities, 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 motor oil, fluid in hydraulic lifts, antifreeze and solvents and lubricants), the recycling/disposal of batteries and tires, air emissions, wastewater discharges and waste management. In addition to these products or materials, the equipment in use or previously used at such 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. Our leases include, or are expected to include, provisions obligating the operator to comply with applicable environmental laws and to indemnify us if such operator's noncompliance results in losses or claims against us with respect to environmental matters first arising during such operator's occupancy. An operator's failure to comply could result in fines and penalties or the requirement to undertake corrective actions which may result in significant costs to the operator and thus adversely affect their ability to meet their obligations to us.

Pursuant to U.S. federal, state and local environmental laws and regulations, a current or previous owner or operator of real property may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at, or emanating from, such property. Further, under certain circumstances, such owners or operators of real property may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. We also may be liable under certain of these laws for damage that occurred prior to our ownership of a property or at a site where we sent wastes for disposal. The failure to properly remediate a property may also adversely affect our ability to lease, sell or rent the property or to borrow funds using the property as collateral.

Under the Holdco Master Lease, Holdco is required to indemnify us from certain environmental liabilities at the Consolidated Properties before or during the period in which any such Consolidated Property was leased to Holdco, including removal and remediation of all affected facilities and equipment constituting the automotive care center facilities. In addition, an environmental reserve was funded concurrently with the formation of the Company in the amount of approximately \$12.0 million. As of December 31, 2021, the balance of the environmental reserve was approximately \$9.5 million.

In connection with the ownership of our current or past properties and any properties that we may acquire in the future, we could be legally responsible for environmental liabilities or costs relating to a release of hazardous substances or other regulated materials at or emanating from such property. We are not aware of any environmental issues that are expected to have a material impact on the operations of our properties. However, we can make no assurances that the discovery of previously unknown environmental conditions or future laws, ordinances or regulations will not impose material environmental liabilities on us, or the current environmental condition of our properties will not be affected by tenants, the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Insurance

We have comprehensive liability, property and rental loss insurance with respect to our portfolio of properties. We believe that such insurance provides adequate coverage.

REIT Qualification

We elected to be treated as a REIT commencing with the taxable year ended December 31, 2015. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on net taxable income that we distribute annually to our shareholders, but net taxable income generated by our taxable REIT subsidiary (our “TRS”) will be subject to U.S. federal, state and local income tax. In order to qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, including, but not limited to, the real estate qualification of sources of our income, the composition and values of our assets, the amounts we distribute to our shareholders and the diversity of ownership of our stock. In order to comply with REIT requirements, we may need to forego otherwise attractive opportunities and limit our expansion opportunities and the manner in which we conduct our operations. See “Risk Factors—Risks Related to Status as a REIT.”

Financial Information about Industry Segments

We currently operate in a single reportable segment, which includes the ownership, development, redevelopment, management, sale and leasing of real estate properties. We review operating and financial results for each property on an individual basis. We, therefore, aggregate all of our properties into one reportable segment due to their similarities with regard to the nature and economics of the properties, tenants and operational process.

Human Capital

We believe that our employees are our most important asset. As of December 31, 2021, we had 40 full-time employees, all of whom are located in the United States, with the majority located in New York. We strive to hire and develop the top talent in the industry, and we believe that our business offers a unique opportunity for individuals to grow and learn.

During 2021, our number one priority was the health and safety of our team, our families and loved ones, our communities and our partners, including our tenants, contractors, and other stakeholders. We understand the importance of the mental, physical and social health and well-being of our employees and take actions to promote good health such as providing mental health days off.

Our core principles guide how we conduct ourselves and approach the challenges and opportunities that we face. Our core principles are:

- Maintain a diverse and inclusive culture based on respect
- Build relationships for the long term
- Create an environment of constant improvement
- Be entrepreneurial and proactive
- Inspire people and communities through our projects

We believe that diversity and inclusion at all levels of our organization are imperative to our future successes. This means that bringing your authentic self to work every day is seen as an asset. We have focused our diversity and inclusion efforts on employee recruitment, employee engagement, community outreach and partnering with like-minded organizations. As of December 31, 2021, our organization was comprised of 45% women and 30% people of color. Our management team, which is defined as Senior Vice Presidents and above, was comprised of 33% women. We had three diverse members of our Board of Trustees. We also take diversity into consideration when evaluating vendor selection. We regularly review our compensation practices to ensure employees from underrepresented groups are not being underpaid relative to others doing the same or similar work. All employees receive training in the prevention and reporting of sexual harassment, discriminatory and abusive conduct in the workplace.

Because the engagement of our employees is important, we encourage a work environment that fosters collaboration across departments and levels. We take pride in being able to have the newest member of the team work side-by-side with our most tenured and senior executives. We believe this encourages creativity, creates opportunities for improvements and efficiencies, and strengthens our team. We regularly solicit feedback from our employees and take actions designed to increase employee engagement.

We depend on our people to create value in our portfolio and company. We offer attractive compensation with comprehensive benefits for employees and their dependents.

Available Information

Our office is located at 500 Fifth Avenue, New York, New York 10110 and our telephone number is (212) 355-7800. Our website address is www.seritage.com. Our reports electronically filed with or furnished to the Securities and Exchange Commission (“SEC”) pursuant to Section 13(a) or 15(d) of the Exchange Act can be accessed through this site, free of charge, as soon as reasonably practicable after we electronically file or furnish such reports. These filings are also available on the SEC’s website at www.sec.gov. Our website also contains copies of our corporate governance guidelines and code of business conduct and ethics as well as the charters of our audit, compensation and nominating and corporate governance committees. The information on our website is not part of this or any other report we file with or furnish to the SEC.

ITEM 1A. RISK FACTORS

Certain factors may have a material adverse effect on our business, financial condition and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our common shares of beneficial interest could decline, and you could lose part or all of your investment.

Risk Factor Summary

The following is a summary of the principal factors that make an investment in our securities speculative or risky.

Risks Related to Our Business and Operations

- We are dependent on the ability of our top tenants to successfully operate their businesses and a failure to operate successfully, including a bankruptcy or insolvency, could have a material adverse effect on our business.
- We may not be able to renew leases or re-lease space at our properties and property vacancies could result in significant capital expenditures.
- Following the Sears Holdings bankruptcy, we have been named as a defendant in litigation that could adversely affect our business, divert management's attention from our business and subject us to liabilities.
- Real estate investments are relatively illiquid and our pursuit of investments, including redevelopments, in properties may be unsuccessful or fail to meet our expectations.
- Our review of strategic alternatives may not result in any transaction or any strategic change.
- Both we and our tenants face a wide range of competition and related challenges that could affect our ability to operate profitably.
- We have ongoing capital needs and may not be able to obtain additional financing on acceptable terms. We may incur mortgage indebtedness and other borrowings, which may increase our business risks.
- Changes in building and/or zoning laws may require us to meet additional or more stringent construction requirements.
- Our real estate assets may be subject to impairment charges.
- 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.
- Certain properties within our portfolio are subject to restrictions, some of which contain a purchase option or right of first refusal or right of first offer in favor of a third party.
- Rising expenses could reduce cash flow, funds available for future development, and increase development costs.
- Compliance with the Americans with Disabilities Act may require us to make expenditures.
- Environmental, health, safety and land use laws and regulations may limit or restrict some of our operations and compliance costs or liabilities may materially and adversely affect us.
- Possible acts of war, terrorist activity or other acts of violence or cybersecurity incidents could adversely affect our financial condition and results of operations.
- Covenants in our Term Loan Facility may limit our operational flexibility and a covenant breach or default could adversely affect our business and financial condition.

- Our rights and the rights of our shareholders to take action against our trustees and officers are limited.
- Our and the Operating Partnership’s organizational documents and Maryland law contain provisions that may delay, defer or prevent an acquisition of Class A common shares or a change in control.
- We may experience insurance related losses or insurance proceeds may not be available to us, which could result in a significant loss, decrease anticipated future revenues or cause us to incur unanticipated expense.
- Conflicts of interest may exist between the interests of our shareholders and the interests of holders of Operating Partnership units, which could result in harm the interests of our shareholders.
- ESL Investments, Inc. (“ESL”) exerts substantial influence over us, and its interests may differ from or conflict with the interests of our other shareholders. ESL owns a substantial percentage of the Operating Partnership units, which may be exchanged, and which will result in certain transactions requiring the approval of ESL.
- The businesses of several of our unconsolidated entities are similar to each other and the occurrence of risks that adversely affect one unconsolidated entity could also adversely affect the others.
- The COVID-19 pandemic has continued to, and the future outbreak of other highly infectious or contagious diseases may, materially and adversely impact the business of our tenants and our business.

Risks Related to Status as a REIT

- Qualifying as a REIT involves highly technical and complex provisions of the Code. If we do not qualify to be taxed as a REIT, or fail to remain qualified as a REIT, and do not qualify for certain statutory relief provisions, 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 our shareholders. Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.
- REIT distribution requirements could adversely affect our ability to execute our business plan. We may from time to time make distributions to our shareholders in the form of taxable stock dividends, which could result in shareholders incurring tax liability without receiving sufficient cash to pay such tax.
- Complying with REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities, including limitations on our ability to hedge effectively, and may cause us to incur tax liabilities.
- The prohibited transactions tax may limit our ability to engage in sale transactions.
- Our ownership of our TRS is subject to limitations and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.

Risks Related to Ownership of our Securities

- The market price and trading volume of our securities may be volatile.
- Debt or preferred equity securities, such as the Series A Preferred Shares, rank senior to our common shares and may adversely affect the market price of our common shares.
- The transactions with Sears Holdings and Holdco 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.
- The number of shares available for future sale, our earnings and cash distributions could adversely affect the market price of Class A common shares.
- A lack of active trading market for the Series A Preferred Shares may negatively affect the market value of, and the ability of holders of our Series A Preferred Shares to transfer or sell, their shares.

- The Series A Preferred Shares are subordinate in right of payment to debt. The interests of holders of Series A Preferred Shares could be diluted by transactions such as the issuance of additional preferred shares.
- Dividends on our preferred shares, including the Series A Preferred Shares, are discretionary.
- Holders of Series A Preferred Shares have limited voting rights.

Risks Related to Our Business and Operations

We are dependent on the ability of our major tenants, to successfully operate their businesses. Our tenants' failure to operate their businesses successfully, or the occurrence of an event that has a material adverse effect on the business, financial condition or results of operations of any of our major tenants, could have a material adverse effect on our business, financial condition or results of operations.

A significant portion of our leased properties are leased to our major tenants. As a result, the success of our investments, at least in the short-term, is materially dependent on the financial condition of our major tenants. At any time, our tenants may experience a downturn in their respective businesses that may significantly weaken their financial condition, particularly during periods of economic uncertainty. This uncertainty may be exacerbated as a result of actual changes in economic conditions, including as a result of market dynamics, trends in consumer income, rising energy prices, tariffs or trade disputes, and natural or manmade disasters, including epidemic or pandemic disease, or the impact of the fear of such changes on consumer behavior. As a result, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of locations or declare bankruptcy.

The inability or unwillingness of our any of major tenants to meet rent obligations and other obligations could materially adversely affect our business, financial condition or results of operations, including a reduction in operating cash flow that can be used to pay the interest, principal and other costs and expenses under our financings, or to pay cash dividends to our shareholders.

In addition, certain of our lease agreements require our tenants to pay certain insurance, taxes, utilities and maintenance and repair expenses in connection with the leased properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective business, subject to proportionate sharing of expenses and certain other limitations. Our exposure to rental payments from our major tenants as a material source of our rental income may limit our ability to enforce our rights under our lease agreements with such tenants.

The risk of financial failure of, or default in payment by, a major tenant is magnified in situations where we lease multiple properties to a single tenant under a master lease, and we may be limited in our ability to enforce our rights under such agreements. In such event, we may have been 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 at all, which would have had the effect of reducing our rental revenues.

There can be no assurance as to how our major tenants will perform in the future. Outcomes not currently foreseen by us may occur, any of which could have a material and adverse impact on our business, results of operations and financial condition.

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

The future bankruptcy or insolvency of any of our tenants, could diminish the rental revenue we receive from that property or could force us to "take back" tenant space as a result of a default or a rejection of the lease by a tenant in bankruptcy. Any claims against bankrupt tenants for unpaid future rent are subject to statutory limitations that would likely result in our receipt of rental revenues that are substantially less than the contractually specified rent we are owed under their leases or no payments at all. In addition, any claim we have for unpaid past rent may not be paid in full. Federal law may prohibit us from evicting a tenant based solely upon its recent bankruptcy filing (or a tenant in the event of such tenant's 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 costs for brokerage, marketing and tenant expenses.

Bankruptcy laws afford certain protections to tenants that may also affect the treatment of master leases. 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.

We may not be able to renew leases or re-lease space at our properties and property vacancies could result in significant capital expenditures.

When leases for our properties expire or are terminated, the premises may not be re-leased in a timely manner or at all, or the terms of re-leasing, including the cost of allowances and concessions to tenants, may be less favorable than the then-existing 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 or otherwise determine 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 we incur significant capital expenditures as a result of property vacancies, our business, results of operations and financial condition could be materially adversely affected.

Following the Sears Holdings bankruptcy, we have been named as a defendant in litigation that could adversely affect our business and financial condition, divert management's attention from our business, and subject us to significant liabilities, including remedies that may be imposed as a result of a finding of fraudulent conveyance.

On April 18, 2019, at the direction of the Restructuring Sub-Committee of the Restructuring Committee of the Board of Directors of Sears Holdings, plaintiffs Sears Holdings, Sears, Roebuck & Co., Sears Development Co., Kmart Corporation, and Kmart of Washington, LLC commenced a litigation (the "Litigation") in the Bankruptcy Court naming us and certain of our affiliates, as well as affiliates of ESL Investments, Inc. and Sears Holdings, and certain other third parties, as defendants. The Litigation is dual captioned as In re: Sears Holdings Corporation, et al., Case No. 18-23538 (RDD) and Sears Holdings Corporation et al., v. Lampert et al., Case No. 19-08250 (RDD). The initial complaint has been superseded by the Amended Complaint described below.

On October 15, 2019, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings and its affiliated debtors (the "Chapter 11 Plan"). Pursuant to the terms of the Confirmation Order, upon the effective date of the Chapter 11 Plan, a liquidating trust will be formed, and the Litigation will vest in the liquidating trust. The Confirmation Order further provides that, prior to the effective date of the Chapter 11 Plan and the formation of the liquidating trust, the Litigation shall be controlled by five litigation designees selected by Sears Holdings and the Official Committee of Unsecured Creditors' (the "Creditors' Committee"). For further information, refer to the Chapter 11 Plan, Confirmation Order and liquidating trust agreement, each of which has been publicly filed with the Bankruptcy Court.

On November 25, 2019, the Creditors' Committee filed a first amended complaint (the "Amended Complaint") in the Bankruptcy Court naming us and certain of our affiliates, as well as affiliates of ESL Investments, Inc. and Sears Holdings, and certain other third parties, as defendants. The Amended Complaint alleges, among other things, that certain transactions undertaken by Sears Holdings since 2011 (including the July 2015 transactions giving rise to Seritage, the execution of the Master Lease with Sears Holdings (the "Original Master Lease"), and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings and that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth hundreds of millions of dollars more than the purchase price paid. The Amended Complaint further alleges that certain releases provided to Seritage and certain other defendants in connection with the Sears Holdings derivative litigation in the Delaware Court of Chancery in 2017 should be avoided and/or declared null and void as an actual and/or constructive fraudulent conveyance. The Amended Complaint seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers, disgorgement, recovery of the property fraudulently transferred or, in the alternative, compensatory damages in an unspecified amount to be determined at trial, equitable subordination and disallowance of defendants' claims as creditors, punitive and exemplary damages for any intentional wrongdoing, and reasonable attorneys' fees, costs, and expenses. On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the Amended Complaint relating to the release received in the Sears Holdings derivative litigation unjust enrichment and equitable subordination.

On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the operative complaint in the Litigation relating to the release received in the Sears Holdings derivative litigation, unjust enrichment, and equitable subordination. Briefing and oral argument on the motions were completed in August 2020, and the parties are awaiting a decision. The Company believes that the claims against the Seritage Defendants in the Litigation are without merit and intends to defend against them vigorously.

On March 15, 2021, the Court consolidated the Litigation with a case captioned *Sears Holding Corp. et al. v. Andrew H. Tisch, et al.*, Case No. 20-07007 (RDD) (the “Shareholder Litigation,” and, together with the Litigation, the “Consolidated Litigation”). The Shareholder Litigation was brought by the UCC, Sears Holdings Corporation, and Sears, Roebuck and Co., against certain shareholders of Sears Holdings or its related companies. Seritage was not named as a defendant in the Shareholder Litigation, which alleges, among other things, that certain transactions undertaken by Sears Holdings since 2014 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends. The Company believes that the claims against the Seritage Defendants in the Consolidated Litigation are without merit and intends to defend against them vigorously.

Fraudulent transfers or 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, 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, a court could require our shareholders to return to Sears Holdings or its creditors some or all of the securities issued in the distribution made in connection with the formation of Seritage.

Although we believe that the claims against us in the Litigation are without merit and intend to defend against them vigorously, we are not able to predict the ultimate outcome of the Litigation, the magnitude of any potential losses or the effect such litigation may have on us or our operations. It is possible that the Litigation could cause us to incur substantial costs and that they could be resolved adversely to us, result in substantial damages or other forms of relief, result in or be connected to additional claims, affect our relations with counterparties to commercial transactions and divert management’s attention and resources, any of which could harm our business. Protracted litigation, including any adverse outcomes, may have an adverse impact on our business, results of operations or financial condition and could subject us to adverse publicity and require us to incur significant legal fees. Please see Note 9 – Commitments and Contingencies – in this Annual Report on Form 10-K for additional information regarding the Litigation.

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. In addition, our ability to enter into asset sales or joint ventures is subject to among other uncertainties, our ability to identify prospective purchasers, the willingness of prospective purchasers to enter into transactions on commercially reasonable terms, negotiations with counterparties, satisfactory examination of property and title by the purchasers, the ability to obtain title and other relevant insurance, applicable consent rights of the lender under our term loan facility, the ability of purchasers to obtain adequate financing, and customary closing conditions.

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. 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 our shareholders.

E-commerce and other changes in consumer buying practices present challenges for many of our tenants and may require us to modify our properties, diversify our tenant composition and adapt our leasing practices to remain competitive.

Many of our tenants face increasing competition from e-commerce and other sources that could cause them to reduce their size, limit the number of locations and/or suffer a general downturn in their businesses and ability to pay rent. We may also fail to anticipate the effects of changes in consumer buying practices, particularly of growing online sales and the resulting change in retailing practices and space needs of our tenants, which could have an adverse effect on our results of operations and cash flows. We are focused on anchoring and diversifying our properties with tenants that are more resistant to competition from e-commerce (e.g. groceries, essential retailers, restaurants and service providers), but there can be no assurance that we will be successful in modifying our properties, diversifying our tenant composition and/or adapting our leasing practices.

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 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 a limited 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. See also “Item 1. Business - Competition.”

In addition, the retail business is highly competitive and if our retail 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 Holdco, 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 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 our properties. However, our industry is highly competitive, and we 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 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 we must distribute 90% of our net taxable income in order to maintain our qualification as a REIT may limit our 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;
- 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 significant portion of the properties after termination or recapture of asset from the Holdco Master Lease or Original Master Lease in order to make space available for lease to additional retail tenants and potentially other lessees for other uses. The redevelopment of these properties involves the risks associated with real estate development activities generally. 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.

There can be no assurance that our review of strategic alternatives will result in any transaction or any strategic change at this time.

On March 1, 2022, we announced that our Board of Trustees has commenced a process to review a broad range of strategic alternatives to enhance shareholder value. The Board of Trustees created a Special Committee to oversee the process. The Special Committee has retained a financial advisor. We are in the early stages of the strategic review process and our current intention is not to disclose or comment on interim developments with respect to the process. There can be no assurance that the review process will result in any transaction or any strategic change at this time.

Current and future redevelopment may not yield expected returns.

We expect to undertake redevelopment, expansion and reinvestment projects involving our properties as part of our long-term strategy. Likewise, each unconsolidated entity expects to undertake redevelopment, expansion and reinvestment projects involving its Unconsolidated Properties, with respect to which we may be required to make additional capital contributions to the applicable unconsolidated entity 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, including from Holdco related to space that is recaptured pursuant to the Holdco Master Lease, which may not be re-leased to third parties;
- restrictions or obligations imposed pursuant to other agreements;
- 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;
- failure to successfully manage, or find suitable third-party development partners for, the development of residential, office or other mixed-use properties;
- 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;
- 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.

We have ongoing capital needs and may not be able to obtain additional financing or other sources of funding on acceptable terms.

As of December 31, 2021, we had aggregate outstanding indebtedness of \$1.44 billion. We may incur additional indebtedness in the future to refinance our existing indebtedness, to finance newly acquired properties or capital contributions to joint ventures, or to fund retenanting and redevelopment projects. Our existing debt 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.

Our primary uses of cash include the payment of property operating and other expenses, including general and administrative expenses and debt service, and the reinvestment in and redevelopment of our properties. As a result of a decrease in occupancy levels due to our recapture of space for redevelopment purposes and the execution of termination rights under the Original Master Lease and Holdco Master Lease, our property rental income, which is our primary source of operating cash flow, did not fully fund property operating and other expenses incurred during the year ended December 31, 2021. Property operating and other expenses are projected to continue to exceed property rental income until such time as additional tenants commence paying rent, and we plan to incur additional development expenditures as we continue to invest in the redevelopment of our portfolio. While we do not currently have the liquid funds available to fully fund projected property and other expenses and planned development expenditures, we expect to fund these uses of cash with a combination of capital sources including, but not limited to, sales of Consolidated Properties, sales of interests in Unconsolidated Properties and potential credit and capital markets transactions, subject to compliance with certain conditions and/or the consent of our lender under our Term Loan Facility.

As of December 31, 2021, we were not in compliance with certain financial metrics applicable to us under the agreements governing our term loan facility. As a result, we must receive the consent of the lender to dispose of assets via sale or joint venture and, as of December 31, 2021, the lender had provided such consent for all such transactions submitted for approval. There can be no assurance that the lender will consent to future dispositions of assets. Additionally, the lender has the right to request mortgages against our assets pursuant to the mortgage and collateral requirement. During the year ended December 31, 2019, the lender requested mortgages on a majority of our portfolio, and then during the year ended December 31, 2020, the lender requested mortgages on the remaining unencumbered assets.

The Term Loan Facility also provides for a \$400 million incremental facility (the “Incremental Funding Facility”). Our ability to access the Incremental Funding Facility is subject to (i) our achieving rental income from non-Sears Holdings tenants, on an annualized basis (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the fiscal quarter ending prior to the date of incurrence of the Incremental Funding Facility, of not less than \$200 million, (ii) our good faith projection that rental income from non-Sears Holdings tenants (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the succeeding four consecutive fiscal quarters (beginning with the fiscal quarter during which the incremental facility is accessed) will be not less than \$200 million, and (iii) the repayment by the Operating Partnership of any deferred interest permitted under the amendment to the Term Loan Agreement (as defined below) as further described below. As of December 31, 2021, the Company has not yet achieved the requirements to access the Incremental Funding Facility.

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. A decrease in available liquidity could also impair our ability to pay dividends to our shareholders.

If additional funds are raised through the issuance of equity securities, our shareholders may experience significant dilution. Additionally, sales of substantial amounts of Class A common shares in the public market, or the perception that such sales could occur, could adversely affect the market price of Class A common shares, may make it more difficult for our 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.

Real estate related taxes may increase, 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 and/or redevelopment of properties. 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 some 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 our shareholders.

Changes in building and/or zoning laws may require us to update a property 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 in, among other things, 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 in building and zoning laws may require updating various existing physical conditions of buildings in connection with our recapture, renovation, and/or redevelopment of properties. In addition, such changes in building and zoning laws may limit our or our tenants' 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. If an impairment indicator is identified, a property's value is considered to be impaired only if management's estimate of current and projected operating cash flows (undiscounted and unlevered), taking into account the anticipated and probability weighted holdings periods, are less than the carrying value of the property. In our estimate of cash flow projections, we 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 consider 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 impairment 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 impairment 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 currently have two properties in our consolidated portfolio that are on land subject to a ground lease. Accordingly, we only own a long-term leasehold in the land underlying these properties, 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 or similar interests. 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. Our ability to exercise options to extend the term of our 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. In addition, two Unconsolidated Properties are currently ground leased or leased and, therefore, subject to similar risks. 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.

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 properties in our portfolio 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 redevelop the properties or 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 may have 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 operation or cessation of business operations, on the encumbered property. From time to time, we have been involved in disputes or legal proceedings relating to such Property Restrictions, which may result in the incurrence of legal costs and diversion of management resources to resolve.

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, which are expected to increase, 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 and retail markets, 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.

The U.S. economy is currently experiencing and may continue to experience higher inflation than in prior periods. During inflationary periods, interest rates have historically increased, which may materially increase the interest expense we pay in connection with our indebtedness. Our general and administrative expenses would also be expected to 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.

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

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 are 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 properties we have already acquired (subject to reserved funds to cover certain of these costs) and other properties we may acquire in the future. 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 development or cash available for distributions.

We may face increased risks and costs associated with volatility in commodity and labor prices or as a result of supply chain or procurement disruptions, which may adversely affect the status of our construction projects.

The price of commodities and skilled labor for our construction projects may increase unpredictably due to external factors, including, but not limited to, performance of third-party suppliers and contractors; overall market supply and demand; government regulation; international trade; supply chain disruptions; and changes in general business, economic, or political conditions. As a result, the costs of raw construction materials and skilled labor required for the completion of our development and redevelopment projects may fluctuate significantly from time to time.

While we do not rely on any single supplier or vendor for the majority of our materials and skilled labor, we may experience difficulties obtaining necessary materials from suppliers or vendors whose supply chains might become impacted by economic or political changes, or difficulties obtaining adequate skilled labor from third-party contractors in a tightening labor market. It is uncertain whether we would be able to source the essential commodities, supplies, materials, and skilled labor timely or at all without incurring significant costs or delays, particularly during times of economic uncertainty resulting from events outside of our control. We may be forced to seek new third-party suppliers or contractors, who we have not worked with in the past.

During 2021, industry prices for certain construction materials, including steel, copper, lumber, plywood, electrical materials, and heating, ventilation, and air conditioning materials, experienced significant increases as a result of low inventories; surging demand fueled by the U.S. economy rebounding from the effects of COVID-19; tariffs imposed on imports of foreign steel, including on products from key competitors in the European Union and China; and significant changes in the U.S. steel production landscape stemming from the consolidation of certain steel-producing companies. Price surges on construction materials may result in corresponding increases in our overall construction costs as our projects undergo construction.

In addition, as of December 31, 2021, the U.S. is widely reported to be experiencing serious supply chain disruptions as a result of substantial backlogs of container ships seeking to unload cargo at major ports on both the west and east coasts, with delays caused or exacerbated by port and trucking labor shortages, railway logistics issues and a shortage of warehouse space in close proximity to the affected ports. Supply chain constraints have impacted the cost, availability, and timing of certain materials deliveries. If not resolved, these backlogs and related logistics issues could result in project delays and increased costs for our construction activities and the US economy generally.

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-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 other 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 or otherwise cause us to incur significant costs.

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. A substantial portion of our 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 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. If any of our properties are subject to such contamination, we may be subject to substantial clean-up costs in order to sell or otherwise transfer the property.

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.

Moreover, 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 of the unconsolidated entities 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.

Environmental costs and liabilities associated with contamination at 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 current and former 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, including the use, storage, handling and recycling or disposal of hazardous substances or wastes. We may face liability 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 hazardous substances or other regulated material or any third-party sites to which we have arranged for the disposal of hazardous substances, 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.

In addition to these costs, which could exceed a 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. Moreover, 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.

The Original Master Lease contained requirements that Sears Holdings indemnify us from certain environmental liabilities; however, following Sears Holdings' bankruptcy, there can be no assurance that we would be able to collect any amounts due under such indemnification obligations. Under the Holdco Master Lease, Holdco is required to indemnify us from certain environmental liabilities at certain properties, including removal and remediation of all affected facilities and equipment constituting the automotive care center facilities. Although existing and future leases are expected to require tenants generally to indemnify us for their 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 Holdco or other third parties would be required to indemnify us (or the applicable unconsolidated entity) or their financial ability to do so. In addition, under the terms of the agreements governing our indebtedness, we have deposited funds in a reserve account that will be used to fund costs incurred in correcting certain environmental and other conditions. The amount of such funds may not be sufficient to correct the environmental and other conditions to which they are expected to be applied.

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

Our business faces potential risks associated with natural disasters, severe weather conditions and climate change and related legislation and regulations, which could have an adverse effect on our cash flow and operating results.

Climate change may add to the unpredictability and frequency of natural disasters and severe weather conditions and create additional uncertainty as to future trends and exposures. Certain of our properties are located in areas that are subject to natural disasters and severe weather conditions, such as hurricanes, droughts, snow storms, floods and fires. Over time, the impact of climate change or the occurrence of natural disasters can delay new development and redevelopment projects, increase the costs of such projects if required to include resiliency measures to address climate-related risks, increase investment costs to repair or replace damaged properties, increase operating costs, create additional investment costs to make improvements to existing properties to comply with climate change regulations, increase future property insurance costs, and otherwise negatively impact the tenant demand for space. In addition,

changes in federal, state and local legislation and regulations relating to climate change, such as “green building codes,” could result in increased operating expenses and capital expenditures to improve the energy efficiency of our properties, or potentially result in fines for noncompliance. We may not be able to effectively pass on such costs to our tenants. Moreover, any such legislation and regulations could impose substantial costs on our tenants, thereby impacting the financial condition of our tenants and their ability to meet their lease obligations and to lease or re-lease our properties.

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

Acts of war, 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. War, 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 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.

Cybersecurity incidents could cause a disruption to our operations, a compromise of confidential information and damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

We are susceptible to cybersecurity risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices; or operational disruption or failures in the physical infrastructure or operating systems of Our information systems. Our information systems are essential to the operation of our business and our ability to perform day-to-day operations, including for the secure processing, storage and transmission of confidential and personal information. We must continuously monitor and develop its systems to protect its technology infrastructure and data from misappropriation, corruption and disruption. Cybersecurity risks may also impact properties in which we invest on behalf of clients and tenants of those properties, which could result in a loss of value in our clients’ investment. In addition, due to our interconnectivity with third-party service providers and other entities with which we conduct business, we could be adversely impacted if any of them is subject to a successful cyber incident. Although we and our service providers have implemented processes, procedures and controls to help mitigate these risks, there can be no assurance that these measures will be effective or that security breaches or disruptions will not occur. The result of these incidents may include disrupted operations, liability for loss or misappropriation of data, stolen assets or information, increased cybersecurity protection and insurance costs, increased compliance costs, litigation, regulatory enforcement actions and damage to our reputation or business relationships.

We may 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 finance newly acquired properties or capital contributions to joint ventures, or to fund retreating and redevelopment projects. As of December 31, 2019, we were required to provide mortgages to the lender under our term loan facility on a majority of our portfolio. This restriction, together with the other provisions of the Term Loan Facility, limits our ability to obtain additional secured financing using such properties as collateral. We may also borrow if we need funds or deem it necessary or advisable to ensure that we maintain our qualification as a REIT for U.S. federal income tax purposes. If 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 U.S. federal income tax purposes, a foreclosure of any of our properties generally 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, the Company 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, our ability to pay cash distributions to our shareholders may be adversely affected.

Covenants in our Term Loan Facility may limit our operational flexibility and a covenant breach or default could adversely affect our business and financial condition.

Our Term Loan Facility includes certain financial metrics to govern certain collateral and covenant exceptions set forth in the agreement, including: (i) a total fixed charge coverage ratio of not less than 1.00 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending June 30, 2021, and not less than 1.20 to 1.00 for each fiscal quarter thereafter; (ii) an unencumbered fixed charge coverage ratio of not less than 1.05 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending June 30, 2021, and not less than 1.30 to 1.00 for each fiscal quarter thereafter; (iii) a total leverage ratio of not more than 65%; (iv) an unencumbered ratio of not more than 60%; and (v) a minimum net worth of at least \$1.2 billion. Any failure to satisfy any of these financial metrics will limit our ability to dispose of assets via sale or joint venture and trigger a requirement for us to provide mortgage collateral to our lender, but will not result in an event of default, mandatory amortization, cash flow sweep or similar provision. Since the year ended December 31, 2019, we have been in breach of one or more of the financial metrics described above, as a result of which we were required to provide mortgages to the lender under the Term Loan Facility with respect to a majority of our portfolio. Additionally, the lender under our Term Loan Facility has the right to consent to dispositions of properties via asset sales and formation of new joint ventures. This consent right may have the effect of limiting our ability to dispose of properties, whether for strategic reasons or to raise liquidity to fund our operations. The Term Loan Facility also includes certain limitations relating to, among other activities, our ability to: sell assets or merge, consolidate or transfer all or substantially all of our assets; incur additional debt; incur certain liens; enter into, terminate or modify certain material leases and/or the material agreements for our properties; make certain investments (including limitations on joint ventures) and other restricted payments; pay distributions on or repurchase our capital stock; and enter into certain transactions with affiliates.

