Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______to _______

Commission File Number 001-37420

SERITAGE GROWTH PROPERTIES

(Exact name of registrant as specified in its charter)

Maryland	**38-3976287**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
500 Fifth Avenue, Suite 1530, New York, New York	**10110**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 355-7800

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

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 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 1, 2020, the registrant had the following common shares outstanding:

Class	Shares Outstanding
Class A common shares of beneficial interest, par value $0.01 per share	38,622,102
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

SERITAGE GROWTH PROPERTIES
QUARTERLY REPORT ON FORM 10-Q

QUARTER ENDED MARCH 31, 2020

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Item 1. Unaudited Condensed Consolidated Financial Statements

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

	March 31, 2020	December 31, 2019
ASSETS		
Investment in real estate		
Land	$ 654,698	$ 667,004
Buildings and improvements	1,133,636	1,112,653
Accumulated depreciation	(156,023)	(147,696)
	1,632,311	1,631,961
Construction in progress	412,222	338,672
Net investment in real estate	2,044,533	1,970,633
Real estate held for sale	3,204	5,275
Investment in unconsolidated joint ventures	459,646	445,077
Cash and cash equivalents	96,737	139,260
Tenant and other receivables, net	48,602	54,470
Lease intangible assets, net	44,121	68,153
Prepaid expenses, deferred expenses and other assets, net	67,525	67,744
Total assets	$ 2,764,368	$ 2,750,612
LIABILITIES AND EQUITY		
Liabilities		
Term Loan Facility, net	$ 1,598,593	$ 1,598,487
Accounts payable, accrued expenses and other liabilities	153,407	108,755
Total liabilities	1,752,000	1,707,242
Commitments and contingencies (Note 9)		
Shareholders' Equity		
Class A common shares $0.01 par value; 100,000,000 shares authorized; 38,622,102 and 36,897,364 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	386	369
Class B common shares $0.01 par value; 5,000,000 shares authorized; 0 and 1,242,536 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	—	12
Series A preferred shares $0.01 par value; 10,000,000 shares authorized; 2,800,000 shares issued and outstanding as of March 31, 2020 and December 31, 2019; liquidation preference of $70,000	28	28
Additional paid-in capital	1,177,553	1,149,721
Accumulated deficit	(440,600)	(418,711)
Total shareholders' equity	737,367	731,419
Non-controlling interests	275,001	311,951
Total equity	1,012,368	1,043,370
Total liabilities and equity	$ 2,764,368	$ 2,750,612

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

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
REVENUE		
Rental income	$ 33,110	$ 43,578
Management and other fee income	207	282
Total revenue	33,317	43,860
EXPENSES		
Property operating	10,301	10,237
Real estate taxes	9,225	10,192
Depreciation and amortization	34,097	26,216
General and administrative	9,420	9,759
Total expenses	63,043	56,404
Gain on sale of real estate, net	20,788	21,261
Equity in (loss) income of unconsolidated joint ventures	(894)	1,222
Interest and other income	333	2,598
Interest expense	(21,513)	(23,454)
Loss before taxes	(31,012)	(10,917)
Provision for taxes	37	23
Net loss	(30,975)	(10,894)
Net loss attributable to non-controlling interests	10,311	3,927
Net loss attributable to Seritage	$ (20,664)	$ (6,967)
Preferred dividends	(1,225)	(1,225)
Net loss attributable to Seritage common shareholders	$ (21,889)	$ (8,192)
Net loss per share attributable to Seritage Class A and Class C common shareholders - Basic	$ (0.59)	$ (0.23)
Net loss per share attributable to Seritage Class A and Class C common shareholders - Diluted	$ (0.59)	$ (0.23)
Weighted average Class A and Class C common shares outstanding - Basic	37,232	35,671
Weighted average Class A and Class C common shares outstanding - Diluted	37,232	35,671

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

SERITAGE GROWTH PROPERTIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, amounts in thousands)

	Class A Common		Class B Common		Class C Common		Series A Preferred		Additional Paid-In	Accumulated	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	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	—	—	—	—	—	—	—	—	—	(6,967)	(3,927)	(10,894)
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 ($0.4375 per share)	—	—	—	—	—	—	—	—	—	(1,225)		(1,225)
Vesting of restricted share units	(23)	—	—	—	—	—	—	—	(1,613)	—	—	(1,613)
Share-based compensation	45	—	—	—	—	—	—	—	1,566	—	—	1,566
Balance at March 31, 2019	35,690	$ 357	1,322	$ 13	—	$ —	2,800	$ 28	$1,124,457	$ (362,606)	$ 360,731	$1,122,980
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	—	—	—	—	—	—	—	—	—	(20,664)	(10,311)	(30,975)
Preferred dividends declared ($0.4375 per share)	—	—	—	—	—	—	—	—	—	(1,225)	—	(1,225)
Vesting of restricted share units	75	1	—	—	—	—	—	—	(1)	—	—	—
Share-based compensation	—	—	—	—	—	—	—	—	1,198	—	—	1,198
Share class surrenders (1,242,536 common shares)	—	—	(1,243)	(12)	—	—	—	—	12	—	—	—
OP Units exchanges (1,650,000 units)	1,650	16	—	—	—	—	—	—	26,623	—	(26,639)	—
Balance at March 31, 2020	38,622	$ 386	—	$ —	—	$ —	2,800	$ 28	$1,177,553	$ (440,600)	$ 275,001	$1,012,368

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

SERITAGE GROWTH PROPERTIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (30,975)	$ (10,894)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity in loss of unconsolidated joint ventures	894	(1,222)
Distributions from unconsolidated joint ventures	46	781
Gain on sale of real estate, net	(20,788)	(21,261)
Unrealized loss on interest rate cap	—	—
Share-based compensation	1,179	1,532
Depreciation and amortization	34,097	26,216
Amortization of deferred financing costs	106	118
Amortization of above and below market leases, net	(97)	(104)
Straight-line rent adjustment	2,701	(3,355)
Change in operating assets and liabilities		
Tenants and other receivables	(2,300)	484
Prepaid expenses, deferred expenses and other assets	(124)	(248)
Accounts payable, accrued expenses and other liabilities	5,061	(8,818)
Net cash used in operating activities	(10,200)	(16,771)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in unconsolidated joint ventures	(16,894)	(9,140)
Distributions from unconsolidated joint ventures	1,150	389
Net proceeds from sale of real estate	58,330	37,569
Development of real estate	(73,610)	(85,413)
Net cash used in investing activities	(31,024)	(56,595)
CASH FLOW FROM FINANCING ACTIVITIES		
Purchase of shares related to stock grant recipients' tax withholdings	(74)	(1,613)
Preferred dividends paid	(1,225)	(1,225)
Common dividends paid	—	(8,998)
Non-controlling interests distributions paid	—	(5,030)
Net cash used in financing activities	(1,299)	(16,866)
Net decrease in cash and cash equivalents	(42,523)	(90,232)
Cash and cash equivalents, beginning of period	139,260	532,857
Cash and cash equivalents, end of period	$ 96,737	$ 442,625

SERITAGE GROWTH PROPERTIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited, amounts in thousands)

	Three Months Ended March 31,	
	2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 28,311	$ 28,000
Capitalized interest	7,914	5,666
Income taxes paid	5	25
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Development of real estate financed with accounts payable	$ 57,644	$ 17,438
Common dividends and OP units distributions declared and unpaid	—	14,026
Preferred dividends declared and unpaid	1,225	1,225
Decrease in real estate, net resulting from deconsolidated properties		
Real estate, net	—	(14,656)
Tenants and other receivables, net	—	(2)
Prepaid expenses, deferred expenses and other assets, net	—	(84)
Accounts payable, accrued expenses and other liabilities	—	6
Transfer to real estate assets held for sale	(2,071)	4,416
Transfer of below market asset to right of use asset	—	(11,005)
Recording of right of use assets	1,598	19,373
Recording of lease liabilities	(1,598)	(8,368)

The accompanying notes are an integral part of these condensed 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 acquisition, ownership, development, redevelopment, management and leasing of diversified retail and mixed-use properties throughout the United States. As of March 31, 2020, the Company's portfolio consisted of interests in 208 properties totaling approximately 32.8 million square feet of gross leasable area ("GLA"), including 180 wholly owned properties totaling approximately 28.3 million square feet of GLA across 44 states and Puerto Rico (the "Wholly Owned Properties), and interests in 28 joint venture properties totaling approximately 4.5 million square feet of GLA across 14 states (the "JV Properties").

