

December 20, 2017

Village of Orland Park Board of Trustees:

The Orland Park Economic Development Advisory Board wholeheartedly endorses the redevelopment plan that Seritage Growth Properties proposes for the Sears store at Orland Square Mall. While we believe the project stands alone on its merits, we feel the larger issue is the long-term preservation of Orland Square as an economic engine for Orland Park. The question is less about whether a developer should be allowed to modify its' own facility, and more about the strategy to protect its' significant investment in our community. We'd like to begin this discussion with the danger facing the largest single retailer at Orland Square (when totaling 150 stores, easily the largest employer in Orland Park), Sears.

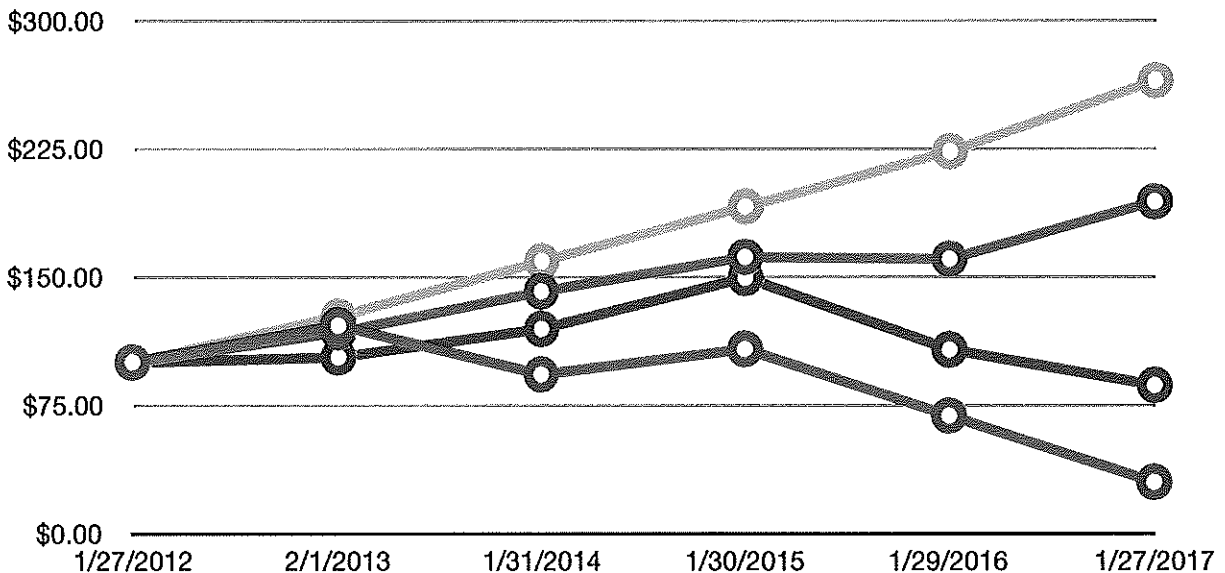
What Does Wall Street Think of Sears?

The chart and graph below assume an initial investment of \$100 on January 27, 2012.

Stock Performance Graph

| | 1/27/2012 | 2/1/2013 | 1/31/2014 | 1/30/2015 | 1/29/2016 | 1/27/2017 |
|--|-----------|----------|-----------|-----------|-----------|-----------|
| Sears Holdings | \$100.00 | \$121.49 | \$92.93 | \$107.82 | \$68.95 | \$30.18 |
| S & P 500 Index | \$100.00 | \$117.59 | \$141.45 | \$161.56 | \$160.47 | \$193.94 |
| S & P Retailing Index | \$100.00 | \$127.09 | \$159.26 | \$191.26 | \$223.38 | \$264.82 |
| S & P 500 Department Stores Index | \$100.00 | \$103.09 | \$119.64 | \$149.64 | \$107.64 | \$86.82 |

- Sears Holdings
- S & P 500 Index
- S & P Retailing Index
- S & P 500 Department Stores Index



The following three paragraphs are actual excerpts from Sears Holding Corporation, Form 10-K, January 28, 2017 (http://searsholdings.com/docs/investor/SHC_2016_Form_10-K.pdf, emphasis added)

What is Seritage Growth Properties?

On April 1, 2015, April 13, 2015, and April 30, 2015, Holdings and General Growth Properties, Inc. ("GGP"), Simon Property Group, Inc. ("Simon") and The Macerich Company ("Macerich"), respectively, announced that they entered into three distinct real estate joint ventures (collectively, the "JVs"). On July 7, 2015, Holdings completed its rights offering and sale-leaseback transaction (the "Seritage transaction") with Seritage Growth Properties ("Seritage"), a recently formed, independent publicly traded real estate investment trust ("REIT"). As part of the Seritage transaction, Holdings sold 235 properties to Seritage (the "REIT properties") along with Holdings' 50% interest in the JVs. Holdings received aggregate gross proceeds from the Seritage transaction of \$2.7 billion (\$2.6 billion, net of closing costs).

What is the Plan?