The Term Loan Facility also provides for the Incremental Funding Facility. Our ability to access the incremental facility is subject to (i) our achieving rental income from non-Sears Holdings tenants, on an annualized basis (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the fiscal quarter ending prior to the date of incurrence of the Incremental Funding Facility, of not less than \$200 million, (ii) our good faith projection that rental income from non-Sears Holdings tenants (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the succeeding four consecutive fiscal quarters (beginning with the fiscal quarter during which the incremental facility is accessed) will be not less than \$200 million, and (iii) the repayment by the Operating Partnership of any deferred interest permitted under the amendment to the Term Loan Agreement. As of December 31, 2021, we have not achieved this level of rental income from non-Sears Holdings tenants.

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

As permitted by the Maryland REIT Law, the Company's Declaration of Trust limits the liability of its trustees and officers to Seritage 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, our Declaration of Trust authorizes us and our bylaws obligate us to indemnify our 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 we have entered into indemnification agreements with our trustees and executive officers. As a result, the Company and our shareholders may have more limited rights against our trustees and officers than might otherwise exist absent the provisions in our Declaration of Trust and bylaws or that might exist with other companies. Accordingly, in the event that actions taken by any of our trustees or officers are immune or exculpated from, or indemnified against, liability but which impede our performance, the Company and our shareholders' ability to recover damages from that trustee or officer will be limited.

Our Declaration of Trust and bylaws, Maryland law, and the partnership agreement of the Operating Partnership contain provisions that may delay, defer or prevent an acquisition of Class A common shares or a change in control.

The Company'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 our shareholders or otherwise be in their best interests, including the following:

- The Company's Declaration of Trust Contains Restrictions on the Ownership and Transfer of Our Shares of Beneficial Interest. In order for us to qualify as a REIT, no more than 50% of the value of all outstanding shares of beneficial interest may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than 2015, the first taxable year for which we elected to be taxed as a REIT. Additionally, at least 100 persons must beneficially own our shares of beneficial interest during at least 335 days of a taxable year (other than 2015, the first taxable year for which we elected to be taxed as a REIT). The Company's Declaration of Trust, with certain exceptions, authorizes the Company's Board of Trustees, in its sole and absolute discretion, 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, our 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 our Class A common shares, our Class B non-economic common shares and our Class C non-voting common shares), of beneficial interest of the Company. 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 by an individual or entity could cause that individual or entity or another individual or entity to own, beneficially or constructively, the Company’s shares of beneficial interest in violation of the ownership limits. In addition, because we have multiple classes of common shares, the acquisition of Class A common shares may result in a shareholder inadvertently owning, beneficially or constructively, the Company’s shares of beneficial interest in violation of the ownership limits. Our Declaration of Trust also prohibits any person from owning Class A common shares, Series A Cumulative Redeemable Preferred Shares (the “Series A Preferred Shares”), or other shares of beneficial interest that would generally result in (i) our being “closely held” under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT, (ii) our being beneficially owned by fewer than 100 persons, (iii) any of our income that would otherwise qualify as “rents from real property” for purposes of Section 856(d) of the Code failing to qualify as such, or (iv) our failing to qualify as a “domestically controlled qualified investment entity” within the meaning of Section 897(h) of the Code. Any attempt to own or transfer Class A common shares, Series A Preferred Shares or any of our other shares of beneficial interest in violation of the restrictions on ownership or transfer in our Declaration of Trust may result in the transfer being automatically void. The Company’s Declaration of Trust also provides that if any purported transfer of Class A common shares, Series A Preferred Shares, or other such shares of beneficial interest would otherwise result in any person violating the ownership limits or any other restriction on ownership and transfer of shares of beneficial interest described above, then that number of shares (rounded up to the nearest whole share) that would cause the violation will be automatically transferred to, and held by, a trust for the exclusive benefit of a designated charitable beneficiary. Any person who acquires such shares in violation of the ownership limits or any other restriction on ownership and transfer of shares of beneficial interest described above 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 our 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 Board of Trustees does not grant an exemption from the ownership limits, even if our shareholders believe the change in control is in their best interests.

•The Company’s Board of Trustees Has the Power to Cause Us to Issue Additional Shares of Beneficial Interest and Classify and Reclassify Any Unissued Class A Common Shares without Shareholder Approval. Our Declaration of Trust authorizes us to issue additional authorized but unissued common shares or preferred shares of beneficial interest. We have also issued 2,800,000 shares of Series A Preferred Shares that are senior to our common shares with respect to priority of dividend payments and rights upon liquidation, dissolution or winding up. In addition, the 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 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 Class A common shares or otherwise be in the best interests of our shareholders.

•The Board of Trustees Is Divided into Three Classes and Trustee Elections Require a Vote of Two-Thirds of the Class A Common Shares and Class B Non-Economic Common Shares Votes Cast. The 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 two-thirds of the votes cast of the Class A common shares and Class B non-economic common 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 two-thirds of the votes cast of the Class A common shares and Class B 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 two-thirds of the votes cast of the common shares 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, which controls approximately 9.3% of the voting power of the Company.

•The Partnership Agreement of Operating Partnership Provides Holders of Operating Partnership Units Approval Rights over Certain Change in Control Transactions Involving the Company 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 the Company or Operating Partnership, as defined in the partnership agreement, will require the approval of the partners (other than the Company and entities controlled by it) holding a majority of all the outstanding Operating Partnership units held by all partners (other than the Company and entities controlled by it). These provisions could have the effect of delaying or preventing a change in control. ESL holds all of the Operating Partnership units not held by the Company and entities controlled by it.

•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 the Company under circumstances that otherwise could provide Class A 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:

o “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 the Company’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 the Company) 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;

o “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 our 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

o Additionally, Title 3, Subtitle 8 of the MGCL permits the Board of Trustees, without shareholder approval and regardless of what is currently provided in our Declaration of Trust or bylaws, to implement certain takeover defenses.

The 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 Fairholme Capital Management L.L.C. (“FCM”) and/or certain clients of FCM or their respective affiliates and (b) between us and any other person, provided that in the latter case the 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, our 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 many of our existing leases 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 have obtained casualty insurance with respect to our 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.

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 unconsolidated entity 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 unconsolidated entities, or require that we make additional capital contributions to one or more unconsolidated entities.

Conflicts of interest may exist or could arise in the future between the interests of our 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 our shareholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between Seritage and its affiliates, on the one hand, and Operating Partnership or any of its partners, on the other. Our trustees and officers have duties to Seritage under Maryland law in connection with their oversight and management of the company. At the same time, Seritage, 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 and entities controlled by it, Seritage will be prohibited from taking certain extraordinary actions, including change of control transactions of Seritage or Operating Partnership.

ESL owns a substantial percentage of the Operating Partnership units, which may be exchanged for cash or, at our election, Class A common shares, and which will result in certain transactions involving our or Operating Partnership requiring the approval of ESL.

As of December 31, 2021, ESL owns approximately 22.1% of the Operating Partnership units, with the remainder of the units held by the Company. 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 the Company under certain circumstances, including if we issue additional equity and contribute the funds to Operating Partnership to fund acquisitions or redevelopment of properties, among other uses. In addition, ESL will have the right to require the Operating Partnership to redeem its Operating Partnership units in whole or in part in exchange for cash or, at the election of the Company, Class A common shares, except as described below. Due to the ownership limits set forth in our Declaration of Trust, ESL may dispose of some or all of the Class A 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 Class A 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 Class A common shares and then dispose of those shares in an underwritten offering. Sales of a substantial number of Class A 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 Class A common shares.

In addition, the partnership agreement of Operating Partnership requires the approval of a majority of the Operating Partnership units not held by the Company and entities controlled by it for certain transactions and other actions, including certain modifications to the partnership agreement, withdrawal or succession of the Company 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. Because ESL currently owns a majority of the outstanding Operating Partnership units not held by the Company and entities controlled by it, ESL's approval will be required in order for the general partner to undertake such actions unless ESL no longer owns a majority of such units. If ESL refuses to approve any such action, our business could be materially adversely affected. Furthermore, ESL owns approximately 9.3% of the outstanding Class A common shares. 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 its interests may differ from or conflict with the interests of our other shareholders.

ESL beneficially owns approximately 22.1% of the Operating Partnership units, and approximately 9.3% of the outstanding Class A common shares, which corresponds to 9.3% of the voting power of Seritage. Sears Holdings was, and Holdco is, an affiliate of ESL. In addition, Mr. Lampert, who previously served as the Chairman of the Board of Directors and Chief Executive Officer of Sears Holdings, is the Chairman and Chief Executive Officer of ESL, and was previously the Chairman of the Seritage Board of Trustees. As a result, ESL and its affiliates have substantial influence over us and Holdco. In any matter affecting us, including our relationship with Holdco, the interests of ESL may differ from or conflict with the interests of our other shareholders.

On March 1, 2022, Mr. Lampert filed a Schedule 13D/A with the SEC disclosing his support for our Board of Trustees' efforts to explore and pursue strategic alternatives and his intention to explore alternatives for his investment in the Company, which may include, among other things, participating with third-parties that may be interested in acquiring some or all of the our assets and buying or selling our shares in open market transactions. In the event of any such transaction, the interests of Mr. Lampert and his affiliates, including ESL, may differ from or conflict with the interests of our other shareholders.

The businesses of each of the GGP joint ventures, the Simon joint venture and the Macerich joint venture are similar to each other and the occurrence of risks that adversely affect one unconsolidated entity, could also adversely affect our investment in the other unconsolidated entities.

The GGP joint ventures are joint ventures that own and operate certain Unconsolidated Properties, which consist of seven properties formerly owned or leased by Sears Holdings, the Simon joint venture is a joint venture that owns and operates certain other Unconsolidated Properties, which consist of five other properties formerly owned by Sears Holdings and the Macerich joint venture is a joint venture that owns and operates certain other Unconsolidated Properties, which consist of seven other properties formerly owned by Sears Holdings. As a result, each unconsolidated entity's business is similar to our business, and each unconsolidated entity is subject to many of the same risks that we face. The occurrence of risks that adversely affect us could also adversely affect one or more unconsolidated entities and reduce the value of our investment in, or distributions to us from, one or more joint ventures, or require that we make additional capital contributions to one or more unconsolidated entities. Our influence over each unconsolidated entity may be limited by the fact that day-to-day operation of the GGP joint ventures, the Simon joint venture and the Macerich joint venture, and responsibility for leasing and redevelopment activities related to the Unconsolidated Properties owned by the GGP joint ventures, the Simon joint venture and the Macerich joint venture, as applicable, are generally delegated to GGP, Simon and Macerich, respectively, subject to certain exceptions. The Unconsolidated Properties owned by the GGP joint ventures are located at malls owned and operated by Brookfield Properties Retail (formerly GGP Inc.), the Unconsolidated Properties owned by the Simon joint venture are located at malls owned and operated by the Simon joint venture and the Unconsolidated Properties owned by the Macerich joint venture are located at malls owned and operated by the Macerich joint venture. 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 joint ventures, the Simon joint venture and the Macerich joint venture, respectively, including, for example, with respect to decisions as to whether to lease to third parties space at an Unconsolidated Property or other space at the mall at which such Unconsolidated Property is located.

The COVID-19 pandemic has continued to, and the future outbreak of other highly infectious or contagious diseases may, materially and adversely impact the business of our tenants and materially or adversely impact and disrupt our business, income, cash flow, results of operations, financial condition, liquidity, prospects, ability to service our debt obligations and our ability to pay dividends and other distributions to our shareholders.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The COVID-19 pandemic has had, and other pandemics in the future could have, repercussions across regional and global economies and financial markets. The outbreak of COVID-19 in many countries, including the United States, has significantly adversely impacted global economic activity, the U.S. economy and the local economies in which our properties are located and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and, as cases of COVID-19 have continued to be identified in additional countries, many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel.

Certain states and cities, including where our tenants conduct their business and where we own properties, have development sites and where our corporate offices are located, have also reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue. The Company cannot predict if additional states and cities will implement similar restrictions, when restrictions currently in place will expire or if such restrictions will be implemented again. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which the Company and our tenants operate.

These containment measures and other factors have affected operations at the Company's properties. As of December 31, 2021, the Company had collected 97% of rental income for the year ended December 31, 2021, and agreed to defer an additional 1%. While the Company intends to enforce its contractual rights under its leases, there can be no assurance that tenants will meet their future obligations or that additional rental modification agreements will not be necessary. Some of our tenants may not re-open even after the aforementioned restrictions are lifted, which could have a material impact on occupancy at our properties which could result in an increase in the number of co-tenancy claims due to falling below required occupancy thresholds and may impact our results.

Furthermore, in the event of any default by a tenant for non-payment of lease charges or early or limited cessation of operations, we might not be able to fully recover and/or experience delays and additional costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with such parties due to potential moratoriums imposed by various jurisdictions in light of the COVID-19 pandemic on landlord initiated commercial eviction and collection actions. One or more of our tenants may seek the protection of the bankruptcy laws as a result of the prolonged impact of the COVID-19 pandemic, which could result in the termination of such tenants' leases, and consequently causing a reduction in our income. Tenant bankruptcies may make it more difficult for us to lease the remainder of the property or properties in which the bankrupt tenant operates and adversely impact our ability to successfully execute our re-leasing strategy.

A sustained downturn in the U.S. economy and reduced consumer spending as well as consumer activity at brick-and-mortar commercial establishments due to the prolonged existence and threat of the COVID-19 pandemic, or a future pandemic, could impose an economic slowdown or recession in the United States which could impact our tenants' ability to meet their lease obligations due to poor operating results, lack of liquidity or other reasons and therefore decrease the revenue generated by our properties or the value of our properties. Our ability to lease space and negotiate and maintain favorable rents could also be negatively impacted by a prolonged recession in the U.S. economy. Moreover, the demand for leasing space in our properties could substantially decline during a significant downturn in the U.S. economy which could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates and lead us to incur significant re-leasing costs.

The COVID-19 pandemic has also led to complete or partial shutdowns of manufacturing facilities and distribution centers in many countries and disruptions in our tenants' supply chains, and may otherwise delay the delivery of inventory or other goods necessary for our tenants' operations. Our tenants may also be negatively impacted if the outbreak of COVID-19 occurs within their workforce or otherwise disrupts their management.

The COVID-19 pandemic, or a future pandemic, could also have material and adverse effects on our ability to successfully operate and on our financial condition, results of operations, liquidity and cash flows due to, among other factors:

- Difficulty accessing debt and equity capital on attractive terms, or at all, impacts to our credit ratings, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis and our tenants' ability to fund their business operations and meet their obligations to us;
- The financial impact could negatively impact our ability to pay dividends to our shareholders;
- The financial impact of the COVID-19 pandemic could negatively impact our future compliance with financial covenants of our term loan facility (the "Term Loan Facility") with Berkshire Hathaway Life Insurance Company of Nebraska ("Berkshire Hathaway") or result in a default and potentially an acceleration of indebtedness, which non-compliance could negatively impact our ability to make additional borrowings under our Incremental Funding Facility (as defined below), conduct asset sales, fund development activity or pay dividends to our shareholders;
- The worsening of estimated future cash flows due to a change in our plans, policies, or views of market and economic conditions as it relates to one or more of our adversely impacted properties could result in the recognition of substantial impairment charges imposed on our assets;
- The credit quality of our tenants could be negatively impacted and we may significantly increase our allowance for doubtful accounts;
- Difficulties completing our redevelopment projects on a timely basis, on budget or at all;
- A general decline in business activity and demand for real estate transactions could adversely affect our ability or desire to reinvest in or redevelop our properties; and
- The potential negative impact on the health of our personnel, particularly if a significant number of them are impacted, could result in a deterioration in our ability to ensure business continuity during this disruption.

The extent to which the COVID-19 pandemic, or a future pandemic, impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others. Additional closures by our tenants of their stores and early terminations by our tenants of their leases could reduce our cash flows, which could impact our ability to pay dividends.

The fluidity of this situation precludes any prediction as to the full adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic presents, and future outbreak of other highly infectious or contagious diseases may present, material uncertainty and risk with respect to our business, income, cash flow, results of operations, financial condition, liquidity, prospects, ability to service our debt obligations and our ability to pay dividends and other distributions to our shareholders.

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 our shareholders.

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our initial taxable year ended December 31, 2015 and have operated to qualify as a REIT. We believe we have continued to operate in conformity with the requirements to qualify as a REIT and that we continue to satisfy all requirements to maintain our REIT status. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which only a limited number of judicial and administrative interpretations exist.

If we were to fail to qualify as a REIT in any taxable year, and no available relief provision applied, we would be subject to U.S. federal income tax, including, for any taxable year ending on or before December 31, 2017, any applicable alternative minimum tax, on our taxable income at regular corporate rates (which, in the case of U.S. federal income tax, is a maximum of 35% for periods ending on or before December 31, 2017 and 21% thereafter), as well as U.S. state and local income tax, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our common shares. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we 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 our REIT qualification. Our qualification as a REIT depends on the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have 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 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. Rents we receive or accrue from tenants may not be treated as qualifying rent for purposes of these requirements if the applicable 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. We believe that the Holdco Master Lease should be respected as a true lease for U.S. federal income tax purposes for the years in which such lease was in effect. If, contrary to expectations, the Holdco Master Lease is not respected as a true lease for U.S. federal income tax purposes, the IRS may determine that we failed to qualify to be taxed as a REIT during such time, and we may be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT. Furthermore, our qualification as a REIT depends on the satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. 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.

In addition, subject to certain exceptions, rents we receive or accrue from our 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 our outstanding shares (by value) actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock of such tenant entitled to vote or 10% or more of the total value of all classes of stock of such tenant. For purposes of determining whether rental payments received by a REIT are treated as qualifying rent, the stock, assets or net profits owned by a partner in an entity classified as a partnership for U.S. federal income tax

purposes are attributed to such partnership only if the partner owns (directly or indirectly) 25% or more of the capital interest or profits interest in the partnership. As a result of these constructive ownership rules, it is possible that we could be treated as owning 10% or more of a tenant, and in such case rent payments received from such tenant may not be treated as qualifying rent for purposes of these requirements. Our Declaration of Trust provides for restrictions on ownership and transfer of Class A common shares and Series A Preferred Shares, including restrictions on such ownership or transfer that would cause the rents we receive or accrue from a tenant to be treated as non-qualifying rent for purposes of the REIT gross income requirements. Nevertheless, such restrictions may not be effective in ensuring that rents we receive or accrue from our 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 certain “qualified dividends,” but would generally qualify for a partial deduction with respect to certain taxpayers.

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%. Ordinary 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 Class A common shares. However, for taxable years beginning after December 31, 2017 and ending before January 1, 2026, a U.S. shareholder that is an individual, trust or estate would generally be entitled to deduct up to 20% of certain ordinary REIT dividends, effectively reducing the rate at which such ordinary REIT dividends are subject to tax. U.S. shareholders should consult their own tax advisors regarding all aspects of such rules and their potential application to dividends from us.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our 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 our 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 our shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We declared a dividend on the Company’s Class A and Class C common shares for the first quarter of 2019 and have not declared dividends on the Company’s Class A and Class C common shares since that time, based on our Board of Trustees’ current assessment of the Company’s investment opportunities and its expectations of taxable income.

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; alternatively, we may distribute taxable stock dividends to our shareholders in the form of additional shares of stock. See “—We may from time to time make distributions to our shareholders in the form of taxable stock dividends, which could result in shareholders incurring tax liability without receiving sufficient cash to pay such tax”. 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 Class A common shares.

Restrictions in our indebtedness, 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 Class A common shares outstanding without commensurate increases in funds from operations each would adversely affect our ability to maintain distributions to our shareholders. Moreover, the failure of tenants to make rental payments under any applicable lease could materially impair our ability to make distributions. Consequently, we may be unable to make distributions at the anticipated distribution rate or any other rate.

We may from time to time make distributions to our shareholders in the form of taxable stock dividends, which could result in shareholders incurring tax liability without receiving sufficient cash to pay such tax.

Although we have no current intention to do so, we may in the future distribute taxable stock dividends to our shareholders in the form of additional shares of our stock. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash distributions received. If a U.S. shareholder sells our shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in its common stock.

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. For example, in order to meet the REIT qualification requirements, we hold some of our assets and conduct certain of our activities through a taxable REIT subsidiary that is subject to federal, state and local corporate-level income taxes as a regular C corporation. For taxable years beginning after December 31, 2017, taxpayers, including TRSs, are subject to a limitation on their ability to deduct net business interest (i.e., interest paid or accrued on indebtedness allocable to a trade or business), generally up to 30% of adjusted taxable income, subject to certain exceptions. This provision may limit the ability of our TRS to deduct interest, which could increase its taxable income and corporate income tax. Further, 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 our 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, REIT stock and debt instruments issued by publicly offered REITs. 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 can consist of the securities of any one issuer (other than government securities, qualified real estate assets and securities issued by a TRS), and no more than 20% of the value of our total assets can be represented by securities of one or more TRSs. If we fail 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 our 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 our 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 our shareholders and the ownership of our 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 and, in certain cases, maintain ownership of 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 the risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets (or that we enter into to manage risk with respect to a prior hedge entered into in connection with property that has been disposed of or liabilities that have been extinguished) 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. 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 may only be carried forward and may only be deducted against 80% of future taxable income in the TRS.

Changes in federal tax law affected the taxation of us and may affect the desirability of investing in a REIT relative to a regular non-REIT corporation.

The TCJA reduced the relative competitive advantage of operating as a REIT as compared with operating as a regular non-REIT corporation by reducing the maximum tax rate applicable to regular corporations from 35% to 21% beginning on January 1, 2018. On the other hand, the TCJA also decreased the U.S. federal income tax rate applicable to non-corporate shareholders on ordinary REIT dividends by lowering the maximum applicable individual rate from 39.6% to 37% and permitting non-corporate shareholders of REITs to deduct 20% of ordinary REIT dividends from their taxable income for the taxable years beginning after December 31, 2017 and ending before January 1, 2026 (as discussed above). The TCJA and the CARES Act also provided a new limitation on the deduction of net business interest (as discussed above). A taxpayer engaged in certain businesses relating to real property may elect out of the business interest provision; however, the requirements of this election may be onerous to implement and would require the REIT to utilize potentially disadvantageous depreciation methods on some or all of its assets, including certain “qualified improvement property.” We will determine whether or not to make such an election in our sole discretion and based on all the facts and circumstances. In addition, finalized U.S. Treasury regulations could limit the deduction we may claim for our proportionate share of the compensation expense attributable to the remuneration paid by the Operating Partnership to certain of our employees who are or have been highly ranked and highly compensated employees.

The prohibited transactions tax may limit our ability to engage in sale transactions.

A REIT’s income from “prohibited transactions” is subject to a 100% tax. In general, “prohibited transactions” are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transactions tax equal to 100% of net gain upon a disposition of real property that we hold. Although a safe harbor is available, for which certain sales of property by a REIT are not subject to the 100% prohibited transaction tax, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or we may conduct such sales through our TRS, which would be subject to U.S. federal and state income taxation.

The 100% tax described above may limit our ability to enter into transactions that would otherwise be beneficial to us. For example, if circumstances make it not profitable or otherwise uneconomical for us to remain in certain states or geographical markets, the 100% tax could delay our ability to exit those states or markets by selling our assets in those states or markets other than through a TRS, which could harm our operating profits and the trading price of our shares.

Our ownership of our TRS is subject to limitations and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.

The Code provides that no more than 20% of the value of a REIT’s assets may consist of shares or securities of one or more TRSs. Our TRS earns income that otherwise may be nonqualifying income if earned by us. Our TRS also may hold certain properties the sale of which may not qualify for the safe harbor for prohibited transactions described above. The limitation on ownership of TRS stock could limit the extent to which we can conduct these activities and other activities through our TRS. In addition, taxpayers, including our TRS, are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. This provision may limit the ability of our TRS to deduct interest, which could increase its taxable income. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis. There can be no assurance that we will be able to comply with the TRS limitation or avoid application of the 100% excise tax.

Legislative or other actions affecting REITs or other entities 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. Changes to the tax laws or interpretations thereof, with or without retroactive application, including those contemplated by the new presidential administration in the United States, 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 our ability to qualify as a REIT or the U.S. federal income tax consequences to us and our investors of such qualification.

Risks Related to Ownership of our Securities

The market price and trading volume of our securities may be volatile.

The market price of our securities may be volatile, and the trading volume in our securities may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect the market price of our securities or result in fluctuations in the price or trading volume of our securities include:

- actual or anticipated variations in our quarterly results of operations or distributions;
- 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 our securities 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 by institutional shareholders;
- speculation in the press or investment community about our company or industry or the economy in general;
- adverse performance or potential financial distress or bankruptcy of our major tenants, including Holdco;
- the occurrence of any of the other risk factors presented in this filing;
- adverse developments in the Litigation;
- specific real estate market and real estate economic conditions; and
- general market and economic conditions.

We have issued Series A Preferred Shares, which, along with future offerings of debt or preferred equity securities, rank senior to our common shares for purposes of distributions or upon liquidation, may adversely affect the market price of our common shares.

We have issued 2,800,000 Series A Cumulative Redeemable Preferred Shares, which are senior to our common shares for purposes of distributions or upon liquidation. The Series A Preferred Shares may limit our ability to make distributions to holders of our 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, Series A Preferred Shares and any additional preferred shares and lenders with respect to other borrowings may receive distributions of our available assets prior to the holders of our common shares. Any additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common shares, or both. Holders of our 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 Series A Preferred Shares have, and any additional preferred shares of beneficial interest 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 our 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, our shareholders bear the risk of our future offerings reducing the market price of our common shares and diluting their holdings in us.

The transactions with Sears Holdings and Holdco 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 our historical transactions with Sears Holdings or future transactions with Holdco, and we could experience unfavorable reactions 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, disputes between us and Sears Holdings or Holdco could arise in connection with any of our past or future agreements with those counterparties.

On April 18, 2019, at the direction of the Restructuring Sub-Committee of the Restructuring Committee of the Board of Directors of Sears Holdings, Sears Holdings, Sears, Roebuck & Co., Sears Development Co., Kmart Corporation, and Kmart of Washington, LLC commenced the Litigation in the Bankruptcy Court against the Seritage Defendants. The Litigation is dual captioned as In re: Sears Holdings Corporation, et al., Case No. 18-23538 (RDD) and Sears Holdings Corporation et al., v. Lampert et al., Case No. 19-08250 (RDD). On November 25, 2019, acting pursuant to the Confirmation Order, the Creditors' Committee filed the Amended Complaint alleging, among other things, that certain transactions undertaken by Sears Holdings since 2011 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings and that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth hundreds of millions of dollars more than the purchase price paid. The Amended Complaint further alleges, among other things, that certain releases provided to Seritage and certain other defendants in connection with the Sears Holdings derivative litigation in the Delaware Court of Chancery in 2017 should be avoided and/or declared null and void as an actual and/or constructive fraudulent conveyance. The Amended Complaint seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers, disgorgement, recovery of the property fraudulently transferred or, in the alternative, compensatory damages in an unspecified amount to be determined at trial, equitable subordination and disallowance of defendants' claims as creditors, punitive and exemplary damages for any intentional wrongdoing, and reasonable attorneys' fees, costs, and expenses. On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the Amended Complaint relating to the release received in the Sears Holdings derivative litigation, unjust enrichment, and equitable subordination. Briefing and oral argument on the motions were completed in August 2020, and the parties are awaiting a decision.

On March 15, 2021, the Court consolidated the Litigation with a case captioned Sears Holding Corp. et al. v. Andrew H. Tisch, et al., Case No. 20-07007 (RDD) (the "Shareholder Litigation," and, together with the Litigation, the "Consolidated Litigation"). The Shareholder Litigation was brought by the UCC, Sears Holdings Corporation, and Sears, Roebuck and Co., against certain shareholders of Sears Holdings or its related companies. Seritage was not named as a defendant in the Shareholder Litigation, which alleges, among other things, that certain transactions undertaken by Sears Holdings since 2014 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends. The Company believes that the claims against the Seritage Defendants in the Consolidated Litigation are without merit and intends to defend against them vigorously.

The number of shares available for future sale could adversely affect the market price of Class A common shares.

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

Our earnings and cash distributions will affect the market price of Class A 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. For these reasons, Class A common 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 Class A common shares. Our failure to meet market expectations with regard to future earnings and cash distributions would likely adversely affect the market price of Class A common shares.

The Series A Preferred Shares have not been rated.

The Series A Preferred Shares have not been rated, and may never be rated, by any nationally recognized statistical rating organization, which may negatively affect their market value and your ability to sell such shares. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series A Preferred Shares or that we may elect to obtain a rating of the Series A Preferred Shares in the future. Furthermore, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series A Preferred Shares in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series A Preferred Shares. Ratings only reflect the views of the issuing rating agency or agencies, and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Shares. Further, a rating is not a recommendation to purchase, sell or hold any particular security, including the Series A Preferred Shares. In addition, ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series A Preferred Shares may not reflect all risks related to us and our business, or the structure or market value of the Series A Preferred Shares.

An active trading market may not develop for the Series A Preferred Shares or, even if it does develop, may not continue, which may negatively affect the market value of, and the ability of holders of our Series A Preferred Shares to transfer or sell, their shares.

Since the Series A Preferred Shares have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. The Series A Preferred Shares are listed on the NYSE under the symbol “SRG PRA,” but there can be no assurance that an active trading market on the NYSE for the Series A Preferred Shares will develop or continue, in which case the market price of the Series A Preferred Shares could be materially and adversely affected and the ability to transfer or sell Series A Preferred Shares would be limited. The market price of the shares will depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- investors’ perceptions of us;
- our issuance of additional preferred equity or indebtedness;
- general economic and market conditions; and
- our financial condition, results of operations, business and prospects.

The Series A Preferred Shares are subordinate in right of payment to our existing and future debt, and the interests of the holders of Series A Preferred Shares could be diluted by the issuance of additional preferred shares, including additional Series A Preferred Shares, and by other transactions.

The Series A Preferred Shares rank junior to all of our existing and future debt and to other non-equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. Our future debt may include restrictions on our ability to pay dividends to preferred shareholders. As of December 31, 2021, our total indebtedness was \$1.44 billion. In addition, we may incur additional indebtedness in the future. Our Declaration of Trust currently authorizes the issuance of up to 10,000,000 shares of preferred shares in one or more classes or series. Our board of trustees has the power to reclassify unissued common shares and preferred shares and to amend our Declaration of Trust, without any action by our shareholders, to increase the aggregate number of shares of beneficial interest of any class or series, including preferred shares, that we are authorized to issue. The issuance of additional preferred shares on parity with or senior to the Series A Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up would dilute the interests of the holders of the Series A Preferred Shares, and any issuance of preferred shares senior to the Series A Preferred Shares or of additional indebtedness could adversely affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A Preferred Shares. Other than the limited conversion right afforded to holders of Series A Preferred Shares that may occur in connection with a Change of Control, none of the provisions relating to the Series A Preferred Shares contain any provisions relating to or limiting our indebtedness or affording the holders of the Series A Preferred Shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series A Preferred Shares, so long as the rights of holders of the Series A Preferred Shares are not materially and adversely affected.

Dividends on our preferred shares, including the Series A Preferred Shares, are discretionary. We cannot guarantee that we will be able to pay dividends in the future or what the actual dividends will be for any future period.

Future dividends on our preferred shares, including the Series A Preferred Shares, will be authorized by our Board of Trustees and declared by us at the discretion of our board of trustees and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, any debt service requirements and any other factors our Board of Trustees deems relevant. Accordingly, we cannot guarantee that we will be able to make cash dividends on our preferred shares or what the actual dividends will be for any future period. However, until we declare payment and pay or set apart the accrued dividends on the Series A Preferred Shares, our ability to pay dividends and make other distributions on our common shares and non-voting shares (including redemptions) will be limited by the terms of the Series A Preferred Shares.

Holders of Series A Preferred Shares will have limited voting rights.

Holders of the Series A Preferred Shares have limited voting rights. Our Class A common shares and our non-economic shares are currently the only shares of beneficial interest of our company with full voting rights. Voting rights for holders of Series A Preferred Shares exist primarily with respect to the right to elect two additional trustees to our Board of Trustees in the event that six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Shares are in arrears, and with respect to voting on amendments to our Declaration of Trust or articles supplementary relating to the Series A Preferred Shares that would materially and adversely affect the rights of holders of the Series A Preferred Shares or create additional classes or series of our shares that are senior to the Series A Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of our affairs. Other than in limited circumstances, holders of Series A Preferred Shares will not have any voting rights.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the SEC as of the date of this Annual Report.