On June 11, 2015, Sears Holdings Corporation ("Sears Holdings" or "Sears") effected a rights offering to Sears Holdings stockholders to purchase common shares of Seritage in order to fund, in part, the $2.7 billion acquisition of (i) 234 of Sears Holdings' owned properties and one of its ground leased properties, and (ii) its 50% interests in three joint ventures that collectively owned 28 properties, ground leased one property and leased two properties (the "Transaction"). Concurrent with the Transaction, the Company leased back to Sears Holdings space at 224 of the acquired properties under a master lease agreement (the "Original Master Lease") and space at all 31 properties owned by the acquired joint ventures under multiple master lease agreements. On February 28, 2019, the Company and certain affiliates of Transform Holdco LLC ("Holdco"), an affiliate of ESL Investments, Inc., executed a master lease with respect to 51 Wholly Owned Properties (the "Holdco Master Lease"), which became effective on March 12, 2019.

As of March 31, 2020, the Company leased space at 17 Wholly Owned Properties to Holdco under the Holdco Master Lease, after giving effect to one pending recapture notice, and also leased space to Holdco at two JV Properties.

COVID-19 Pandemic

The recent spread of a novel strain of coronavirus ("COVID-19") is having a significant impact on the global economy, the U.S. economy, the local economies in which the Company's properties are located, and the broader financial markets. Nearly every industry has been impacted directly or indirectly, and the retail, retail real estate and real estate development industries in the United States have all come under severe pressure due to numerous factors, including preventative measures taken by local, state and federal authorities to alleviate the public health crisis such as mandatory business closures, quarantines, restrictions on travel and "shelter-in-place" or "stay-at-home" orders.

These containment measures and other factors have affected operations at the Company's properties and, with the exception of "essential" businesses, substantially all of the Company's tenants have closed their stores. The Company also paused substantially all of its construction projects as of the end of March 2020.

As a result of the rapid development, fluidity and uncertainty surrounding this situation, the Company expects that these conditions will change, potentially significantly, in future periods, and results for the three months ended March 31, 2020 may therefore not be indicative of the impact of the COVID-19 pandemic on the Company's business for the second quarter of 2020 or for future periods.

As of May 6, 2020, the Company had collected approximately 47% of contractual base rent and tenant reimbursements billed for the month of April (54% from tenants other than Holdco). The Company has received a number of rent relief requests from tenants, most often in the form of rent deferral requests, which the Company is evaluating on a case-by-case basis. Absent agreement between the Company and tenants with respect to such rent relief requests, the Company fully intends to enforce its contractual rights under its leases. There can be no assurance that rental modifications agreements will be reached or, if agreements are reached, that tenants will meet their future obligations.

There is uncertainty as to the timing and extent to which these restrictions will be relaxed or lifted, businesses will reopen and previously underway projects will recommence. 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.

Liquidity

In response to the COVID-19 pandemic, the Company has taken a number of actions to manage its cash resources, including putting substantially all of its construction projects on hold, reducing operating and corporate expenses, and amending certain terms of its Term Loan Facility, as described in Note 6, Debt.

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, on a limited basis given the current environment, the reinvestment in and redevelopment of its properties ("development expenditures"). As a result of a decrease in occupancy levels due to the Company's recapture of space for redevelopment purposes and the execution of certain termination rights by Sears Holdings under the Original Master Lease and Holdco under the Holdco Master Lease, property rental income, which is the Company's primary source of operating cash flow for the three months ended March 31, 2020, did not fully fund obligations incurred during the three months ended March 31, 2020 and the Company had operating cash outflows of $10.2 million. Additionally, the Company's development expenditures during the three months ended March 31, 2020 drove investing cash outflows of $31.0 million.

Obligations are projected to continue to exceed property rental income and the COVID-19 pandemic has created uncertainty with respect to rent collections and the timing of the Company's construction projects, substantially all of which are currently on hold. While the Company does not currently have the liquid funds available to satisfy its obligations and development expenditures, the Company expects to fund such obligations and any development expenditures with a combination of capital sources including, but not limited to, cash on hand, sales of Wholly Owned Properties, sales of interests in JV Properties, and potential credit and capital markets transactions, subject to any approvals that may be required under the Company's Term Loan Facility, as described in Note 6, Debt. 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

These condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, as amended, (the "Annual Report"), for the year ended December 31, 2019. Certain footnote disclosures which would substantially duplicate those contained in our Annual Report have been condensed or omitted from this quarterly report. In the opinion of management, all adjustments necessary for a fair presentation (which include only normal recurring adjustments) have been included in this quarterly report. Operating results of three months ended March 31, 2020 may not be indicative of the results that may be expected for any other interim period or for the year ending December 31, 2020. Capitalized terms used, but not defined in this quarterly report, have the same meanings as set forth in our Annual Report.

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The condensed consolidated financial statements include the accounts of the Company, the Operating Partnership, each of their wholly-owned subsidiaries, and all other entities in which they have a controlling financial interest or entities that meet the definition of a variable interest entity ("VIE") in which the Company has, as a result of ownership, contractual interests or other financial interests, both the 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. All intercompany accounts and transactions have been eliminated.

If the Company has an interest in a VIE but it is not determined to be the primary beneficiary, the Company accounts for its interest under the equity method of accounting. Similarly, for those entities which are not VIEs and over which the Company has the ability to exercise significant influence, but does not have a controlling financial interest, the Company accounts for its interests under the equity method of accounting. The Company continually reconsiders its determination of whether an entity is a VIE and whether the Company qualifies as its primary beneficiary. As of March 31, 2020 and December 31, 2019, the Company has several unconsolidated VIEs in the form of joint ventures (see Note 4). The Company does not consolidate these entities because the Company is not the primary beneficiary and the nature of its involvement in the activities of these entities does not give the Company power over decisions that significantly affect these entities' economic performance.

As of March 31, 2020, the Company holds a 69.1% 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. 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 its interest in the Operating Partnership. The assets and liabilities of the Operating Partnership are the same as those of the Company and are presented in the condensed consolidated balance sheet.

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 the useful lives of tangible and intangible assets, 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.

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 as follows:

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.

On a periodic basis, management assesses whether there are indicators that the value of the Company's real estate assets (including any related intangible assets or liabilities) may be impaired. These indicators include macroeconomic conditions, such as the expected impact of the current COVID-19 pandemic. If an indicator is identified, a real estate asset is considered impaired if management's estimate of current and projected operating cash flows (undiscounted and unleveraged), taking into account the anticipated and probability weighted holding period, are less than a real estate asset's carrying value. Various factors are considered in the estimation process, including expected future operating income, trends and prospects and the effects of demand, competition, and other economic factors. 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. If the COVID-19 pandemic causes economic and market conditions to deteriorate further, subsequent tests for impairment may result in future impairment charges. No impairment losses were recognized for the three months ended March 31, 2020 and March 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 joint ventures in the Company's condensed consolidated statements of operations. For more information on the Company's unconsolidated joint venture transactions refer to Note 4.

The following table summarizes our gain on sale of real estate, net during the three months ended March 31, 2020 and March 31, 2019 (in thousands):

	Three Months Ended March 31,	
	2020	2019
Contributions to unconsolidated joint ventures		
Gross proceeds	$ —	$ 18.7
Gain on sale of real estate, net	—	3.8
Dispositions to third parties		
Gross proceeds	$ 60.4	$ 29.5
Gain on sale of real estate, net	20.8	17.7
Total gains on contributions and dispositions, net	$ 20.8	$ 21.5

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 March 31, 2020, one property was classified as held for sale with assets of $3.2 million and no liabilities, and as of December 31, 2019, two properties were classified as held for sale with assets of $5.3 million and no liabilities.

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting as the Company exercises significant influence, but does not control these entities. 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 such as the expected impact of the current COVID-19 pandemic), that the value of the Company’s investments in unconsolidated joint ventures 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. If the COVID-19 pandemic causes economic and market conditions to deteriorate further, subsequent tests for impairment may result in future impairment charges. No such impairment losses were recognized for each of the three months ended March 31, 2020 or March 31, 2019.

Cash and Cash Equivalents

The Company considers instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalent balances may, at a limited number of banks and financial institutions, exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions and primarily in funds that are insured by the United States federal government.

Tenant and Other Receivables

Accounts receivable 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. 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, including the expected impact of the COVID-19 pandemic, and economic conditions in the area where the property is located. For accrued rental income related to the straight-line method of reporting rental income, the Company performs a periodic review of receivable balances to assess the risk of uncollectible amounts and establish appropriate provisions. Any receivables that are deemed to be uncollectible are recognized as a reduction to rental income in the Company's condensed consolidated statements of operations. Prior period provision for doubtful accounts is presented on the Company's condensed consolidated statements of operations in accordance with the Company's previous presentation and has not been reclassified to rental income.

Tenant and other receivables also include management fees receivable for services performed for the benefit of certain unconsolidated joint ventures. 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.

Revenue Recognition

Rental income is comprised of base rent and reimbursements of property operating expenses. 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 deferred rent receivable and included as a component of tenant and other receivables on the condensed consolidated balance sheets.

