

Peterson Investment Fund I, LP

Liquidation Arbitrage

SERITAGE
GROWTH PROPERTIES



Peterson Capital Management, LLC

VALUEx Klosters 2023

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AGENDA

- 1. Seritage Business Overview and Property Valuation**
2. Balance Sheet NAV
3. Liquidation Arbitrage



Liquidation Arbitrage: Seritage Growth Properties (NYSE: SRG)

- Future Highly Predictable
- Undervalued (Graham)
- Liquidation of 93 remain Real Estate Properties (Ex-Sears Properties)
- CFO Experienced in Liquidations
- Expectations of \$13-\$18 Per Share Paid in Cash Before Oct 2024 (Management estimate \$18-\$28)
- Option Strike Adjustments Following Special Distributions



Town Center at Boca Raton, FL: Premier Mixed-Use Property

Seritage is repurposing a legacy Sears Unit into 244,000 square feet of commercial and retail property



Assumptions

- Average Rent Assumption: ~\$45
- Stabilized NOI: ~\$32
- Stabilized NOI 7.75% Cap Rate
- Discount Rate of 15%; 36 months until completion

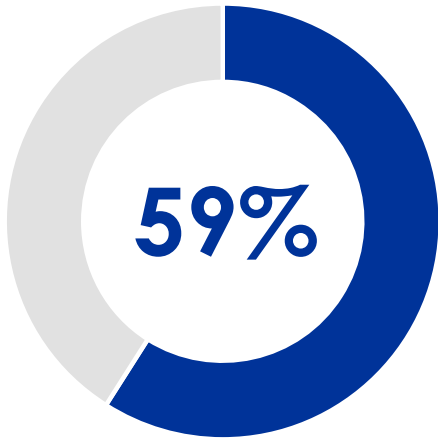
Calculations

- **Stabilized NOI: \$7.81m**
- **NAV at stabilized NOI: \$99m**
(projected NOI at 7.75% cap)
- **Present value: \$65m**
(discounted 3 years at 15%)

**~\$32 stabilized NOI per sq ft on 244,000 sq ft at 7.75% cap rate discounted
3 years at 15% = \$65,210,000**

Esplanade in Aventura, FL: Premier Mixed-Use Property

Today Seritage has leased
59% of its 216,100 square
feet in Aventura, FL



Average Rent Assumption: \$80
Stabilized NOI ~\$56



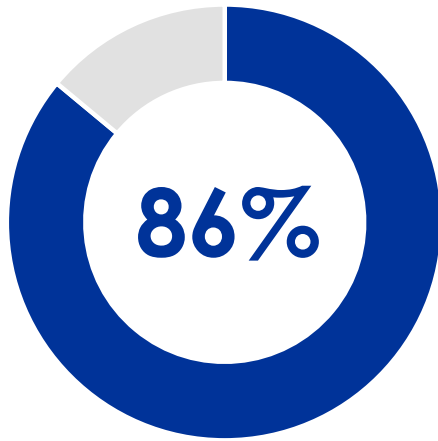
CBRE Cap Rate Survey
West Palm Beach Retail Cap
Rate: 6.75-7.75%

Source: Seritage Growth Properties – CBRE Research August 2022 (Adjusted)

~\$56 stabilized NOI per sq ft on 216,100 sq ft at 7.75% cap rate = \$156,150,000

At North Riverside Park Mall in North Riverside, IL: Multi-Tenant Retail Property

Today Seritage has leased
86% of its 214,700 square
feet in North Riverside, IL



Average Rent Assumption: \$25
Stabilized NOI ~\$18

Unleased Sale Price/Sq Ft: \$50



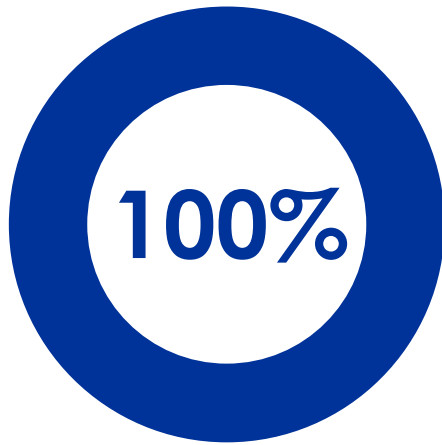
CBRE Cap Rate Survey
Chicago Illinois Retail Cap Rate:
7.75-8.50%

Source: Seritage Growth Properties – CBRE Research August 2022 (Adjusted)

**~\$18 stabilized NOI per sq ft on 183,600 sq ft at 8.5% cap rate + ~\$50 per sq ft on 31,100 sq ft =
\$45,760,000**

At Biscayne Shopping Center in North Miami, FL: Multi-Tenant Retail Property

Seritage has leased 100%
of its 129,300 square feet in
North Miami, FL



Average Rent Assumption: \$35
Stabilized NOI ~\$25



CBRE Cap Rate Survey
Adj. Miami Retail Cap Rate:
6.75-7.75%

Source: Seritage Growth Properties – CBRE Research August 2022 (Adjusted)

~\$25 stabilized NOI per sq ft on 129,300 sq ft at 7.75% cap rate = \$40,875,000

Property Values and Sales (February 2023)

Premier Properties

Total Value: \$300m

Aventura: \$156m
Boca Raton: \$65m
Hicksville: \$52m

5 properties since last public reporting. They have since sold 0 properties. 5 properties remain.