ITEM 2. PROPERTIES

As of December 31, 2021, the Company's portfolio consisted of interests in 162 properties comprised of approximately 19.2 million square feet of GLA or build-to-suit leased area, approximately 3.9 million of which consists of Unconsolidated Properties, approximately 600 acres held for or under development and approximately 9.4 million square feet or approximately 800 acres to be disposed of. The following tables set forth certain information regarding our Consolidated Properties and Unconsolidated Properties based on signed leases as of December 31, 2021, including signed but not yet open leases ("SNO" or "SNO Leases"):

GLA (1)									
	City	State	Planned Usage (3)	Total	Leased	Not Leased	Land Acres	Significant Tenants (1)	Leased (1)
1	Phoenix	AZ	Multi-tenant Retail	—	—	—	5	n/a	0.0 %
2	El Cajon	CA	Multi-tenant Retail	244,900	184,400	60,500	20	Ashley Furniture, Bob's Discount Furniture, Burlington Stores, Extra Space Storage	75.3 %
3	Riverside - Retail	CA	Multi-tenant Retail	33,200	33,200	—	5	Bank of America, Aldi	100.0 %
4	Roseville	CA	Multi-tenant Retail	125,800	107,800	17,900	7	AAA, Cinemark, Round One Entertainment	85.7 %
5	Temecula	CA	Multi-tenant Retail	120,100	112,800	7,300	10	Round One Entertainment, Dick's Sporting Goods	93.9 %
6	Thousand Oaks	CA	Multi-tenant Retail	161,400	113,700	47,700	11	Dave & Busters, DSW, Nordstrom Rack	70.4 %
7	West Covina - Retail	CA	Multi-tenant Retail	11,000	11,000	—	7	n/a	100.0 %
8	Rehoboth Beach	DE	Multi-tenant Retail	102,100	75,900	26,200	13	andThat!, PetSmart, Aldi	74.3 %
9	Hialeah (2)	FL	Multi-tenant Retail	106,300	106,300	—	9	Aldi, Bed Bath & Beyond, Ross Dress for Less, dd's Discounts	100.0 %
10	North Miami	FL	Multi-tenant Retail	129,400	129,400	—	11	Aldi, Burlington Stores, Ross Dress for Less, Michaels Stores	100.0 %
11	Orlando	FL	Multi-tenant Retail	118,400	96,800	21,600	18	Floor & Décor	81.7 %
12	St. Petersburg	FL	Multi-tenant Retail	141,600	141,600	—	15	Dick's Sporting Goods, Five Below, PetSmart	100.0 %
13	Lombard	IL	Multi-tenant Retail	139,300	139,300	—	8	The Dump	100.0 %
14	North Riverside	IL	Multi-tenant Retail	216,400	183,800	32,600	13	Round One Entertainment, Aldi, Blink Fitness, Amita Health	84.9 %
15	Springfield	IL	Multi-tenant Retail	119,500	110,000	9,500	5	Binny's Beverage Depot, Burlington Stores, Marshalls	92.0 %
16	Ft. Wayne	IN	Multi-tenant Retail	84,400	76,700	7,700	19	Five Below, HomeGoods	90.9 %
17	Merrillville	IN	Multi-tenant Retail	170,900	163,000	7,900	9	At Home, Dollar Tree	95.4 %
18	Braintree	MA	Multi-tenant Retail	89,800	85,100	4,600	34	Nordstrom Rack, Ulta Beauty	94.8 %
19	Greensboro	NC	Multi-tenant Retail	178,500	168,200	10,300	16	Floor & Décor, Gabriel Brothers	94.3 %
20	Kearney	NE	Multi-tenant Retail	64,900	64,900	—	8	Ross Dress for Less, Five Below, Marshall's	100.0 %
21	Manchester	NH	Multi-tenant Retail	106,600	80,400	26,200	11	Dick's Sporting Goods, Dave & Buster's	75.4 %
22	Watchung	NJ	Multi-tenant Retail	117,100	117,100	—	12	Cinemark, HomeGoods, Sierra Trading Post, Ulta Beauty, Chick-fil-A, City MD	100.0 %
23	East Northport	NY	Multi-tenant Retail	179,700	93,300	86,400	18	24 Hour Fitness, AMC	51.9 %
24	Victor	NY	Multi-tenant Retail	138,600	119,600	19,000	14	Dick's House of Sport	86.3 %
25	Canton	OH	Multi-tenant Retail	190,600	128,300	62,300	19	Dick's Sporting Goods, Dave & Busters, Cheddar's	67.3 %
26	King of Prussia (2)	PA	Multi-tenant Retail	210,900	208,700	2,200	14	Dick's Sporting Goods, Primark, Outback Steakhouse, Yardhouse	99.0 %
27	Anderson	SC	Multi-tenant Retail	117,100	117,100	—	12	Burlington Stores, Sportsman's Warehouse	100.0 %
28	Charleston	SC	Multi-tenant Retail	106,400	52,900	53,500	15	Burlington Stores	49.7 %
29	Memphis	TN	Multi-tenant Retail	112,700	101,200	11,500	11	LA Fitness, Hopdoddy, Nordstrom Rack, Ulta Beauty	89.8 %
30	Austin	TX	Multi-tenant Retail	52,700	45,000	7,700	13	AMC	85.4 %
31	Houston	TX	Multi-tenant Retail	134,000	134,000	—	11	At Home	100.0 %
32	San Antonio	TX	Multi-tenant Retail	164,200	121,100	43,100	17	Tru Fit, Bed Bath & Beyond	73.8 %
33	Layton	UT	Multi-tenant Retail	86,500	67,500	19,000	7	Vasa Fitness	78.0 %
34	Fairfax	VA	Multi-tenant Retail	211,000	154,400	56,600	15	Dave & Busters, Dick's Sporting Goods	73.2 %
35	Virginia Beach	VA	Multi-tenant Retail	166,200	132,000	34,200	15	DSW, The Fresh Market, Nordstrom Rack, Smokey Bones	79.4 %
36	Warrenton	VA	Multi-tenant Retail	75,500	62,200	13,300	9	HomeGoods	82.4 %
37	Greendale	WI	Multi-tenant Retail	187,400	133,700	53,800	19	Dick's Sporting Goods, Round One Entertainment	71.3 %
38	Madison	WI	Multi-tenant Retail	110,600	110,600	—	17	Dave & Busters, Total Wine & More, Hobby Lobby	100.0 %
39	Aventura	FL	Premier Mixed Use	215,400	116,100	99,300	13	Pinstripes, Industrious	53.9 %
40	Boca Raton	FL	Premier Mixed Use	4,200	4,200	—	19	Washington Mutual	100.0 %

	City	State	Planned Usage (3)	Total	Leased	Not Leased	Land Acres	Significant Tenants (1)	Leased (1)
41	Hicksville	NY	Premier Mixed Use	57,900	57,900	—	30	Chase Bank, Chipotle	100.0 %
42	Dallas	TX	Premier Mixed Use	—	—	—	23	n/a	0.0 %
43	Redmond	WA	Premier Mixed Use	7,500	7,500	—	15	n/a	100.0 %
44	Glendale	AZ	Residential	—	—	—	9	n/a	0.0 %
45	Mesa	AZ	Residential	16,800	16,800	—	5	Carvana	100.0 %
46	Phoenix	AZ	Residential	151,200	151,200	—	11	At Home	100.0 %
47	Citrus Heights	CA	Residential	—	—	—	21	n/a	0.0 %
48	Florin	CA	Residential	—	—	—	20	n/a	0.0 %
49	Palm Desert	CA	Residential	—	—	—	7	n/a	0.0 %
50	Riverside	CA	Residential	132,600	38,100	94,500	13	Jack in the Box, Stater Brothers	28.8 %
51	San Bernardino	CA	Residential	—	—	—	20	n/a	0.0 %
52	Waterford	CT	Residential	—	—	—	11	n/a	0.0 %
53	Ft. Myers	FL	Residential	—	—	—	12	n/a	0.0 %
54	Hialeah	FL	Residential	145,200	7,400	137,800	15	Panera Bread	5.1 %
55	Lakeland	FL	Residential	—	—	—	12	n/a	0.0 %
56	Miami	FL	Residential	—	—	—	15	n/a	0.0 %
57	Plantation	FL	Residential	184,400	76,700	107,700	18	GameTime, Powerhouse Gym	41.6 %
58	Joliet	IL	Residential	—	—	—	17	n/a	0.0 %
59	Bowie	MD	Residential	—	—	—	11	n/a	0.0 %
60	Edgewater	MD	Residential	—	—	—	14	n/a	0.0 %
61	Burnsville	MN	Residential	—	—	—	15	n/a	0.0 %
62	Maplewood	MN	Residential	—	—	—	14	n/a	0.0 %
63	St. Paul	MN	Residential	100	100	—	17	n/a	100.0 %
64	Nashua	NH	Residential	—	—	—	12	n/a	0.0 %
65	Mentor	OH	Residential	—	—	—	20	n/a	0.0 %
66	Middleburg Heights	OH	Residential	35,800	35,800	—	19	Carvana	100.0 %
67	Happy Valley	OR	Residential	144,300	45,000	99,300	12	Dick's Sporting Goods	31.2 %
68	Cordova	TN	Residential	—	—	—	12	n/a	0.0 %
69	Friendswood	TX	Residential	—	—	—	13	n/a	0.0 %
70	Houston	TX	Residential	—	—	—	12	n/a	0.0 %
71	Ingram	TX	Residential	—	—	—	12	n/a	0.0 %
72	Irving	TX	Residential	12,500	12,500	—	18	Carvana, CareNow, Chick-fil-A	100.0 %
73	Riverside - Resi	CA	Residential	—	—	—	14	n/a	0.0 %
74	West Covina - Resi	CA	Residential	—	—	—	8	n/a	0.0 %
75	Anchorage	AK	Non-core	158,500	134,000	24,500	18	Guitar Center, Nordstrom Rack, Planet Fitness, Safeway	84.5 %
76	North Little Rock	AR	Non-core	177,100	13,000	164,100	15	Aspen Dental, Longhorn Steakhouse	7.4 %
77	Sierra Vista	AZ	Non-core	94,700	—	94,700	7	n/a	0.0 %
78	Tucson	AZ	Non-core	218,800	50,600	168,300	20	Round One Entertainment	23.1 %
79	Yuma	AZ	Non-core	90,400	—	90,400	15	n/a	0.0 %
80	Big Bear Lake	CA	Non-core	80,000	4,000	76,000	7	Subway, Wells Fargo Bank	5.0 %

	City	State	Planned Usage (3)	Total	Leased	Not Leased	Land Acres	Significant Tenants (1)	Leased (1)
81	El Centro	CA	Non-core	139,700	9,700	130,000	13	n/a	6.9 %
82	Fairfield	CA	Non-core	150,000	32,000	118,000	9	Dave & Busters	21.3 %
83	Fresno	CA	Non-core	216,600	43,400	173,200	13	Ross Dress for Less, dd's Discounts	20.0 %
84	Merced	CA	Non-core	98,200	5,600	92,600	9	Burlington Stores, dd's Discounts, Five Below	5.7 %
85	Ramona	CA	Non-core	107,500	14,700	92,800	11	Dollar Tree	13.7 %
86	Salinas	CA	Non-core	133,000	32,200	100,700	10	Burlington	24.2 %
87	San Jose	CA	Non-core	262,500	—	262,500	22	n/a	0.0 %
88	Santa Maria	CA	Non-core	108,600	—	108,600	7	n/a	0.0 %
89	Ventura	CA	Non-core	178,600	—	178,600	2	n/a	0.0 %
90	Westminster	CA	Non-core	197,900	—	197,900	14	n/a	0.0 %
91	Lakewood	CO	Non-core	153,000	—	153,000	8	n/a	0.0 %
92	Thornton	CO	Non-core	203,100	61,700	141,300	23	Vasa Fitness	30.4 %
93	Clearwater	FL	Non-core	211,200	75,500	135,700	14	Whole Foods, Nordstrom Rack	35.8 %
94	Doral	FL	Non-core	212,900	—	212,900	13	n/a	0.0 %
95	Ocala	FL	Non-core	146,200	—	146,200	11	n/a	0.0 %
96	Panama City	FL	Non-core	139,300	—	139,300	15	n/a	0.0 %
97	Pensacola	FL	Non-core	7,200	7,200	—	14	Bubba's 33	100.0 %
98	Sarasota	FL	Non-core	212,400	—	212,400	15	n/a	0.0 %
99	Cedar Rapids	IA	Non-core	146,000	—	146,000	12	n/a	0.0 %
100	Charles City	IA	Non-core	96,600	—	96,600	11	n/a	0.0 %
101	Webster City	IA	Non-core	40,800	—	40,800	4	n/a	0.0 %
102	Chicago	IL	Non-core	120,700	17,200	103,600	9	n/a	14.2 %
103	Orland Park	IL	Non-core	140,000	—	140,000	16	n/a	0.0 %
104	Steger	IL	Non-core	87,400	—	87,400	3	n/a	0.0 %
105	Elkhart	IN	Non-core	86,600	86,600	—	8	n/a	100.0 %
106	Hopkinsville	KY	Non-core	85,100	64,600	20,500	13	Bargain Hunt, Farmer's Furniture, Harbor Freight	76.0 %
107	Paducah	KY	Non-core	97,300	64,400	32,900	9	Burlington Stores, Ross Dress for Less	66.2 %
108	Lafayette	LA	Non-core	194,900	—	194,900	16	n/a	0.0 %
109	Saugus	MA	Non-core	210,700	—	210,700	15	n/a	0.0 %
110	Madawaska	ME	Non-core	49,700	—	49,700	2	n/a	0.0 %
111	Lincoln Park	MI	Non-core	297,900	—	297,900	16	n/a	0.0 %
112	Manistee	MI	Non-core	94,700	—	94,700	12	n/a	0.0 %
113	Roseville	MI	Non-core	364,600	154,600	210,000	20	At Home, Hobby Lobby	42.4 %
114	Sault Ste. Marie	MI	Non-core	92,700	—	92,700	5	n/a	0.0 %
115	Ypsilanti	MI	Non-core	91,700	91,700	—	11	At Home	100.0 %
116	Florissant	MO	Non-core	119,000	4,300	114,700	11	n/a	3.6 %
117	Springfield	MO	Non-core	112,900	112,900	—	8	At Home	100.0 %
118	Columbus	MS	Non-core	117,100	—	117,100	15	n/a	0.0 %
119	Portsmouth	NH	Non-core	127,100	—	127,100	13	n/a	0.0 %
120	Salem	NH	Non-core	251,600	123,800	127,800	12	Cinemark, Dick's Sporting Goods	49.2 %

	City	State	Planned Usage (3)	Total	Leased	Not Leased	Land Acres	Significant Tenants (1)	Leased (1)
121	Las Vegas	NV	Non-core	130,300	42,500	87,800	11	Round One Entertainment	32.6 %
122	Reno	NV	Non-core	162,700	41,300	121,400	3	Round One Entertainment	25.4 %
123	Albany	NY	Non-core	277,900	59,600	218,300	21	Whole Foods, REI, Ethan Allen	21.4 %
124	Clay	NY	Non-core	146,500	—	146,500	11	n/a	0.0 %
125	Olean	NY	Non-core	120,700	55,400	65,300	13	Marshall's, Ollie's Bargain Hunt	45.9 %
126	Rochester	NY	Non-core	128,500	—	128,500	14	n/a	0.0 %
127	Sidney	NY	Non-core	94,400	—	94,400	19	n/a	0.0 %
128	Yorktown Heights	NY	Non-core	160,000	38,500	121,500	12	24 Hour Fitness	24.1 %
129	Dayton	OH	Non-core	180,200	13,400	166,800	22	Outback Steakhouse	7.4 %
130	Toledo	OH	Non-core	218,700	—	218,700	11	n/a	0.0 %
131	Oklahoma City	OK	Non-core	223,700	50,300	173,300	19	Vasa Fitness	22.5 %
132	Walnutport	PA	Non-core	121,200	—	121,200	17	n/a	0.0 %
133	Caguas	PR	Non-core	138,700	—	138,700	8	n/a	0.0 %
134	Carolina	PR	Non-core	198,000	—	198,000	11	n/a	0.0 %
135	Warwick	RI	Non-core	131,500	123,100	8,400	20	At Home, Hook & Reel, Skechers	93.6 %
136	El Paso	TX	Non-core	114,200	99,100	15,100	11	dd's Discount, Ross Dress for Less, Five Below, Burlington Stores	86.8 %
137	Chesapeake	VA	Non-core	169,700	—	169,700	15	n/a	0.0 %
Total - Consolidated Properties				15,373,000	6,379,200	8,993,600	1,802		41.5 %
Average - Consolidated Properties				112,200	46,600	65,600	13		41.5 %

Unconsolidated Properties GLA (1)										
	City	State	Planned Usage (3)	Total	Leased	Not Leased	Joint Venture	Land Acres	Significant Tenants (1)	Leased (1)
1	Chandler	AZ	Retail	139,500	74,000	65,500	Macerich JV	10	Firestone	53.0 %
2	Carson	CA	Retail	182,200	109,700	72,500	Carson JV	13	Burlington Stores, Chipotle, Ross Dress for Less	60.2 %
3	Modesto	CA	Retail	120,500	80,500	40,000	Macerich JV	12	Dave & Busters, Dick's Sporting Goods	66.8 %
4	Santa Rosa	CA	Retail	165,400	—	165,400	Simon JV	7	n/a	0.0 %
5	Danbury	CT	Retail	178,500	70,100	108,400	Macerich JV	12	Primark	39.3 %
6	West Hartford	CT	Retail	163,700	117,400	46,300	West Hartford JV	15	buybuy Baby, REI, Cost Plus World Market, Shake Shack, Saks OFF 5th	71.7 %
7	Naples	FL	Retail	67,400	67,400	—	GGP II JV	12	CMX Cinebistro, Uncle Julio's	100. % 0
8	Natick	MA	Retail	190,700	88,500	102,200	GGP I JV	2	Dave & Busters, Open World Entertainment	46.4 %
9	Cockeysville	MD	Retail	160,200	131,200	29,000	Cockeysville JV	12	HomeGoods, Michaels Stores, OneLife Fitness, Ashley Furniture	81.9 %
10	Wayne	NJ	Retail	281,000	205,400	75,600	GGP II JV	41	Cinemark, Dave & Busters, Yardhouse, BJ's Wholesale	73.1 %
11	Deptford	NJ	Retail	191,700	149,200	42,500	Macerich JV	14	Dick's Sporting Goods, Round One Entertainment, Crunch Fitness	77.8 %
12	Freehold	NJ	Retail	138,800	66,600	72,200	Macerich JV	10	Primark	48.0 %
13	Nanuet	NY	Retail	221,400	—	221,400	Simon JV	14	n/a	0.0 %
14	Tulsa	OK	Retail	150,200	—	150,200	Simon JV	12	n/a	0.0 %
15	Austin	TX	Retail	164,600	—	164,600	Simon JV	16	n/a	0.0 %
16	Santa Monica	CA	Premier Mixed Use	103,000	—	103,000	Mark 302 JV	3	n/a	0.0 %
17	San Diego	CA	Premier Mixed Use	226,200	60,600	165,600	UTC JV	13	Equinox, CB2	26.8 %
18	Cerritos	CA	Mixed Use	277,600	—	277,600	Macerich JV	20	n/a	0.0 %
19	Altamonte Springs	FL	Mixed Use	125,700	—	125,700	GGP II JV	17	n/a	0.0 %
20	Portland	OR	Mixed Use	220,000	—	220,000	Macerich JV	4	n/a	0.0 %
21	Ann Arbor	TX	Mixed Use	170,600	—	170,600	Simon JV	15	n/a	0.0 %
22	Austin	TX	Mixed Use	—	—	—	RD Development JV	11	n/a	0.0 %
23	Alexandria	VA	Mixed Use	—	—	—	Foulger Pratt/Howard Hughes	—	n/a	0.0 %
24	Lynnwood	WA	Residential	49,300	49,300	—	Brookfield	12	Dave & Busters, Cheesecake Factory	100. % 0
25	Frisco	TX	Residential	162,900	—	162,900	GGP I JV	11	n/a	0.0 %
	Total - Unconsolidated Properties			3,851,100	1,269,900	2,581,200		308		33.0 %
	Average - Unconsolidated Properties			154,000	50,800	103,200		13		33.0 %

(1) Based on signed leases as of December 31, 2021, including SNO Leases.

(2) Property subject to a lease or ground lease.

(3) Planned usage may be subject to entitlements.

16				19,224,100	7,649,100	11,574,800				39.8 %
2	Grand Total - All Properties									
16				17,243,900	6,981,200	10,262,500				40.5 %
2	Grand Total - All Properties (at share)									

Planned Usage	Total	Total	GLA (1) Leased	Not Leased	Land Acres
Consolidated Properties					
Multi-tenant Retail	38	4,826	4,083	743	491
Residential	31	823	384	439	429
Premier Mixed Use	5	285	186	99	99
Non-core	63	9,439	1,727	7,712	784
Unconsolidated Properties					
Multi-tenant Retail	15	2,516	1,160	1,356	202
Residential	2	212	49	163	23
Premier Mixed Use	2	329	61	269	16
Mixed Use	6	794	—	794	67

(1) Based on signed leases as of December 31, 2021; GLA presented at the Company's proportional share

Multi-Tenant Retail Portfolio

Geographic Diversification

The following table sets forth information regarding the geographic diversification of the multi-tenant retail portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

State	Number of Properties	Annual Rent	% of Total Annual Rent	Rent PSF
California	6	\$ 11,167	15.6 %	\$ 19.84
Florida	4	9,341	13.1 %	19.71
Virginia	3	6,969	9.8 %	19.99
Pennsylvania	1	5,878	8.2 %	28.16
Illinois	3	5,134	7.2 %	11.85
New York	2	4,404	6.2 %	20.68
Wisconsin	2	3,882	5.4 %	15.89
Texas	3	3,520	4.9 %	11.73
New Jersey	1	3,515	4.9 %	30.02
Tennessee	1	2,802	3.9 %	27.69
Total Top 10	26	\$ 56,612	79.3 %	\$ 18.85
Other (1)	12	14,813	20.7 %	12.03
Total	38	\$ 71,425	100.0 %	\$ 16.87

(1) Includes 10 states.

Tenant Overview

The following table provides a summary of annual base rent for the multi-tenant retail portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

(in thousands except number of leases and PSF data)

Tenant	Number of Leases	Leased GLA	% of Total Leased GLA	Annual Rent	% of Total Annual Rent	Annual Rent PSF
In-place leases	138	3,668	86.6 %	\$ 61,979	86.8 %	\$ 16.90
SNO leases	25	566	13.4 %	9,446	13.2 %	16.68
Total	<u>163</u>	<u>4,234</u>	<u>100.0 %</u>	<u>\$ 71,425</u>	<u>100.0 %</u>	<u>\$ 16.87</u>

Top Tenants

The following table lists the top tenants in our multi-tenant retail portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and giving effect to the pending termination:

(dollars in thousands)

Tenant	Number of Leases	Annual Rent	% of Total Annual Rent	Concepts/Brands
Dick's Sporting Goods	8	\$ 10,177	14.2 %	House of Sport
Dave & Buster's	6	6,087	8.5 %	
Round One Entertainment	4	4,100	5.7 %	
Cinemark	2	3,404	4.8 %	
Nordstrom Rack	5	3,033	4.2 %	
Burlington Stores	4	2,943	4.1 %	
At Home	2	2,803	3.9 %	
Primark	4	2,190	3.1 %	
Ross Dress For Less	7	1,984	2.8 %	Ross Dress for Less, dd's Discounts
AMC	1	1,837	2.6 %	
Bed Bath & Beyond	5	1,820	2.5 %	Bed Bath & Beyond, BuyBuyBaby, Cost Plus World Market, andThat!
TJX	3	1,699	2.4 %	
Amazon	2	1,691	2.4 %	TJ Maxx, Marhsalls, HomeGoods, HomeSense, Sierra Trading Post
Floor & Décor	3	1,171	1.6 %	
Aldi	2	865	1.2 %	
PetSmart	1	816	1.1 %	
Ulta Salon	1	766	1.1 %	
Bob's Discount Furniture	4	707	1.0 %	

Lease Expirations

The following table sets forth a summary schedule of lease expirations for signed leases, including SNO leases, of our multi-tenant portfolio as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and giving effect to the pending termination. The information set forth in the table assumes that no other tenants exercise renewal options or early termination rights:

(in thousands except number of leases)

Year	Number of Leases	Leased GLA	% of Total Leased GLA	Annual Rent	% of Total Annual Rent
Month-to-Month	4	18	0.4 %	\$ 240	0.3 %
2022	2	9	0.2 %	144	0.2 %
2023	10	338	8.0 %	6,331	8.9 %
2024	6	194	4.6 %	1,049	1.5 %
2025	6	204	4.8 %	1,942	2.7 %
2026	10	268	6.3 %	3,705	5.2 %
2027	7	206	4.9 %	2,587	3.6 %
2028	17	278	6.6 %	5,044	7.1 %
2029	28	675	15.9 %	12,680	17.8 %
2030	7	119	2.8 %	1,596	2.2 %
2031	21	704	16.6 %	10,936	15.3 %
Thereafter	20	653	15.4 %	15,725	22.0 %
SNO Leases	25	566	13.4 %	9,446	13.2 %
Total	163	4,232	100.0 %	\$ 71,425	100.0 %

Premier Portfolio

Geographic Diversification

The following table sets forth information regarding the geographic diversification of the premier portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

(in thousands except property count and PSF data)

State	Number of Properties	Annual Rent	% of Total Annual Rent	Rent PSF
Florida	2	\$ 8,172	63.1 %	\$ 67.91
New York	1	2,389	18.5 %	41.24
California	2	2,173	16.8 %	71.79
Washington	1	213	1.6 %	28.34
Texas	1	—	0.0 %	-
Total	7	\$ 12,947	100.0 %	\$ 59.94

Tenant Overview

The following table provides a summary of annual base rent for the premier portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

(in thousands except number of leases and PSF data)

Tenant	Number of Leases	Leased GLA	% of Total Leased GLA	Annual Rent	% of Total Annual Rent	Annual Rent PSF
In-place leases	15	53	24.4 %	\$ 2,974	23.0 %	\$ 56.49
SNO leases	22	163	75.6 %	9,973	77.0 %	61.04
Total	37	216	100.0 %	\$ 12,947	100.0 %	\$ 59.93

Residential Portfolio

Geographic Diversification

The following table sets forth information regarding the geographic diversification of the residential portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

State	Number of Properties	Annual Rent	% of Total Annual Rent	Total Acreage
Florida	5	\$ 1,948	38.1 %	72
Washington	1	866	16.9 %	12
Oregon	1	765	14.9 %	12
California	7	650	12.7 %	104
Texas	5	270	5.3 %	65
Minnesota	3	216	4.2 %	47
Ohio	2	195	3.8 %	39
Arizona	3	195	3.8 %	19
Maryland	2	13	0.3 %	25
Illinois	1	—	0.0 %	17
Total Top 10	30	\$ 5,118	100.0 %	412
Other (1)	3	—	0.0 %	34
Total	33	\$ 5,118	100.0 %	446

(1)Includes 3 states.

Non-Core Portfolio

Geographic Diversification

The following table sets forth information regarding the geographic diversification of the non-core portfolio based on signed leases as of December 31, 2021, including Unconsolidated Properties presented at the Company's proportional share and after giving effect to the pending termination:

State	Number of Properties	Annual Rent	% of Total Annual Rent	Rent PSF
Alaska	1	\$ 2,967	13.3 %	\$ 22.15
New York	6	2,497	11.2 %	16.27
California	11	2,259	10.1 %	15.95
New Hampshire	2	1,781	8.0 %	14.39
Florida	6	1,724	7.7 %	20.83
Nevada	2	1,686	7.6 %	20.12
Michigan	5	1,616	7.2 %	6.56
Rhode Island	1	1,533	6.9 %	12.46
Kentucky	2	1,082	4.9 %	8.38
Arizona	3	1,015	4.6 %	20.07
Total Top 10	39	\$ 18,160	81.5 %	\$ 14.32
Other (1)	24	4,136	18.5 %	9.02
Total	63	\$ 22,296	100.0 %	\$ 12.91

(1)Includes 15 states and Puerto Rico.

Other Unconsolidated Properties

Geographic Diversification

The following table sets forth information regarding the geographic diversification of the other consolidated properties based on signed leases as of December 31, 2021, presented at the Company's proportional share and after giving effect to the pending termination:

State	Number of Properties	Annual Rent	% of Total Annual Rent	Rent PSF
New Jersey	3	\$ 4,424	38.7 %	\$ 21.01
Connecticut	2	2,009	17.6 %	21.43
California	4	1,330	11.6 %	21.38
Massachusetts	1	1,108	9.7 %	25.05
Maryland	1	1,044	9.1 %	15.92
Florida	2	967	8.5 %	28.71
Arizona	1	554	4.8 %	14.99
New York	1	—	0.0 %	—
Virginia	1	—	0.0 %	—
Texas	2	—	0.0 %	—
Total Top 10	18	\$ 11,436	100.0 %	\$ 20.91
Other (1)	3	—	0.0 %	—
Total	21	\$ 11,436	100.0 %	\$ 20.91

(1)Includes 3 states.

Tenant Overview

The following table provides a summary of annual base rent for the other unconsolidated properties based on signed leases as of December 31, 2021, presented at the Company's proportional share and after giving effect to the pending termination:

(in thousands except number of leases and PSF data)

Tenant	Number of Leases	Leased GLA	% of Total Leased GLA	Annual Rent	% of Total Annual Rent	Annual Rent PSF
In-place leases	39	409	74.8 %	\$ 8,841	77.3 %	\$ 21.59
SNO leases	8	138	25.2 %	2,596	22.7 %	18.86
Total	47	547	100.0 %	\$ 11,437	100.0 %	\$ 20.91

Lease Expirations

The following table sets forth a summary schedule of lease expirations for signed leases, including SNO leases, of our other unconsolidated properties as of December 31, 2021, presented at the Company's proportional share and giving effect to the pending termination. The information set forth in the table assumes that no other tenants exercise renewal options or early termination rights:

(in thousands except number of leases)

Year	Number of Leases	Leased GLA	% of Total Leased GLA	Annual Rent	% of Total Annual Rent
Month-to-Month	-	-	0.0 %	\$ -	0.0 %
2022	-	-	0.0 %	-	0.0 %
2023	-	-	0.0 %	-	0.0 %
2024	-	-	0.0 %	-	0.0 %
2025	1	4	0.7 %	77	0.7 %
2026	5	69	12.7 %	1,387	12.1 %
2027	1	2	0.4 %	100	0.9 %
2028	3	36	6.7 %	792	6.9 %
2029	9	56	10.2 %	1,072	9.4 %
2030	6	95	17.4 %	1,523	13.3 %
2031	6	55	10.0 %	1,065	9.3 %
Thereafter	8	92	16.8 %	2,825	24.7 %
SNO Leases	8	138	25.2 %	2,596	22.7 %
Total	47	547	100.0 %	\$ 11,437	100.0 %

ITEM 3. LEGAL PROCEEDINGS

On April 18, 2019, at the direction of the Restructuring Sub-Committee of the Restructuring Committee of the Board of Directors of Sears Holdings, Sears Holdings, Sears, Roebuck & Co., Sears Development Co., Kmart Corporation, and Kmart of Washington, LLC filed a lawsuit (the “Litigation”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) against, among others, Edward S. Lampert, ESL Investments, Inc. and certain of its affiliates and investors, Fairholme Capital Management, L.L.C., certain members of the Sears Holdings board of directors, and the Company, the Operating Partnership, and certain of our affiliates and subsidiaries (the Company, the Operating Partnership, and certain of our affiliates and subsidiaries collectively, the “Seritage Defendants”). The Litigation is dual captioned as In re: Sears Holdings Corporation, et al., Case No. 18-23538 (RDD) and Sears Holdings Corporation et al., v. Lampert et al., Case No. 19-08250 (RDD). The Litigation alleges, among other things, that certain transactions undertaken by Sears Holdings since 2011 constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings. The challenged transactions include the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings. The Litigation alleges, among other things, that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth at least \$649 to \$749 million more than the purchase price paid. The Litigation seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers and either (i) rescission of the transfers of real estate from Sears Holdings to Seritage in 2015 and return of the proceeds of the transactions between Sears Holdings and Seritage, or, in the alternative, (ii) payment by Seritage to Sears Holdings of damages at least equal to the value of the transferred property.

On October 15, 2019, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings and its affiliated debtors (the “Chapter 11 Plan”). Pursuant to the terms of the Confirmation Order, upon the effective date of the Chapter Plan, a liquidating trust will be formed, and the Litigation will vest in the liquidating trust. The Confirmation Order further provides that, prior to the effective date of the Chapter 11 Plan and the formation of the liquidating trust, the Litigation shall be controlled by five litigation designees selected by Sears Holdings and the Unsecured Creditors’ Committee (the “UCC”). For further information, refer to the Chapter 11 Plan, Confirmation Order and liquidating trust agreement, each of which has been publicly filed with the Bankruptcy Court.

On November 25, 2019, the Creditors’ Committee filed a first amended complaint (the “Amended Complaint”) in the Bankruptcy Court naming us and certain of our affiliates, as well as affiliates of ESL and Sears Holdings, and certain other third parties, as defendants. The Amended Complaint alleges, among other things, that certain transactions undertaken by Sears Holdings since 2011 (including the July 2015 transactions giving rise to Seritage, the execution of the Master Lease with Sears Holdings (the “Original Master Lease”), and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings and that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth hundreds of millions of dollars more than the purchase price paid. The Amended Complaint further alleges that certain releases provided to Seritage and certain other defendants in connection with the Sears Holdings derivative litigation in the Delaware Court of Chancery in 2017 should be avoided and/or declared null and void as an actual and/or constructive fraudulent conveyance. The Amended Complaint seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers, disgorgement, recovery of the property fraudulently transferred or, in the alternative, compensatory damages in an unspecified amount to be determined at trial, equitable subordination and disallowance of defendants’ claims as creditors, punitive and exemplary damages for any intentional wrongdoing, and reasonable attorneys’ fees, costs, and expenses.

On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the operative complaint in the Litigation relating to the release received in the Sears Holdings derivative litigation, unjust enrichment, and equitable subordination. Briefing and oral argument on the motions were completed in August 2020, and the parties are awaiting a decision. The Company believes that the claims against the Seritage Defendants in the Litigation are without merit and intends to defend against them vigorously.