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.

The Company commences recognizing revenue based on an evaluation of several factors. Revenue recognition under a lease begins when the lessee takes control of the physical use of the leased asset.

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.

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 joint ventures.

Property management fee income is reported at 100% of the revenue earned from such joint ventures in management and other fee income on the condensed consolidated statements of operations. The Company's share of management expenses incurred by the unconsolidated joint ventures is reported in equity in income (loss) of unconsolidated joint ventures on the condensed 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 joint ventures. 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 joint ventures on the condensed 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 at our unconsolidated joint venture properties 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.

Accounting for Recapture and Termination Activity Pursuant to the Original Master Lease and Holdco Master Lease (see Note 5)

Seritage Recapture Rights. The Company generally treats the delivery of a recapture notice as a modification of the lease as of the date of notice. Such a notice and lease modification result in the following accounting adjustments for the recaptured property:

- The portion of accrued rental revenues related to the straight-line method of reporting rental revenue that are subject to the lease modification are amortized over the remaining shortened life of the lease from the date of notice to the date of vacancy. The portion of accrued rental revenues related to the straight-line method of reporting rental revenue that is attributable to the retained space, if any, is amortized over the remaining life of the lease.
- The portion of intangible lease assets and liabilities that is deemed to be impacted by the lease modification is amortized over the shorter of the shortened lease term from the date of notice to the date of vacancy or the remaining useful life of the asset or liability. The portion of intangible lease assets and liabilities that is attributable to the retained space, if any, is amortized over the remaining useful life of the asset or liability.

A recapture will generally occur in conjunction with obtaining a new tenant or a real estate development project. As such, termination fees, if any, associated with the recapture notice are generally capitalized as either an initial direct cost of obtaining a new lease or a necessary cost of the real estate project and depreciated over the life of the new lease obtained or the real estate asset being constructed or improved.

Termination Rights. The Original Master Lease provided, and the Holdco Master Lease provides the tenant with certain rights to terminate their lease. Such terminations would generally result in the following accounting adjustments for the terminated property:

- Accrued rental revenues related to the straight-line method of reporting rental revenue that are subject to the termination are amortized over the remaining shortened life of the lease from the date of notice to the date of vacancy.
- Intangible lease assets and liabilities that are deemed to be impacted by the termination are amortized over the shorter of the shortened lease term from the date of notice to the date of vacancy or the remaining useful life of the asset or liability.
- Termination fees required to be paid are recognized as follows:
    - For the portion of the termination fee attributable to the annual base rent of the subject property, termination income is recognized on a straight-line basis over the shortened life of the lease from the date the termination fee becomes legally binding to the date of vacancy.
    - For the portion of the termination fee attributable to estimated real estate taxes and property operating expenses for the subject property, prepaid rental income is recorded in the period such fee is received and recognized as tenant reimbursement revenue in the same periods as the expenses are incurred.

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 condensed 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. As of March 31, 2020, the Company leased space at 17 Wholly Owned Properties to Holdco under the Holdco Master Lease, after giving effect to one pending recapture notice, and a material amount of the Company’s rental revenues for the quarter ended March 31, 2020 was derived from the Holdco Master Lease. Until the Company further diversifies the tenancy of its portfolio, an event that has a material adverse effect on the business, financial condition or results of operations of Holdco or another major tenant could have a material adverse effect on the Company’s business, financial condition or results of operations.

Other than the Company's tenant concentration, management believes the Company's portfolio was reasonably diversified by geographical location and did not contain any other significant concentrations of credit risk. As of March 31, 2020, the Company's portfolio of 180 Wholly Owned Properties and 28 JV Properties was diversified by location across 44 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. As of 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 March 31, 2020, all outstanding Class B common shares have been surrendered and there are currently no class B common shares outstanding. As of March 31, 2019, 1,322,365 Class B non-economic common shares were issued and 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 following presents Accounting Standards Updates (“ASU”) issued by Financial Accounting Standards Board (“FASB”) which have been adopted by the Company:

ASU	**Description**	**Adoption Date**	**Effect on the financial statements or other significant matters**

ASU	Description	Adoption Date	Effect on the financial statements or other significant matters
ASU 2016-02, Leases (“Topic 842”) ASU 2018-10, Codification Improvements ASU 2018-11, Leases, Targeted Improvements ASU 2018-20, Leases	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. The Company has a ground lease 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 condensed consolidated balance sheets. 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 the 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 condensed consolidated balance sheets.
ASU 2018-01, Leases, Land Easement Practical Expedient for Transition to Topic 842	In March 2018, the FASB finalized changes with respect to optional transition relief and approved a practical expedient for lessors that would permit lessors to make an accounting policy election to not separate non-lease components from the associated lease components, by class of underlying asset, if the following two criteria are met: (1) the timing and pattern of transfer of the lease and non-lease components are the same and (2) the lease component would be classified as an operating lease if accounted for separately.	January 1, 2019	The Company has elected the optional transition relief and has determined that it is not required to bifurcate and separately report non-lease components, such as common area maintenance revenue, for operating leases on the condensed consolidated statements of operations for leases where the Company is the lessor. As a result, leases where the Company is the lessor have been accounted for in a similar method to earlier guidance under ASC 840. The Company’s adoption of ASC 842 did not have a material impact on our condensed consolidated financial statements.
ASU 2016-13, Financial Instruments – Credit Losses	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 did not have a material impact on our condensed consolidated financial statements.

(Topic 326) 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 accounted for in accordance with Topic 842, Leases.		

ASU	Description	Adoption Date	Effect on the financial statements or other significant matters
Lease Modification Question and Answer Document (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 Lease Modification Q&A has no impact on the Company's consolidated financial statements as of and for the three months ended March 31, 2020, however, its future impact to the Company is dependent upon the extent of and lease concessions granted to tenants as a result of the COVID-19 pandemic in future periods and the elections made by the Company at the time of entering into such concessions.

Note 3 – Lease Intangible Assets and Liabilities

Lease intangible assets (acquired in-place leases, above-market leases and below-market ground leases) and liabilities (acquired below-market leases), net of accumulated amortization, were $44.1 million and $9.3 million, respectively, as of March 31, 2020 and $68.2 million and $10.6 million, respectively, as of December 31, 2019. The following table summarizes the Company's lease intangible assets and liabilities (in thousands):

March 31, 2020

Lease Intangible Assets	Gross Asset	Accumulated Amortization	Balance
In-place leases, net	$ 203,672	$ (162,407)	$ 41,265
Above-market leases, net	6,419	(3,563)	2,856
Total	$ 210,091	$ (165,970)	$ 44,121

Lease Intangible Liabilities	Gross Liability	Accumulated Amortization	Balance
Below-market leases, net	$ 13,895	$ (4,620)	$ 9,275
Total	$ 13,895	$ (4,620)	$ 9,275

December 31, 2019

Lease Intangible Assets	Gross Asset	Accumulated Amortization	Balance
In-place leases, net	$ 245,745	$ (180,639)	$ 65,106
Above-market leases, net	6,625	(3,578)	3,047
Total	$ 252,370	$ (184,217)	$ 68,153

Lease Intangible Liabilities	Gross Liability	Accumulated Amortization	Balance
Below-market leases, net	$ 15,912	$ (5,264)	$ 10,648
Total	$ 15,912	$ (5,264)	$ 10,648

Amortization of acquired below-market leases, net of acquired above-market leases, resulted in additional rental income of $0.1 million for the three months ended March 31, 2020, and March 31, 2019. Future amortization of these intangibles is estimated to increase rental income as set forth below (in thousands):

Remainder of 2020	$ 159
2021	141
2022	111
2023	168
2024	183

Amortization of an acquired below-market ground lease resulted in additional property expense of $50 thousand for the three months ended March 31, 2020, and March 31, 2019. Future amortization of the below-market ground lease is estimated to increase property expenses as set forth below (in thousands):

Remainder of 2020	$	153
2021		203
2022		203
2023		203
2024		203

Amortization of acquired in-place leases resulted in additional depreciation and amortization expense of $21 million and $10.3 million for the three months ended March 31, 2020 and March 31, 2019, respectively. Future estimated amortization of acquired in-place leases is set forth below (in thousands):

Remainder of 2020	$	10,214
2021		13,226
2022		12,918
2023		12,118
2024		11,574

Note 4 – Investments in Unconsolidated Joint Ventures

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

As of March 31, 2020, the Company had investments in nine unconsolidated joint ventures as follows:

Unconsolidated Joint Venture	Joint Venture Partner	Seritage % Ownership	# of Properties	Total GLA
GS Portfolio Holdings II LLC ("GGP I JV")	Brookfield Properties Retail (formerly GGP Inc.)	50.0%	4	520,500
GS Portfolio Holdings (2017) LLC ("GGP II JV")	Brookfield Properties Retail (formerly GGP Inc.)	50.0%	5	910,400
MS Portfolio LLC ("Macerich JV")	The Macerich Company	50.0%	9	1,570,200
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	226,300
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	—
			28	4,526,500

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

In certain circumstances, the Contribution Value is subject to revaluation as defined in the respective joint venture agreements, which may result in an adjustment to the Gain (Loss) recognized. If the Contribution Value is subject to revaluation, the Company initially recognizes the Gain (Loss) at the value that is the expected amount within the range of possible outcomes and will re-evaluate the expected amount on a periodic 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 joint venture partners, as well as an adjustment to the Initial Gain (Loss).