Residential

Total Value: \$80m

San Bernadino: \$20m
Riverside: \$13m
Burnsville: \$11m

11 properties since last public reporting. They have since sold 1 property for an estimated \$9m. 10 properties remain.

Multi-Tenant Retail

Total Value: \$580m

North Riverside: \$46m
Albany: \$37m
El Cajon: \$31m

38 properties since last public reporting. They have since sold 7 properties for an estimated \$134m. 31 properties remain.

Non-Core

Total Value: \$250m

Hialeah: \$29m
Las Vegas: \$19m
Thornton: \$17m

50 properties since last public reporting. They have since sold 17 properties for an estimated \$216m. 33 properties remain.

Unconsolidated

Total Value: \$380m

San Diego: \$83m
Santa Monica: \$68m
Alexandria: \$66m

17 properties since last public reporting. They have since sold 0 properties. 17 properties remain.

Since October, 25 Properties Were Sold but Not Reported, For Estimated Proceeds of ~\$360m

NAV: Assets, Debt, Cap Ex, Share Value



- Property and Cash: \$1.9b
- Debt: \$1.1b
- 56m diluted shares

Property Portfolios	NAV Estimate
Premier Mixed Use	\$300m
Residential	\$80m
Multi-Tenant Retail	\$600m
Non-Core	\$255m
Other	\$380m
Total Equity Portfolio	\$1.6 billion
Cash	\$250m
Proceeds From Exercise of Put Options	\$66m
Total Assets	~\$1.9 billion
Debt	Value
Berkshire Hathaway (7%)	\$1b
Preferred Shares (7%)	\$80m
Total Debt	~\$1.1 billion

*Capital expenditure through liquidation estimated below \$150m

\$700 million in net liquidation value with 56 million diluted shares equates to \$12.5 in per share value, at extremely conservative property price estimates.

Secret: CBOE will announce option strike price reductions corresponding to distributions



- 1 Sell SRG Jan 2025 Put with strike price of \$12 for \$2.5 in premium
- 2 Beginning in Q4 2023 Share distributions of greater than \$12 expected over 4 quarters
- 3 Strike price declines toward zero and no collateral is required
- 4 Contracts expire and put seller keeps the \$2.50 premium on zero collateral

One may choose to keep \$3.5 in collateral in addition to the \$2.5 in premium paid to the investor. \$6 in cash collateral to purchase each \$12 share. As \$12 in distributions push the strike price to zero, the premium is kept, contract concludes, and an annualized IRR of 37% is achieved over 20 months.

Structured Dividend Capture (Capture High-Dividends Through Selling Options)

1



Us

\$12 Strike Put
→
←
\$2.5



Them

Opening Position (Sell Put To Enter):

Write (sell) a lightly cash secured Jan 2025 \$12 strike put contract on SRG.

2



Company

\$12 Distribution
→



Shareholders

Cash Distributions (Put Strike Adjustment):

As SRG announces a special dividend or distribution, common best practice is for the CBOE to announce an equal reduction in option strike prices.

3



Options Clearing House
Chicago Board of
Exchange (CBOE)



Strike Price
Reduction

All Option Strike Prices Reduced:

Puts and calls are expected to have premium adjustments post distribution.

Puts owners sell/put stock for lower strike because cash was received

As the strike price reaches \$0 (estimate July 2024) the put seller can repurchase the put for a cost of \$0 and will keep the \$2.5 in premium on ~\$3.5 in personal collateral.

Important Observations



Seritage Prioritizes Selling Loss-making Properties First to Avoid Capital Gains Tax Liability



Properties are Taken Off the Website When Sold but not Publicly Reported for up to 165 Days (Sold Oct 1 – Reported March 15)



First Capital Distribution is Expected During Q4 2023 or Q1 2024.



Capital Distributions will Complete by Oct 2024 and Shares Will Sell Off as They Move To A Liquidating Trust



Option Strike Prices are Likely to Fall By Exactly the Cash Distributions to Each Shareholder



Q & A



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Property Sales Since the Beginning of Q4 2022

Category	Combined		Un-Sold Properties		Sold - Actual Price + Estimates	
	Count	Totals	Count	Value	Count	Value
Residential	11	90,051,220	10	81,251,220	1	8,800,000
Multi-Tenant Retail	38	714,909,253	31	581,089,434	7	133,819,819
Premier Mixed-Use	5	298,554,172	5	298,554,172	0	0
Non-Core	50	466,850,316	33	255,912,865	17	216,382,451
(Unconsolidated) Premier Mixed-Use	2	150,500,000	2	150,500,000	0	0
(Unconsolidated) Other	14	218,995,075	14	218,995,075	0	0
(Unconsolidated) Residential	1	8,975,350	1	8,975,350	0	0
Totals	121	1,948,835,385	96	1,595,278,116	25	359,002,270

Since Q3 2022, 25 Properties Have Been Sold By Seritage, For Estimated Proceeds of ~\$359M