On March 15, 2021, the Court consolidated the Litigation with a case captioned Sears Holding Corp. et al. v. Andrew H. Tisch, et al., Case No. 20-07007 (RDD) (the “Shareholder Litigation,” and, together with the Litigation, the “Consolidated Litigation”). The Shareholder Litigation was brought by the UCC, Sears Holdings Corporation, and Sears, Roebuck and Co., against certain shareholders of Sears Holdings or its related companies. Seritage was not named as a defendant in the Shareholder Litigation, which alleges, among other things, that certain transactions undertaken by Sears Holdings since 2014 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends. We believe that the claims against the Seritage Defendants in the Litigation are without merit and intend to defend against them vigorously.

On March 2, 2021, the Company brought a lawsuit in Delaware state court against QBE Insurance Corporation, Endurance American Insurance Company, Allianz Global Risks US Insurance Company and Continental Casualty Company, each of which are D&O insurance providers of the Company (the “D&O Insurers”). The Company’s lawsuit is seeking, among other things, declaratory relief

and money damages as a result of certain of the D&O Insurers refusal to pay certain costs and expenses related to the defense of the Litigation discussed above.

In addition to the litigation described above, the Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business and due to the current environment. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material effect on the consolidated financial position, results of operations, cash flows or liquidity of the Company. As of December 31, 2021, and December 31, 2020, the Company did not record any amounts for litigation or other matters.

ITEM 4. MINE SAFETY DISCLOSURES

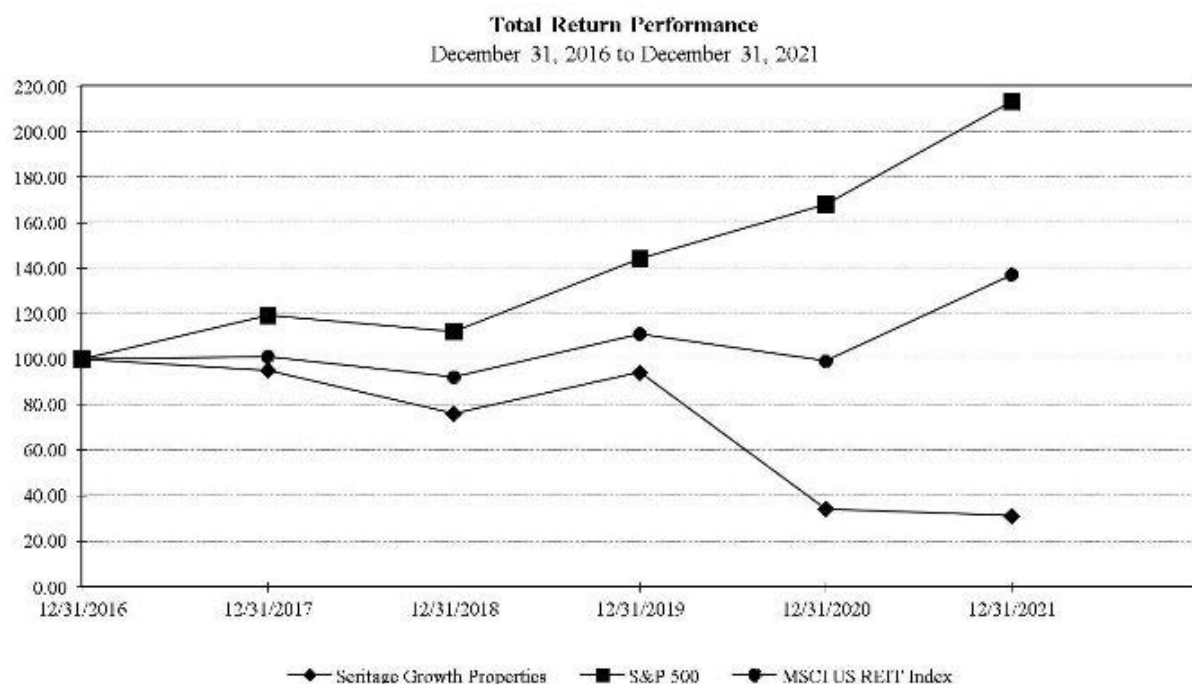
Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Class A common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol "SRG".

The following graph provides a comparison, from December 31, 2016 through December 31, 2021, of the cumulative total shareholder return (assuming reinvestment of dividends) on \$100 invested in each of Class A shares of the Company, the Standard & Poor's ("S&P") 500 Index and the MSCI US REIT Index, an industry index of publicly-traded REITs, including the Company.



Index		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Seritage Growth Properties	Cumulative\$	100	95	76	94	34	31
	Return %		(5)	(24)	(6)	(66)	(69)
S&P 500	Cumulative\$	100	119	112	144	168	213
	Return %		19	12	44	68	113
MSCI US REIT Index	Cumulative\$	100	101	92	111	99	137
	Return %		1	(8)	11	(1)	37

Common Shares and Operating Partnership Units

On March 11, 2022, the reported closing sale price per share of our Class A common stock on the NYSE was \$11.47.

As of March 11, 2022, there were 43,632,364 Class A common shares issued and outstanding which were held by approximately 139 shareholders of record. The number of shareholders of record does not reflect persons or entities that held their shares in nominee or "street" name.

In addition, as of March 11, 2022, there were 12,354,963 outstanding Operating Partnership units ("OP Units") held by limited partners other than the Company. As of March 11, 2022, there are no Class B non-economic common shares outstanding and there are no Class C non-voting common shares outstanding.

The Class B non-economic common shares have voting rights, but do not have economic rights and, as such, do not receive dividends and are not included in earnings per share computations.

Class C non-voting common shares have economic rights, but do not have voting rights. Upon any transfer of a Class C non-voting common share to any person other than an affiliate of the holder of such share, such share shall automatically convert into one Class A common share.

The OP Units are generally exchangeable into shares of Class A common stock on a one-for-one basis.

Share-Based Compensation

The following table provides information with respect to the Company's equity compensation plan as of December 31, 2021:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	288,068 (1)	n/a (2)	2,445,410 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	288,068	—	2,445,410

(1)Represents restricted stock awards and units previously granted and that remain unvested as of December 31, 2021.

(2)Weighted average exercise price does not apply to restricted stock units ("RSU").

(3)Shares remaining available for future issuance under the Seritage Growth Properties 2015 Share Plan, taking into account 84,216 shares of restricted stock previously granted and 720,374 shares subject to grants of RSUs previously granted (including those that remain unvested reported in column (a)).

Dividends and Distributions

The timing, amount and composition of all distributions will be made by the Company at the discretion of its Board of Trustees. Such distributions will depend on the financial position, results of operations, cash flows, capital requirements, debt covenants, applicable law and other factors as the Board of Trustees of Seritage deems relevant.

The Company declared a dividend on the Company's Class A and Class C common shares for the first quarter of 2019 and has not declared dividends on the Company's Class A and Class C common shares since that time, based on our Board of Trustees' assessment of the Company's investment opportunities and its expectations of taxable income for the remainder of 2021.

REIT Election

We have elected to be treated as a REIT for U.S. federal income tax. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including requirements to distribute at least 90% of its ordinary taxable income and to either distribute capital gains to shareholders, or pay corporate income tax on the undistributed capital gains. A REIT will generally not pay U.S. federal income tax if it distributes 100% of its capital gains and ordinary income.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and the other matters set forth in this Annual Report. See "Cautionary Statement Regarding Forward-Looking Statements."

For discussion of 2019 items and year-over-year comparisons between 2020 and 2019 that are not included in this Annual Report, refer to "Item 7. – Management Discussion and Analysis of Financial Condition and Results of Operations" found in our Annual Report for the fiscal year ended December 31, 2020, that was filed with the Securities and Exchange Commission on March 15, 2021.

All references to numbered Notes are to specific footnotes to our Consolidated Financial Statements included in this Annual Report. You should read this discussion in conjunction with our Consolidated Financial Statements, the notes thereto and other financial information included elsewhere in this Annual Report. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Capitalized terms used, but not defined, in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") have the same meanings as in such Notes.

Overview

We are principally engaged in the ownership, development, redevelopment, management, sale and leasing of diversified retail and mixed-use properties throughout the United States. As of December 31, 2021, our portfolio consisted of interests in 162 properties comprised of approximately 19.2 million square feet of GLA or build-to-suit leased area, approximately 600 acres held for or under development and approximately 9.4 million square feet or approximately 800 acres to be disposed of. The portfolio consists of approximately 15.4 million square feet of GLA held by 137 Consolidated Properties and 3.9 million square feet of GLA held by 25 Unconsolidated Properties.

In the second quarter of 2021, we announced an organizational restructuring and in conjunction commenced a portfolio review resulting in the modification of the business plans for certain assets. We continue to evaluate our strategy and at this time, we expect to reposition our portfolio into three business lines: residential developments, premier mixed-use assets, and multi-tenant retail destinations.

COVID-19 Pandemic

The COVID-19 pandemic has caused and continues to cause significant impacts on the real estate industry in the United States, including the Company's properties.

As a result of the development, fluidity and uncertainty surrounding this situation, the Company expects that these conditions may change, potentially significantly, in future periods and results for the year ended December 31, 2021 may not be indicative of the impact of the COVID-19 pandemic on the Company's business for future periods. As such, the Company cannot reasonably estimate the impact of COVID-19 on its financial condition, results of operations or cash flows over the foreseeable future.

As of December 31, 2021, we had collected 97% of rental income for the year ended December 31, 2021, and agreed to defer an additional 1%. While the Company intends to enforce its contractual rights under its leases, there can be no assurance that tenants will meet their future obligations or that additional rental modification agreements will not be necessary.

Board of Trustees Matters

On March 1, 2022, the Company announced that Mr. Lampert retired as its Chairman and resigned from the Board of Trustees effective March 1, 2022, and that each of Messrs. David S. Fawer and Thomas M. Steinberg, members of the Board of Trustees, notified the Board of Trustees that he would not stand for reelection as a trustee. Messrs. Fawer's and Steinberg's terms will each end at the Company's 2022 annual meeting of shareholders.

Review of Strategic Alternatives

On March 1, 2022, the Company announced that its Board of Trustees has commenced a process to review a broad range of strategic alternatives to enhance shareholder value. The Board of Trustees created a Special Committee to oversee the process. The Special Committee has retained a financial advisor. The Company is in the early stages of the strategic review process and its current intention is not to disclose or comment on interim developments with respect to the process. There can be no assurance that the review process will result in any transaction or any strategic change at this time. See "Item 1A. Risk Factors—Risks Related to Our Business and Operations— There can be no assurance that our review of strategic alternatives will result in any transaction or any strategic change at this time."

Asset Sales and Unconsolidated Properties

During the year ended December 31, 2021, the Company sold 21 properties, plus additional outparcels, and generated gross proceeds of \$395.4 million and also contributed a property to an unconsolidated entity that generated an additional \$30.0 million of gross proceeds.

As of March 11, 2022, we had 13 assets under contract to sell for total anticipated proceeds of \$146.3 million, subject to buyer diligence and closing conditions.

Effects of Natural Disasters

The Company assessed the impact of the natural disasters that occurred during the year ended December 31, 2021 and determined that natural disasters did not have a material impact on our operating results or financial position. The Company did not experience interruptions in rental payments related to natural disasters nor has it incurred material capital expenditures to repair any property damage. As a result of changes to weather patterns caused by climate change, our properties could experience increased storm intensity and other natural disasters in future periods and, as such, we cannot provide assurance that natural disasters will not have a material impact on our financial condition, results of operations or cash flows over the foreseeable future.

Impairment of real estate assets and investments in unconsolidated entities

In the second quarter of 2021, we announced an organizational restructuring and in conjunction commenced a portfolio review resulting in the modification of the business plans for certain assets. As a result of the foregoing, our intent, anticipated holding periods and/or projected cash flows with respect to certain assets evolved. This triggered a recoverability analysis of the carrying value of those assets over their respective holding periods. We have recognized \$95.8 million of impairment losses in the year ended December 31, 2021, which are included in impairment on real estate assets within the condensed consolidated statements of operations, in part as a result of this portfolio review. We continue to evaluate our portfolio, including our development plans and holding periods, which may result in additional impairments in future periods on our Consolidated Properties and investments in unconsolidated entities.

Results of Operations

We derive substantially all of our revenue from rents received from tenants under existing leases at each of our properties. This revenue generally includes fixed base rents and recoveries of expenses that we have incurred and that we pass through to the individual tenants, in each case as provided in the respective leases.

Our primary cash expenses consist of our property operating expenses, general and administrative expenses, interest expense, and construction and development related costs. Property operating expenses include: real estate taxes, repairs and maintenance, management fees, insurance, ground lease costs and utilities; general and administrative expenses include payroll, office expenses, professional fees, and other administrative expenses; and interest expense is on our term loan facility. In addition, we incur substantial non-cash charges for depreciation of our properties and amortization of intangible assets and liabilities.

Comparison of the Year Ended December 31, 2021 to the Year Ended December 31, 2020

The following table presents selected data on comparative results from the Company's consolidated statements of operations for the year ended December 31, 2021, as compared to the year ended December 31, 2020 (in thousands):

	Year Ended December 31,					
	2021		2020		\$ Change	% Change
Revenue						
Rental income	\$	115,651	\$	116,202	\$ (551)	0 %
Expenses						
Property operating	\$	45,007	\$	41,164	\$ 3,843	9 %
Real estate taxes		35,256		36,768	(1,512)	-4 %
Depreciation and amortization		51,199		95,997	(44,798)	-47 %
General and administrative		41,949		28,849	13,100	45 %
Gain on sale of real estate		221,681		88,555	133,126	150 %
Gain on sale of interests in unconsolidated entities		—		1,758	(1,758)	-100 %
Impairment on real estate assets		(95,826)		(64,108)	(31,718)	49 %
Equity in loss of unconsolidated entities		(9,226)		(4,712)	(4,514)	96 %
Interest and other income		9,285		3,394	5,891	174 %
Interest expense		(107,975)		(91,316)	(16,659)	18 %

Rental Income

The following table presents the results for rental income for the year ended December 31, 2021, as compared to the corresponding period in 2020 (in thousands):

	Year Ended December 31,					
	2021		2020			
	Rental Income	% of Total Rental Income	Rental Income	% of Total Rental Income	\$ Change	
Sears/Kmart	\$ 4,510	4 %	\$ 14,693	13 %	\$ (10,183)	
Diversified tenants	108,845	94 %	104,699	90 %	4,146	
Straight-line rent	2,269	2 %	(4,983)	-5 %	7,252	
Amortization of above/below market leases	27	0 %	1,793	2 %	(1,766)	
Total rental income	<u>\$ 115,651</u>	<u>100 %</u>	<u>\$ 116,202</u>	<u>100 %</u>	<u>\$ (551)</u>	

The decrease of \$10.2 million in Sears or Kmart rental income during 2021 is due to a reduction in the number of properties leased to Sears or Kmart under the Holdco Master Lease, as a result of termination activity. As of March 11, 2021, Sears no longer occupies space at any properties.

The increase of \$4.1 million in rental income during 2021 was due primarily to releasing space at higher rates.

The decrease of \$7.3 million in straight-line rental income during 2021 was due primarily to (i) the accelerated amortization of straight-line rent receivables was a result of termination activity under the Holdco Master Lease and (ii) the reversal of previously recorded straight-line rent that the Company deemed was no longer probable of being collected.

The decrease of \$1.8 million in amortization of above/below market leases during 2021 was due primarily to the termination of certain leases previously acquired by the Company.

Property Operating Expenses and Real Estate Taxes

The following table presents the comparative results for property operating expenses and real estate taxes for the year ended December 31, 2021 as compared to the corresponding period in 2020 (in thousands):

	Year Ended December 31,				% Change
	2021		2020	\$ Change	
Property operating expenses	\$	45,007	\$	41,164	\$ 3,843 9 %
Real estate taxes		35,256		36,768	(1,512) -4 %

The increase of \$3.8 million in property operating expense for the year ended December 31, 2021 was due primarily to an increase in utility and certain common area maintenance expenses at properties for which Sears or Kmart paid such expenses directly and a decrease in amounts capitalized.

The decrease of \$1.5 million in real estate taxes for the year ended December 31, 2021 was due primarily to asset sales and partially offset by a decrease in amounts capitalized due.

Depreciation and Amortization Expenses

The decrease of \$44.8 million in depreciation and amortization expenses for the year ended December 31, 2021 was due primarily to a decrease of \$23.3 million in accelerated amortization from terminations and \$21.5 million in lower net scheduled depreciation.

Accelerated amortization results from the recapture of space from, or termination of space by Holdco. Such recaptures and terminations are deemed lease modifications and require related lease intangibles to be amortized over the shorter of the shortened lease term or the remaining useful life of the asset.

General and Administrative Expenses

General and administrative expenses consist of personnel costs, including share-based compensation, professional fees, office expenses and overhead expenses.

The \$13.1 million increase was primarily related to a \$5.5 million increase in severance and restructuring costs, an increase in share-based compensation as a result of forfeitures and reversals of the bonus accrual related to the resignations of our former chief executive officer and chief financial officer in 2020, and decreased capitalized wages. This was partially offset by a \$1.0 million decrease in legal fees related to our litigation and reduced asset management fees.

Gain on Sale of Real Estate

During the year ended December 31, 2021, the Company sold 21 properties, including outparcels, for aggregate consideration of \$395.4 million and recorded gains totaling \$197.0 million, which are included in gain on sale of real estate within the consolidated statements of operations. The Company also contributed its property located in Alexandria, VA to an unconsolidated entity for a contribution value of \$30.0 million and recorded a gain of \$22.6 million which is included in gain on sale of real estate within the consolidated statements of operations.

Impairment of Real Estate Assets

During 2021, the Company recognized \$95.8 million in impairment of 39 real estate assets, which is included within the consolidated statements of operations.

Interest Expense

The increase of \$16.7 million in interest expense for the year ended December 31, 2021 was driven by a decrease in amounts capitalized due to a decrease in development activity and an increase of costs incurred related to one-time mortgage recording costs.

Liquidity and Capital Resources

Our primary uses of cash include the payment of property operating and other expenses, including general and administrative expenses and debt service (collectively, “Obligations”), and the reinvestment in and redevelopment of our properties (“development expenditures”). Property rental income, which is the Company’s primary source of operating cash flow, did not fully fund Obligations incurred during the year ended December 31, 2021 and the Company recorded net operating cash outflows of \$136.0 million. Additionally, the Company’s generated investing cash inflows of \$260.7 million during the year ended December 31, 2021, which were driven by asset sales and partially offset by development expenditures.

Obligations are projected to continue to exceed property rental income and we expect to fund such Obligations and any development expenditures with cash on hand and a combination of capital sources including, but not limited to the following, subject to any approvals that may be required under the Term Loan Agreement.

- Sales of interests in Consolidated Properties. As of December 31, 2021, we have sold 90 Consolidated Properties and generated approximately \$986.8 million of gross proceeds since we began our capital recycling program in July 2017;

- Sales of interests in Unconsolidated Properties. As of December 31, 2021, we have sold our interests in 15 Unconsolidated Properties and generated approximately \$278.1 million of gross proceeds since July 2017. Certain of our unconsolidated entity agreements also include rights that allow us to sell our interests in select Unconsolidated Properties to our partners at fair market value;

- New unconsolidated entities. As of December 31, 2021, we have contributed interests in 12 properties to unconsolidated entities, which generated approximately \$242.4 million of gross proceeds since July 2017. In addition to generating liquidity upon closing, these entities also reduce our development expenditures in proportion to our partners’ interests in the unconsolidated entities;

- Unconsolidated entities debt. We may incur property-level debt in new or existing unconsolidated entities, including construction financing for properties under development and longer-term mortgage debt for stabilized properties; and

- Other credit and capital markets transactions. We may raise additional capital through the public or private issuance of debt securities, common or preferred equity or other instruments convertible into or exchangeable for common or preferred equity.

As of March 11, 2022, we had 13 assets under contract to sell for total anticipated proceeds of \$146.3 million, subject to customary due diligence and closing conditions.

As previously disclosed, on May 5, 2020, the Operating Partnership and Berkshire Hathaway entered into an amendment (the “Term Loan Amendment”) to the Term Loan Agreement by and among the Operating Partnership and Berkshire Hathaway as initial lender and administrative agent that permits the deferral of payment of interest under the Term Loan Agreement if, as of the first day of each applicable month, (x) the amount of unrestricted and unencumbered (other than liens created under the Term Loan Agreement) cash on hand of the Operating Partnership and its subsidiaries, minus (y) the aggregate amount of anticipated necessary expenditures for such period (such sum, “Available Cash”) is equal to or less than \$30.0 million. In such instances, for each interest period, the Operating Partnership is obligated to make payments of interest in an amount equal to the difference between (i) Available Cash and (ii) \$20.0 million (provided that such payment shall not exceed the amount of current interest otherwise due under the Term Loan Agreement). Any deferred interest shall accrue interest at 2.0% in excess of the then applicable interest rate and shall be due and payable on July 31, 2023; provided, that the Operating Partnership is required to pay any deferred interest from Available Cash in excess of \$30.0 million (unless otherwise agreed to by the administrative agent under the Term Loan Agreement in its sole discretion). In addition, repayment of any outstanding deferred interest is a condition to any borrowings under the \$400.0 million incremental funding facility under the Term Loan Agreement (the “Incremental Funding Facility”).

Additionally, the Term Loan Amendment provides that the administrative agent and the lenders express their continued support for asset dispositions, subject to the administrative agent’s right to approve the terms of individual transactions due to the occurrence of a Financial Metric Trigger Event, as such term is defined under the Term Loan Agreement.

Our Term Loan Facility includes a \$400.0 million Incremental Funding Facility (as defined below), access to which is subject to rental income from non-Sears Holdings tenants of at least \$200.0 million, on an annualized basis and after giving effect to SNO leases expected to commence rent payment within 12 months, which we have not yet achieved. The timing of our ability to access the Incremental Funding Facility.

The availability of liquidity from the above sources or initiatives is subject to a range of risks and uncertainties, including those discussed under “Risk Factors—Real estate investments are relatively illiquid” and “Risk Factors—We have ongoing capital needs and may not be able to obtain additional financing or other sources of funding on acceptable terms.”

Term Loan Facility

On July 31, 2018, the Operating Partnership, as borrower, and the Company, as guarantor, entered into a Senior Secured Term Loan Agreement (as amended, the "Term Loan Agreement") providing for a \$2.0 billion term loan facility (the "Term Loan Facility") with Berkshire Hathaway Life Insurance Company of Nebraska ("Berkshire Hathaway") as lender and Berkshire Hathaway as administrative agent. The Term Loan Facility provided for an initial funding of \$1.6 billion at closing (the "Initial Funding") and includes a \$400 million incremental funding facility (the "Incremental Funding Facility"). The Term Loan Facility matures on July 31, 2023, with the ability to extend based on meeting certain criteria.

Funded amounts under the Term Loan Facility bear interest at an annual rate of 7.0% and unfunded amounts under the Incremental Funding Facility are subject to an annual fee of 1.0% until drawn. The Company prepays the annual fee and amortizes the expense to interest expense on the consolidated statements of operations.

As of December 31, 2021, the aggregate principal amount outstanding under the Term Loan Facility was \$1.44 billion.

The Company's ability to access the Incremental Funding Facility is subject to (i) the Company achieving rental income from non-Sears Holdings tenants, on an annualized basis (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the fiscal quarter ending prior to the date of incurrence of the Incremental Funding Facility, of not less than \$200 million, (ii) the Company's good faith projection that rental income from non-Sears Holdings tenants (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the succeeding four consecutive fiscal quarters (beginning with the fiscal quarter during which the incremental facility is accessed) will be not less than \$200 million, and (iii) the repayment by the Operating Partnership of any deferred interest permitted under Term Loan Amendment as further described below.

The Term Loan Facility is guaranteed by the Company and, subject to certain exceptions, is required to be guaranteed by all existing and future subsidiaries of the Operating Partnership. The Term Loan Facility is secured on a first lien basis by a pledge of the capital stock of the direct subsidiaries of the Operating Partnership and the guarantors, including its joint venture interests, except as prohibited by the organizational documents of such entities or any joint venture agreements applicable to such entities.

The Term Loan Facility includes certain financial metrics to govern springing collateral requirements and certain covenant exceptions set forth in the Term Loan Agreement, including: (i) a total fixed charge coverage ratio of not less than 1.00 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending June 30, 2021, and not less than 1.20 to 1.00 for each fiscal quarter thereafter; (ii) an unencumbered fixed charge coverage ratio of not less than 1.05 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending June 30, 2021, and not less than 1.30 to 1.00 for each fiscal quarter thereafter; (iii) a total leverage ratio of not more than 65%; (iv) an unencumbered ratio of not more than 60%; and (v) a minimum net worth of at least \$1.2 billion. Any failure to satisfy any of these financial metrics limits the Company's ability to dispose of assets via sale or joint venture and triggers the springing mortgage and collateral requirements but will not result in an event of default. The Term Loan Facility also includes certain limitations relating to, among other activities, the Company's ability to: sell assets or merge, consolidate or transfer all or substantially all of its assets; incur additional debt; incur certain liens; enter into, terminate or modify certain material leases and/or the material agreements for the Company's properties; make certain investments (including limitations on joint ventures) and other restricted payments; pay distributions on or repurchase the Company's capital stock; and enter into certain transactions with affiliates.

The Term Loan Facility contains customary events of default, including (subject to certain materiality thresholds and grace periods) payment default, material inaccuracy of representations or warranties, and bankruptcy or insolvency proceedings. If there is an event of default, the lenders may declare all or any portion of the outstanding indebtedness to be immediately due and payable, exercise any rights they might have under any of the Term Loan Facility documents, and require the Company to pay a default interest rate on overdue amounts equal to 2.0% in excess of the then applicable interest rate.

As of December 31, 2021, the Company was not in compliance with certain of the financial metrics described above. As a result, the Company must receive the consent of Berkshire Hathaway to dispose of assets via sale or joint venture and, as of December 31, 2021, Berkshire Hathaway had provided such consent for all such transactions submitted for approval. There can be no assurance that the lender will consent to future dispositions of assets. During 2019, Berkshire Hathaway requested mortgages on a majority of the Company's portfolio which were recorded in accordance with the mortgage and collateral requirement (the "Lender Request"). There are no other changes to the terms and conditions of the Term Loan Facility, or the Company's ability to operate thereunder, as a result of providing mortgages against any of the Company's assets pursuant to the mortgage and collateral requirement. The Company accounted for the Lender Request transaction as a modification of debt as of December 31, 2019.

The Company believes it is in compliance with all other terms and conditions of the Term Loan Agreement.

The Company incurred \$2.1 million of debt issuance costs related to the Term Loan Facility which are recorded as a direct deduction from the carrying amount of the Term Loan Facility and amortized over the term of the Term Loan Agreement. As of December 30, 2021 and 2020, the unamortized balance of the Company's debt issuance costs were \$0.7 million and \$1.1 million, respectively.

On May 5, 2020, the Operating Partnership and Berkshire Hathaway entered into the Term Loan Amendment by and among the Operating Partnership and Berkshire Hathaway as initial lender and administrative agent that permits the deferral of payment of interest under the Term Loan Agreement if, as of the first day of each applicable month, (x) the amount of unrestricted and unencumbered (other than liens created under the Term Loan Agreement) cash on hand of the Operating Partnership and its subsidiaries, minus (y) the aggregate amount of anticipated necessary expenditures for such period (such sum, “Available Cash”) is equal to or less than \$30.0 million. In such instances, for each interest period, the Operating Partnership is obligated to make payments of interest in an amount equal to the difference between (i) Available Cash and (ii) \$20.0 million (provided that such payment shall not exceed the amount of current interest otherwise due under the Term Loan Agreement). Any deferred interest shall accrue interest at 2.0% in excess of the then applicable interest rate and shall be due and payable on July 31, 2023; provided, that the Operating Partnership is required to pay any deferred interest from Available Cash in excess of \$30.0 million (unless otherwise agreed to by the administrative agent under the Term Loan Agreement in its sole discretion). In addition, repayment of any outstanding deferred interest is a condition to any borrowings under the Incremental Funding Facility under the Term Loan Agreement. The Company has paid all interest due under the Term Loan Agreement and has not deferred any interest as permitted under the Term Loan Amendment.

Additionally, the Term Loan Amendment provides that the administrative agent and the lenders express their continued support for asset dispositions, subject to the administrative agent’s right to approve the terms of individual transactions due to the occurrence of a Financial Metric Trigger Event, as such term is defined under the Term Loan Facility.

On November 24, 2021, the Operating Partnership, the Company and Berkshire Hathaway entered into an amendment (the “Second Term Loan Amendment”) to the Term Loan Agreement by and among the Operating Partnership, the Company and Berkshire Hathaway to which the Operating Partnership, the Company and Berkshire Hathaway mutually agreed that (i) the “make whole” provision in the Senior Secured Term Loan Agreement shall not be applicable to prepayments of principal ; and (ii) the Senior Secured Term Loan Agreement, as amended for (i) above, may at the Operating Partnership’s election be extended for two years from July 31, 2023 to July 31, 2025 (the “Maturity Date”) if its principal has been reduced to \$800 million by the Maturity Date. If it has not been reduced to this limit by the Maturity Date, the loan will be due and payable on that date. In all other respects, the Senior Secured Term Loan Agreement remains unchanged.

The Company currently anticipates it will continue to use sales of Consolidated Properties as the primary source of capital to repay principal on the Term Loan and its obligations.

Preferred Shares

As of December 31, 2021, we had 2,800,000 7.00% Series A Cumulative Redeemable Preferred Shares (the “Series A Preferred Shares”) outstanding. We may not redeem the Series A Preferred Shares before December 14, 2022, except to preserve our status as a REIT or upon the occurrence of a Change of Control, as defined in the trust agreement addendums designating the Series A Preferred Shares. On and after December 14, 2022, we may redeem any or all of the Series A Preferred Shares at \$25.00 per share plus any accrued and unpaid dividends.

Dividends and Distributions

The Company’s Board of Trustees did not declare dividends on the Company’s Class A common shares during 2021. The last dividend on the Company’s Class A and C common shares that the Board of Trustees declared was on February 25, 2019, which was paid on April 11, 2019 to shareholders of record on March 29, 2019.

The Company’s Board of Trustees also declared the following dividends on Company’s Series A Preferred Shares during 2022, 2021 and 2020:

Declaration Date	Record Date	Payment Date	Preferred Share
2022			
February 16	March 31	April 15	\$ 0.43750
2021			
October 26	December 31	January 14, 2022	\$ 0.43750
July 27	September 30	October 15	0.43750
April 27	June 30	July 15	0.43750
February 23	March 31	April 15	0.43750
2020			
December 17	December 31	January 15, 2021	\$ 0.43750
September 17	September 30	October 15	0.43750
June 9	June 30	July 15	0.43750
February 18	March 31	April 15	0.43750

Our Board of Trustees will continue to assess the Company’s investment opportunities and its expectations of taxable income in its determination of future distributions, if any.

Minimum Cash Requirements

Our contractual obligations relate to our Term Loan Facility and non-cancelable operating leases in the form of a ground lease at one of our properties, as well as an operating lease for our corporate office.

Information concerning our obligations and commitments to make future payments under contracts for these loan and lease agreements as of December 31, 2021 is aggregated in the following table (in thousands):

Minimum Cash Requirements	Total	Payments due by Period			
		Within 1 year	1 - 3 years	3 - 5 years	After 5 years
Long-term debt (1)	\$ 1,610,538	\$ 106,698	\$ 1,503,840	\$ —	\$ —
Operating leases	9,731	1,044	3,412	3,250	2,025
Total	<u>\$ 1,620,269</u>	<u>\$ 107,742</u>	<u>\$ 1,507,252</u>	<u>\$ 3,250</u>	<u>\$ 2,025</u>

(1) Includes expected interest payments.

Capital Expenditures

During the year ended December 31, 2021 the Company invested \$105.7 million in our consolidated development and operating properties and an additional \$38.6 million into our unconsolidated joint ventures.

The Company also continued to advance its previously underway premier projects in Aventura, FL, Santa Monica, CA, and La Jolla, CA, and its pipeline of such projects, including its two previously announced multifamily projects, in Redmond, WA, and Dallas, TX, each of which represents the first phase of larger, mixed-use developments. A premier mixed use project in San Diego, CA and a multifamily project in Lynwood, WA, both in Unconsolidated Entities, opened in the fourth quarter of 2021.

During the year ended December 31, 2021, the Company, together with Foulger-Pratt and The Howard Hughes Corporation (NYSE: HHC), announced that it had entered into an agreement to advance the development of a 4.0 million-square-foot mixed-use community to include a new hospital campus at its Alexandria, VA property.

During the years ended December 31, 2021 and 2020, we incurred maintenance capital expenditures of approximately \$2.6 million that were not associated with retenanting and redevelopment projects, respectively.

Cash Flows for the Year Ended December 31, 2021 Compared to December 31, 2020

The following table summarizes the Company's cash flow activities for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,		\$ Change
	2021	2020	
Net cash (used in) operating activities	\$ (135,996)	\$ (47,314)	\$ (88,682)
Net cash provided by investing activities	260,707	42,868	217,839
Net cash (used in) provided by financing activities	(161,212)	15,440	(176,652)

Cash Flows from Operating Activities

Significant components of net cash used in operating activities include:

—In 2021, a decrease in rental income and a decrease in accounts payable, accrued expenses and other liabilities, partially offset by a decrease in tenant and other receivables.