Each reporting period, the Company re-analyzes the primary inputs that determine the Contribution Value and the Gain (Loss) for those joint ventures subject to a revaluation. The following table presents summarizes the properties contributed to the Company's unconsolidated joint ventures:

		March 31, 2020	
Unconsolidated Joint Venture	**Contribution Date**	**Contribution Value**	**Gain (Loss)**
2018			
Mark 302 JV (1)	March 20, 2018	$ 90.0	$ 38.8
UTC JV	May 18, 2018	68.0	28.3
West Hartford JV (2)	May 18, 2018	20.3	(1.1)
2019			
Cockeysville JV (3)	March 29, 2019	$ 12.5	$ 3.8
Tech Ridge JV (4)	September 27, 2019	3.0	0.1

(1) The Mark 302 JV is subject to a revaluation upon the earlier of the first anniversary of project stabilization or December 31, 2020. The primary inputs in determining the Contribution Value for the Mark 302 JV are property operating income and total project costs and the Contribution Value will be recalculated to yield a pre-determined rate of return to the investment fund managed by Invesco Real Estate. The Contribution Value cannot be more than $105.0 million or less than $60.0 million, and the Gain (Loss) will not be more than $53.8 million or less than $8.8 million.

(2) The West Hartford JV was subject to (i) a revaluation upon the earlier of the first anniversary of project stabilization or December 31, 2019, and (ii) an adjustment based on the timing, method and magnitude of the reassessment of the property for real estate tax purposes between 2018 and 2022. As of December 31, 2019, the Company revalued the Contribution Value and recorded an additional loss of $2.3 million, and the Company does not expect there to be any additional revaluations.

(3) The Cockeysville JV is subject to revaluation if an affiliate of Greenberg Gibbons contributes another adjacent parcel of land (the "Additional Land Parcel") to the Cockeysville JV if certain milestones are met with respect to entitling the Additional Land Parcel for residential use. If the Additional Land Parcel is contributed to the Cockeysville JV, the Company will record an increased investment in the Cockeysville JV in an amount equal to 50% of the fair value of the Additional Land Parcel at the time of contribution. The Contribution Value of the Cockeysville JV is based upon the Company's assessment of the probability of the Additional Land Parcel being entitled for residential use. The maximum Gain (Loss) is the fair value of the Additional Land Parcel at the time the Contribution Value is revalued, which cannot be less than $3.8 million.

(4) 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.

The following tables present combined condensed financial data for the Company's unconsolidated joint ventures (in thousands):

	March 31, 2020	December 31, 2019
ASSETS		
Investment in real estate		
Land	$ 336,739	$ 336,739
Buildings and improvements	534,393	517,068
Accumulated depreciation	(70,927)	(86,496)
	800,205	767,311
Construction in progress	195,170	177,028
Net investment in real estate	995,375	944,339
Cash and cash equivalents	19,773	27,977
Tenant and other receivables, net	1,879	3,113
Other assets, net	38,699	26,051
Total assets	$ 1,055,726	$ 1,001,480
LIABILITIES AND MEMBERS' INTERESTS		
Liabilities		
Mortgage loans payable, net	$ 14,470	$ 14,218
Accounts payable, accrued expenses and other liabilities	96,994	89,110
Total liabilities	111,464	103,328
Additional paid in capital	945,953	934,120
Retained earnings	(1,691)	(35,968)
Total members interest	944,262	898,152
Total liabilities and members interest	$ 1,055,726	$ 1,001,480

	Three Months Ended March 31,	
	2020	2019
Total revenue	$ 5,341	$ 11,218
Property operating expenses	(2,737)	(2,598)
Depreciation and amortization	(3,687)	(5,253)
Operating income	(1,083)	3,367
Other expenses	(489)	(922)
Net loss	$ (1,572)	$ 2,445
Equity in income (loss) of unconsolidated joint ventures (1)	$ (786)	$ 1,222

(1) Equity in income (loss) of unconsolidated joint ventures on the condensed consolidated statements of operations includes basis difference adjustments.

Each unconsolidated joint venture is obligated to maintain financial statements in accordance with GAAP. The Company shares in the profits and losses of these unconsolidated joint ventures generally in accordance with the Company's respective equity interests. In some instances, the Company may recognize profits and losses related to investment in an unconsolidated joint venture that differ from the Company's equity interest in the unconsolidated joint venture. This may arise from impairments that the Company recognizes related to its investment that differ from the impairments the unconsolidated joint venture recognizes with respect to its assets, differences between the Company's basis in assets it has transferred to the unconsolidated joint venture and the unconsolidated joint venture's basis in those assets or other items. There were no joint venture impairment charges for the three months ended March 31, 2020 and March 31, 2019.

Joint Venture Management and Related Fees

The Company acts as the operating partner and day-to-day manager for the Mark 302 JV, the West Hartford JV, the UTC JV, and Tech Ridge JV. The Company is entitled to receive certain fees for providing management, leasing, and construction supervision services to certain of its joint ventures. Refer to Note 2 for the Company's accounting policies. The Company also acts as the development manager for one of the properties in the GGP II JV which entitles the Company to receive certain development fees. The Company earned $207 thousand and $282 thousand from these services for the three months ended March 31, 2020 and March 31, 2019, respectively.

Note 5 – Leases

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"). On February 28, 2019, the Company and certain affiliates of Holdco executed the Holdco Master Lease which became effective on March 12, 2019 when 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 in accordance with ASC 842.

Lease Structure

The structure of the Holdco Master Lease is consistent with the structure of the Original Master Lease in all material respects, including (i) it is a unitary, non-divisible lease as to all properties, pursuant to which the tenant's obligations as to each property are cross-defaulted with all obligations of the tenant with respect to all other properties; (ii) it is a triple net lease with respect to all space which is leased thereunder to the tenant, subject to proportional sharing by the tenant for repair and maintenance charges, real property taxes, insurance and other costs and expenses which are common to both the space leased by the tenant and other space occupied by other tenants in the same or other buildings, space which is recaptured pursuant to the Company's recapture rights described below and all other space which is constructed on the properties; (iii) the tenant is required to make all expenditures reasonably necessary to maintain the premises in good appearance, repair and condition for as long as they are in occupancy; and (iv) the tenant is generally prohibited from subleasing any space demised under the lease.

Term and Renewals

Consistent with the terms of the Original Master Lease, the Holdco Master Lease will expire in July 2025, and contains three options for five-year renewals of the term and a final option for a four-year renewal, as was the case under the Original Master Lease.

Rental Revenue

The Holdco Master Lease provides for an initial base rent at the same rates which were in place at the time of the modification for accounting purposes. In each of the initial term and the first two renewal terms, consistent with the Original Master Lease, base rent under the Holdco Master Lease will be increased in August of each year by 2.0% per annum for each lease year over the rent for the immediately preceding lease year. For subsequent renewal terms, consistent with the Original Master Lease, rent will be set at the commencement of the renewal term for the Holdco Master Lease at a fair market rent based on a customary third-party appraisal process, taking into account all the terms of the Holdco Master Lease and other relevant factors, but in no event will the renewal rent be less than the rent payable in the immediately preceding lease year. The base rent under the Holdco Master Lease will be subject to an adjustment in the form of a rent credit of up to approximately $12 million in each of the first and second years of the Holdco Master Lease. The rent credit is allocated to specific properties based on the trailing twelve- month EBITDA of the particular property as of December 2018. If any such properties are recaptured by the Company or terminated by Holdco, the base rent credit attributable to such property will no longer be applicable. The rent credit is applicable to base rent only and Holdco is responsible for repair and maintenance charges, real property taxes, insurance and other costs and expenses associated with its occupancy of the subject properties.

Revenues from the Holdco Master Lease and the Original Master Lease for the three months ended March 31, 2020 and March 31, 2019 are as follows (in thousands and excluding straight-line rental income of $(4.5) million and $0.5 million, respectively.

	Three Months Ended March 31,	
	2020	2019
Fixed rental income	$ 4,288	$ 12,288
Variable rental income	3,839	8,398
Total rental income	$ 8,127	$ 20,686

Seritage Recapture Rights

The Holdco Master Lease provides the Company with the right to recapture up to approximately 50% of 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. Upon exercise of any of these partial recapture rights the Company will generally incur, as applicable, certain costs and expenses for the separation of the recaptured space from the remaining tenant space.

