Seritage Growth Properties
Form 10-Q
November 13, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

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.)**
489 Fifth Avenue, 18th Floor, New York, New York	**10017**
(Address of principal executive offices)	**(Zip Code)**

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

54 West 40th Street, 10th Floor, New York, New York 10018

(Former name, former address and former fiscal year, if changed since last report)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

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

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

As of November 10, 2015, the registrant had the following commons shares outstanding:

Class	**Shares Outstanding**
Class A common shares of beneficial interest, par value $0.01 per share	24,930,048
	1,589,020

Class B common shares of beneficial interest, par value $0.01 per share	
Class C common shares of beneficial interest, par value $0.01 per share	6,660,985

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SERITAGE GROWTH PROPERTIES

QUARTERLY REPORT ON FORM 10-Q

PERIOD FROM JULY 7, 2015 (date operations commenced) TO SEPTEMBER 30, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands, except share and per share amounts)

	September 30, 2015
ASSETS	
Investment in real estate	
Land	$ 840,563
Buildings and improvements	811,537
Accumulated depreciation	(14,535)
	1,637,565
Construction in progress	8,874
Net investment in real estate	1,646,439
Investment in unconsolidated joint ventures	429,134
Cash and cash equivalents	51,508
Restricted cash	100,294
Tenant and other receivables, net	4,585
Lease intangible assets, net	597,531
Prepaid expenses, deferred expenses and other assets, net	10,086
Total assets	$ 2,839,577
LIABILITIES AND EQUITY	
Liabilities	
Mortgage loans payable, net	$ 1,141,089
Accounts payable, accrued expenses and other liabilities	93,668
Total liabilities	$ 1,234,757
Commitments and contingencies (Note 10)	
Shareholders Equity	
Class A shares $0.01 par value; 100,000,000 shares authorized; 24,932,848 shares outstanding	249
Class B shares $0.01 par value; 5,000,000 shares authorized; 1,589,020 shares outstanding	16
Class C shares $0.01 par value; 50,000,000 shares authorized; 6,658,185 shares outstanding	67
Additional paid-in capital	924,350

Accumulated deficit	(18,301)
Total shareholders equity	906,381
Non-controlling interests	698,439
Total equity	1,604,820
Total liabilities and equity	$ 2,839,577

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

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SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, amounts in thousands, except per share amounts)

		July 7, 2015 (date operations commenced) to September 30, 2015
REVENUE		
Rental income	$	41,389
Tenant reimbursements		12,674
Total revenue		54,063
EXPENSES		
Property operating		2,815
Real estate taxes		10,741
Depreciation and amortization		32,935
General and administrative		5,782
Acquisition-related expenses		18,340
Total expenses		70,613
Operating loss		(16,550)
Equity in income of unconsolidated joint ventures		2,720
Interest income		38
Interest expense		(14,796)
Change in fair value of interest rate cap		(2,814)
Loss before income taxes		(31,402)
Provision for income taxes		(451)
Net loss		(31,853)
Net loss attributable to non-controlling interests		13,552
Net loss attributable to common shareholders	$	(18,301)
Net loss per share attributable to Class A and Class C common shareholders - Basic (1)	$	(0.58)
Net loss per share attributable to Class A and Class C common shareholders - Diluted (1)(2)	$	(0.58)

Weighted average Class A and Class C common shares outstanding - Basic (1)	31,384
Weighted average Class A and Class C common shares outstanding - Diluted (1)(2)	31,384

(1) Earnings per share is not presented for Class B shareholders as they do not have economic rights.
(2) Restricted stock awards are excluded from the computation of Class A diluted loss per share because their inclusion would have an anti-dilutive effect. There are no securities that would have a dilutive effect on Class C loss per share.

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

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SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Unaudited, amounts in thousands)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance at July 7, 2015 (date operations commenced)	24,584	$ 246	1,589	$ 16	6,790	$ 68	923,636	$	$ 711,991	$ 1,635,957
Net loss								(18,301)	(13,552)	(31,853)
Issuance of restricted stock	217	2					(2)			
Stock-based compensation							716			716
Share class exchanges	132	1			(132)	(1)				
Balance at September 30, 2015	24,933	$ 249	1,589	$ 16	6,658	$ 67	$ 924,350	$ (18,301)	$ 698,439	$ 1,604,820

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

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SERITAGE GROWTH PROPERTIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, amounts in thousands)

	July 7, 2015 (date operations commenced) to September 30, 2015
CASH FLOW FROM OPERATING ACTIVITIES	
Net loss	$ (31,853)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Equity in income of unconsolidated joint ventures	(2,720)
Distributions from unconsolidated joint ventures	2,598
Change in fair value of interest rate cap	2,814
Stock-based compensation	716
Depreciation and amortization	32,935
Amortization of deferred financing costs	1,324
Amortization of below market leases, net	(194)
Straight-line rent adjustment	(3,923)
Change in operating assets and liabilities	
Tenants and other receivables	(662)
Prepaid expenses, deferred expenses and other assets	(12,939)
Restricted cash	(2,856)
Accounts payable, accrued expenses and other liabilities	22,292
Net cash provided by operating activities	7,532
CASH FLOW FROM INVESTING ACTIVITIES	
Acquisition of real estate and unconsolidated joint ventures	(2,653,019)
Development of real estate	(3,896)
Increase in restricted cash	(74,830)
Net cash used in investing activities	(2,731,745)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issuance of mortgage loans payable, net	1,161,196
Payment of deferred financing costs	(21,431)
Proceeds from issuance of common stock and non-controlling interest	1,644,042
Offering related costs	(8,086)
Net cash provided by financing activities	2,775,721