—In 2020, a decrease in rental income due primarily to a reduction in the number of properties leased to Sears or Kmart under the Holdco Master Lease, as a result of termination activity and an increase in tenant and other receivables due to Rent Deferral Agreements, partially offset by an increase in accounts payable, accrued expenses and other liabilities.

Cash Flows from Investing Activities

Significant components of net cash provided by (used in) investing activities include:

—In 2021, \$381.4 million of net proceeds from the sale of real estate offset by development of real estate of (\$105.7) million and investments in unconsolidated entities of (\$38.6) million; and

—In 2020, development of real estate and property improvements of (\$246.8) million and investments in unconsolidated entities of \$(62.9) million, partially offset by \$331.9 million of net proceeds from the sale of real estate and \$13.1 million of net proceeds from the sale of members' interests in two unconsolidated entities.

Cash Flows from Financing Activities

Significant components of net cash provided by financing activities include:

–In 2021, (\$160.0) million cash repayment of Term Loan Facility principal, and (\$4.9) million cash payment of preferred dividends, partially offset by \$4.0 million contributions from noncontrolling interest in other partnerships;

–In 2020, \$20.4 million cash proceeds from sales-leaseback financing partially offset by (\$4.9) million cash payments of preferred dividends.

Litigation and Other Matters

In accordance with accounting standards regarding loss contingencies, the Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and the Company discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued or discloses the fact that such a range of loss cannot be estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. We do not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. In such cases, we disclose the nature of the contingency, and an estimate of the possible loss, range of loss, or disclose the fact that an estimate cannot be made.

During the Sears Holdings bankruptcy proceedings, the Official Committee of Unsecured Creditors of Sears Holdings (the “UCC”) and others, including the Restructuring Subcommittee of the Board of Directors of Sears Holdings, alleged that the 2015 Transactions between us and Sears Holdings constituted a fraudulent conveyance, and indicated an intent to pursue litigation challenging the 2015 Transactions on that and other grounds. The approval of the Holdco Acquisition by the Bankruptcy Court expressly preserved claims relating to the 2015 Transactions between us and Sears Holdings.

On April 18, 2019, at the direction of the Restructuring Sub-Committee of the Restructuring Committee of the Board of Directors of Sears Holdings, Sears Holdings, Sears, Roebuck & Co., Sears Development Co., Kmart Corporation, and Kmart of Washington, LLC filed a lawsuit (the “Litigation”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) against, among others, Edward S. Lampert, ESL Investments, Inc. and certain of its affiliates and investors, Fairholme Capital Management, L.L.C., certain members of the Sears Holdings board of directors, and the Company, the Operating Partnership, and certain of our affiliates and subsidiaries (the Company, the Operating Partnership, and certain of our affiliates and subsidiaries collectively, the “Seritage Defendants”). The Litigation is dual captioned as In re: Sears Holdings Corporation, et al., Case No. 18-23538 (RDD) and Sears Holdings Corporation et al., v. Lampert et al., Case No. 19-08250 (RDD).

The Litigation alleges, among other things, that certain transactions undertaken by Sears Holdings since 2011 constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings. The challenged transactions include the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings. The Litigation alleges, among other things, that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth at least \$649 to \$749 million more than the purchase price paid. The Litigation seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers and either (i) rescission of the transfers of real estate from Sears Holdings to Seritage in 2015 and return of the proceeds of the transactions between Sears Holdings and Seritage, or, in the alternative, (ii) payment by Seritage to Sears Holdings of damages at least equal to the value of the transferred property.

On October 15, 2019, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings and its affiliated debtors (the “Chapter 11 Plan”). Pursuant to the terms of the Confirmation Order, upon the effective date of the Chapter Plan, a liquidating trust will be formed, and the Litigation will vest in the liquidating trust. The Confirmation Order further provides that, prior to the effective date of the Chapter 11 Plan and the formation of the liquidating trust, the Litigation shall be controlled by five litigation designees selected by Sears Holdings and the Unsecured Creditors’ Committee (the “UCC”). For further information, refer to the Chapter 11 Plan, Confirmation Order and liquidating trust agreement, each of which has been publicly filed with the Bankruptcy Court.

On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the operative complaint in the Litigation relating to the release received in the Sears Holdings derivative litigation, unjust enrichment, and equitable subordination. Briefing and oral argument on the motions were completed in August 2020, and the parties are awaiting a decision. The Company believes that the claims against the Seritage Defendants in the Litigation are without merit and intends to defend against them vigorously.

On March 15, 2021, the Court consolidated the Litigation with a case captioned Sears Holding Corp. et al. v. Andrew H. Tisch, et al., Case No. 20-07007 (RDD) (the “Shareholder Litigation,” and, together with the Litigation, the “Consolidated Litigation”). The Shareholder Litigation was brought by the UCC, Sears Holdings Corporation, and Sears, Roebuck and Co., against certain shareholders of Sears Holdings or its related companies. Seritage was not named as a defendant in the Shareholder Litigation, which alleges, among other things, that certain transactions undertaken by Sears Holdings since 2014 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends. We believe that the claims against the Seritage Defendants in the Litigation are without merit and intend to defend against them vigorously.

On March 2, 2021, the Company brought a lawsuit in Delaware state court against QBE Insurance Corporation, Endurance American Insurance Company, Allianz Global Risks US Insurance Company and Continental Casualty Company, each of which are D&O insurance providers of the Company (the “D&O Insurers”). The Company’s lawsuit is seeking, among other things, declaratory relief and money damages as a result of certain of the D&O Insurers refusal to pay certain costs and expenses related to the defense of the Litigation discussed above.

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, the final outcome of such ordinary course legal proceedings and claims will not have a material effect on the consolidated financial position, results of operations or liquidity of the Company.

Critical Accounting Estimates

In preparing the consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Refer to the discussion of our accounting policies included in Note 2 to the audited consolidated financial statements in Part II, Item 8 of this Annual Report.

Real Estate Investments

The Company on a periodic basis, assesses whether there are indicators, including macroeconomic conditions, that the value of the real estate assets may be impaired. If an indicator is identified, management will estimate the real estate asset recoverability based on projected operating cash flows (undiscounted and unleveraged), taking into account the anticipated holding period and capitalization rates, to determine if the undiscounted cash flows are less than a real estate asset’s carrying value. If the carrying value of an asset exceeds the undiscounted cash flows, an analysis is performed to determine the estimated fair value of the real asset. In estimating the fair value of an asset, various factors are considered, including expected future operating income, trends and leasing prospects including the effects of demand, competition, and other economic factors such as discount rates and market comparables. Changes in any estimates and/or assumptions, including the anticipated holding period, could have a material impact on the projected operating cash flows. If management determines that the carrying value of a real estate asset is impaired, a loss will be recorded for the excess of its carrying amount over its estimated fair value. The Company recognized \$95.8 million and \$64.1 million in impairment losses for the years ended December 31, 2021 and 2020.

Investments in Unconsolidated Entities

On a periodic basis, management assesses whether there are indicators, including the operating performance of the underlying real estate and general market conditions which include macroeconomic conditions that the value of the Company's investments in unconsolidated entities may be impaired. An investment's value is impaired if management's estimate of the fair value of the Company's investment is less than its carrying value and such difference is deemed to be other-than-temporary. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over its estimated fair value. No such impairment losses were recognized for the years ended December 31, 2021 or 2020.

Revenue Recognition

We evaluate on an individual lease basis whether it is probable that we will collect substantially all amounts due from our tenants and recognize changes in the collectability assessment of our operating leases as adjustments to rental revenue. Management exercises judgment in assessing collectability of tenant receivables and considers payment history, current credit status, publicly available information about the financial condition of the tenant, the impact of COVID-19 on tenants' businesses, and other factors. Our assessment of the collectability of tenant receivables can have a significant impact on the rental revenue recognized in our consolidated statements of income.

Recent Accounting Pronouncements

Refer to Note 2 of the consolidated financial statements for recently issued accounting pronouncements.

Non-GAAP Supplemental Financial Measures and Definitions

The Company makes reference to NOI, Total NOI, FFO and Company FFO which are financial measures that include adjustments to GAAP.

Net Operating Income ("NOI") and Total NOI

NOI is defined as income from property operations less property operating expenses. Other REITs may use different methodologies for calculating NOI, and accordingly, the Company's depiction of NOI may not be comparable to other REITs. The Company believes NOI provides useful information regarding Seritage, its financial condition, and results of operations because it reflects only those income and expense items that are incurred at the property level.

The Company also uses Total NOI, which includes its proportional share of Unconsolidated Properties. The Company believes this form of presentation offers insights into the financial performance and condition of the Company as a whole given our ownership of Unconsolidated Properties that are accounted for under GAAP using the equity method.

The Company also considers NOI and Total NOI to be a helpful supplemental measure of its operating performance because it excludes from NOI variable items such as termination fee income, as well as non-cash items such as straight-line rent and amortization of lease intangibles.

Due to the adjustments noted, NOI and Total NOI should only be used as an alternative measure of the Company's financial performance.

Funds from Operations ("FFO") and Company FFO

FFO is calculated in accordance with National Association of REITs ("Nareit") which defines FFO as net income computed in accordance with GAAP, excluding gains (or losses) from property sales, real estate related depreciation and amortization, and impairment charges on depreciable real estate assets. The Company considers FFO a helpful supplemental measure of the operating performance for equity REITs and a complement to GAAP measures because it is a recognized measure of performance by the real estate industry.

The Company makes certain adjustments to FFO, which it refers to as Company FFO, to account for certain non-cash and non-comparable items, such as termination fee income, unrealized loss on interest rate cap, litigation charges, acquisition-related expenses, amortization of deferred financing costs and certain up-front-hiring costs, that it does not believe are representative of ongoing operating results.

Due to the adjustments noted, FFO and Company FFO should only be used as an alternative measure of the Company's financial performance.

Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

None of NOI, Total NOI, FFO and Company FFO are measures that (i) represent cash flow from operations as defined by GAAP; (ii) are indicative of cash available to fund all cash flow needs, including the ability to make distributions; (iii) are alternatives to cash flow as a measure of liquidity; or (iv) should be considered alternatives to net income (which is determined in accordance with GAAP) for purposes of evaluating the Company's operating performance. Reconciliations of these measures to the respective GAAP measures we deem most comparable are presented below on a comparative basis for all periods.

The following table reconciles NOI and Total NOI to GAAP net loss for the years ended December 31, 2021, 2020 and 2019 (in thousands):

NOI and Total NOI	Year Ended December 31,		
	2021	2020	2019
Net loss	\$ (38,985)	\$ (152,964)	\$ (90,603)
Termination fee income	(3,378)	(7,604)	(5,545)
Management and other fee income	(1,032)	(293)	(1,598)
Depreciation and amortization	51,199	95,997	104,581
General and administrative expenses	41,949	28,849	39,156
Equity in loss of Unconsolidated Properties	9,226	4,712	17,994
Gain on sale of interests in Unconsolidated Properties	—	(1,758)	—
Gain on sale of real estate	(221,681)	(88,555)	(71,104)
Impairment on real estate assets	95,826	64,108	—
Interest and other income	(9,285)	(3,394)	(6,824)
Interest expense	107,975	91,316	94,519
Provision for income taxes	196	252	196
Straight-line rent adjustment	(2,269)	4,983	(15,590)
Above/below market rental income/expense	176	(1,793)	(495)
NOI	<u>\$ 29,917</u>	<u>\$ 33,856</u>	<u>\$ 64,687</u>
Unconsolidated entities (1)			
NOI of Unconsolidated Properties (2)	6,942	6,122	9,851
Straight-line rent	(885)	(681)	(152)
Above/below market rental income/expense	131	(713)	(1,719)
Termination fee income	(588)	(827)	—
Total NOI	<u>\$ 35,517</u>	<u>\$ 37,757</u>	<u>\$ 72,667</u>

(1) Activity represents the Company's proportionate share of unconsolidated entity activity.

(2) NOI of Unconsolidated Properties excludes depreciation and amortization, gains, losses and impairments and management and administrative costs.

The following table reconciles FFO and Company FFO to GAAP net loss the years ended December 31, 2021, 2020, and 2019 (in thousands):

FFO and Company FFO	Year Ended December 31,		
	2021	2020	2019
Net loss	\$ (38,985)	\$ (152,964)	\$ (90,603)
Real estate depreciation and amortization	49,758	93,963	102,439
Real estate depreciation and amortization (Unconsolidated Properties)	13,771	9,108	30,375
Gain on sale of interests in Unconsolidated Properties	—	(1,758)	—
Gain on sale of real estate	(221,681)	(88,555)	(71,104)
Impairment on real estate assets	95,826	64,108	—
Gains, losses and impairments of real estate (Unconsolidated Properties)	544	—	—
Dividends on preferred shares	(4,900)	(4,900)	(4,900)
FFO attributable to common shareholders and unitholders	<u>\$ (105,667)</u>	<u>\$ (80,998)</u>	<u>\$ (33,793)</u>
Termination fee income	(3,378)	(7,604)	(5,545)
Unconsolidated Property termination fee income	(588)	(827)	—
Amortization of deferred financing costs	422	421	434
Mortgage recording costs	2,383	—	5,008
Severance costs	3,506	425	—
Restructuring costs	2,009	—	—
Company FFO attributable to common shareholders and unitholders	<u>\$ (101,313)</u>	<u>\$ (88,583)</u>	<u>\$ (33,896)</u>
FFO per diluted common share and unit	<u>\$ (1.89)</u>	<u>\$ (1.45)</u>	<u>\$ (0.61)</u>
Company FFO per diluted common share and unit	<u>\$ (1.81)</u>	<u>\$ (1.59)</u>	<u>\$ (0.61)</u>
Weighted Average Common Shares and Units Outstanding			
Weighted average common shares outstanding	42,393	38,298	36,413
Weighted average OP Units outstanding	13,566	17,576	19,387
Weighted average common shares and units outstanding	<u>55,959</u>	<u>55,874</u>	<u>55,800</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2021, we had \$1.44 billion of consolidated debt, all of which is borrowed under our fixed-rate Term Loan Facility and an additional \$20.6 million of sales-leaseback financing which is based on a fixed term and imputed interest rate and therefore, neither are subject to interest rate fluctuations.

As of December 31, 2021, the estimated fair value of our consolidated debt was \$1.5 billion. The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Consolidated Financial Statements and Consolidated Financial Statement Schedule beginning on page F-1 for the required information.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2021, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control—Integrated Framework (2013)." Based on this assessment, management believes that, as of December 31, 2021, the Company maintained effective internal controls over financial reporting. Deloitte & Touche LLP, the independent registered public accounting firm who audited our consolidated financial statements contained in this Form 10-K, has issued a report on our internal control over financial reporting, which is included herein.

Changes in Internal Controls over Financial Reporting

There were no changes in internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference to our definitive proxy statement with respect to our 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference to our definitive proxy statement with respect to our 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference to our definitive proxy statement with respect to our 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated by reference to our definitive proxy statement with respect to our 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is hereby incorporated by reference to our definitive proxy statement with respect to our 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Consolidated Financial Statements and Consolidated Financial Statement Schedule.

The consolidated financial statements and consolidated financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule are filed as part of this Annual Report.

(b) Exhibits.

Exhibit No.	Description	SEC Document Reference
2.1	<u>Subscription, Distribution and Purchase and Sale Agreement, dated as of June 8, 2015, by and between Seritage Growth Properties and Sears Holdings Corporation</u>	Incorporated by reference to Exhibit 2.1 to our Registration Statement on Form S-11, filed on June 9, 2015.
3.1	<u>Articles of Amendment and Restatement</u>	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on July 10, 2015.
3.2	<u>Articles Supplementary Establishing and Fixing the Rights and Preferences of 7.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share</u>	Incorporated by reference to Exhibit 3.1 to our Registration Statement on Form 8-A, filed on December 14, 2017.
3.3	<u>Amended and Restated Bylaws</u>	Incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10-Q, filed on May 3, 2019.
4.1	<u>Registration Rights Agreement by and among Seritage Growth Properties, ESL Investments, Inc., and Seritage Growth Properties, L.P., dated as of July 7, 2015</u>	Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K, filed on July 10, 2015.
4.2	<u>Form of specimen certificate evidencing the 7.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share</u>	Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 8-A, filed on December 14, 2017.
4.3	<u>Description of Capital Stock of Seritage Growth Properties Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>	Incorporated by reference to Exhibit 4.3 to our Annual Report on Form 10-K, filed on March 2, 2020.
10.1	<u>Transition Services Agreement by and between Sears Holdings Management Corporation and Seritage Growth Properties, L.P., dated as of July 7, 2015</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 10, 2015.
10.2	<u>Amended and Restated Agreement of Limited Partnership of Seritage Growth Properties, L.P., dated as of December 14, 2017</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 14, 2017.
10.3*	<u>Holdco Master Lease by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, Transform SR Operations LLC and Transform KM Operations LLC, dated as of February 28, 2019</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 15, 2019.
10.4*	<u>Side Letter to Holdco Master Lease, by and among Seritage KMT Finance LLC, Seritage SRC Finance LLC, Transform SR Operations LLC and Transform KM Operations LLC, dated as of February 28, 2019</u>	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 15, 2019.
10.5	<u>Mortgage Loan Agreement by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, certain other subsidiaries of Operating Partnership, JPMorgan Chase Bank, National Association and H/2 SO III Funding LLC, dated as of July 7, 2015</u>	Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on July 10, 2015.

10.6	<u>Omnibus Amendment to the Mortgage Loan Agreement, dated as of September 28, 2015, by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, certain other subsidiaries of Operating Partnership, Seritage Growth Properties, Seritage Growth Properties L.P., JPMorgan Chase Bank, National Association and H/2 SO III Funding LLC</u>	Incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K, filed on March 1, 2017.
10.7	<u>Second Amendment to Mortgage Loan Agreement, dated as of November 8, 2016, by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, certain other subsidiaries of Operating Partnership, Seritage Growth Properties, Seritage Growth Properties L.P. and Wells Fargo Bank, National Association</u>	Incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K, filed on March 1, 2017.
10.8	<u>Mezzanine Loan Agreement by and among Seritage SRC Mezzanine Finance LLC, Seritage KMT Mezzanine Finance LLC, JPMorgan Chase Bank, National Association and H/2 Special Opportunities III Corp., dated as of July 7, 2015</u>	Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, filed on July 10, 2015.
10.9	<u>Omnibus Amendment to Mezzanine Loan Agreement, dated as of September 28, 2015, by and among Seritage SRC Mezzanine Finance LLC, Seritage KMT Mezzanine Finance LLC, Seritage Growth Properties, Seritage Growth Properties L.P., JPMorgan Chase Bank, National Association and H/2 Special Opportunities III Corp.</u>	Incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K, filed on March 1, 2017.
10.10	<u>Second Amendment to Mezzanine Loan Agreement, dated as of November 8, 2016, by and among Seritage SRC Mezzanine Finance LLC, Seritage KMT Mezzanine Finance LLC, Seritage Growth Properties, Seritage Growth Properties, L.P. and Wells Fargo Bank, National Association</u>	Incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K, filed on March 1, 2017.
10.11	<u>Third Amendment to Mezzanine Loan Agreement, entered into as of November 8, 2017 and effective as of June 30, 2017, by and among Seritage SRC Mezzanine Finance LLC, Seritage KMT Mezzanine Finance LLC, Seritage Growth Properties, Seritage Growth Properties, L.P. and Wells Fargo Bank, National Association</u>	Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K, filed on February 28, 2018.
10.12	<u>Term Loan Facility by and among Seritage Growth Properties, L.P., Seritage Growth Properties, JPP, LLC and JPP II, LLC, dated as of February 23, 2017</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on February 24, 2017.
10.13	<u>Senior Unsecured Term Loan Agreement, dated as of December 27, 2017, among Seritage Growth Properties, L.P., Seritage Growth Properties, JPP, LLC, JPP II, LLC and Empyrean Investments, LLC, as lenders, and JPP, LLC, as administrative agent</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 28, 2017.
10.14†	<u>Form of Seritage Growth Properties 2015 Share Plan</u>	Incorporated by reference to Exhibit 10.6 to our Registration Statement on Form S-11, filed on May 11, 2015.
10.15†	<u>Seritage Growth Properties Restricted Share Agreement</u>	Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, filed on July 10, 2015.
10.16†	<u>Form of Seritage Growth Properties Restricted Share Agreement</u>	Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K, filed on March 1, 2017.

10.17†	<u>Form of Seritage Growth Properties Sign-On P-RSU Restricted Share Agreement</u>	Incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K, filed on July 10, 2015.
10.18†	<u>Form of Seritage Growth Properties Time-Vesting Restricted Share Unit Agreement</u>	Incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K, filed on July 10, 2015.
10.19†	<u>Form of Seritage Growth Properties Annual P-RSU Restricted Share Agreement</u>	Incorporated by reference to Exhibit 10.9 to our Current Report on Form 8-K, filed on July 10, 2015.
10.20†	<u>Employment Agreement with Brian Dickman, dated as of July 6, 2015</u>	Incorporated by reference to Exhibit 10.10 to our Current Report on Form 8-K, filed on July 10, 2015.
10.21†	<u>Employment Agreement with Mary Rottler, dated as of June 2, 2015</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on June 19, 2015.
10.22†	<u>Employment Agreement, dated April 17, 2015, between Benjamin Schall and Seritage Growth Properties</u>	Incorporated by reference to Exhibit 10.8 to our Registration Statement on Form S-11, filed on May 26, 2015.
10.23†	<u>Letter Agreement, dated April 30, 2015, among Seritage Growth Properties, Seritage Growth Properties, L.P. and Benjamin Schall</u>	Incorporated by reference to Exhibit 10.9 to our Registration Statement on Form S-11, filed on May 26, 2015.
10.24†	<u>Letter Agreement, dated May 15, 2015, between Matthew Fernand and Seritage Growth Properties</u>	Incorporated by reference to Exhibit 10.10 to our Registration Statement on Form S-11, filed on May 26, 2015.
10.25†	<u>Letter Agreement, dated May 13, 2015, between James Bry and Seritage Growth Properties</u>	Incorporated by reference to Exhibit 10.11 to our Registration Statement on Form S-11, filed on May 26, 2015.
10.26	<u>Exchange Agreement by and among Seritage Growth Properties, Seritage Growth Properties, L.P., ESL Partners, L.P., and Edward S. Lampert, dated as of June 26, 2015</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 2, 2015.
10.27	<u>Exchange Agreement by and among Seritage Growth Properties and Fairholme Capital Management, L.L.C., dated as of June 30, 2015</u>	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on July 2, 2015.
10.28	<u>Senior Secured Term Loan Agreement, dated July 31, 2018, among Seritage Growth Properties, Seritage Growth Properties, L.P. and Berkshire Hathaway Life Insurance Company of Nebraska</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 31, 2018.
10.29†	<u>Employment Agreement, dated May 2, 2018, among Seritage Growth Properties, Seritage Growth Properties, L.P. and Benjamin Schall</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 7, 2018.
10.30†	<u>Employment Agreement, dated May 16, 2018, among Seritage Growth Properties, Seritage Growth Properties, L.P. and Kenneth Lombard</u>	Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, filed on August 3, 2018.
10.31†	<u>Form of Seritage Growth Properties Time-Vesting Restricted Share Unit Agreement – 2018 Incentive RSUs</u>	Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q, filed on August 3, 2018.
10.32†	<u>Form of Seritage Growth Properties Performance-Vesting Restricted Share Unit Agreement – 2018 Incentive P-RSUs</u>	Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q, filed on August 3, 2018.
10.33	<u>First Amendment to the Master Lease, effective as of October 29, 2019, by and among Seritage SRC Finance LLC and Seritage KMT Finance LLC</u>	Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K, filed on March 2, 2020.

10.34	<u>Amendment No. 1 to Senior Secured Term Loan Agreement, dated May 5, 2020, among Seritage Growth Properties, L.P. and Berkshire Hathaway Life Insurance Company of Nebraska</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 8, 2020.
10.35	<u>Master Lease Modification and Settlement Agreement, dated as of June 3, 2020, by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, Transform SR Operations LLC and Transform KM Operations LLC</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on June 4, 2020.
10.36	<u>Second Master Lease Modification and Settlement Agreement, dated December 02, 2020, by and among Seritage SRC Finance LLC, Seritage KMT Finance LLC, Transform SR Operations LLC and Transform KM Operations LLC</u>	Incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K, filed on March 15, 2021.
10.37†	<u>Employment Agreement, dated February 7, 2021, among Seritage Growth Properties, Seritage Growth Properties, L.P. and Andrea Olshan</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on February 9, 2021.
10.38	<u>Amendment No. 2 to Senior Secured Term Loan Agreement, dated November 24, 2021, among Seritage Growth Properties, L.P. and Berkshire Hathaway Life Insurance Company of Nebraska</u>	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on November 26, 2021.
21.1	<u>List of subsidiaries</u>	Filed herewith.
23.1	<u>Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm</u>	Filed herewith.
31.1	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
31.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	Filed herewith.
32.1	<u>Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</u>	Furnished herewith.
32.2	<u>Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</u>	Furnished herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith.

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SERITAGE GROWTH PROPERTIES

Dated: March 15, 2022

/s/ Andrea Olshan

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrea Olshan Andrea Olshan	Chief Executive Officer and President (principal executive officer)	March 15, 2022
/s/ John Garilli John Garilli	Interim Chief Financial Officer (principal financial and accounting officer)	March 15, 2022
/s/ David S. Fawer David S. Fawer	Trustee	March 15, 2022
/s/ John T. McClain John T. McClain	Trustee	March 15, 2022
/s/ Sharon Osberg Sharon Osberg	Trustee	March 15, 2022
/s/ Thomas M. Steinberg Thomas M. Steinberg	Trustee	March 15, 2022
/s/ Allison Thrush Allison Thrush	Trustee	March 15, 2022

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SERITAGE GROWTH PROPERTIES

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AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

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All other schedules are omitted since the required information is either not present in any amounts, is not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements and related notes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of Seritage Growth Properties

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Seritage Growth Properties and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Liquidity — Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company’s primary uses of cash include the payment of property operating and other expenses, including general and administrative expenses and debt service (collectively, “Obligations”), and certain development expenditures. Property rental income, which is the Company’s primary source of operating cash flow, did not fully fund Obligations and certain development expenditures incurred during the year ended December 31, 2021. Obligations and certain development expenditures are projected to continue to exceed property rental income until the Company has redeveloped a majority of its portfolio and additional tenants have moved into the redeveloped sites and commenced paying rent.

The Company expects to fund its Obligations and certain development expenditures with cash on hand and sales of properties, subject to any approvals that may be required under the Company’s term loan facility.

We identified the Company's liquidity disclosure as a critical audit matter because of the significant judgments in management's plans to fund its Obligations and certain development expenditures. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate management's conclusion that it is probable the Company's plans will be effectively implemented within one year after the date the financial statements are issued and will provide the necessary cash flows to fund the Company's Obligations and certain development expenditures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's liquidity disclosure included the following, among others:

- We tested the effectiveness of the controls over management's plan, key assumptions, and related disclosures.
- We tested management's key assumptions, including projected rental income and property operating costs by comparing such assumptions to underlying lease agreements and historical operating costs.
- We evaluated management's estimates relating to development expenditures by comparing to underlying development budgets and costs spent to date.
- We evaluated the timing and likelihood of potential asset sales by comparing expected proceeds to executed contracts, comparable market information and historical transactions executed by the Company.
- We engaged in discussions with management regarding the Company's intent and ability to generate the planned capital through sales of properties.
- We evaluated management's plans in the context of other audit evidence and analyzed external filings and press releases to determine whether it supported or contradicted the conclusion reached by management.

Real Estate Investments – Impairment — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company, on a periodic basis, assesses whether there are indicators that carrying value of real estate assets may not be recoverable. If an indicator is identified, management will estimate the real estate asset recoverability based on projected operating cash flows to determine whether the undiscounted cash flows exceed the real estate asset's carrying value. If the undiscounted cash flows are less than carrying value of a real estate asset, an analysis is performed to determine the estimated fair value of the real estate asset. If management determines that the carrying value of a real estate asset is impaired, a loss will be recorded on a real estate asset for the excess of its carrying value over its estimated fair value.

The Company makes significant assumptions in estimating future undiscounted cash flows, including capitalization rates and, as necessary, the discount rate and sales comparables to determine the estimated fair value of real estate assets. The Company recorded approximately \$96 million of impairment losses for the year ended December 31, 2021.

The Company's assumptions used in estimating the undiscounted cash flow for real estate assets and the estimated fair value for real estate assets when not recoverable, is subjective and requires judgment. Because of this, auditing these assumptions required a high degree of auditor judgment and extensive auditor effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to evaluating management's estimated undiscounted cash flows and the estimated fair value of real estate assets included the following, among others:

- We tested the effectiveness of the controls over management's evaluation of real estate assets for impairment, specifically controls over the estimated undiscounted cash flows and the estimated fair value of real estate assets.
- We evaluated whether the assumptions were consistent with evidence obtained in other areas of the audit and industry reports.
- We engaged in discussions with management to evaluate the Company's plans to develop an asset or dispose of an asset when evaluating the assumptions made by management.

- We evaluated the Company's determination of the estimated undiscounted cash flows for those assets with impairment indicators and, as necessary, the estimated fair value for assets that the carrying value was determined not to be recoverable by performing the following:
 - oWith the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology; (2) significant assumptions made, including testing the source information underlying the determination of the capitalization rates and, as necessary, discount rates and sales comparables and (3) mathematical accuracy of the cash flow and estimated fair value models utilized by management.

/s/ Deloitte & Touche LLP

New York, New York

March 15, 2022

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of Seritage Growth Properties

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Seritage Growth Properties and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 15, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

New York, New York

March 15, 2022

SERITAGE GROWTH PROPERTIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2020
ASSETS		
Investment in real estate		
Land	\$ 475,667	\$ 592,770
Buildings and improvements	994,221	1,107,532
Accumulated depreciation	(154,971)	(142,206)
	1,314,917	1,558,096
Construction in progress	381,194	352,776
Net investment in real estate	1,696,111	1,910,872
Real estate held for sale	-	1,864
Investment in unconsolidated entities	498,563	457,033
Cash and cash equivalents	106,602	143,728
Restricted cash	7,151	6,526
Tenant and other receivables, net	29,111	46,570
Lease intangible assets, net	14,817	18,595
Prepaid expenses, deferred expenses and other assets, net	61,783	63,755
Total assets ⁽¹⁾	<u>\$ 2,414,138</u>	<u>\$ 2,648,943</u>
LIABILITIES AND EQUITY		
Liabilities		
Term loan facility, net	\$ 1,439,332	\$ 1,598,909
Sales-leaseback financing obligations	20,627	20,425
Accounts payable, accrued expenses and other liabilities	109,379	146,882
Total liabilities ⁽¹⁾	1,569,338	1,766,216
Commitments and contingencies (Note 9)		
Shareholders' Equity		
Class A common shares \$0.01 par value; 100,000,000 shares authorized; 43,632,364 and 38,896,428 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	436	389
Series A preferred shares \$0.01 par value; 10,000,000 shares authorized; 2,800,000 shares issued and outstanding as of December 31, 2021 and December 31, 2020; liquidation preference of \$70,000	28	28
Additional paid-in capital	1,241,048	1,177,260
Accumulated deficit	(553,771)	(528,637)
Total shareholders' equity	687,741	649,040
Non-controlling interests	157,059	233,687
Total equity	844,800	882,727
Total liabilities and equity	<u>\$ 2,414,138</u>	<u>\$ 2,648,943</u>

(1) The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 2. The consolidated balance sheets, as of December 31, 2021, include the following amounts related to our consolidated VIEs, excluding the Operating Partnership: \$6.6 million of land, \$3.9 million of building and improvements, \$(0.9) million of accumulated depreciation and \$4.0 million of other assets included in other line items. No consolidated VIEs existed on the Company's consolidated balance sheets as of December 31, 2020.