Additionally, in contrast to the Original Master Lease, which permitted the Company to recapture 100% of certain properties upon payment of a specified recapture fee, the Holdco Master Lease provides the Company with the right, beginning in March 2020, to recapture 100% of the space occupied by the tenant at any of the properties included in the Holdco Master Lease (other than five specified properties) without paying a recapture fee. This right to recapture 100% of any property is limited to 10 properties in each year of the Holdco Master Lease term, with carry-over rights if less than 10 properties are recaptured in any given lease year. In the event of a 100% recapture of a property (or termination of a property by Holdco that is subject to a termination fee) and any subsequent redevelopment of such property for retail purposes, Holdco has certain rights of first offer to lease space at specified predefined rates depending on the condition the space is delivered. If the Company does not provide Holdco with a right of first offer on at least one-third of any such properties that are recaptured 100% by the Company (or terminated by Holdco with payment of a termination fee) in a given lease year, then the Company's 100% recaptures rights are subject to payment of a recapture fee until such time as the Company has complied with the foregoing ratio.

Upon the exercise of any of its recapture rights, the Company can reconfigure and rent the recaptured space to new, diversified tenants on potentially superior terms as determined by the Company and for its own account.

The Company had previously exercised certain recapture rights with respect to 70 properties under the Original Master Lease prior to its rejection on March 12, 2019, and exercised recapture rights with respect to four properties under the Holdco Master Lease during the year ended December 31, 2019, including three properties where the Company had previously exercised certain recapture rights under the Original Master Lease.

The following table provides a summary of the Company's recapture activity as of March 31, 2020:

(in thousands except property count)

Year	Square Feet	Total Number of Properties	100% Recaptures (1)	Partial Recaptures (2)
2019	629	4	3	1
2018	3,428	20	17	3
2017	3,302	27	16	11
2016	1,501	17	4	13
2015	372	3	3	—
Total	9,232	71	43	28

(1) Includes properties for which the Company had converted partial recapture rights to 100% recapture rights.

(2) Partial recaptures include the recapture of (i) up to approximately 50% of the space occupied by the tenant at all properties, (ii) automotive care centers which are free-standing or attached as "appendages" to the properties, and/or (iii) outparcels or outlots and certain portions of parking areas and common areas.

Holdco Termination Rights

Under the terms of the Holdco Master Lease, Holdco has 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. Additionally, beginning in March 2020, the tenant has the right to terminate without payment of a termination fee: (i) up to 16 properties in the second year of the term of the Holdco Master Lease, (ii) up to 12 properties in the third year, (iii) up to 10 properties in the fourth year, and (iv) thereafter, the remaining properties, in each instance with carry over rights if less than the maximum permitted number of properties are terminated in any lease year.

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 29 properties under the Holdco Master Lease during the year ended December 31, 2019.

The following table provides a summary of Sears Holdings' and Holdco's termination activity (excluding 31 properties totaling 4.3 million square feet that were rejected on March 12, 2019 as part of Sears Holdings' bankruptcy filing) as of March 31, 2020:

(in thousands except property count)

Notice Date	Termination Date	Square Feet	Total Number of Properties	Number of Properties Redeveloped by the Company	Number of Properties Sold by the Company
November 2019	March 2020	4,332	29	7	1
August 2018	December 2018	1,605	13	6	3
June 2018	November 2018 (1)	1,218	9	6	1
April 2018	August 2018	1,494	9	4	1
June 2017	October 2017 (2)	3,812	20	8	4
January 2017	April 2017	1,872	19	7	8
September 2016	January 2017	1,727	17	8	6
Total		16,060	116	46	24

(1) Two properties were terminated in October 2018.

(2) One property was terminated in November 2017 and one was terminated in January 2018.

As of March 31, 2020, the Company had commenced or completed redevelopment projects at 46 of the terminated properties, and sold an additional 24 of the terminated properties, and will continue to announce redevelopment activity as new leases are signed to occupy the space formerly occupied by Sears or Kmart.

Lessor Disclosures

Future minimum rental receipts, excluding variable payments and tenant reimbursements of expenses, under non-cancelable operating leases executed as of March 31, 2020 and December 31, 2019 are approximately as follows:

(in thousands)	March 31, 2020
Remainder of 2020	81,885
2021	109,728
2022	109,126
2023	104,116
2024	100,364
2025	91,803
Thereafter	465,609
Total Lease Payments	$ 1,062,631

(in thousands)	December 31, 2019
2020	$ 113,265
2021	121,909
2022	124,067
2023	119,745
2024	116,607
Thereafter	1,019,054
Total Lease Payments	$ 1,614,647

The components of lease revenues for the three months ended March 31, 2020 and 2019 were as follows:

(in thousands)	Three Months Ended March 31,	
	2020	2019
Fixed rental income	$ 27,648	$ 28,889
Variable rental income	8,066	11,129
Total rental income	$ 35,714	$ 40,018

Lessee Disclosures

The Company has one ground lease and multiple corporate office leases which are classified as operating leases. As of March 31, 2020 and December 31, 2019, the outstanding amount of right-of-use, or ROU, assets were $19.8 million and $18.5 million, respectively.

The Company recorded rent expense related to leased corporate office space of $274 thousand and $285 thousand for the three months ended March 31, 2020 and March 31, 2019, respectively. Such rent expense is classified within general and administrative expenses on the condensed consolidated statements of operations.

In addition, the Company recorded ground rent expense of approximately $11 thousand for each of the three months ended March 31, 2020 and March 31, 2019. Such ground rent expense is classified within property operating expenses on the condensed 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 following table sets forth information related to the measurement of our lease liabilities as of March 31, 2020:

	As of March 31, 2020
Weighted average remaining lease term (in years)	10.70
Weighted average discount rate	7.00%
Cash paid for operating leases	$ 400,000

Note 6 – Debt

Term Loan Facility

The Term Loan Agreement provides 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 $400.0 million incremental funding facility (the "Incremental Funding Facility") subject to certain conditions described below. The Term Loan Facility matures on July 31, 2023.

The Company used a portion of the proceeds from the Initial Funding to (i) repay existing indebtedness and (ii) pay transaction and related costs. The remaining proceeds from the Initial Funding, as well as borrowings under the Incremental Funding Facility, will be used to fund the Company's redevelopment pipeline and to pay operating expenses of the Company and its subsidiaries.

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 condensed consolidated statements of operations.

As of March 31, 2020, the aggregate principal amount outstanding under the Term Loan Facility was $1.6 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 Agreement dated May 5, 2020 (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, 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.

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 March 31, 2020, 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 March 31, 2020, 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 March 31, 2020 and December 31, 2019, the unamortized balance of the Company's debt issuance costs were $1.4 million and $1.5 million, respectively.

On May 5, 2020, the Operating Partnership and Berkshire Hathaway entered into an amendment to the Senior Secured Term Loan Agreement by and among the Operating Partnership and Berkshire Hathaway as initial lender and administrative agent (the "Amendment") 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.

Additionally, the 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.

Note 7 – Income Taxes

The Company has elected to be taxed as a REIT as defined under Section 856(c) of the Code for federal income tax purposes and expects to continue to operate to qualify as a REIT. 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 U.S. corporate income tax.

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.

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on the condensed consolidated balance sheets include cash equivalents and term loan facility. The fair value of cash equivalents is classified as Level 1 and the fair value of term loan facility is classified as Level 2. Cash equivalents 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 March 31, 2020 and December 31, 2019, 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

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 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. The Company believes that the claims against the Seritage Defendants in the 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. 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 March 31, 2020, and December 31, 2019, 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 is also the Chairman of Seritage.

As of March 31, 2020, Mr. Lampert beneficially owned a 30.9% interest in the Operating Partnership and approximately 6.6% 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 Joint Ventures

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

In addition, as of March 31, 2020, the Company had incurred $0.4 million of development expenditures at properties owned by certain unconsolidated joint ventures for which the Company will be repaid by the respective unconsolidated joint ventures. These amounts are included in tenant and other receivables, net on the Company's condensed consolidated balance sheets. As of December 31, 2019, the Company had incurred $9.7 million of such 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 March 31, 2020, the Company held a 69.1% interest in the Operating Partnership and ESL held a 30.9% 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

During the three months ended March 31, 2020, 1,650,000 Operating Partnership Units ("OP Units") were exchanged for an equal number of Class A shares.

As of March 31, 2020, 38,622,102 Class A common shares were issued and outstanding.

Class B Non-Economic Common Shares

During the three months ended March 31, 2020, 1,242,536 Class B non-economic common shares were surrendered to the Company.