Net increase in cash and cash equivalents		51,508
Cash and cash equivalents, beginning of period		
Cash and cash equivalents, end of period	$	51,508
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$	11,001
Income taxes paid		451
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Development of real estate financed with accounts payable	$	6,214

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

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SERITAGE GROWTH PROPERTIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Organization

Seritage Growth Properties (Seritage Growth, we, us, our, or the Company) was organized in Maryland on June 2015 and initially capitalized with 100 shares of Class A common shares. We conduct our operations through Seritage Growth Properties, L.P. (the Operating Partnership), a Delaware limited partnership that was formed on April 22, 2015.

On June 11, 2015, the Company effected a rights offering (the Rights Offering) to stockholders of Sears Holdings Corporation (Sears Holdings) to purchase common shares of Seritage Growth in order to fund, in part, the $2.7 billion acquisition of 234 of Sears Holdings owned properties and one of its ground leased properties (the Acquired Properties), and its 50% interests in three joint ventures (such joint ventures, the JVs, and such 50% joint venture interests the JV Interests) that collectively own 28 properties, ground lease one property and lease two properties (collectively, the JV Properties) (collectively, the Transaction). The Rights Offering ended on July 2, 2015 and the Company s Class A common shares were listed on the New York Stock Exchange (NYSE) on July 6, 2015.

On July 7, 2015, the Company completed the Transaction with Sears Holdings (see Note 3) and commenced operations. We did not have any operations prior to the completion of the Rights Offering and Transaction.

Seritage Growth is a publicly traded, self-administered, self-managed real estate investment trust (REIT) primarily engaged in the real property business through our investment in the Operating Partnership. Subsidiaries of the Operating Partnership lease a substantial majority of the space at all but 11 of the Acquired Properties back to Sears Holdings under a master lease agreement (Master Lease), with the remainder of such space leased to third-party tenants. A substantial majority of the space at the JV Properties is also leased (or subleased) by the JVs to Sears Holdings under master lease agreements (collectively, the JV Master Leases). The Master Lease and the JV Master Leases provide the Company and the JVs with the right to recapture certain space from Sears Holdings at each property for retenanting or redevelopment purposes.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements and are unaudited. In our opinion, all normal and recurring adjustments necessary for a fair presentation of such financial statements have been included. All intercompany accounts and transactions have been eliminated.

The condensed consolidated financial statements should be read in conjunction with our audited financial statements included on the Company s Registration Statement on Form S-11 dated June 8, 2015 and declared effective by the Securities and Exchange Commission (SEC) on June 9, 2015 (as amended).

Interim results are not necessarily indicative of results for a full year.

Principles of Consolidation

The accompanying unaudited 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 or other financial interests, both the power to direct activities that most significantly impact the economic performance of the variable interest entity and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. 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, 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.

To the extent such variable interests are in entities that cannot be evaluated under the Variable Interest Model, we evaluate our interests using the Voting Interest Entity Model. We have a variable interest in the Operating Partnership. The Operating Partnership is not currently within the scope of the Variable Interest Model and is instead evaluated under the Voting Interest Entity Model. The Company holds a 56.6% interest in the Operating Partnership and is the sole general partner which gives us exclusive and complete responsibility for the day-to-day management and control of Operating Partnership. As the limited partners in the Operating Partnership, although entitled to vote on certain matters, do not possess kick-out rights, the Company consolidates its interest in the Operating Partnership.

The portions of consolidated entities not owned by the Company and the Operating Partnership are presented as non-controlling interests as of and during the periods presented.

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 fair values of acquired assets and liabilities assumed for purposes of applying the acquisition method of accounting, the useful lives of tangible and intangible assets, real estate impairment assessments, and assessing the recoverability of accounts receivables. 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:

Building:	25 40 years
Site improvements:	5 15 years
Tenant improvements:	shorter of the estimated useful life or non-cancellable term of 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. If an indicator is identified, a real estate asset is considered impaired only 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. 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. No indicators of impairment exist as of September 30, 2015.

Accounting for Real Estate Acquisitions

Upon the acquisition of real estate, the Company assesses the fair value of acquired assets and liabilities assumed, including land, buildings, improvements and identified intangibles such as above-market and below-market leases, in-place leases and other items, as applicable, and allocates the purchase price based on these assessments. In making estimates of fair values, the Company may use a number of sources, including data provided by third parties, as well as information obtained by the Company as a result of its due diligence, including expected future cash flows of the property and various characteristics of the markets where the property is located.