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

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

	2021	Year Ended December 31, 2020	2019
REVENUE			
Rental income	\$ 115,651	\$ 116,202	\$ 167,035
Management and other fee income	1,032	293	1,598
Total revenue	116,683	116,495	168,633
EXPENSES			
Property operating	45,007	41,164	42,123
Real estate taxes	35,256	36,768	38,595
Depreciation and amortization	51,199	95,997	104,581
General and administrative	41,949	28,849	39,156
Total expenses	173,411	202,778	224,455
Gain on sale of real estate	221,681	88,555	71,104
Gain on sale of interests in unconsolidated entities	—	1,758	—
Impairment of real estate assets	(95,826)	(64,108)	—
Equity in loss of unconsolidated entities	(9,226)	(4,712)	(17,994)
Interest and other income	9,285	3,394	6,824
Interest expense	(107,975)	(91,316)	(94,519)
Loss before income taxes	(38,789)	(152,712)	(90,407)
Provision for income taxes	(196)	(252)	(196)
Net loss	(38,985)	(152,964)	(90,603)
Net loss attributable to non-controlling interests	10,836	47,938	31,206
Net loss attributable to Seritage	<u>\$ (28,149)</u>	<u>\$ (105,026)</u>	<u>\$ (59,397)</u>
Preferred dividends	(4,900)	(4,900)	(4,900)
Net loss attributable to Seritage common shareholders	<u>\$ (33,049)</u>	<u>\$ (109,926)</u>	<u>\$ (64,297)</u>
Net loss per share attributable to Seritage Class A common shareholders - Basic	<u>\$ (0.78)</u>	<u>\$ (2.87)</u>	<u>\$ (1.77)</u>
Net loss per share attributable to Seritage Class A common shareholders - Diluted	<u>\$ (0.78)</u>	<u>\$ (2.87)</u>	<u>\$ (1.77)</u>
Weighted average Class A common shares outstanding - Basic	<u>42,393</u>	<u>38,298</u>	<u>36,413</u>
Weighted average Class A common shares outstanding - Diluted	<u>42,393</u>	<u>38,298</u>	<u>36,413</u>

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

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENT OF EQUITY
(Amounts in thousands, except per share and unit amounts)

	Class A Common		Class B Common		Series A Preferred		Additional	Accumulated	Non-	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Controlling Interests	Equity
Balance at January 1, 2019	35,668	\$ 357	1,322	\$ 13	2,800	\$ 28	\$ 1,124,504	\$ (344,132)	\$ 369,688	\$ 1,150,458
Net loss	—	—	—	—	—	—	—	(59,397)	(31,206)	(90,603)
Cumulative effect of accounting change (see Note 2)	—	—	—	—	—	—	—	(1,286)	—	(1,286)
Common dividends and distributions declared (\$0.25 per share and unit)	—	—	—	—	—	—	—	(8,996)	(5,030)	(14,026)
Preferred dividends declared (\$1.75 per share)	—	—	—	—	—	—	—	(4,900)	—	(4,900)
Vesting of restricted share units	15	—	—	—	—	—	(3,523)	—	—	(3,523)
Share-based compensation	—	—	—	—	—	—	7,250	—	—	7,250
Share class surrenders (79,829 common shares)	—	—	(79)	(1)	—	—	1	—	—	—
OP Unit exchanges (1,214,577 units)	1,214	12	—	—	—	—	21,489	—	(21,501)	—
Balance at December 31, 2019	<u>36,897</u>	<u>\$ 369</u>	<u>1,243</u>	<u>\$ 12</u>	<u>2,800</u>	<u>\$ 28</u>	<u>\$ 1,149,721</u>	<u>\$ (418,711)</u>	<u>\$ 311,951</u>	<u>\$ 1,043,370</u>

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENT OF EQUITY (Continued)
(Amounts in thousands, except per share and unit amounts)

	Class A Common		Class B Common		Series A Preferred		Additional	Accumulated	Non-	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Controlling Interests	Equity
Balance at January 1, 2020	36,897	\$ 369	1,243	\$ 12	2,800	\$ 28	\$ 1,149,721	\$ (418,711)	\$ 311,951	\$ 1,043,370
Net loss	—	—	—	—	—	—	—	(105,026)	(47,938)	(152,964)
Preferred dividends declared (\$1.75 per share)	—	—	—	—	—	—	—	(4,900)	—	(4,900)
Vesting of restricted share units	97	1	—	—	—	—	(1)	—	—	—
Share-based compensation	—	—	—	—	—	—	(2,779)	—	—	(2,779)
Share class surrenders (1,242,536 common shares)	—	—	(1,243)	(12)	—	—	12	—	—	—
OP Unit exchanges (1,901,739 units)	1,902	19	—	—	—	—	30,307	—	(30,326)	—
Balance at December 31, 2020	<u>38,896</u>	<u>\$ 389</u>	<u>—</u>	<u>\$ —</u>	<u>2,800</u>	<u>\$ 28</u>	<u>\$ 1,177,260</u>	<u>\$ (528,637)</u>	<u>\$ 233,687</u>	<u>\$ 882,727</u>

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENT OF EQUITY (Continued)
(Amounts in thousands, except the per share and unit amounts)

	Class A Common		Class B Common		Series A Preferred		Additional	Accumulated	Non-	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Controlling Interests	Equity
Balance at January 1, 2021	38,896	\$ 389	—	\$ —	2,800	\$ 28	\$ 1,177,260	\$ (528,637)	\$ 233,687	\$ 882,727
Net loss	—	—	—	—	—	—	—	(28,149)	(10,836)	(38,985)
Preferred dividends declared (\$1.75 per share)	—	—	—	—	—	—	—	(4,900)	—	(4,900)
Vesting of restricted share units	88	1	—	—	—	—	(1)	—	—	—
Share-based compensation	—	—	—	—	—	—	2,000	—	—	2,000
OP Unit exchanges (4,647,943 units)	4,648	46	—	—	—	—	61,789	—	(61,835)	—
Contributions to consolidated joint ventures	—	—	—	—	—	—	—	7,915	(3,957)	3,958
Balance at December 31, 2021	<u>43,632</u>	<u>\$ 436</u>	<u>—</u>	<u>\$ —</u>	<u>2,800</u>	<u>\$ 28</u>	<u>\$ 1,241,048</u>	<u>\$ (553,771)</u>	<u>\$ 157,059</u>	<u>\$ 844,800</u>

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

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	2021	Year Ended December 31, 2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss	\$ (38,985)	\$ (152,964)	\$ (90,603)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in loss of unconsolidated entities	9,226	4,712	17,994
Distributions from unconsolidated entities	1,623	213	877
Gain on sale of interest in unconsolidated entities	—	(1,758)	—
Gain on sale of real estate	(221,681)	(88,555)	(71,104)
Impairment of real estate assets	95,826	64,108	—
Share-based compensation	1,856	(3,035)	6,845
Depreciation and amortization	51,199	95,997	104,581
Amortization of deferred financing costs	422	421	434
Amortization of above and below market leases, net	176	(1,793)	(495)
Straight-line rent adjustment	(2,269)	4,983	(15,590)
Interest on sale-leaseback financing obligations	202	—	—
Change in operating assets and liabilities			
Tenants and other receivables	5,771	9,725	2,556
Prepaid expenses, deferred expenses and other assets	(3,588)	(179)	(5,149)
Accounts payable, accrued expenses and other liabilities	(35,774)	20,811	(8,006)
Net cash used in operating activities	(135,996)	(47,314)	(57,660)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in unconsolidated entities	(38,644)	(62,891)	(54,193)
Net proceeds from disposition of interest in unconsolidated entities	—	19,551	—
Distributions from unconsolidated entities	12,584	1,150	1,884
Net proceeds from sale of real estate	392,422	331,878	140,505
Development of real estate	(105,655)	(246,820)	(387,686)
Net cash provided by (used in) investing activities	260,707	42,868	(299,490)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Term Loan Facility	(160,000)	—	—
Proceeds from sale-leaseback financing obligations	—	20,425	—
Purchase of shares related to stock grant recipients' tax withholdings	(269)	(85)	(3,523)
Preferred dividends paid	(4,900)	(4,900)	(4,900)
Common dividends paid	—	—	(17,964)
Non-controlling interests distributions paid	—	—	(10,060)
Contributions from noncontrolling interests in other partnerships	3,957	—	—
Net cash (used in) provided by financing activities	(161,212)	15,440	(36,447)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(36,501)	10,994	(393,597)
Cash, cash equivalents, and restricted cash, beginning of period	150,254	139,260	532,857
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 113,753</u>	<u>\$ 150,254</u>	<u>\$ 139,260</u>

SERITAGE GROWTH PROPERTIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(Amounts in thousands)

	2021	Year Ended December 31, 2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents at beginning of period	\$ 143,728	\$ 139,260	\$ 532,857
Restricted cash at beginning of period	6,526	—	—
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 150,254</u>	<u>\$ 139,260</u>	<u>\$ 532,857</u>
Cash and cash equivalents at end of period	\$ 106,602	\$ 143,728	\$ 139,260
Restricted cash at end of period	7,151	6,526	—
Cash and cash equivalents and restricted cash at end of period	<u>\$ 113,753</u>	<u>\$ 150,254</u>	<u>\$ 139,260</u>
	2021	Year Ended December 31, 2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash payments for interest	\$ 115,359	\$ 117,866	\$ 117,556
Capitalized interest	12,464	27,130	28,497
Income taxes paid	197	293	285
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Development of real estate financed with accounts payable	\$ 27,198	\$ 20,586	\$ 17,006
Preferred dividends declared and unpaid	1,225	1,225	1,225
Decrease in real estate, net resulting from deconsolidated properties			
Real estate, net	(6,650)	(26,977)	(17,237)
Tenants and other receivables, net	—	(610)	(2)
Lease intangible assets, net	—	(567)	(26)
Prepaid expenses, deferred expenses and other assets, net	(761)	(528)	(84)
Accounts payable, accrued expenses and other liabilities	—	547	6
Transfer to real estate assets held for sale	(1,864)	(3,411)	(5,275)
Transfer of below market asset to right of use asset	—	—	(11,005)
Recording (removal) of right of use assets	(983)	1,598	19,373
Recording (removal) of lease liabilities	983	(1,598)	(8,368)
Property delivered in exchange	—	—	(2,075)
Property received in exchange	—	—	11,326
Property received in JV distribution	—	19,300	—
Non-cash property investment in JV distribution	—	(19,300)	—

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

SERITAGE GROWTH PROPERTIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization

Seritage Growth Properties (“Seritage”) (NYSE: SRG), a Maryland real estate investment trust formed on June 3, 2015, is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”) as defined under Section 856(c) of the Internal Revenue Code (the “Code”). Seritage’s assets are held by and its operations are primarily conducted, directly or indirectly, through Seritage Growth Properties, L.P., a Delaware limited partnership (the “Operating Partnership”). Under the partnership agreement of the Operating Partnership, Seritage, as the sole general partner, has exclusive responsibility and discretion in the management and control of the Operating Partnership. Unless otherwise expressly stated or the context otherwise requires, the “Company” and “Seritage” refer to Seritage, the Operating Partnership and its owned and controlled subsidiaries.

Seritage is principally engaged in the ownership, development, redevelopment, management, sale and leasing of diversified retail and mixed-use properties throughout the United States. As of December 31, 2021, the Company’s portfolio consisted of interests in 162 properties comprised of approximately 19.2 million square feet of gross leasable area (“GLA”) or build-to-suit leased area, approximately 600 acres held for or under development and approximately 9.4 million square feet or approximately 800 acres to be disposed of. The portfolio consists of approximately 15.4 million square feet of GLA held by 137 wholly owned properties (such properties, the “Consolidated Properties”) and 3.9 million square feet of GLA held by 25 unconsolidated entities (such properties, the “Unconsolidated Properties”).

The Company commenced operations on July 7, 2015 following a rights offering to the shareholders of Sears Holdings Corporation (“Sears Holdings” or “Sears”) to purchase common shares of Seritage in order to fund, in part, the \$2.7 billion acquisition of certain of Sears Holdings’ owned properties and its 50% interests in three joint ventures which were simultaneously leased back to Sears Holdings under a master lease agreement (the “Original Master Lease” and the “Original JV Master Leases”, respectively).

As of December 31, 2021, the Company no longer had any remaining properties leased to Holdco or Sears Holdings after giving effect to the termination of the remaining five Consolidated Properties, which were completed March 15, 2021, as further described in Note 5.

COVID-19 Pandemic

The Coronavirus (“COVID-19”) pandemic has caused and continues to cause significant impacts on the real estate industry in the United States, including the Company’s properties.

As a result of the development, fluidity and uncertainty surrounding the situation, the Company expects that these conditions may change, potentially significantly, in future periods and results for the year ended December 31, 2021 may not be indicative of the impact of the COVID-19 pandemic on the Company’s business for future periods. As such, the Company cannot reasonably estimate the impact of COVID-19 on its financial condition, results of operation or cash flows over the foreseeable future.

As of December 31, 2021, the Company had collected 97% of rental income for the year ended December 31, 2021, and agreed to defer an additional 1%. While the Company intends to enforce its contractual rights under its leases, there can be no assurance that tenants will meet their future obligations or that additional rental modification agreements will not be necessary.

Liquidity

The Company’s primary uses of cash include the payment of property operating and other expenses, including general and administrative expenses and debt service (collectively, “Obligations”), and certain development expenditures. Property rental income, which is the Company’s primary source of operating cash flow, did not fully fund Obligations incurred during the year ended December 31, 2021 and the Company recorded net operating cash outflows of \$136.0 million. Additionally, the Company generated investing cash inflows of \$260.7 million during the year ended December 31, 2021, which were driven by asset sales and partially offset by development expenditures.

Obligations are projected to continue to exceed property rental income and the Company expects to fund such costs with a combination of capital sources including, cash on hand, and sales of Consolidated Properties, subject to any approvals that may be required under the Company’s Term Loan Facility, as described in Note 6. As of March 11, 2022, the Company had 13 assets under contract to sell for total anticipated proceeds of \$146.3 million, subject to customary due diligence and closing conditions. Management has determined that it is probable its plans will be effectively implemented within one year after the date the financial statements are issued and that these actions will provide the necessary cash flows to fund the Company’s obligations and development expenditures.

With regard to the period beyond one year after the financial statements are issued, the Company's Term Loan Facility, which had an outstanding balance at December 31, 2021 of \$1.44 billion and matures in July of 2023, was amended in November 2021 whereby the maturity date may be extended for two years from July 31, 2023 to July 31, 2025 if its aggregate principal balance has been reduced to \$800 million by July 31, 2023. If the principal balance is not reduced to \$800 million by July 31, 2023, the loan will be due and payable on that date. The Company currently anticipates it will continue to use sales of Consolidated Properties as the primary source of capital to repay principal on the Term Loan, its obligations and certain development expenditures.

On March 1, 2022, the Company announced that its Board of Trustees had commenced a process to review a broad range of strategic alternatives. The Board has created a Special Committee (the "Special Committee") of the Company's Board of Trustees to oversee the process. The Special Committee has retained Barclays as its financial advisor. The Company is in the early stages of the strategic review process. There can be no assurance that the review process will result in any transaction or any strategic change at this time.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company, the Operating Partnership, each of their consolidated properties, and all other entities in which they have a controlling financial interest. For entities that meet the definition of a variable interest entity ("VIE"), the Company consolidates those entities when the Company is the primary beneficiary of the entity. The Company is determined to be the primary beneficiary when it possesses both the unilateral power to direct activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company continually evaluates whether it qualifies as the primary beneficiary and reconsiders its determination of whether an entity is a VIE upon reconsideration events. As of December 31, 2021, the Company consolidates two VIEs in which we are considered the primary beneficiary, as the Company has the power to direct the activities of the entities, specifically surrounding the development plan. As of December 31, 2021 and December 31, 2020, the Company has investments in several unconsolidated VIEs and does not consolidate these entities because the Company is not the primary beneficiary. All intercompany accounts and transactions have been eliminated.

As of December 31, 2021, the Company holds a 77.9% interest in the Operating Partnership and is the sole general partner which gives the Company exclusive and complete responsibility for the day-to-day management, authority to make decisions, and control of the Operating Partnership. As of March 15, 2022, the Company holds a 77.9% interest in the Operating Partnership. The Company has determined that the Operating Partnership is a VIE as the limited partners in the Operating Partnership, although entitled to vote on certain matters, do not possess kick-out rights or substantive participating rights. Accordingly, the Company consolidates the Operating Partnership. The assets and liabilities of the Operating Partnership are the same as those of the Company and are presented in the consolidated balance sheets.

To the extent such variable interests are in entities that are not evaluated under the VIE model, the Company evaluates its interests using the voting interest entity model.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions and estimates relate to real estate impairment assessments, and assessing the recoverability of accounts receivable. These estimates are based on historical experience and other assumptions which management believes are reasonable under the circumstances. Management evaluates its estimates on an ongoing basis and makes revisions to these estimates and related disclosures as experience develops or new information becomes known. Actual results could differ from these estimates.

Segment Reporting

The Company currently operates in a single reportable segment which includes the ownership, development, redevelopment, management, sale and leasing of real estate properties. The Company's chief operating decision maker, its principal executive officer, assesses and measures the operating and financial results for each property on an individual basis and does not distinguish or group properties based on geography, size, or type. The Company, therefore, aggregates all properties into one reportable segment due to their similarities with regard to the nature and economics of the properties, tenants, and operational process.

Real Estate Investments

Real estate assets are recorded at cost, less accumulated depreciation and amortization.

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. As real estate is undergoing redevelopment activities, all amounts directly associated with and attributable to the project, including planning, development and construction costs, interest costs, personnel costs of employees directly involved, and other miscellaneous costs incurred during the period of redevelopment, are capitalized. The capitalization period begins when redevelopment activities are underway and ends when the project is substantially complete.

Depreciation of real estate assets, excluding land, is recognized on a straight-line basis over their estimated useful lives which generally range between:

Buildings:	25 – 40 years
Site improvements:	5 – 15 years
Tenant improvements:	shorter of the estimated useful life or non-cancelable term of lease

The Company amortizes identified intangibles that have finite lives over the period they are expected to contribute directly or indirectly to the future cash flows of the property or business acquired, generally the remaining non-cancelable term of a related lease.

The Company, on a periodic basis, assesses whether there are indicators that the value of the real estate assets may be impaired. If an indicator is identified, management will estimate the real estate asset recoverability based on projected operating cash flows (undiscounted and unleveraged), taking into account the anticipated holding period and capitalization rates, to determine if the undiscounted cash flows are less than a real estate asset's carrying value. If the carrying value of an asset exceeds the undiscounted cash flows, an analysis is performed to determine the estimated fair value of the real asset. In estimating the fair value of an asset, various factors are considered, including expected future operating income, trends and leasing prospects, including the effects of demand, competition, and other economic factors, such as discount rates and market comparables. Changes in any estimates and/or assumptions, including the anticipated holding period, could have a material impact on the projected operating cash flows. If management determines that the carrying value of a real estate asset is impaired, a loss will be recorded for the excess of its carrying amount over its estimated fair value. The Company recognized impairment losses of \$95.8 million and \$64.1 million during the years ended December 31, 2021 and 2020, respectively. The Company did not recognize any impairment losses during the year ended December 31, 2019.

Real Estate Dispositions

When the Company disposes of all or a portion of a real estate asset, it recognizes a gain or loss on sale of real estate as the difference between the carrying value and consideration received. Consideration consists of cash proceeds received and in certain circumstances, non-cash consideration which is typically in the form of equity in unconsolidated entities when the asset is contributed to a joint venture. Gains and losses from the disposition of real estate are recorded as gain (loss) on sale of real estate on the Company's consolidated statements of operations. Refer to Note 4 for more information on the Company's unconsolidated entity transactions.

The following table summarizes the Company's gain on sale of real estate, net during the years ended December 31, 2021, 2020, and 2019 (in millions):

	Year Ended December 31,		
	2021	2020	2019
Contributions to unconsolidated entities			
Gross proceeds	\$ 30.0	\$ 27.0	\$ 21.7
Gain (loss) on sale of real estate, net	22.6	(1.5)	3.9
Dispositions to third parties			
Gross proceeds	\$ 395.4	\$ 333.4	\$ 144.3
Gain on sale of real estate, net (1)(2)(3)	197.0	120.1	63.7
Total gains on contributions and dispositions, net	<u>\$ 219.6</u>	<u>\$ 118.6</u>	<u>\$ 67.6</u>

(1)Excludes gain of \$2.1 million for the year ended December 31, 2021, related to the revaluation of Cockeysville JV to adjust the gain from \$12.5 million to \$14.6

(2)Excludes loss of \$30.0 million for the year ended December 31, 2020, related to the revaluation of Mark 302 JV to adjust the gain from \$38.8 million to \$8.8 million as further described in Note 4 below.

(3)Includes gain of \$6.9 million related to the exchange of a portion of one land parcel for two parcels of approximately equal size for the year ended December 31, 2019.

Real Estate Held for Sale

When a real estate asset is identified by management as held for sale, the Company ceases depreciation of the asset and estimates its fair value, net of estimated costs to sell. If the estimated fair value, net of estimated costs to sell, of an asset is less than its net carrying value, an adjustment is recorded to reflect the estimated fair value. Properties classified as real estate held for sale generally represent properties that are under contract for sale and are expected to close within a year.

In evaluating whether a property meets the held for sale criteria, the Company makes a determination as to the point in time that it is probable that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements, often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period or at all.

As of December 31, 2021, no properties were classified as held for sale, and as of December 31, 2020, one property was classified as held for sale with assets of \$1.9 million and no liabilities.

Investments in Unconsolidated Entities

The Company accounts for its investments in unconsolidated entities using the equity method of accounting as the Company exercises significant influence but does not have a controlling financial interest. These investments are initially recorded at cost and are subsequently adjusted for cash contributions, cash distributions, and earnings which are recognized in accordance with the terms of the applicable agreement.

On a periodic basis, management assesses whether there are indicators, including the operating performance of the underlying real estate and general market conditions which include macroeconomic conditions, that the value of the Company's investments in unconsolidated entities may be impaired. An investment's value is impaired if management's estimate of the fair value of the Company's investment is less than its carrying value and such difference is deemed to be other-than-temporary. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over its estimated fair value.

No such impairment losses were recognized for the years ended December 31, 2021, 2020 or 2019.

Restricted Cash

As of December 31, 2021, restricted cash represents cash collateral for a letter of credit. As of December 31, 2020 restricted cash represents cash received as proceeds for a sale which did not meet the criteria for sale accounting at December 31, 2020, as well as cash collateral for a letter of credit.

Rental Revenue Recognition and Tenant Receivables

Rental income is comprised of base rent and reimbursements of property operating expenses. The Company commences rental revenue recognition when the lessee takes control of the physical use of the leased asset based on an evaluation of several factors. Base rent is recognized on a straight-line basis over the non-cancelable terms of the related leases. For leases that have fixed and measurable base rent escalations, the difference between such rental income earned and the cash rent due under the provisions of the lease is recorded as straight-line rent receivable and included as a component of tenant and other receivables on the consolidated balance sheets. Reimbursement of property operating expenses arises from tenant leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

The Company periodically reviews its receivables for collectability, taking into consideration changes in factors such as the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates, and economic conditions in the area where the property is located. Tenant receivables, including receivables arising from the straight-lining of rents, are written-off directly when management deems that the collectability of substantially all future lease payments from a specified lease is not probable of collection, at which point, the Company will begin recognizing revenue on a cash basis, based on actual amounts received. Any receivables that are deemed to be uncollectible are recognized as a reduction to rental income in the Company's consolidated statements of operations. If future circumstances change such that the Company believes that it is reasonably certain that the Company will collect all rental income remaining on such leases, the Company will resume accruing rental income and recognize a cumulative catch up for previously written-off receivables.

The Company recorded a reduction to rental income of \$0.2 million and \$5.6 million during the years ended December 31, 2021 and 2020, respectively, as a result of the Company's evaluation of collectability. In addition, the Company recorded a reduction of income of previously recorded straight-line rent of \$1.2 million and \$5.0 million for the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, the Company recorded an increase to rental income of \$0.8 million and a decrease to rental income of \$1.8 million related to the allowance for deferral agreements, respectively.

Due to the COVID-19 pandemic, the Company has entered into amendments to existing leases with certain tenants (the "Rent Deferral Agreements"), that provide for the deferral of all or some portion of rental payments due during the period which such tenant was affected by the COVID-19 pandemic ("Deferred Rent"). The Rent Deferral Agreements typically provide for repayment of the Deferred Rent within six to 12 months following the end of the rent deferral period and, in many instances, waive certain other conditions in favor of the Company while Deferred Rent is outstanding. Deferred Rent generally becomes immediately due and payable under the Rent Deferral Agreements if the tenant does not make the minimum contractual payments or otherwise defaults on the lease. We recognize lease concessions related to the COVID-19 pandemic such as rent deferrals and abatements in accordance with the Lease Modification Q&A issued by the Financial Accounting Standards Board ("FASB"), in April 2020, which provides entities with the option to elect to account for lease concessions as though the enforceable rights and obligations existed in the original lease. As a result, the Company has not adjusted accrued rental revenues or the portion of accrued rental revenues related to the straight-line method for the portion which has been deferred. When the Deferred Rent is repaid, the Company will relieve the accrual in tenant and other receivables.

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

Tenant and Other Receivables

Tenant and other receivables includes unpaid amounts billed to tenants, accrued revenues for future billings to tenants for property expenses, and amounts arising from the straight-lining of rent, as discussed above. Tenant and other receivables also includes management fees receivable for services performed for the benefit of certain unconsolidated entities. In the event that the collectability of a management fee receivable is in doubt, a provision for uncollectible amounts will be established or a direct write-off of the specific receivable will be made.

Management and Other Fee Income

Management and other fee income represents property management, construction, leasing and development fees for services performed for the benefit of certain unconsolidated entities.

Property management fee income is reported at 100% of the revenue earned from such Unconsolidated Properties in management and other fee income on the consolidated statements of operations. The Company's share of management expenses incurred by the unconsolidated entities is reported in equity in income (loss) of unconsolidated entities on the consolidated statements of operations and in other expenses in the combined financial data in Note 4.

Leasing and development fees are initially reported at the portion of revenue earned attributable to outside ownership of the related unconsolidated entities. The Company's share in leasing and development fee income is recognized over the useful life of the associated development project, in the case of development fees, or lease term, in the case of leasing fees, as the associated asset is depreciated over the same term and included in equity in income (loss) of unconsolidated entities on the consolidated statements of operations and in other expenses in the combined financial data in Note 4.

Management determined that property and asset management and construction and development management services each represent a series of stand-ready performance obligations satisfied over time with each day of service being a distinct performance obligation. For property and asset management services, the Company is typically compensated for its services through a monthly management fee earned based on a specified percentage of monthly rental income or rental receipts generated from the property under management. For construction and development services, the Company is typically compensated for planning, administering and monitoring the design and construction of projects within our unconsolidated entities based on a percentage of project costs or a fixed fee. Revenues from such management contracts are recognized over the life of the applicable contract.

Conversely, leasing services are considered to be performance obligations, satisfied as of a point in time. The Company's leasing fee is typically paid upon the occurrence of certain contractual event(s) that may be contingent and the pattern of revenue recognition may differ from the timing of payment. For these services, the obligations are typically satisfied at lease execution and tenant opening date, and revenue is recognized in accordance with the related agreement at the point in time when the obligation has been satisfied.

Share-Based Compensation

The Company generally recognizes equity awards to employees as compensation expense and includes such expense within general and administrative expenses in the consolidated statements of operations. Compensation expense for equity awards is based on the grant date fair value of the awards. Compensation expense is recognized ratably over the vesting period for awards with time-based vesting and awards with market-based vesting conditions (e.g. total shareholder return). For awards with performance-based vesting determined by Company operating criteria, the Company recognizes compensation expense at the date the achievement of performance criteria is deemed probable for the amount which would have been recognized ratably from the date of the grant through the date the achievement of performance criteria is deemed probable, and then ratably from the date the achievement of performance criteria is deemed probable through the remainder of the vesting period. The Company utilizes a third-party valuation firm to measure the grant date fair value of restricted stock unit awards with market-based criteria using the Monte Carlo model. Forfeitures are recorded on an actual basis.

Concentration of Credit Risk

Concentrations of credit risk arise when a number of operators, tenants, or obligors related to the Company's investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. Management believes the Company's portfolio is reasonably diversified and does not contain any significant concentrations of credit risk. As of December 31, 2021, the Company has one tenant that comprises 10.2% of annualized based rent, with no other tenants exceeding 10.0% of annualized based rent. The Company's portfolio of 137 Consolidated Properties and 25 Unconsolidated Properties was diversified by location across 38 states and Puerto Rico.

Earnings per Share

The Company has three classes of common stock. The rights, including the liquidation and dividend rights, of the holders of the Company's Class A common shares and Class C non-voting common shares are identical, except with respect to voting. As the liquidation and dividend rights are 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. Since August 29, 2018, all outstanding Class C common shares had been exchanged for Class A common shares and there are currently no Class C common shares outstanding.

Class B non-economic common shares are excluded from earnings per share computations as they do not have economic rights. As of December 31, 2020, all outstanding Class B common shares had been surrendered and there are currently no Class B common shares outstanding.

All outstanding non-vested shares that contain non-forfeitable rights to dividends are considered participating securities and are included in computing earnings per share pursuant to the two-class method which specifies that all outstanding non-vested share-based payment awards that contain non-forfeitable rights to distributions are considered participating securities and should be included in the computation of earnings per share.

Recently Issued Accounting Pronouncements

The Company has not adopted any Accounting Standards Updates (“ASUs”) issued by the FASB during the year ended December 31, 2021. Any other recently issued accounting standards or pronouncements not disclosed have been excluded as they either are not applicable to the Company, or they are not expected to have a material effect on the consolidated financial statements of the Company.

The following presents ASUs issued by FASB which have been adopted by the Company:

ASU	Description	Adoption Date	Effect on the financial statements or other significant matters
ASU 2016-02, Leases (“Topic 842”)	This standard, as amended by subsequent ASUs on the topic, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. Additional guidance and targeted improvements to the February 2016 ASU were made through the issuance of supplementary ASUs in July 2018, December 2018 and March 2019. The accounting applied by the lessor is largely unchanged from that applied under the existing lease standard. However, ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less should be accounted for consistent with earlier guidance under ASC 840 for operating leases. Lessees should recognize an expense based on the effective interest method for finance leases or on a straight-line basis for operating leases.	January 1, 2019	The Company adopted this standard by electing the package of practical expedients without hindsight which permits the Company to not reassess (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the adoption date.
ASU 2018-10, Codification Improvements			
ASU 2018-11, Leases, Targeted Improvements			The Company has two ground leases and several corporate office leases, which are classified as operating leases, for which the Company is required to record a right-of-use asset and a lease liability equal to the present value of the remaining minimum lease payments and will continue to recognize expense on a straight-line basis for these leases. On January 1, 2019, the Company recorded an aggregate of approximately \$8.4 million of right-of-use assets and corresponding \$8.4 million of lease liabilities upon adoption of this standard. Right-of-use assets and corresponding lease liabilities are included in the prepaid expenses, deferred expenses and other assets and accounts payable, accrued expenses and other liabilities line item respectively on the consolidated balance sheets.
ASU 2018-20, Leases			Additionally, the Company is no longer able to capitalize certain internal and external leasing costs. Because of this change, \$1.3 million of such costs incurred in previous periods for leases which had not commenced at the beginning of current period were adjusted against opening equity upon adoption.
			The Company also combined \$11,005 of below-market lease assets pertaining to a ground lease where we are a lessee with the right of use asset recorded for the ground lease as required upon adoption of ASU 2016-02. The below-market lease asset was previously recorded within the lease intangibles on the consolidated balance sheets

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)	ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, requiring the use of an “expected credit loss” model and adding more disclosure requirements.	January 1, 2020	The Company’s adoption of ASU 2016-13 and 2018-19 did not have a material impact on our consolidated financial statements.
ASU 2018-19, Codification improvements to Topic 326, Financial Instruments – Credit Losses	ASU 2018-19 clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.		
The Lease Modification Q&A	In April 2020, the FASB staff issued the Lease Modification Q&A focused on the application of lease accounting guidance to lease concessions provided as a result of the COVID-19 pandemic. Under existing lease guidance, the Company would have to determine, on a lease by lease basis, if a lease concession was the result of a new arrangement reached with the tenant or if a lease concession was under the enforceable rights and obligations within the existing lease agreement. The Lease Modification Q&A allows the Company, if certain criteria have been met, to bypass the lease by lease analysis, and instead elect to either apply the lease modification accounting framework or not, with such election applied consistently to leases with similar characteristics and similar circumstances.	April 10, 2020	The Company elected to avail itself of the relief provided in the Lease Modification Q&A for all leases which were modified during the second quarter of 2020. The Company entered into Rent Deferral Agreements on 66 leases during the year ended December 31, 2020 and one additional lease during the year ended December 31, 2021. The Company has determined that the deferral agreements are all substantially similar arrangements and has elected to bypass the lease by lease analysis. This election did not result in a material change to the Company’s financial statements. The impact of this election is dependent upon the circumstances and characteristics of future modifications and as such the impact of the Lease Modification Q&A may change. Refer to Note 2 for further information regarding the deferral agreements and their impact to the Company’s results of operations.

Note 3 – Lease Intangible Assets and Liabilities

The following tables summarize the Company's lease intangible assets (acquired in-place leases and above-market leases) and liabilities (acquired below-market leases, which is included in accounts payable, accrued expenses and other liabilities on the consolidated balance sheets), net of accumulated amortization, as of December 31, 2021 and 2020 (in thousands):

December 31, 2021

Lease Intangible Assets	Gross Asset	Accumulated Amortization	Balance
In-place leases	\$ 30,071	\$ (16,670)	\$ 13,401
Above-market leases	3,925	(2,509)	1,416
Total	<u>\$ 33,996</u>	<u>\$ (19,179)</u>	<u>\$ 14,817</u>

Lease Intangible Liabilities	Gross Liability	Accumulated Amortization	Balance
Below-market leases	\$ 5,802	\$ (2,146)	\$ 3,656
Total	<u>\$ 5,802</u>	<u>\$ (2,146)</u>	<u>\$ 3,656</u>

December 31, 2020

Lease Intangible Assets	Gross Asset	Accumulated Amortization	Balance
In-place leases	\$ 73,169	\$ (56,369)	\$ 16,800
Above-market leases	4,139	(2,344)	1,795
Total	<u>\$ 77,308</u>	<u>\$ (58,713)</u>	<u>\$ 18,595</u>

Lease Intangible Liabilities	Gross Liability	Accumulated Amortization	Balance
Below-market leases	\$ 6,626	\$ (2,440)	\$ 4,186
Total	<u>\$ 6,626</u>	<u>\$ (2,440)</u>	<u>\$ 4,186</u>

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in additional rental income of \$ 0.1 million, \$1.8 million and \$0.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization of an acquired below-market ground lease resulted in additional property expense of \$0.2 million for each of the years ended December 31, 2021, 2020 and 2019. Amortization of acquired in-place leases resulted in additional depreciation and amortization expense of \$3.1 million, \$42.5 million and \$40.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. Future amortization of these leases intangibles is set forth below (in thousands):

	(Above) / below market leases, net	Below market ground leases	In-place leases
2022	\$ (48)	\$ 203	\$ 2,771
2023	1	203	1,906
2024	22	203	1,369
2025	91	203	1,062
2026	185	203	709
Thereafter	1,989	9,433	5,584

Note 4 – Investments in Unconsolidated Entities

The Company conducts a portion of its property rental activities through investments in unconsolidated entities. The Company's partners in these unconsolidated entities are unrelated real estate entities or commercial enterprises. The Company and its partners in these unconsolidated entities make initial and/or ongoing capital contributions to these unconsolidated entities. The obligations to make capital contributions are governed by each unconsolidated entity's respective operating agreement and related governing documents.