As of March 31, 2020, there were no Class B non-economic common shares issued and outstanding. The Class B non-economic common shares have voting rights, but do not have economic rights and, as such, did not receive dividends and are not included in earnings per share computations.

Class C Non-Voting Common Shares

As of March 31, 2020, there were no Class C non-voting 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 $66.7 million, after deducting payment of the underwriting discount and offering expenses, which it used to fund its redevelopment pipeline and for general corporate purposes.

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 and Class C common shares during 2020. The Company's Board of Trustees declared the following common stock dividends during 2019 with holders of Operating Partnership units entitled to an equal distribution per Operating Partnership unit held on the record date:

Declaration Date	Record Date	Payment Date	Dividends per Class A and Class C Common Share
2019			
February 25	March 29	April 11	$ 0.25

The Company's Board of Trustees declared the following dividends on preferred shares during 2020 and 2019:

Declaration Date	Record Date	Payment Date	Series A Preferred Share
2020			
February 18	March 31	April 15	$ 0.43750
2019			
October 23	December 31	January 15, 2020	$ 0.43750
July 23	September 30	October 15	0.43750
April 30	June 28	July 15	0.43750
February 25	March 29	April 15	0.43750

As previously disclosed, 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 2020. The Company intends to, at a minimum, make distributions to its shareholders to comply with the REIT requirements of the Code, which may be satisfied by dividends on the Company's Series A Preferred Shares.

Note 13 – Earnings per Share

The table below provides a reconciliation of net income (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)	Three Months Ended March 31, 2020	2019
Numerator - Basic and Diluted		
Net loss	$ (30,975)	(10,894)
Net income attributable to non-controlling interests	10,311	3,927
Preferred dividends	(1,225)	(1,225)
Net loss attributable to common shareholders - Basic and diluted	$ (21,889)	$ (8,192)
Denominator - Basic and Diluted		
Weighted average Class A common shares outstanding	37,232	35,671
Weighted average Class C common shares outstanding	—	—
Weighted average Class A and Class C common shares outstanding - Basic	37,232	35,671
Restricted shares and share units	—	—
Weighted average Class A and Class C common shares outstanding - Diluted	37,232	35,671
Net loss per share attributable to Class A and Class C common shareholders - Basic	$ (0.59)	$ (0.23)
Net loss per share attributable to Class A and Class C common shareholders - Diluted	$ (0.59)	$ (0.23)

No adjustments were made to the numerator for the three months ended March 31, 2020 or March 31, 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 three months ended March 31, 2020 or March 31, 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 the Operating Partnership loss attributable to such interests be added back to net loss, therefore, resulting in no effect on earnings per share.

As of March 31, 2020 and December 31, 2019, there were 434,358 and 349,318 shares, respectively, of share units 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 activity for the three months ended March 31, 2020:

	Three Months Ended March 31, 2020	
	Shares	Weighted-Average Grant Date Fair Value
Unvested restricted shares at beginning of period	349,318	$ 44.88
Share units granted	106,327	31.06
Restricted shares vested	(21,287)	41.63
Unvested restricted shares at end of period	434,358	41.65

The Company recognized $1.2 million and $1.5 million in compensation expense related to the restricted shares for the three months ended March 31, 2020 and March 31, 2019, respectively. Such expenses are included in general and administrative expenses on the Company's condensed consolidated statements of operations.

As of March 31, 2020, there were approximately $9.2 million of total unrecognized compensation costs related to the outstanding restricted shares which are expected to be recognized over a weighted-average period of approximately 1.9 years. As of March 31, 2019, there were approximately $6.6 million of total unrecognized compensation costs related to the outstanding restricted shares which were expected to be recognized over a weighted-average period of approximately 1.6 years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "projects," "will," "would," "may" or other similar expressions in this Quarterly Report on Form 10-Q. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and in Part II, Item 1A of this Quarterly Report on Form 10-Q. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Part 1 of this Quarterly Report.

Overview

We are principally engaged in the acquisition, ownership, development, redevelopment, management, and leasing of diversified retail real estate throughout the United States. As of March 31, 2020, the Company's portfolio consisted of interests in 208 properties totaling approximately 32.8 million square feet of gross leasable area, including 180 Wholly Owned Properties totaling approximately 28.3 million square feet of GLA across 44 states and Puerto Rico, and interests in 28 JV Properties totaling approximately 4.5 million square feet of GLA across 14 states.

We were formed to unlock the underlying real estate value of a high-quality retail portfolio we acquired from Sears Holdings in July 2015 and our primary objective is to create value for our shareholders through the re-leasing and redevelopment of the majority of our Wholly Owned Properties and JV Properties. In doing so, we target meaningful growth in net operating income ("NOI") and diversification of our tenant base while transforming our portfolio from one with a single-tenant retail orientation to one comprised predominately of multi-tenant shopping centers, multifamily properties and larger-scale, mixed-use environments.

In order to achieve our objective, we intend to execute the following strategies:

- Convert single-tenant buildings into multi-tenant properties at meaningfully higher rents
- Maximize value of vast land holdings through retail and mixed-use densification;
- Leverage existing and future joint venture relationships with leading landlords and financial partners; and
- Maintain a flexible capital structure to support value creation activities.

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 Bankruptcy Court. On February 28, 2019, the Company and Holdco, an affiliate of ESL Investments, Inc., executed the Holdco Master Lease with respect to 51 Wholly Owned Properties, which became effective on March 12, 2019, when the Bankruptcy Court issued an order approving the rejection of the Original Master Lease.

As of March 31, 2020, the Company leased space at 17 Wholly Owned Properties to Holdco under the Holdco Master Lease, after giving effect to one pending recapture notice, and also leased space to Holdco at two JV Properties.

Edward S. Lampert is the Chairman and Chief Executive Officer of ESL Investments, Inc, which owns Holdco. Mr. Lampert is also the Chairman of Seritage and controls each of the tenant entities that is a party to the Holdco Master Lease.

COVID-19 Pandemic

The recent COVID-19 pandemic is having a significant impact on the global economy, the U.S. economy, the local economies in which our properties are located, and the broader financial markets. Nearly every industry has been impacted directly or indirectly, and the retail, retail real estate and real estate development industries in the United States have all come under severe pressure due to numerous factors, including preventative measures taken by local, state and federal authorities to alleviate the public health crisis such as mandatory business closures, quarantines, restrictions on travel and "shelter-in-place" or "stay-at-home" orders.

These containment measures and other factors have affected operations at our properties and, with the exception of "essential" businesses, substantially all of our tenants have closed their stores. We have also paused substantially all of our construction projects as of the end of March.

As a result of the rapid development, fluidity and uncertainty surrounding this situation, we expect that these conditions will change, potentially significantly, in future periods, and results for the three months ended March 31, 2020 may therefore not be indicative of the impact of the COVID-19 pandemic on our business for the second quarter of 2020 or for future periods.

As of May 6, 2020, the Company had collected approximately 47% of contractual base rent and tenant reimbursements billed for the month of April (54% from tenants other than Holdco). We have received a number of rent relief requests from tenants, most often in the form of rent deferral requests, which we are evaluating on a case-by-case basis. Absent agreement between the Company and tenants with respect to such rent relief requests, we fully intend to enforce our contractual rights under our leases. There can be no assurance that rental modifications agreements will be reached or, if agreements are reached, that tenants will meet their future obligations.

There is uncertainty as to the timing and extent to which these restrictions will be relaxed or lifted, businesses will reopen and previously underway projects will recommence. As such, we cannot reasonably estimate the impact of COVID-19 on our financial condition, results of operations or cash flows over the foreseeable future.

We have taken a number of proactive measures to preserve the value of our assets and our platform and manage the anticipated impact of the COVID-19 pandemic on our business and the communities in which we operate, including, but not limited to, the following:

- Adapted operations to protect employees and their families, including by implementing a work from home policy;
- Communicated consistently with tenants, including to provide assistance in identifying local, state and federal resources that may be available to support their businesses and employees;
- Made over 180 properties available to governmental and community organizations for relief efforts at no cost;
- Implemented plans to reduce operating expenses at the property and corporate level, each by approximately 20-25%;
- Put substantially all construction projects on hold at the end of March, limiting capital expenditures until the Company can better assess the duration and extent of the disruption to the economy and its business; and
- Amended our Term Loan Facility to provide increased flexibility with respect to the deferral of interest expense, under specified circumstances, until the Term Loan Facility matures in July 2023. As part of the amendment, the lender also reaffirmed its continued support for asset dispositions, subject to the lender’s right to approve individual transactions.