*In connection with the Seritage transaction and JV transactions, Holdings entered into agreements with Seritage and the JVs pursuant to which Holdings leased 255 of the properties (the "Master Leases"). The Master Leases include recapture provisions that allow Seritage or the JVs, as applicable, to **reclaim approximately 50% of the space within these properties** (subject to certain exceptions, including reclamation rights as to 100% of the space at 21 properties, and further subject to a lease termination payment by Seritage), in addition to all of the automotive care centers which are free-standing or attached as "appendages," and all outparcels or outlots, as well as certain portions of parking areas and common areas. **While we believe these provisions are generally beneficial for Holdings as they facilitate the transformation of our physical stores, potentially enable us to rationalize our footprint by reducing the space we occupy in a given location, and provide us with substantial flexibility in how we manage our store network moving forward, if we are unable to successfully manage and execute our plans to operate our stores in the smaller footprint, our business, financial condition and results of operations could be adversely impacted.***

Are There Risks?

*In addition, as previously discussed, we expect to generate additional liquidity through the monetization of our real estate and additional debt financing actions. We expect to continue to right-size, redeploy and highlight the value of our assets, including our real estate portfolio, in our transition from an asset intensive, historically "store-only" based retailer to a more asset light, integrated membership-focused company. **Our historical operating results indicate substantial doubt exists related to the Company's ability to continue as a going concern. We believe that the actions discussed above are probable of occurring and mitigating the substantial doubt raised by our historical operating results and satisfying our estimated liquidity needs 12 months from the issuance of the financial statements.***

What Happens to Orland Square if Sears Closes?

While Orland Square is relatively healthy (1,230,094 sq. ft., 96.9% occupancy - 2016 Annual Report, Simon Properties http://media.corporate-ir.net/media_files/IROL/11/113968/Simon%202016%20Annual%20Report%20with%20Form%2010%20K_High%20Res.pdf), there are definitely storm clouds on the horizon. The four anchor stores, Macy's, J. C. Penney, Carson's, and Sears have all experienced financial distress in recent years and are on various watch lists for further store closings and possible bankruptcy. Sears, the largest store at 200,000 sq. ft., is the biggest problem that Orland Square faces. The financial statistics are daunting: 146 stores (12% of total) closed in 3Q 2017, same-store-sales down 17% in past year, and \$558M loss in 3Q (CNN Money, 11/30/2017). It's an understatement to say that Sears' outlook is bleak.

Credit Suisse, a major bank and retail analyst, earlier this year predicted that up to 25% of malls in the United States will close by 2022. While a single store closing may not kill Orland Square, it certainly puts the mall at risk. Malls across the south suburbs, such as Dixie Square, Lincoln Mall, and Ford City, have either shuttered entirely or substantially reduced their footprint when an anchor vanished. Let's not forget what happened to Orland Park Place Mall when Montgomery Ward closed. It's a perilous time for malls, and most analysts believe there will be fewer malls just a few years from now.

What Should Mall Owners Do?

From the JLL Retail Outlook, Q1 2017, (<http://www.us.jll.com/united-states/en-us/Research/US-Retail-Outlook-Q1-2017-JLL.pdf>), *anchors are closing hundreds of locations in the next year-more than 230. As more anchors become vacant, landlords will need to look for creative ways of filling empty space as well as introducing stores and services that will be a huge draw for shoppers. The key is experience. Entertainment is a powerful draw for consumers. New VR and immersive experience company can both fill space and bring consumers to shopping centers. Some landlords will opt to fill anchor space with non-traditional uses such as medical centers, multi-family or hotels.*

And from Simon's annual report, *The mall product will diversify away from just apparel, by increasing its mix and diversity with more mixed-use components (e.g. hotel, residential, etc.) entertainment, food & beverage and wellness. The mall will become less department store focused and consumers will gravitate to the trade areas' best assets with the most critical mass and diversity of mix, and they will become the place to shop and be entertained.*

Reasons to Support the Seritage Plan

Simon Property Group, as the leader in the industry, is trying to implement a plan by partnering with Sears to reduce their square footage and re-purpose "dead" retail space. Here are a few reasons to back the plan:

- The Orland Square proposal is not Simon's first venture with Seritage to correct a bad Sears situation; they have successfully completed a similar project with AMC at Oak Brook mall
- Seritage is proposing to spend nearly \$40M without any incentives from the Village of Orland Park; private investment should always be encouraged
- Orland Square is by far the largest employer and taxpayer in the Village
- Sears will reduce their footprint whether or not another business takes its' place, and the addition of an AMC theater ensures continued use of the mall property
- AMC, a market leader, will draw new traffic to Orland Square, keeping it competitive with Oak Brook Mall
- Seritage and AMC, both proven organizations, would not be making this level of investment if they did not feel it would be successful
- Seritage and AMC have every incentive to provide a safe, secure environment (Orland Park is already considered the 13th safest city in Illinois - www.safehome.org/safest-cities/il)
- Seritage and AMC have entered into a lease, meaning that there are no major contingencies outside of approval from the Village of Orland Park
- By supporting a proposal from a less experienced developer over one from our economic engines places the Village in the position of choosing winners; we should let the market decide

In summary, the Orland Park Economic Development Advisory Board fully endorses the proposal made by Seritage Growth Properties.

Respectfully,

The Orland Park Economic Advisory Board

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|-------------|----------------|-----------------|-----------------|
| Chris Gary | Jack Smith | Laura Murphy | Dan McMillan |
| Glen Horton | Michael Milani | Michael Mikitka | James Arredondo |
| Jack Craven | | | |