As of December 31, 2021, the Company had investments in ten unconsolidated entities as follows:

Unconsolidated Joint Venture	Joint Venture Partner	Seitage % Ownership	# of Properties	Total GLA
GS Portfolio Holdings II LLC ("GGP I JV")	Brookfield Properties Retail	50.0 %	3	402,900
GS Portfolio Holdings (2017) LLC ("GGP II JV")	Brookfield Properties Retail	50.0 %	3	474,100
MS Portfolio LLC ("Macerich JV")	The Macerich Company	50.0 %	7	1,266,600
SPS Portfolio Holdings II LLC ("Simon JV")	Simon Property Group, Inc.	50.0 %	5	872,200
Mark 302 JV LLC ("Mark 302 JV")	An investment fund managed by Invesco Real Estate	50.0 %	1	103,000
SI UTC LLC ("UTC JV")	A separate account advised by Invesco Real Estate	50.0 %	1	226,200
SF WH Joint Venture LLC ("West Hartford JV")	An affiliate of First Washington Realty	50.0 %	1	163,700
GGCAL SRG HV LLC ("Cockeysville JV")	An affiliate of Greenberg Gibbons	50.0 %	1	160,200
Tech Ridge JV Holding LLC ("Tech Ridge JV")	An affiliate of RD Management	50.0 %	1	—
J&J Baldwin Park LLC ("Carson Investment")	An affiliate of NewMark Merrill Companies and other entities	20.0 %	1	182,200
Landmark Land Holdings, LLC ("Landmark JV")	Landmark Land Holdings, LLC	31.3 %	1	—
			<u>25</u>	<u>3,851,100</u>

The Company has contributed certain properties to unconsolidated entities in exchange for equity interests in those unconsolidated entities. The contribution of property to unconsolidated entities is accounted for as a sale of real estate and the Company recognizes the gain or loss on the sale (the "Gain (Loss)") based upon the transaction price attributed to the property at the closing of the unconsolidated entities transaction (the "Contribution Value"). The Gain or (Loss) is included in gain on sale of real estate on the consolidated statements of operations.

In certain circumstances, the Contribution Value is subject to revaluation as defined in the respective unconsolidated entity agreements, which may result in an adjustment to the gain or loss recognized. If the Contribution Value is subject to revaluation, the Company initially recognizes the gain or loss at the value that is the expected amount within the range of possible outcomes and will re-evaluate the expected amount on a quarterly basis through the final determination date.

Upon revaluation, the primary inputs in determining the Contribution Value will be updated for actual results and may result in a cash settlement or capital account adjustment between the unconsolidated entity partners, as well as an adjustment to the initial gain or loss.

Each reporting period, the Company re-analyzes the primary inputs that determine the Contribution Value and the gain or loss for those unconsolidated entities subject to a revaluation. The following table summarizes the properties contributed to the Company's unconsolidated entities (in millions):

Unconsolidated Entity	Contribution Date	Contribution Value	December 31, 2021		Gain (Loss)
2018					
Mark 302 JV (1)	March 20, 2018	\$ 60.0	\$		8.8
2019					
Cockeysville JV (2)	March 29, 2019	\$ 14.6	\$		5.9
Tech Ridge JV (3)	September 27, 2019	\$ 3.0	\$		0.1

(1)The Mark 302 JV was subject to a revaluation which resulted in the Company adjusting the Contribution Value down to \$60.0 million and reduced the Gain (Loss) by \$30.0 million. As of December 31, 2021, the amended determination date, there has been no change to the adjusted Contribution Value and the final Contribution Value is \$60.0 million.

(2)The Cockeysville JV is subject to revaluation upon our partner contributing an adjacent parcel of land (the "Additional Land Parcel") to the joint venture which was conditioned on certain milestones being met with respect to entitling the Additional Land Parcel for residential use. As of December 31, 2021, the parcel has been entitled and, with our consent, the partner entered sales contract with a third party for the land. As a result, the Company will receive its share of the proceeds from the sale in lieu of the parcel being contributed to the venture and recorded an additional gain of \$2.1 million during the year ended December 31, 2021. The Company has determined that the final contribution value is \$14.6 million.

(3)The Tech Ridge JV is subject to a revaluation primarily based upon the number of residential units constructed by the Tech Ridge JV. The Contribution Value cannot be less than \$2.75 million.

Alexandria Investment

On November 17, 2021, the Company contributed its property located in Alexandria, VA to the Landmark JV and retained a 31.25% interest in this property. As a result of this contribution, the Company recorded a gain of \$22.6 million which is included in gain on sale of real estate on the consolidated statements of operations.

Unconsolidated Entity Management and Related Fees

The Company acts as the operating partner and day-to-day manager for Mark 302 JV, West Hartford JV, UTC JV and Tech Ridge JV. The Company is entitled to receive fees for providing management, leasing, and construction supervision services to certain of its unconsolidated entities. Refer to Note 2 for the Company's accounting policies. The Company also acted as the development manager for one of the properties in the GGP II JV which entitled the Company to receive certain development fees. The Company earned \$1.0 million, \$0.3 million and \$1.6 million from these services for the years ended December 31, 2021, 2020 and 2019, respectively.

The following tables present combined financial data for all of the Company's unconsolidated entities (in thousands):

	December 31, 2021		December 31, 2020	
<u>ASSETS</u>				
Investment in real estate				
Land	\$	410,323	\$	318,540
Buildings and improvements		528,854		492,973
Accumulated depreciation		(96,856)		(81,730)
		842,321		729,783
Construction in progress		206,109		222,663
Net investment in real estate		1,048,430		952,446
Cash and cash equivalents		50,279		16,094
Investment in unconsolidated entities		53,215		24,686
Tenant and other receivables, net		7,914		4,104
Other assets, net		33,812		38,196
Total assets	\$	1,193,650	\$	1,035,526
<u>LIABILITIES AND MEMBERS' INTERESTS</u>				
Liabilities				
Mortgage loans payable, net	\$	56,075	\$	34,672
Accounts payable, accrued expenses and other liabilities		56,398		48,405
Total liabilities		112,473		83,077
Members' Interests				
Additional paid in capital		1,097,842		964,868
Retained earnings		(16,665)		(12,419)
Total members' interests		1,081,177		952,449
Total liabilities and members' interests	\$	1,193,650	\$	1,035,526

	Year Ended December 31,		
	2021	2020	2019
<u>EQUITY IN LOSS OF UNCONSOLIDATED ENTITIES</u>			
Total revenue	\$ 26,052	\$ 22,420	\$ 31,470
Property operating expenses	(10,968)	(9,962)	(11,385)
Depreciation and amortization	(28,143)	(18,401)	(60,745)
Operating loss	(13,059)	(5,943)	(40,660)
Other expenses	(4,364)	(3,551)	(2,049)
Gains, losses and impairments	(1,087)	166	6,721
Net (loss)	<u>\$ (18,510)</u>	<u>\$ (9,328)</u>	<u>\$ (35,988)</u>
Equity in loss of unconsolidated entities	<u>\$ (9,231)</u>	<u>\$ (4,712)</u>	<u>\$ (17,994)</u>

Note 5 – Leases

Lessor Disclosures

Future minimum rental receipts, excluding variable payments and tenant reimbursements of expenses, under non-cancelable operating leases executed as of December 31, 2021 is approximately as follows:

(in thousands)	December 31, 2021
2022	\$ 93,785
2023	86,452
2024	83,440
2025	82,767
2026	77,698
Thereafter	374,481
Total lease payments	<u>\$ 798,623</u>

The components of lease revenues for the years ended December 31, 2021, 2020 and 2019 were as follows:

(in thousands)	Year Ended December 31,		
	2021	2020	2019
Fixed rental income	\$ 91,494	\$ 93,259	\$ 104,956
Variable rental income	21,861	26,133	45,994
Total rental income	<u>\$ 113,355</u>	<u>\$ 119,392</u>	<u>\$ 150,950</u>

Lessee Disclosures

The Company has one ground lease and one corporate office lease which are classified as operating leases. As of December 31, 2021, and 2020, the outstanding amount of right of use assets were \$17.0 million and \$18.8 million, respectively.

The Company recorded rent expense related to leased corporate office space of \$1.2 million, \$1.7 million, and \$1.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. Such rent expense is classified within general and administrative expenses on the consolidated statements of operations.

In addition, the Company recorded ground rent expense of approximately \$0.1 million for each of the years ended December 31, 2021, 2020 and 2019, respectively. Such ground rent expense is classified within property operating expenses on the consolidated statements of operations. The ground lease requires the Company to make fixed annual rental payments and expires in 2073 assuming all extension options are exercised.

The Company expects to make cash payments on operating leases of \$1.0 million in 2022, \$1.1 million in 2023, \$1.2 million in 2024, \$1.2 million in 2025, \$1.2 million in 2026 and \$4.1 million for the periods thereafter. The present value discount is (\$3.3) million.

The following table sets forth information related to the measurement of our lease liabilities as of December 31, 2021:

(dollar amounts in thousands)	As of December 31, 2021
Weighted average remaining lease term (in years)	10.15
Weighted average discount rate	6.98 %
Cash paid for operating leases	\$ 1,828

Sale-leaseback Financing Obligations

During the year ended December 31, 2020, the Company completed a sale-leaseback transaction for its property in Hialeah, Florida for \$21.0 million which is included in sales-leaseback financing obligations on the consolidated balance sheets. As part of the sale-leaseback transaction, the Company agreed to lease all land and improvements on the land for a fixed term of 25 years at an initial base rent of \$1.5 million per annum which will increase by 1.5% per year thereafter. For the initial periods of the sale-leaseback, cash payments are less than the interest expense recognized, which causes the obligation to increase during the initial years of the lease term. The implied interest rate is approximately 7.00%. The Company has a purchase option during years four, five or seven of the 25-year term to reacquire, solely at the Company's option, the Hialeah property at a predetermined price. The Hialeah property continues to be reflected as a long lived asset and depreciated over its remaining useful life.

Future sale-leaseback financing obligations as of December 31, 2021 are approximately as follows:

(in thousands)	December 31, 2021
2022	\$ 1,464
2023	1,486
2024	1,508
2025	1,531
2026	1,554
Thereafter	34,022
Interest portion	(20,938)
Total lease payments	<u>\$ 20,627</u>

Original Master Lease and Holdco Master Lease

On February 28, 2019, the Company and certain affiliates of Transform Holdco LLC ("Holdco"), an affiliate of ESL Investments, Inc. ("ESL"), executed the Holdco Master Lease (the "Holdco Master Lease") which became effective on March 12, 2019 when the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") issued an order approving the rejection of the Original Master Lease. The Company analyzed this transaction under applicable accounting guidance and determined that the termination of the Original Master Lease and entering into the Holdco Master Lease should be accounted for as a modification. The Holdco Master Lease provided the Company with the right to recapture the space occupied by the tenant at all properties (other than five specified properties) and the right to recapture any automotive care centers which are free-standing or attached as "appendages" to the properties, all outparcels or outlots and certain portions of parking areas and common areas. Under the terms of the Holdco Master Lease, Holdco had the right, at any time, to terminate the Holdco Master Lease with respect to any property upon the payment of a termination fee equal to one year of base rent plus annual taxes and other operating expenses. Sears Holdings exercised termination rights with respect to 87 properties under the Original Master Lease prior to its rejection on March 12, 2019 and Holdco exercised termination rights with respect to all remaining properties under the Holdco Master Lease during the year ended December 31, 2020, and the remaining five properties terminated in March 2021.

Revenues from the Holdco Master Lease and the Original Master Lease for the years ended December 31, 2021, 2020 and 2019 are as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Fixed rental income	\$ —	\$ 4,268	\$ 27,628
Variable rental income	4,510	10,425	23,525
Total rental income	<u>\$ 4,510</u>	<u>\$ 14,693</u>	<u>\$ 51,153</u>

Note 6 – Debt

Term Loan Facility

On July 31, 2018, the Operating Partnership, as borrower, and the Company, as guarantor, entered into a Senior Secured Term Loan Agreement (the “Term Loan Agreement”) providing for a \$2.0 billion term loan facility (the “Term Loan Facility”) with Berkshire Hathaway Life Insurance Company of Nebraska (“Berkshire Hathaway”) as lender and Berkshire Hathaway as administrative agent. The Term Loan Facility provided for an initial funding of \$1.6 billion at closing (the “Initial Funding”) and includes a \$400 million incremental funding facility (the “Incremental Funding Facility”) subject to certain conditions described below. The Term Loan Facility matures on July 31, 2023, with the ability to extend based on meeting certain criteria.

Funded amounts under the Term Loan Facility bear interest at an annual rate of 7.0% and unfunded amounts under the Incremental Funding Facility are subject to an annual fee of 1.0% until drawn. The Company prepays the annual fee and amortizes the expense to interest expense on the consolidated statements of operations.

On December 31, 2021, the Company paid down \$160 million towards the Term Loan’s unpaid principal balance. As of December 31, 2021, the aggregate principal amount outstanding under the Term Loan Facility was \$1.44 billion.

The Company’s ability to access the Incremental Funding Facility is subject to (i) the Company achieving rental income from non-Sears Holdings tenants, on an annualized basis (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the fiscal quarter ending prior to the date of incurrence of the Incremental Funding Facility, of not less than \$200 million, (ii) the Company’s good faith projection that rental income from non-Sears Holdings tenants (after giving effect to SNO Leases expected to commence rent payment within 12 months) for the succeeding four consecutive fiscal quarters (beginning with the fiscal quarter during which the incremental facility is accessed) will be not less than \$200 million, and (iii) the repayment by the Operating Partnership of any deferred interest permitted under the amendment to the Term Loan Amendment as further described below. As of December 31, 2021, the Company has not yet achieved the requirements to access the Incremental Funding Facility.

The Term Loan Facility is guaranteed by the Company and, subject to certain exceptions, is required to be guaranteed by all existing and future subsidiaries of the Operating Partnership. The Term Loan Facility is secured on a first lien basis by a pledge of the capital stock of the direct subsidiaries of the Operating Partnership and the guarantors, including its joint venture interests, except as prohibited by the organizational documents of such entities or any joint venture agreements applicable to such entities, and contains a requirement to provide mortgages and other customary collateral upon the breach of certain financial metrics described below, the occurrence and continuation of an event of default and certain other conditions set forth in the Term Loan Agreement. During 2019, mortgages were recorded on a majority of the Company’s portfolio and during the year ended December 31, 2021, mortgages were recorded on the remaining unmortgaged properties in all but three locations.

The Term Loan Facility includes certain financial metrics to govern springing collateral requirements and certain covenant exceptions set forth in the Term Loan Agreement, including: (i) a total fixed charge coverage ratio of not less than 1.00 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending December 31, 2021, and not less than 1.20 to 1.00 for each fiscal quarter thereafter; (ii) an unencumbered fixed charge coverage ratio of not less than 1.05 to 1.00 for each fiscal quarter beginning with the fiscal quarter ending September 30, 2018 through the fiscal quarter ending December 31, 2021, and not less than 1.30 to 1.00 for each fiscal quarter thereafter; (iii) a total leverage ratio of not more than 65%; (iv) an unencumbered ratio of not more than 60%; and (v) a minimum net worth of at least \$1.2 billion. Any failure to satisfy any of these financial metrics limits the Company’s ability to dispose of assets via sale or joint venture and triggers the springing mortgage and collateral requirements but will not result in an event of default. The Term Loan Facility also includes certain limitations relating to, among other activities, the Company’s ability to: sell assets or merge, consolidate or transfer all or substantially all of its assets; incur additional debt; incur certain liens; enter into, terminate or modify certain material leases and/or the material agreements for the Company’s properties; make certain investments (including limitations on joint ventures) and other restricted payments; pay distributions on or repurchase the Company’s capital stock; and enter into certain transactions with affiliates.

The Term Loan Facility contains customary events of default, including (subject to certain materiality thresholds and grace periods) payment default, material inaccuracy of representations or warranties, and bankruptcy or insolvency proceedings. If there is an event of default, the lenders may declare all or any portion of the outstanding indebtedness to be immediately due and payable, exercise any rights they might have under any of the Term Loan Facility documents, and require the Company to pay a default interest rate on overdue amounts equal to 2.0% in excess of the then applicable interest rate.

As of December 31, 2021, the Company was not in compliance with certain of the financial metrics described above. As a result, the Company must receive the consent of Berkshire Hathaway to dispose of assets via sale or contribution to another entity and, as of December 31, 2021, Berkshire Hathaway had provided such consent for all such transactions submitted for approval. There can be no assurance that the lender will consent to future dispositions of assets. The Company believes it is in compliance with all other terms and conditions of the Term Loan Agreement.

The Company incurred \$2.1 million of debt issuance costs related to the Term Loan Facility which are recorded as a direct deduction from the carrying amount of the Term Loan Facility and amortized over the term of the Term Loan Agreement. As of December 31, 2021 and 2020, the unamortized balance of the Company's debt issuance costs were \$0.7 million and \$1.1 million, respectively.

On May 5, 2020, the Operating Partnership and Berkshire Hathaway entered into an amendment (the "Term Loan Amendment") to the Term Loan Agreement by and among the Operating Partnership and Berkshire Hathaway as initial lender and administrative agent that permits the deferral of payment of interest under the Term Loan Agreement if, as of the first day of each applicable month, (x) the amount of unrestricted and unencumbered (other than liens created under the Term Loan Agreement) cash on hand of the Operating Partnership and its subsidiaries, minus (y) the aggregate amount of anticipated necessary expenditures for such period (such sum, "Available Cash") is equal to or less than \$30.0 million. In such instances, for each interest period, the Operating Partnership is obligated to make payments of interest in an amount equal to the difference between (i) Available Cash and (ii) \$20.0 million (provided that such payment shall not exceed the amount of current interest otherwise due under the Term Loan Agreement). Any deferred interest shall accrue interest at 2.0% in excess of the then applicable interest rate and shall be due and payable on July 31, 2023; provided, that the Operating Partnership is required to pay any deferred interest from Available Cash in excess of \$30.0 million (unless otherwise agreed to by the administrative agent under the Term Loan Agreement in its sole discretion). In addition, repayment of any outstanding deferred interest is a condition to any borrowings under the \$400.0 million incremental funding facility under the Term Loan Agreement. The Company has paid all interest due under the Term Loan Agreement and has not deferred any interest as permitted under the Term Loan Amendment.

Additionally, the Term Loan Amendment provides that the administrative agent and the lenders express their continued support for asset dispositions, subject to the administrative agent's right to approve the terms of individual transactions due to the occurrence of a Financial Metric Trigger Event, as such term is defined under the Term Loan Agreement.

On November 24, 2021, the Operating Partnership, the Company and Berkshire Hathaway entered into an amendment (the "Second Term Loan Amendment") to the Term Loan Agreement by and among the Operating Partnership, the Company and Berkshire Hathaway to which the Operating Partnership, the Company and Berkshire Hathaway mutually agreed that (i) the "make whole" provision in the Senior Secured Term Loan Agreement shall not be applicable to prepayments of principal; and (ii) the Senior Secured Term Loan Agreement, as amended for (i) above, may at the Operating Partnership's election be extended for two years from July 31, 2023 to July 31, 2025 (the "Maturity Date") if its principal has been reduced to \$800 million by the Maturity Date. If it has not been reduced to this limit by the Maturity Date, the loan will be due and payable on that date. In all other respects, the Senior Secured Term Loan Agreement remains unchanged.

Note 7 – Income Taxes

The Company has elected to be taxed as a REIT as defined under Section 856 of the Code for U.S. federal income tax purposes. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to currently distribute at least 90% of its adjusted REIT taxable income to its shareholders.

As a REIT, the Company generally will not be subject to U.S. federal income tax on taxable income that is distributed to its shareholders. If the Company fails to qualify as a REIT or does not distribute 100% of its taxable income in any taxable year, it will be subject to U.S. federal income tax at regular corporate rates (including, for any taxable year ended on or before December 31, 2017, any applicable alternative minimum tax) and any applicable state and local income taxes. In addition, if the Company fails to qualify as a REIT, it may not be able to qualify as a REIT for four subsequent taxable years in some cases.

Even if the Company qualifies for taxation as a REIT, the Company is subject to certain U.S. state, local and Puerto Rico taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed REIT taxable income. The Company's taxable REIT subsidiaries are subject to corporate income tax.

As of December 31, 2020, the Company had \$97.0 million of net operating loss carryforwards available to offset future income and gains.

The Company evaluated whether any uncertain tax positions existed as of December 31, 2021 and 2020 and concluded that there are no uncertain tax positions.

Note 8 – Fair Value Measurements

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the “exit price”). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities

Level 2 - observable prices based on inputs not quoted in active markets, but corroborated by market data

Level 3 - unobservable inputs used when little or no market data is available

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company also considers counterparty credit risk in its assessment of fair value.

Assets Measured at Fair Value on a Nonrecurring Basis

Assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consist of real estate assets that have been written down to estimated fair value and are classified as Level 3 within the fair value hierarchy.

For the years ended December 31, 2021, 2020 and 2019, in accordance with ASC 360-10, *Property, Plant and Equipment*, the Company recorded impairment losses of \$95.8 million, \$64.1 million and \$0 million, respectively, on real estate assets which is included in impairment on real estate assets within the consolidated statements of operations.

The fair value estimates used to determine the impairment charges were determined primarily by discounted cash flow analyses, market comparable data, and/or third-party appraisals, as applicable. The cash flows utilized in such analyses are comprised of unobservable inputs which include, among other things, estimated revenue and expense growth rates, discount rates and capitalization rates based upon market conditions and future expectations. The capitalization rates and discount rates used in the analysis ranged from 6.0% and 12.0%. Comparable data utilizes comparable sales, listings, sales contracts and letters of intent which are subject to judgment as to comparability to the valued property. Because of these inputs, we have determined that the fair values of these properties are classified within Level 3 of the fair value hierarchy.

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on the consolidated balance sheets include cash equivalents and term loan facility. The fair value of term loan facility is classified as Level 2. Cash equivalents and restricted cash are carried at cost, which approximates fair value. The fair value of debt obligations is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings. As of December 31, 2021 and 2020, the estimated fair values of the Company’s debt obligations were \$1.5 billion and \$1.6 billion, respectively, which approximated the carrying value at such dates as the current risk-adjusted rate approximates the stated rates on the Company’s debt obligations.

Note 9 – Commitments and Contingencies

Insurance

The Company maintains general liability insurance and all-risk property and rental value, with sub-limits for certain perils such as floods and earthquakes on each of the Company’s properties. The Company also maintains coverage for terrorism acts as defined by Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2027.

Insurance premiums are charged directly to each of the properties. The Company will be responsible for deductibles and losses in excess of insurance coverage, which could be material. The Company continues to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, the Company cannot anticipate what coverage will be available on commercially reasonable terms in the future.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, the Company may be considered an owner or operator of real property or may have arranged for the disposal or treatment of hazardous or toxic substances. As a result, the Company may be liable for certain costs including removal, remediation, government fines and injuries to persons and property.

Under the Original Master Lease and Holdco Master Lease, Holdco is required to indemnify the Company from certain environmental liabilities at the Consolidated Properties before or during the period in which any such Consolidated Property was leased to Holdco,

including removal and remediation of all affected facilities and equipment constituting the automotive care center. In addition, an environmental reserve was funded at the closing of the transactions in connection with the Company commencing operations in the amount of approximately \$12.0 million. As of December 31, 2021 and 2020, the balance of the environmental reserve was approximately \$9.5 million, respectively, and is included in the accounts payable, accrued expenses and other liabilities in the consolidated balance sheets.

Litigation and Other Matters

In accordance with accounting standards regarding loss contingencies, the Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and the Company discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued or discloses the fact that such a range of loss cannot be estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

On April 18, 2019, at the direction of the Restructuring Sub-Committee of the Restructuring Committee of the Board of Directors of Sears Holdings, Sears Holdings, Sears, Roebuck & Co., Sears Development Co., Kmart Corporation, and Kmart of Washington, LLC filed a lawsuit (the “Litigation”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) against, among others, Edward S. Lampert, ESL and certain of its affiliates and investors, Fairholme Capital Management, L.L.C., certain members of the Sears Holdings board of directors, and the Company, the Operating Partnership, and certain of our affiliates and subsidiaries (the Company, the Operating Partnership, and certain of our affiliates and subsidiaries collectively, the “Seritage Defendants”). The Litigation is dual captioned as In re: Sears Holdings Corporation, et al., Case No. 18-23538 (RDD) and Sears Holdings Corporation et al., v. Lampert et al., Case No. 19-08250 (RDD). The Litigation alleges, among other things, that certain transactions undertaken by Sears Holdings since 2011 constituted actual and/or constructive fraudulent transfers and/or illegal dividends by Sears Holdings. The challenged transactions include the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings. The Litigation alleges, among other things, that the real estate acquired by Seritage from Sears Holdings in July 2015 was worth at least \$649 to \$749 million more than the purchase price paid. The Litigation seeks as relief, among other things, declaratory relief, avoidance of the allegedly actual and/or constructive fraudulent transfers and either (i) rescission of the transfers of real estate from Sears Holdings to Seritage in 2015 and return of the proceeds of the transactions between Sears Holdings and Seritage, or, in the alternative, (ii) payment by Seritage to Sears Holdings of damages at least equal to the value of the transferred property.

On October 15, 2019, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Modified Second Amended Joint Chapter 11 Plan of Sears Holdings and its affiliated debtors (the “Chapter 11 Plan”). Pursuant to the terms of the Confirmation Order, upon the effective date of the Chapter Plan, a liquidating trust will be formed, and the Litigation will vest in the liquidating trust. The Confirmation Order further provides that, prior to the effective date of the Chapter 11 Plan and the formation of the liquidating trust, the Litigation shall be controlled by five litigation designees selected by Sears Holdings and the Unsecured Creditors’ Committee (the “UCC”). For further information, refer to the Chapter 11 Plan, Confirmation Order and liquidating trust agreement, each of which has been publicly filed with the Bankruptcy Court.

On February 21, 2020, the Seritage defendants filed a partial motion to dismiss seeking dismissal of the claims in the operative complaint in the Litigation relating to the release received in the Sears Holdings derivative litigation, unjust enrichment, and equitable subordination. Briefing and oral argument on the motions have been completed, and the parties are awaiting a decision. Briefing and oral argument on the motions were completed in August 2020, and the parties are awaiting a decision. The Company believes that the claims against the Seritage Defendants in the Litigation are without merit and intends to defend against them vigorously.

On March 15, 2021, the Court consolidated the Litigation with a case captioned Sears Holding Corp. et al. v. Andrew H. Tisch, et al., Case No. 20-07007 (RDD) (the “Shareholder Litigation,” and, together with the Litigation, the “Consolidated Litigation”). The Shareholder Litigation was brought by the UCC, Sears Holdings Corporation, and Sears, Roebuck and Co., against certain shareholders of Sears Holdings or its related companies. Seritage was not named as a defendant in the Shareholder Litigation, which alleges, among other things, that certain transactions undertaken by Sears Holdings since 2014 (including the July 2015 transactions giving rise to Seritage, the execution of the Original Master Lease with Sears Holdings, and the acquisition of real estate from Sears Holdings) constituted actual and/or constructive fraudulent transfers and/or illegal dividends. The Company believes that the claims against the Seritage Defendants in the Consolidated Litigation are without merit and intends to defend against them vigorously.

In addition to the litigation described above, the Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business and due to the current environment. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material effect on the condensed consolidated financial position, results of operations, cash flows or liquidity of the Company. As of December 31, 2021, and 2020, the Company did not record any amounts for litigation or other matters.

Note 10 – Related Party Disclosure

Edward S. Lampert

Edward S. Lampert is the Chairman and Chief Executive Officer of ESL, which owns Holdco, and was Chairman of Sears Holdings. Mr. Lampert was also the Chairman of Seritage prior to his retirement effective March 1, 2022.

As of December 31, 2021, Mr. Lampert beneficially owned a 22.1% interest in the Operating Partnership and approximately 9.3% of the outstanding Class A common shares.

Subsidiaries of Holdco, as lessees, and subsidiaries of the Company, as lessors, are parties to the Holdco Master Lease and subsidiaries of Sears Holdings, as lessees, and subsidiaries of the Company, as lessors, were parties to the Original Master Lease (see Note 5).

Unconsolidated Entities

Certain unconsolidated entities have engaged the Company to provide management, leasing, construction supervision and development services at the properties owned by the unconsolidated entities. Refer to Note 2 for the Company's significant accounting policies.

In addition, as of December 31, 2021, the Company had incurred \$0.2 million of development expenditures at properties owned by certain unconsolidated entities for which the Company will be repaid by the respective unconsolidated entities. These amounts are included in tenant and other receivables, net on the Company's consolidated balance sheets. As of December 31, 2020, the Company had incurred \$5.0 million of these development expenditures.

Note 11 – Non-Controlling Interests

Partnership Agreement

On July 7, 2015, Seritage and ESL entered into the agreement of limited partnership of the Operating Partnership which was amended and restated on December 14, 2017. Pursuant to this partnership agreement, as the sole general partner of the Operating Partnership, Seritage exercises exclusive and complete responsibility and discretion in its day-to-day management, authority to make decisions, and control of the Operating Partnership, and may not be removed as general partner by the limited partners.

As of December 31, 2021, the Company held a 77.9% interest in the Operating Partnership and ESL held a 22.1% interest. The portions of consolidated entities not owned by the Company are presented as non-controlling interest as of and during the periods presented.

Note 12 – Shareholders' Equity

Class A Common Shares

As of December 31, 2021, 43,632,364 Class A common shares were issued and outstanding. Class A shares have a par value of \$0.01 per share.

During the year ended December 31, 2021, 4,647,943 OP Units were exchanged for an equal number of Class A shares.

Class B Non-Economic Common Shares

As of December 31, 2021, there were no Class B non-economic common shares issued or outstanding.

Series A Preferred Shares

In December 2017, the Company issued 2,800,000 7.00% Series A Cumulative Redeemable Preferred Shares (the “Series A Preferred Shares”) in a public offering at \$25.00 per share. The Company received net proceeds from the offering of approximately \$66.4 million, after deducting payment of the underwriting discount and offering expenses.

The Company may not redeem the Series A Preferred Shares before December 14, 2022 except to preserve its status as a REIT or upon the occurrence of a Change of Control, as defined in the trust agreement addendum designating the Series A Preferred Shares. On and after December 14, 2022, the Company may redeem any or all of the Series A Preferred Shares at \$25.00 per share plus any accrued and unpaid dividends. In addition, upon the occurrence of a Change of Control, the Company may redeem any or all of the Series A Preferred Shares for cash within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accrued and unpaid dividends. The Series A Preferred Shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless the Company redeems or otherwise repurchases them or they are converted.

Dividends and Distributions

The Company’s Board of Trustees has not declared dividends on the Company’s Class A common shares during 2021 or 2020. The last dividend on the Company’s Class A and C common shares that the Board of Trustees declared was on February 25, 2019, which was paid on April 11, 2019 to shareholders of record on March 29, 2019.

Our Board of Trustees will continue to assess the Company’s investment opportunities and its expectations of taxable income in its determination of future distributions, if any.

The Company declared total dividend of \$0.25 per common share for the years ended December 31, 2019. The dividends have been reflected as follows for U.S. federal income tax purposes:

	2021	Year Ended December 31,		2019
		2020		
Ordinary income	\$ —	\$ —	\$ —	—
Capital gain distributions	—	—	—	—
Return of capital	—	—	—	0.50
Dividends reallocation (1)	—	—	—	(0.25)
Total	\$ —	\$ —	\$ —	0.25

(1) In 2018, the fourth quarter dividend of 2018 declared on October 23, 2018 was allocated to the 2019 tax year.

The Company’s Board of Trustees also declared the following dividends on preferred shares during 2022, 2021 and 2020:

Declaration Date	Record Date	Payment Date	Preferred Share
2022			
February 16	March 31	April 15	\$ 0.43750
2021			
October 26	December 31	January 14, 2022	\$ 0.43750
July 27	September 30	October 15	0.43750
April 27	June 30	July 15	0.43750
February 23	March 31	April 15	0.43750
2020			
December 17	December 31	January 15, 2021	\$ 0.43750
September 17	September 30	October 15	0.43750
June 9	June 30	July 15	0.43750
February 18	March 31	April 15	0.43750

Note 13 – Earnings per Share

The table below provides a reconciliation of net loss and the number of common shares used in the computations of “basic” earnings per share (“EPS”), which utilizes the weighted-average number of common shares outstanding without regard to dilutive potential common shares, and “diluted” EPS, which includes all such shares. Potentially dilutive securities consist of shares of non-vested restricted stock and the redeemable non-controlling interests in the Operating Partnership.