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 Three Months Ended March 31, 2020 to the Three Months Ended March 31, 2019

The following table presents selected data on comparative results from the Company's condensed consolidated statements of operations for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019 (in thousands):

	Three Months Ended March 31,		
	2020	2019	$ Change
Revenue			
Rental income	$ 33,110	$ 43,578	$ (10,468)
Expenses			
Property operating	10,301	10,237	64
Real estate taxes	9,225	10,192	(967)
Depreciation and amortization	34,097	26,216	7,881
General and administrative	9,420	9,759	(339)
Gain on sale of real estate	20,788	21,261	(473)
Interest expense	21,513	23,454	(1,941)

Rental Income

The following table presents the results for rental income for the three months ended March 31, 2020, as compared to the corresponding period in 2019 (in thousands):

	Three Months Ended March 31,				
	2020		2019		
	Rental Income	% of Total Rental Income	Rental Income	% of Total Rental Income	$ Change
Sears or Kmart	$ 7,725	23.3%	$ 20,686	47.5%	$ (12,961)
Diversified tenants	27,989	84.5%	19,432	44.6%	8,557
Straight-line rent	(2,701)	(8.2)%	3,356	7.7%	(6,057)
Amortization of above/below market leases	97	0.3%	104	0.2%	(7)
Total rental income	$ 33,110	100.0%	$ 43,578	100.0%	$ (10,468)

The decrease of $13.0 million in Sears or Kmart rental income for the three months ended March 31, 2020 is primarily due to a reduction in the number of properties leased to Sears or Kmart under the Original Master Lease and the Holdco Master Lease, as applicable, as a result of recapture and termination activity and the rejection of the Original Master Lease during the three months ended March 31, 2019.

The increase of $8.6 million in diversified tenants rental income for the three months ended March 31, 2020 is primarily due to newly commenced leases at locations formerly occupied by Sears or Kmart.

The decrease of $6.1 million in straight-line rental income for the three months ended March 31, 2020 is primarily due to accelerated amortization of straight-line rent receivables as a result of termination activity under the Holdco Master Lease offset by an increase in straight-line rent receivables related to diversified tenants under newly commenced leases

Property Operating Expenses and Real Estate Taxes

The Company incurs certain property operating and real estate tax expenses.

The following table presents the comparative results for property operating expenses and real estate taxes for the three months ended March 31, 2020, as compared to the corresponding period in 2019 (in thousands):

	Three Months Ended March 31,		
	2020	2019	$ Change
Property operating expenses	$ 10,301	$ 10,237	$ 64
Real estate taxes	9,225	10,192	(967)

The increase of $0.1 million in property operating expense for the three months ended March 31, 2020 is primarily due to the Company directly incurring utility and certain common area maintenance expenses at properties for which Sears or Kmart paid such expenses directly during the three months ended March 31, 2019, partially offset by a decrease in property operating expenses as a result of asset sales and an increase in amounts capitalized due to development activity.

The decrease of $1.0 million in real estate taxes for the three months ended March 31, 2020 is primarily due to asset sales and an increase in amounts capitalized due to development activity.

Depreciation and Amortization Expenses

The increase of $7.9 million in depreciation and amortization expenses for the three months ended March 31, 2020 was due primarily to $10.5 million of accelerated amortization attributable to certain lease intangible assets offset by the non-recurrence of $2.2 million of accelerated depreciation during the three months ended March 31, 2019 related to certain buildings that were demolished for redevelopment and approximately $0.4 million of lower net scheduled depreciation.

Accelerated amortization results from the recapture of space from, or the 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 related expenses.

The decrease of $0.3 million in general and administrative expenses for the three months ended March 31, 2020 was driven primarily by lower professional fees and lower share-based compensation.

Gain on Sale of Real Estate

During the three months ended March 31, 2020, the Company sold four properties for aggregate consideration of $60.4 million and recorded gains totaling $20.8 million, which are included in gain on the sale of real estate within the condensed consolidated statements of operations.

Interest Expense

The Company incurs interest expense on its debt net of capitalized costs.

The decrease of $1.9 million in interest expense for the three months ended March 31, 2020 was driven by an increase in amounts capitalized due to increased development activity.

Liquidity and Capital Resources

In response to the COVID-19 pandemic, we have taken a number of actions to manage our cash resources, including putting substantially all of our construction projects on hold, reducing operating and corporate expenses, and amending certain terms of our Term Loan Facility.

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, on a limited basis given the current environment, the reinvestment in and redevelopment of our properties ("development expenditures"). As a result of a decrease in occupancy levels due to our recapture of space for redevelopment purposes and the execution of certain termination rights by Sears Holdings under the Original Master Lease and Holdco under the Holdco Master Lease, property rental income, which is our primary source of operating cash flow, did not fully fund obligations incurred during the three months ended March 31, 2020 and we had operating cash outflows of $10.2 million. Additionally, our development expenditures during the three months ended March 31, 2020 drove investing cash outflows of $31.0 million.

Obligations are projected to continue to exceed property rental income, and the COVID-19 pandemic has created uncertainty with respect to rent collections and the timing of our construction projects, substantially all of which are currently on hold. While we do not currently have the liquid funds available to satisfy our obligations and development expenditures, 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 Wholly Owned Properties. As of March 31, 2020, we had sold 46 Wholly Owned Properties, and additional outparcels at several properties, and generated approximately $318.0 million of gross proceeds since we began our capital recycling program in July 2017. Subsequent to March 31, 2020, the Company sold one asset for gross proceeds of $10.0 million, bringing total gross sales proceeds for the year to $70.4 million and entered into contracts to sell assets for anticipated gross proceeds of $78.2 million;
- Sales of Interests in JV Properties. As of March 31, 2020, we had sold our interests in 13 JV Properties and generated approximately $258.1 million of gross proceeds since July 2017. Certain of our joint venture agreements also include rights that allow us to sell our interests in select JV Properties to our partners at fair market value;
- New joint ventures. As of March 31, 2020, we had closed new joint ventures for 10 properties that generated approximately $185.4 million of gross proceeds since July 2017. In addition to generating liquidity upon closing, new joint ventures also reduce our development expenditures by the amount of our partners' interests in the ventures;
- Joint venture debt. We may incur property-level debt in new or existing joint ventures, 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.

On May 5, 2020, the Operating Partnership and Berkshire Hathaway entered into an amendment to the Senior Secured Term Loan Agreement by and among the Operating Partnership and Berkshire Hathaway as initial lender and administrative agent (the "Amendment") 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.

Additionally, the 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.

Our Term Loan Facility includes a $400.0 million Incremental Funding Facility, 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, if at all, will be adversely impacted by the COVID-19 pandemic.

Cash Flows for the Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

The following table summarizes the Company's cash flow activities for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,		
	2020	**2019**	**$ Change**
Net cash used in operating activities	$ (10,200)	$ (16,771)	$ 6,571
Net cash used in investing activities	(31,024)	(56,595)	25,571
Net cash used in financing activities	(1,299)	(16,866)	15,567

<u>*Cash Flows from Operating Activities*</u>

Significant changes in the components of net cash used in operating activities include:

− In 2020, increased costs accrued to accounts payable, accrued expenses and other liabilities, and decreased rental income.

Cash Flows from Investing Activities

Significant components of net cash used in investing activities include:

- In 2020, development of real estate and property improvements of ($73.6) million and investments in unconsolidated joint ventures of ($16.9) million, partially offset by $58.3 million of net proceeds from the sale of real estate; and
- In 2019, development of real estate and property improvements of ($85.4) million and investments in unconsolidated joint ventures of ($9.1) million, partially offset by $37.6 million of net proceeds from the sale of real estate.

Cash Flows from Financing Activities

Significant components of net cash used in by financing activities include:

- In 2020, cash distributions to common stockholders and holders of Operating Partnership units, ($1.2) million;
- In 2019, cash distributions to common stockholders and holders of Operating Partnership units, ($14.0) million;
- In 2019, cash payments of preferred dividends, ($1.2) million.

Dividends and Distributions

The Company's Board of Trustees has not declared dividends on the Company's Class A and Class C common shares during the three months ended March 31, 2020. The Company's Board of Trustees declared the following common stock dividends during 2019 with holders of Operating Partnership units entitled to an equal distribution per Operating Partnership unit held on the record date:

Declaration Date	Record Date	Payment Date	Dividends per Class A and Class C Common Share
2019			
February 25	March 29	April 11	$ 0.25

The Company's Board of Trustees declared the following dividends on preferred shares during 2020 and 2019:

Declaration Date	Record Date	Payment Date	Series A Preferred Share
2020			
February 18	March 31	April 15	$ 0.43750
2019			
October 23	December 31	January 15, 2020	$ 0.43750
July 23	September 30	October 15	0.43750
April 30	June 28	July 15	0.43750
February 25	March 29	April 15	0.43750

As previously disclosed, 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 2020. The Company intends to, at a minimum, make distributions to our shareholders to comply with the REIT requirements of the Code, which may be satisfied by dividends on the Company's Series A Preferred shares.