The Company records the fair value of above-market and below-market leases for acquired properties based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease including below-market renewal options for which exercise of the renewal option appears to be reasonably assured. The values assigned to above-market leases are amortized as a reduction to base rental revenue over the remaining term of the respective leases, and the values assigned to below-market leases are amortized as an increase to base rental revenue over the remaining term of the respective leases.

The Company estimates the fair value of in-place leases based on the Company s estimate of costs related to tenant acquisition and the carrying costs that would be incurred during the time it would take to locate a tenant if the property were vacant, considering current market conditions and costs to execute similar leases at the time of the acquisition. The value assigned to in-place leases is amortized to depreciation and amortization expense over the remaining term of the respective leases.

The Company expenses transaction costs associated with business combinations in the period incurred. These costs are included in acquisition-related expenses within the condensed consolidated statement of operations.

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 over, 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, that the value of the Company s investments in unconsolidated joint ventures may be impaired. An investment s value is impaired only 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.

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.

Restricted Cash

Restricted cash represents cash deposited in escrow accounts, which generally can only be used for the payment of real estate taxes, debt service, insurance, and future capital expenditures as required by certain loan and lease agreements, as well as legally restricted tenant security deposits. As of September 30, 2015, the Company had approximately $100 million of restricted cash, including $60 million related to future capital investments such as unfunded construction commitments, deferred maintenance and environmental reserves, and $40 million related to basic property carrying costs such as real estate taxes, insurance and ground rent.

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 and economic conditions in the area where the property is located. In the event that the collectability of a receivable with respect to any tenant is in doubt, a provision for uncollectible amounts will be established or a direct write-off of the specific rent receivable will be made. For accrued rental revenues related to the straight-line method of reporting rental revenue, the Company performs a periodic review of receivable balances to assess the risk of uncollectible amounts and establish appropriate provisions.

Revenue Recognition

Rental income is recognized on a straight-line basis over the non-cancelable terms of the related leases. For leases that have fixed and measurable 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 sheet.

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

The Company commences recognizing revenue based on an evaluation of a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date.

Tenant reimbursement income 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.

Derivatives

The Company s use of derivative instruments is limited to the management of interest rate exposure and not for speculative purposes. In connection with the issuance of the Company s mortgage loans, we purchased for $5.0 million an interest rate cap with a term of four years, a notional amount of $1.26 billion and a strike rate of 3.5%. The interest rate cap is measured at fair value and included as a component of prepaid expenses, deferred expenses and other assets on the condensed consolidated balance sheet. The Company has elected at this time not to utilize hedge accounting and therefore the change in fair value is included within change in fair value of interest rate cap on the condensed consolidated statement of operations. For the period ended September 30, 2015, the Company recorded a loss of $2.8 million related to the change in fair value of the interest rate cap.

Stock-Based Compensation

The Company generally recognizes restricted stock awards to employees as compensation expense and includes such expense within General and administrative expenses on the condensed consolidated statement of operations. Compensation expense for restricted stock awards is based on the fair value of our common shares at the date of the grant and is generally recognized ratably over the vesting period

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 September 30, 2015, substantially all of the Company s real estate properties were leased to Sears Holdings and the majority of Company s rental revenues were derived from the Master Lease (see Note 6). Sears Holdings is a publicly traded company that is subject to the informational filing requirements of the Securities Exchange Act of 1934, as amended, and is required to file periodic reports on Form 10-K and Form 10-Q with the SEC. Refer to www.edgar.gov for Sears Holdings Corporation publicly-available financial information.

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 September 30, 2015, the Company s portfolio of 235 Acquired Properties was diversified by location across 49 states and Puerto Rico.

Earnings per Share

We have three classes of common stock. 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. Accordingly, we use the two-class method to determine our earnings per share, which results in the same earnings per share for the Class A and Class C shares. Class B shares are excluded as they do not have economic rights.

Recently Issued Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (FASB), issued ASU 2015-16, which amends Topic 805, *Business Combinations*, and requires the recognition of purchase price allocation adjustments that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, and eliminates the requirement to retrospectively account for these adjustments. ASU 2015-16 is effective, on a prospective basis, for interim and annual periods beginning after December 15, 2015; early adoption is permitted. The Company has chosen to early adopt ASU 2015-16 during the current period on a prospective basis and it did not have an impact on our condensed consolidated financial statements.

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In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. ASU 2015-03 is effective for annual periods beginning after December 31, 2015. Early adoption is permitted. The Company elected to early adopt ASU 2015-03 during the current period for the costs related to the mortgage loans issued in connection with the Transaction. As the Company has not previously reported debt issuance costs and mortgage loans payable within the consolidated financial statements, retrospective application is not required. As such, debt issuance costs, net of accumulated amortization, are netted against mortgage loans payable on the condensed consolidated balance sheet.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU 2015-02 is effective for annual periods beginning after December 31, 2016. Early adoption is permitted. The amendment can either be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or by applying the amendment retrospectively. The Company is evaluating the impact of the adoption of this new accounting standard on its condensed consolidated financial statements which may result in additional disclosure.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 states that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. While ASU 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year. Accor