All outstanding non-vested shares that contain non-forfeitable rights to dividends are considered participating securities and are included in computing EPS pursuant to the two-class method which specifies that all outstanding non-vested share-based payment awards that contain non-forfeitable rights to distributions are considered participating securities and should be included in the computation of EPS.

Earnings per share has not been presented for Class B shareholders, as they do not have economic rights.

(in thousands except per share amounts)		Year Ended December 31,		
	2021	2020	2019	
Numerator - Basic and Diluted				
Net loss	\$ (38,985)	\$ (152,964)	\$ (90,603)	
Net loss attributable to non-controlling interests	10,836	47,938	31,206	
Preferred dividends	(4,900)	(4,900)	(4,900)	
Net loss attributable to common shareholders	<u>\$ (33,049)</u>	<u>\$ (109,926)</u>	<u>\$ (64,297)</u>	
Earnings allocated to unvested participating securities	—	—	—	
Net loss available to common shareholders - Basic and diluted	<u>\$ (33,049)</u>	<u>\$ (109,926)</u>	<u>\$ (64,297)</u>	
Denominator - Basic and Diluted				
Weighted average Class A common shares outstanding	42,393	38,298	36,413	
Weighted average Class A common shares outstanding	<u>42,393</u>	<u>38,298</u>	<u>36,413</u>	
Net loss per share attributable to Class A and common shareholders	\$ (0.78)	\$ (2.87)	\$ (1.77)	

No adjustments were made to the numerator for the years ended December 31, 2021, 2020 or 2019 because the Company generated a net loss. During periods of net loss, undistributed losses are not allocated to the participating securities as they are not required to absorb losses.

No adjustments were made to the denominator for the years ended December 31, 2021, 2020 or 2019 because (i) the inclusion of outstanding non-vested restricted shares would have had an anti-dilutive effect and (ii) including the non-controlling interest in the Operating Partnership would also require that the share of Operating Partnership loss attributable to such interests be added back to net loss, therefore, resulting in no effect on earnings per share.

As of December 31, 2021, 2020 and 2019, there were 288,068, 157,465 and 349,318 shares, respectively, of non-vested restricted shares outstanding.

Note 14 – Share-Based Compensation

On July 7, 2015, the Company adopted the Seritage Growth Properties 2015 Share Plan (the “Plan”). The number of shares of common stock reserved for issuance under the Plan is 3,250,000. The Plan provides for grants of restricted shares, share units, other share-based awards, options, and share appreciation rights, each as defined in the Plan (collectively, the “Awards”). Directors, officers, other employees, and consultants of the Company and its subsidiaries and affiliates are eligible for Awards.

Restricted Shares and Share Units

Pursuant to the Plan, the Company has periodically made grants of restricted shares or share units. The vesting terms of these grants are specific to the individual grant and vary in that a portion of the restricted shares and share units vest in equal annual amounts over the subsequent three years (time-based vesting) and a portion of the restricted shares and share units vest on the third, and in some instances, the fourth anniversary of the grants subject to the achievement of certain performance criteria (performance-based and market-based vesting).

In general, participating employees are required to remain employed for vesting to occur (subject to certain limited exceptions). Restricted shares and share units that do not vest are forfeited. Dividends on restricted shares and share units with time-based vesting are paid to holders of such shares and share units and are not returnable, even if the underlying shares or share units do not ultimately vest. Dividends on restricted shares and share units with performance-based vesting are accrued when declared and paid to holders of such shares on the third, and in some instances, the fourth anniversary of the initial grant subject to the vesting of the underlying shares. See Note 2 for valuation information related to the grants of the awards that are subject to market-based vesting conditions.

The following table summarizes restricted share and share unit activity for the grant periods ended December 31, 2021 and 2020:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Shares and Share Units	Weighted- Average Grant Date Fair Value	Shares and Share Units	Weighted- Average Grant Date Fair Value
Unvested restricted shares and share units at beginning of period	157,465	\$ 38.73	349,318	\$ 44.88
Restricted shares and share units granted	345,262	19.25	106,327	31.06
Restricted shares and share units vested	(156,146)	38.65	(55,308)	43.23
Restricted shares and share units forfeited	(58,513)	27.77	(242,872)	43.19
Unvested restricted shares and share units at end of period	<u>288,068</u>	<u>\$ 17.65</u>	<u>157,465</u>	<u>\$ 38.73</u>

The Company recognized \$1.9 million in share-based compensation expense related to the restricted shares for the year ended December 31, 2021. The Company recognized share-based compensation of \$4.0 million for the year ended December 31, 2020 offset by \$7.0 million of forfeitures of unvested shares related to the resignation of certain executives. The Company recognized share-based compensation of \$6.8 million for the year ended December 31, 2019. Compensation expenses related to the restricted shares are included in general and administrative expenses on the Company's consolidated statements of operations.

As of December 31, 2021, there were approximately \$4.3 million of total unrecognized compensation costs related to the outstanding restricted shares which is expected to be recognized over a weighted-average period of approximately 2.1 years. As of December 31, 2020, there were \$1.9 million of total unrecognized compensation costs related to the outstanding restricted shares which is expected to be recognized over a weighted-average period of approximately 1.7 years.

In light of the recent actions taken by the Board of Trustees to commence a process to review a broad range of strategic alternatives, on March 9, 2022, the Compensation Committee of the Board (the "Compensation Committee") approved certain modifications to the Company's existing performance-based compensation programs to reflect the Company's current focus on this strategic process and approved retention incentives to employees whose efforts will be critical to the execution of the strategic review process in the coming months.

These actions include: (i) amending the Company's 2021 annual equity award program, pursuant to which grants are scheduled to be made in 2022 to be comprised entirely of time-based restricted stock units (rather than a mix of time-based and performance-based restricted stock units), which will vest ratably over a period of 3 years, subject to acceleration provisions in the event of certain termination of employment events; (ii) amending the Company's annual cash bonus program to provide that annual cash bonuses for the 2022 performance year will be paid to employees who are eligible to receive a bonus in an amount equal to each individual's target annual cash bonus incentive; and (iii) amending the Company's 2022 and future annual equity award programs to provide for awards that would be scheduled to be granted in 2023 and subsequent years to be comprised of cash awards, in lieu of any further equity awards, with the cash awards to be in an amount equal to the eligible individual's annual target equity award value and, unless otherwise determined by the Compensation Committee at the time of grant, subject to the vesting conditions applicable to the 2021 annual equity award program above.

Note 15 – Revision of Quarterly Cash Flow Statements (unaudited)

We identified and corrected an immaterial classification error in the previously reported consolidated statement of cash flows for the periods ended March 31, 2021, June 30, 2021, and September 30, 2021. The correction of the immaterial error resulted in an increase in cash used in operating activities and cash provided by investing activities of approximately \$11 million from the previously reported amounts. The corrected (unaudited) cash used in operating activities for the periods ended March 31, 2021, June 30, 2021, and September 30, 2021 is \$23,096, \$67,602 and \$96,552, respectively. The corrected (unaudited) cash provided from investing activities for the periods ended March 31, 2021, June 30, 2021, and September 30, 2021 is \$18,514, \$67,085 and \$106,806, respectively. There was no other effect on previously reported amounts in our quarterly filings on Form 10-Q during the year ended December 31, 2021.

SERITAGE GROWTH PROPERTIES
SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021
(Dollars in thousands)

City	State	Encumbrance s	Acquisition Costs		Subsequent to Acquisition (1)		Gross Amount at Which Carried				Accumulated Depreciation	Date	Life Upon Which Depreciation is Computed
			Buildings and		Buildings and		at Close of Period (2)		Total				
			Land	Improvements	Land	Improvement s	Land	Buildings and Improvement s					
Anchorage(Sur)	AK	(3)	\$ 11,517	\$ 11,729	\$ (579)	\$ 19,906	\$ 10,938	\$ 31,635	\$ 42,573	\$ (4,441)	July, 2015	(4)	
North Little Rock	AR	(3)	1,288	2,881	—	2,507	1,288	5,388	6,676	(687)	July, 2015	(4)	
Mesa/East	AZ	(3)	2,661	2,559	—	(642)	2,661	1,917	4,578	(377)	July, 2015	(4)	
Park Mall	AZ	(3)	5,207	3,458	(2,221)	5,212	2,986	8,670	11,656	(997)	July, 2015	(4)	
Phoenix-Desert Sky	AZ	(3)	2,605	2,448	—	(669)	2,605	1,779	4,384	(373)	July, 2015	(4)	
Sierra Vista	AZ	(3)	1,252	1,791	(243)	(194)	1,009	1,597	2,606	(750)	July, 2015	(4)	
Yuma	AZ	(3)	1,485	1,596	—	(401)	1,485	1,195	2,680	(259)	July, 2015	(4)	
Phoenix	AZ	(3)	568	1,088	—	(624)	568	464	1,032	(85)	July, 2015	(4)	
Glendale	AZ	(3)	19,040	-	(12,041)	300	6,999	300	7,299	(100)	December, 2020	(4)	
Ramona	CA	(3)	7,239	1,452	—	(318)	7,239	1,134	8,373	(226)	July, 2015	(4)	
Riverside	CA	(3)	2,670	2,489	—	(767)	2,670	1,722	4,392	(368)	July, 2015	(4)	
Big Bear Lake	CA	(3)	3,664	2,945	—	(436)	3,664	2,509	6,173	(495)	July, 2015	(4)	
Temecula	CA	(3)	6,098	2,214	—	8,539	6,098	10,753	16,851	(1,035)	July, 2015	(4)	
Ventura	CA	(3)	5,578	6,172	(1,697)	(1,863)	3,881	4,309	8,190	(1,165)	July, 2015	(4)	
Roseville	CA	(3)	4,848	3,215	(1,909)	22,435	2,939	25,650	28,589	(922)	July, 2015	(4)	
Fairfield	CA	(3)	3,679	1,366	(2,918)	7,750	761	9,116	9,877	(434)	July, 2015	(4)	
West Covina	CA	(3)	2,754	244	—	—	2,754	244	2,998	(55)	July, 2015	(4)	
West Covina	CA	(3)	3,218	1,161	—	—	3,218	1,161	4,379	(260)	July, 2015	(4)	
Fresno	CA	(3)	1,370	2,000	(278)	6,369	1,092	8,369	9,461	(259)	July, 2015	(4)	
Riverside	CA	(3)	1,054	494	—	—	1,054	494	1,548	(111)	July, 2015	(4)	
Riverside	CA	(3)	3,343	2,778	—	—	3,343	2,778	6,121	(624)	July, 2015	(4)	
San Bernardino	CA	(3)	4,131	2,066	—	(780)	4,131	1,286	5,417	(279)	July, 2015	(4)	
Florin	CA	(3)	1,022	1,366	—	(191)	1,022	1,175	2,197	(253)	July, 2015	(4)	
El Cajon	CA	(3)	10,573	2,883	—	24,778	10,573	27,661	38,234	(1,555)	July, 2015	(4)	
San Jose-Eastridge	CA	(3)	1,531	2,356	—	(805)	1,531	1,551	3,082	(336)	July, 2015	(4)	
Citrus Hts-Sunrise	CA	(3)	3,778	2,088	—	(775)	3,778	1,313	5,091	(284)	July, 2015	(4)	
Westminster	CA	(3)	6,845	5,651	—	(1,024)	6,845	4,627	11,472	(1,002)	July, 2015	(4)	
Salinas	CA	(3)	2,644	4,394	(505)	(1,435)	2,139	2,959	5,098	(774)	July, 2015	(4)	
Palm Desert	CA	(3)	5,473	1,705	(542)	(679)	4,931	1,026	5,957	(215)	July, 2015	(4)	
El Centro	CA	(3)	3,877	3,977	(1,428)	(2,032)	2,449	1,945	4,394	(543)	July, 2015	(4)	
Santa Maria	CA	(3)	3,967	2,635	(1,489)	(1,200)	2,478	1,435	3,913	(451)	July, 2015	(4)	
Merced	CA	(3)	2,534	1,604	(2,534)	3,707	-	5,311	5,311	(99)	July, 2015	(4)	

City	State	Encumbrances	Costs Capitalized				Gross Amount at Which Carried				Accumulated Depreciation	Date	Life Upon Which Depreciation is Computed
			Acquisition Costs		Subsequent to Acquisition (1)		at Close of Period (2)						
			Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Total				
Thousand Oaks	CA	(3)	\$ 9,853	\$ 14,785	\$ —	\$ 7,507	\$ 9,853	\$ 22,292	\$ 32,145	\$ (5,014)	July, 2015	(4)	
Thornton	CO	(3)	1,881	1,300	—	3,050	1,881	4,350	6,231	(841)	July, 2015	(4)	
Lakewood	CO	(3)	1,290	4,550	—	(417)	1,290	4,133	5,423	(926)	July, 2015	(4)	
Waterford	CT	(3)	1,371	2,534	—	(680)	1,371	1,854	3,225	(389)	July, 2015	(4)	
Rehoboth Beach	DE	(3)	714	4,523	(134)	6,262	580	10,785	11,365	(2,308)	July, 2015	(4)	
Hialeah	FL	(3)	5,492	2,344	—	13,510	5,492	15,854	21,346	(1,564)	July, 2015	(4)	
North Miami	FL	(3)	4,748	2,434	—	18,874	4,748	21,308	26,056	(1,015)	July, 2015	(4)	
Ocala	FL	(3)	2,468	1,150	—	(456)	2,468	694	3,162	(145)	July, 2015	(4)	
Pensacola	FL	(3)	2,620	2,990	(1,606)	(2,443)	1,014	547	1,561	(32)	July, 2015	(4)	
Orlando Colonial	FL	(3)	4,403	3,626	(177)	17,189	4,226	20,815	25,041	(1,532)	July, 2015	(4)	
St Petersburg	FL	(3)	2,381	2,420	(50)	23,116	2,331	25,536	27,867	(4,417)	July, 2015	(4)	
Hialeah/Westland	FL	(3)	9,683	3,472	—	224	9,683	3,696	13,379	(710)	July, 2015	(4)	
Miami/Cutler Rdg	FL	(3)	5,219	1,236	—	(206)	5,219	1,030	6,249	(223)	July, 2015	(4)	
Clearwater/Cntry	FL	(3)	5,852	17,777	—	182	5,852	17,959	23,811	(4,300)	July, 2015	(4)	
Ft Myers	FL	(3)	3,168	2,853	—	(418)	3,168	2,435	5,603	(546)	July, 2015	(4)	
Plantation	FL	(3)	6,933	2,509	(3,361)	(1,641)	3,572	868	4,440	(322)	July, 2015	(4)	
Sarasota	FL	(3)	3,920	2,200	—	(831)	3,920	1,369	5,289	(287)	July, 2015	(4)	
Boca Raton	FL	(3)	16,089	7,480	—	(515)	16,089	6,965	23,054	(1,460)	July, 2015	(4)	
Miami	FL	(3)	13,264	61,577	—	(61,577)	13,264	-	13,264	-	July, 2015	(4)	
Doral(Miami)	FL	(3)	9,214	2,654	—	(600)	9,214	2,054	11,268	(431)	July, 2015	(4)	
Lakeland	FL	(3)	1,503	1,045	—	(378)	1,503	667	2,170	(131)	July, 2015	(4)	
Panama City	FL	(3)	3,227	1,614	—	(461)	3,227	1,153	4,380	(242)	July, 2015	(4)	
Charles City	IA	(3)	793	1,914	—	—	793	1,914	2,707	(1,102)	July, 2015	(4)	
Webster City	IA	(3)	392	896	(120)	(133)	272	763	1,035	(435)	July, 2015	(4)	
Cedar Rapids	IA	(3)	2,833	2,197	(582)	406	2,251	2,603	4,854	(411)	July, 2015	(4)	
Springfield	IL	(3)	2,182	5,051	(213)	14,871	1,969	19,922	21,891	(3,300)	July, 2015	(4)	
Chicago	IL	(3)	2,385	7,924	(1,728)	(5,118)	657	2,806	3,463	(1,544)	July, 2015	(4)	
Steger	IL	(3)	589	2,846	(214)	(786)	375	2,060	2,435	(684)	July, 2015	(4)	
N Riverside	IL	(3)	1,846	3,178	(101)	12,956	1,745	16,134	17,879	(1,912)	July, 2015	(4)	
Joliet	IL	(3)	2,557	3,108	—	(1,715)	2,557	1,393	3,950	(292)	July, 2015	(4)	
Orland Park	IL	(3)	1,783	974	—	(380)	1,783	594	2,377	(125)	July, 2015	(4)	
Lombard	IL	(3)	2,685	8,281	—	—	2,685	8,281	10,966	(1,992)	July, 2015	(4)	

City	State	Encumbrances	Costs Capitalized				Gross Amount at Which Carried				Accumulated Depreciation	Date	Life Upon Which Depreciation is Computed
			Acquisition Costs		Subsequent to Acquisition (1)		at Close of Period (2)						
			Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Total				
Merrillville	IN	(3)	\$ 3,413	\$ 3,224	\$ —	\$ (699)	\$ 3,413	\$ 2,525	\$ 5,938	\$ (586)	July, 2015	(4)	
Elkhart	IN	(3)	1,349	869	—	(335)	1,349	534	1,883	(105)	July, 2015	(4)	
Ft Wayne	IN	(3)	3,247	5,476	(796)	(3,382)	2,451	2,094	4,545	(111)	July, 2015	(4)	
Hopkinsville	KY	(3)	553	2,815	(68)	1,314	485	4,129	4,614	(804)	July, 2015	(4)	
Paducah	KY	(3)	1,022	2,868	(466)	5,798	556	8,666	9,222	(2,202)	July, 2015	(4)	
Lafayette	LA	(3)	1,406	5,094	—	(1,019)	1,406	4,075	5,481	(854)	July, 2015	(4)	
Braintree	MA	(3)	6,585	5,614	—	9,947	6,585	15,561	22,146	(2,869)	July, 2015	(4)	
Saugus	MA	(3)	1,656	2,835	—	(1,087)	1,656	1,748	3,404	(392)	July, 2015	(4)	
Edgewater	MD	(3)	5,534	2,116	(841)	(856)	4,693	1,260	5,953	(286)	July, 2015	(4)	
Bowie	MD	(3)	4,583	2,335	(1,168)	(790)	3,415	1,545	4,960	(268)	July, 2015	(4)	
Madawaska	ME	(3)	140	942	(56)	(358)	84	584	668	(179)	July, 2015	(4)	
Manistee	MI	(3)	508	3,045	(234)	(1,483)	274	1,562	1,836	(468)	July, 2015	(4)	
Sault Ste. Marie	MI	(3)	946	917	—	(478)	946	439	1,385	(92)	July, 2015	(4)	
Lincoln Park	MI	(3)	1,106	3,198	(262)	(1,095)	844	2,103	2,947	(502)	July, 2015	(4)	
Roseville	MI	(3)	3,286	4,778	(668)	9,108	2,618	13,886	16,504	(2,938)	July, 2015	(4)	
Ypsilanti	MI	(3)	2,462	1,277	(403)	(637)	2,059	640	2,699	(145)	July, 2015	(4)	
St Paul	MN	(3)	1,866	1,028	—	(309)	1,866	719	2,585	(161)	July, 2015	(4)	
Maplewood	MN	(3)	3,605	1,162	—	(521)	3,605	641	4,246	(139)	July, 2015	(4)	
Burnsville	MN	(3)	3,513	1,281	—	(505)	3,513	776	4,289	(163)	July, 2015	(4)	
Florissant	MO	(3)	2,430	1,607	(24)	(224)	2,406	1,383	3,789	(245)	July, 2015	(4)	
Springfield	MO	(3)	922	2,050	—	(354)	922	1,696	2,618	(327)	July, 2015	(4)	
Columbus	MS	(3)	2,940	2,547	(802)	(491)	2,138	2,056	4,194	(1,140)	July, 2015	(4)	
Greensboro	NC	(3)	3,869	4,387	—	1,006	3,869	5,393	9,262	(1,287)	July, 2015	(4)	
Kearney	NE	(3)	272	483	—	7,839	272	8,322	8,594	(1,536)	July, 2015	(4)	
Salem	NH	(3)	3,321	12,198	(1,159)	5,777	2,162	17,975	20,137	(3,896)	July, 2015	(4)	
Nashua	NH	(3)	1,794	7,255	(229)	(927)	1,565	6,328	7,893	(1,529)	July, 2015	(4)	
Manchester	NH	(3)	1,458	4,160	—	13,702	1,458	17,862	19,320	(1,449)	July, 2015	(4)	
Portsmouth	NH	(3)	3,934	3,375	—	(739)	3,934	2,636	6,570	(553)	July, 2015	(4)	
Las Vegas(Meadows)	NV	(3)	3,354	1,879	(532)	5,565	2,822	7,444	10,266	(757)	July, 2015	(4)	
Reno	NV	(3)	2,135	5,748	(545)	3,438	1,590	9,186	10,776	(1,441)	July, 2015	(4)	
Sidney	NY	(3)	1,942	1,769	(910)	(1,093)	1,032	676	1,708	(215)	July, 2015	(4)	
Olean	NY	(3)	249	2,124	(130)	1,323	119	3,447	3,566	(750)	July, 2015	(4)	

City	State	Encumbrances	Costs Capitalized				Gross Amount at Which Carried				Accumulated Depreciation	Date	Life Upon Which Depreciation is Computed
			Acquisition Costs		Subsequent to Acquisition (1)		at Close of Period (2)		Total				
			Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Land					
Albany	NY	(3)	\$ 8,289	\$ 6,523	\$ —	\$ 6,566	\$ 8,289	\$ 13,089	\$ 21,378	(2,333)	July, 2015	(4)	
Rochester-Greece	NY	(3)	3,082	1,560	(410)	(537)	2,672	1,023	3,695	(244)	July, 2015	(4)	
Victor	NY	(3)	4,144	1,391	—	13,191	4,144	14,582	18,726	(1,053)	July, 2015	(4)	
Clay	NY	(3)	787	4,134	(219)	(1,559)	568	2,575	3,143	(667)	July, 2015	(4)	
East Northport	NY	(3)	7,617	2,065	—	44,016	7,617	46,081	53,698	(2,640)	July, 2015	(4)	
Yorktown Hts	NY	(3)	3,584	1,569	(2,668)	4,345	916	5,914	6,830	(553)	July, 2015	(4)	
Hicksville	NY	(3)	38,629	19,061	(7,430)	(4,383)	31,198	14,681	45,879	(3,999)	July, 2015	(4)	
Watchung	NJ	(3)	6,704	4,110	—	32,654	6,704	36,764	43,468	(3,008)	July, 2015	(4)	
Toledo	OH	(3)	1,664	1,289	(162)	(663)	1,502	626	2,128	(152)	July, 2015	(4)	
Canton	OH	(3)	1,650	5,854	—	20,811	1,650	26,665	28,315	(2,791)	July, 2015	(4)	
Middleburg Hts	OH	(3)	698	1,547	—	(322)	698	1,225	1,923	(277)	July, 2015	(4)	
Dayton Mall	OH	(3)	2,650	1,223	—	2,398	2,650	3,621	6,271	(568)	July, 2015	(4)	
Mentor	OH	(3)	1,092	1,776	—	(726)	1,092	1,050	2,142	(224)	July, 2015	(4)	
Okla City/Sequoyah	OK	(3)	1,542	2,210	(121)	4,814	1,421	7,024	8,445	(1,312)	July, 2015	(4)	
Happy Valley	OR	(3)	6,659	1,271	(619)	8,619	6,040	9,890	15,930	(752)	July, 2015	(4)	
Walnutport	PA	(3)	885	3,452	—	(1,045)	885	2,407	3,292	(474)	July, 2015	(4)	
King of Prussia	PA	(3)	-	42,300	—	3,670	-	45,970	45,970	(10,605)	July, 2015	(4)	
Caguas	PR	(3)	431	9,362	(118)	(2,523)	313	6,839	7,152	(2,237)	July, 2015	(4)	
Carolina	PR	(3)	611	8,640	—	—	611	8,640	9,251	(2,494)	July, 2015	(4)	
Warwick	RI	(3)	9,166	3,388	(2,848)	6,688	6,318	10,076	16,394	(1,492)	July, 2015	(4)	
Anderson	SC	(3)	1,297	638	(5)	9,224	1,292	9,862	11,154	(2,975)	July, 2015	(4)	
Chrlstn/Northwoods	SC	(3)	3,576	1,497	(2,149)	5,859	1,427	7,356	8,783	(1,004)	July, 2015	(4)	
Cordova	TN	(3)	2,581	4,279	—	—	2,581	4,279	6,860	(1,481)	July, 2015	(4)	
Memphis/Poplar	TN	(3)	2,827	2,475	—	24,893	2,827	27,368	30,195	(4,570)	July, 2015	(4)	
El Paso	TX	(3)	2,008	1,778	—	6,237	2,008	8,015	10,023	(641)	July, 2015	(4)	
Valley View	TX	(3)	4,706	3,230	—	(3,230)	4,706	-	4,706	-	July, 2015	(4)	
Shepherd	TX	(3)	5,457	2,081	—	(510)	5,457	1,571	7,028	(352)	July, 2015	(4)	
Central Park	TX	(3)	5,468	1,457	(4,805)	15,701	663	17,158	17,821	(2,227)	July, 2015	(4)	
Friendswd/Baybrook	TX	(3)	6,124	2,038	—	(806)	6,124	1,232	7,356	(258)	July, 2015	(4)	
Ingram	TX	(3)	4,651	2,560	(597)	(924)	4,054	1,636	5,690	(389)	July, 2015	(4)	
Austin	TX	(3)	3,164	2,858	(2,288)	7,192	876	10,050	10,926	(1,953)	July, 2015	(4)	
Irving	TX	(3)	4,493	5,743	(1,147)	(1,116)	3,346	4,627	7,973	(1,061)	July, 2015	(4)	

City	State	Encumbrances	Acquisition Costs		Costs Capitalized		Gross Amount at Which Carried			Accumulated Depreciation	Date	Life Upon Which Depreciation
			Land	Buildings and Improvements	Subsequent to Acquisition (1)	Buildings and Improvements	Land	Buildings and Improvements	Total			
Houston	TX	(3)	\$ 6,110	\$ 1,525	\$ —	\$ (525)	\$ 6,110	\$ 1,000	\$ 7,110	\$ (186)	July, 2015	(4)
Layton	UT	(3)	2,234	974	(824)	3,401	1,410	4,375	5,785	(1,251)	July, 2015	(4)
Virginia Beach	VA	(3)	10,413	4,760	(1,343)	11,343	9,070	16,103	25,173	(3,487)	July, 2015	(4)
Chspk/Greenbrier	VA	(3)	4,236	1,700	(492)	(623)	3,744	1,077	4,821	(253)	July, 2015	(4)
Fairfax	VA	(3)	10,873	1,491	—	25,346	10,873	26,837	37,710	(2,718)	July, 2015	(4)
Warrenton	VA	(3)	1,956	2,480	—	8,986	1,956	11,466	13,422	(654)	July, 2015	(4)
Redmond-Overlake Pk	WA	(3)	5,133	4,133	10,513	(1,243)	15,646	2,890	18,536	(816)	July, 2015	(4)
Greendale	WI	(3)	3,208	2,340	—	15,340	3,208	17,680	20,888	(1,875)	July, 2015	(4)
Madison-West	WI	(3)	3,053	2,130	(340)	16,569	2,713	18,699	21,412	(2,110)	July, 2015	(4)
Various		(3)	-	-	—	381,194	-	381,194	381,194	-	n/a	(4)
			<u>\$ 539,703</u>	<u>\$ 543,595</u>	<u>\$ (64,035)</u>	<u>\$ 831,817</u>	<u>\$ 475,667</u>	<u>\$ 1,375,415</u>	<u>\$ 1,851,082</u>	<u>\$ (154,971)</u>		

(1)Includes reductions related to partial site sales and impairment of long-lived assets.

(2)The aggregate cost of land, building and improvements (which includes construction in process) for U.S. federal income tax purposes is approximately \$1.9 billion.

(3)The Term Loan Facility is secured on a first lien basis by individual mortgages and a pledge of the capital stock of the direct subsidiaries of the Company, including those that own each of the Company's properties. See Note 6.

(4)Depreciation is computed based on the following estimated useful lives:

Building:	25 – 40 years
Site improvements:	5 – 15 years
Tenant improvements:	shorter of the estimated useful life or non-cancelable term of lease

SERITAGE GROWTH PROPERTIES
NOTES TO SCHEDULE III
(Dollars in thousands)

Reconciliation of Real Estate

	2021		2020		2019
Balance at beginning of year	\$ 2,053,078	\$	2,118,329	\$	1,889,014
Additions	109,549		256,126		364,970
Impairments	(95,826)		(64,108)		—
Dispositions	(208,413)		(226,889)		(95,270)
Write-offs	(7,306)		(30,380)		(40,385)
Balance at end of year	<u>\$ 1,851,082</u>	\$	<u>2,053,078</u>	\$	<u>2,118,329</u>

Reconciliation of Accumulated Depreciation

	2021		2020		2019
Balance at beginning of year	\$ 142,206	\$	147,696	\$	137,947
Depreciation expense	43,744		48,569		59,289
Dispositions	(23,145)		(23,679)		(9,174)
Write-offs	(7,834)		(30,380)		(40,366)
Balance at end of year	<u>\$ 154,971</u>	\$	<u>142,206</u>	\$	<u>147,696</u>

Subsidiary Name	State or Other Jurisdiction of Incorporation or Organization
Seritage Growth Properties, L.P.	Delaware
Seritage SRC Finance LLC	Delaware
Seritage KMT Finance LLC	Delaware
Seritage SRC Mezzanine Finance LLC	Delaware
Seritage KMT Mezzanine Finance LLC	Delaware
Seritage Management LLC	Delaware
Seritage GS Holdings LLC	Delaware
Seritage SPS Holdings LLC	Delaware
Seritage MS Holdings LLC	Delaware
Seritage GS Holdings (2017) LLC	Delaware
SRG Mark 302 Member LLC	Delaware
Mark 302 JV LLC	Delaware
Mark 302 Property Owner LLC	Delaware
SRG UTC Member LLC	Delaware
SI UTC LLC	Delaware
SI UTC Property Owner LLC	Delaware
SRC WH Member LLC	Delaware
SF WH Joint Venture LLC	Delaware
SF WH Property Owner LLC	Delaware
SRC NJ Holdings LLC	Delaware
Seritage JV Holdco LLC	Delaware
SRG Landmark Member LLC	Delaware
SRG Cockeysville Member LLC	Delaware
SRG Tech Ridge Member LLC	Delaware
Tech Ridge JV Holdings LLC	Delaware
Tech Ridge JV Developer LLC	Delaware
SRG Carson Member LLC	Delaware
Seritage TRS LLC	Delaware
SRG Riverside Member LLC	Delaware
SRG West Covina Member LLC	Delaware
SRG-FP Riverside JV LLC	Delaware
SRG-FP West Covina JV LLC	Delaware
West Covina Holdings LLC	Delaware
West Covina Property Owner LLC	Delaware
Riverside (CA) Holdings LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-205538 on Form S-8 and Registration Statement No. 333-261418 on Form S-3 of our reports dated March 15, 2022, relating to the financial statements of Seritage Growth Properties and the effectiveness of Seritage Growth Properties' internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

New York, New York
March 15, 2022

CERTIFICATION

I, Andrea Olshan, certify that:

1. I have reviewed this annual report on Form 10-K of Seritage Growth Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andrea Olshan
Andrea Olshan
President and Chief Executive Officer

Date: March 15, 2022

CERTIFICATION

I, John Garilli, certify that:

1. I have reviewed this annual report on Form 10-K of Seritage Growth Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John Garilli
John Garilli
Interim Chief Financial Officer

Date: March 15, 2022

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Seritage Growth Properties, a Maryland real estate investment trust (the “Company”), on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the “Report”), I, Andrea Olshan, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrea Olshan
Andrea Olshan
President and Chief Executive Officer
March 15, 2022

A signed original of this written statement required by Section 906 has been provided to Seritage Growth Properties and will be retained by Seritage Growth Properties and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Seritage Growth Properties, a Maryland real estate investment trust (the “Company”), on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission (the “Report”), I, John Garilli, Interim Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Garilli
John Garilli
Interim Chief Financial Officer
March 15, 2022

A signed original of this written statement required by Section 906 has been provided to Seritage Growth Properties and will be retained by Seritage Growth Properties and furnished to the Securities and Exchange Commission or its staff upon request.

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EXECUTIVE OFFICERS

Andrea Olshan

Chief Executive Officer and President

Matthew Fernand

Chief Legal Officer and
Corporate Secretary

Eric Dinenberg

Chief Operating Officer

John Garilli

Interim Chief Financial
Officer

BOARD OF TRUSTEES

Adam Metz

Chairman
Former Managing Director and Head
of International Real Estate
The Carlyle Group

John T. McClain

Chief Financial Officer
Iconix Brand Group

Andrea Olshan

Chief Executive Officer and President

Sharon Osberg

Former Executive Vice President
Wells Fargo Bank

Talya Nevo-Hacohen

Chief Investment Officer
Sabra Health Care REIT

Mitchell Sabshon

Chief Executive Officer and President
Inland Real Estate Investment Corporation

Allison L. Thrush

Former Managing Director
Fortress Investment Group

Mark Wilsmann

Former Managing Director
MetLife Investment Management

CORPORATE INFORMATION

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Independent Auditor

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New York, NY

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