Off-Balance Sheet Arrangements

The Company accounts for its investments in joint ventures that it does not have a controlling interest or is not the primary beneficiary using the equity method of accounting and those investments are reflected on the condensed consolidated balance sheets of the Company as investments in unconsolidated joint ventures. As of March 31, 2020 and December 31, 2019, we did not have any off-balance sheet financing arrangements.

Contractual Obligations

There have been no significant changes in the contractual obligations disclosed in our Form 10-K for the year ended December 31, 2019.

Capital Expenditures

The majority of our capital expenditures, tenant improvement costs and leasing commissions are from our retenanting and redevelopment projects described under the caption "—Retenanting and Redevelopment Projects" below.

During the three months ended March 31, 2020, we incurred maintenance capital expenditures of approximately $1.8 million that were not associated with retenanting and redevelopment projects.

During the year ended December 31, 2019, we incurred maintenance capital expenditures of approximately $6.6 million that were not associated with retenanting and redevelopment projects.

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 we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued or disclose the fact that such a range of loss cannot be estimated. 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 Corporation, 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, 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, return of the proceeds of the transactions between Sears Holdings and Seritage, or (ii) in the alternative, 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. The Company believes that the claims against the Seritage Defendants in the Litigation are without merit and intends to defend against them vigorously.

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 condensed consolidated financial position, results of operations or liquidity of the Company.

Retenanting and Redevelopment Projects

The Company put substantially all of its construction projects on hold at the end of March and reduced capital expenditures to a select handful of projects. The Company deemed this action prudent in light of the COVID-19 pandemic, the resulting economic uncertainty and the direct impacts on its business, including reductions in rental income and the potential effects on future asset sales, which have been a meaningful source of capital for the Company's development program.

These decisions were also influenced by tenant and construction uncertainty, including tenants' ability to construct and open new stores and the feasibility of sustaining labor levels with safe working conditions and sourcing supplies, as well as restrictions at the state and local levels, including restrictions on construction and difficulties obtaining inspections and permits.

As of March 31, 2020, the Company had originated 91 retail redevelopment projects since the Company's inception. Excluding six projects that have been sold, these projects represented an estimated total investment of $1.6-1.7 billion ($1.4-1.5 billion at share), of which an estimated $570-650 million ($520-600 million at share) remained to be spent under the original development plans. Additionally, the Company had recently announced its first three multifamily projects, each of which represented the first phase of larger, mixed-use developments and were expected to have an aggregate incremental cost of $325-350 million for the initial phases.

Critical Accounting Policies

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2019 in Management's Discussion and Analysis of Financial Condition and Results of Operations. For the three months ended March 31, 2020, there were no material changes to these policies.

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 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 three months ended March 31, 2020 and March 31, 2019 (in thousands):

	Three Months Ended March 31,	
NOI and Total NOI	**2020**	**2019**
Net loss	$ (30,975)	$ (10,894)
Termination fee income	(990)	—
Management and other fee income	(207)	(282)
Depreciation and amortization	34,097	26,216
General and administrative expenses	9,420	9,759
Equity in loss of unconsolidated joint ventures	894	(1,222)
Gain on sale of real estate	(20,788)	(21,261)
Interest and other income	(333)	(2,598)
Interest expense	21,513	23,454
Provision for income taxes	(37)	(23)
Straight-line rent adjustment	2,701	(3,355)
Above/below market rental income/expense	(97)	(104)
NOI	$ 15,198	$ 19,690
NOI of unconsolidated joint ventures	1,302	4,310
Straight-line rent adjustment (unconsolidated joint ventures)	(171)	375
Above/below market rental income/expense (unconsolidated joint ventures)	(482)	(97)
Total NOI	$ 15,847	$ 24,278

The following table reconciles FFO and Company FFO to GAAP net loss for the three months ended March 31, 2020 and March 31, 2019 (in thousands):

	Three Months Ended March 31,	
FFO and Company FFO	**2020**	**2019**
Net loss	$ (30,975)	$ (10,894)
Real estate depreciation and amortization (consolidated properties)	33,587	25,575
Real estate depreciation and amortization (unconsolidated joint ventures)	1,844	2,627
Gain on sale of real estate	(20,788)	(21,261)
Dividends on preferred shares	(1,225)	(1,225)
FFO attributable to common shareholders and unitholders	$ (17,557)	$ (5,178)
Termination fee income	(990)	—
Amortization of deferred financing costs	106	118
Company FFO attributable to common shareholders and unitholders	$ (18,441)	$ (5,060)
FFO per diluted common share and unit	$ (0.31)	$ (0.09)
Company FFO per diluted common share and unit	$ (0.33)	$ (0.09)
Weighted Average Common Shares and Units Outstanding		
Weighted average common shares outstanding	37,232	35,671
Weighted average OP units outstanding	18,578	20,119
Weighted average common shares and units outstanding	55,810	55,790

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Except as discussed below, there were no material changes in the Quantitative and Qualitative Disclosures about Market Risk set forth in our 2019 Annual Report on Form 10-K.

Interest Rate Fluctuations

As of March 31, 2020, we had $1.6 billion of consolidated debt, all of which is borrowed under our fixed-rate Term Loan Facility that is not subject to interest rate fluctuations.

Fair Value of Debt

As of March 31, 2020, the estimated fair value of our debt was $1.5 billion. The estimated fair value of our 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Controls.

There were no changes in our internal control over financial reporting that occurred during the period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference to Note 9 of the condensed consolidated financial statements included herein.

Item 1A. Risk Factors

Information regarding risk factors appears in our 2019 Annual Report on Form 10-K in Part I, Item 1A. Risk Factors. Other than as noted, there have been no material changes from the risk factors previously disclosed in our 2019 Annual Report on Form 10-K.

The current pandemic of the novel coronavirus (COVID-19) is expected 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.

Since being reported in December 2019, COVID-19 has spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19.

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 or when restrictions currently in place will expire. 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.

As a result of the COVID-19 pandemic and related restrictions, substantially all our tenants have announced temporary closures of their stores, and we have placed substantially all of our construction projects on hold as of the end of March 2020. A number of our tenants have requested rent deferral or rent abatement during this pandemic, which the Company is evaluating on a case-by-case basis. While the Company intends to enforce its contractual rights under its leases, absent agreement between the Company and tenants with respect to such rent relief requests, there can be no assurance that rental modifications agreements will be reached or, if agreements are reached, that tenants will meet their future obligations. 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.

Many experts predict that the outbreak will trigger, or may have already triggered, a period of global economic slowdown or a global recession. 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 could impose an economic 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, which could result in temporary or long-term disruptions in our tenants’ supply chains, or 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. Further, certain of our tenants may not be eligible for or may not be successful in securing stimulus funds under the Coronavirus Aid, Relief, and Economic Security Act of 2020.

In addition, in response to an executive order issued by the Governor of New York, all of our employees based at our executive offices in New York are currently working remotely. The effects of the executive order, including an extended period of remote work arrangements, could strain our business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business.

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 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 Term Loan Facility, 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 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 rapid development and 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. Moreover, many risk factors set forth in the 2019 Annual Report on Form 10-K should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

None.

Item 3. **Defaults Upon Senior Securities**

None.

Item 4. **Mine Safety Disclosures**

Not applicable.

Item 5. **Other Information**

None.

Item 6. Exhibits

Exhibit No.	Description	SEC Document Reference
10.1	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	Incorporated by reference to our Current Report on Form 8-K, filed May 8, 2020.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350	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.

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: May 11, 2020

/s/ Benjamin W. Schall
By: Benjamin W. Schall
President and Chief Executive Officer

Dated: May 11, 2020

/s/ Brian R. Dickman
By: Brian R. Dickman
Executive Vice President and Chief Financial Officer

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Benjamin W. Schall, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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/ Benjamin W. Schall
Benjamin W. Schall
President and Chief Executive Officer

Date: May 11, 2020

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Brian R. Dickman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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/ Brian R. Dickman

Brian R. Dickman
Executive Vice President and Chief Financial Officer

Date: May 11, 2020

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Section 4: EX-32.1 (EX-32.1)

Exhibit 32.1

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

In connection with the Quarterly Report of Seritage Growth Properties, a Maryland real estate investment trust (the "Company"), on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Benjamin W. Schall, 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/ Benjamin W. Schall

Benjamin W. Schall

President and Chief Executive Officer
May 11, 2020

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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Section 5: EX-32.2 (EX-32.2)

Exhibit 32.2

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

In connection with the Quarterly Report of Seritage Growth Properties, a Maryland real estate investment trust (the “Company”), on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission (the “Report”), I, Brian R. Dickman, Executive Vice President and 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/ Brian R. Dickman
Brian R. Dickman
Executive Vice President and Chief Financial Officer
May 11, 2020

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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