

ESL Investments, Inc.

Part 2A of Form ADV

The Brochure

1170 Kane Concourse, Suite 200, Bay Harbour, FL 33154

June 1, 2012

This brochure provides information about the qualifications and business practices of ESL Investments, Inc. (“ESL” or the “Company”). If you have any questions about the contents of this brochure, please contact us at ir@eslinvest.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ESL is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

On June 1, 2012, ESL relocated its place of business to Miami, Florida. ESL has entered into a Services Agreement with Rand Group LLC (“Rand Group”), pursuant to which Rand Group will provide middle and back-office support functions to ESL, and Rand Capital LLC, a CT-registered investment adviser and an affiliate of Rand Group (“Rand Capital,” and together with Rand Group, “Rand”), will provide investment research services to ESL. The nature of the services that Rand provides to ESL is described throughout the Brochure.

Table of Contents

Material Changes.....	2
Table of Contents	2
Advisory Business	2
Fees and Compensation.....	3
Performance-Based Fees	3
Types of Clients.....	4
Methods of Analysis, Investment Strategies, and Risk of Loss	4
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Brokerage Practices	8
Review of Accounts	10
Client Referrals and Other Compensation.....	10
Custody.....	10
Investment Discretion.....	11
Voting Client Securities	11
Financial Information	11

Advisory Business

ESL Investments, Inc. (“ESL”) was founded in 1988 by Edward S. Lampert, its sole owner. ESL serves as manager to limited partnerships and limited liability companies formed in U.S. and foreign jurisdictions as privately-offered investment funds that may invest in a broad range of assets, including equity and debt instruments, fixed income securities, convertible securities, derivatives, swaps, options and other financial instruments and products.

ESL manages assets on a discretionary basis in one master fund, ESL Partners, L.P. (“ESL Partners”). ESL offers investments in ESL Partners through ESL Limited, a Bermuda based “feeder fund” (ESL Partners and ESL Limited are collectively referred to as the “Funds”), to applicable offshore and U.S. tax-exempt investors, as well as a direct investment into ESL Partners to applicable U.S. taxpayers, U.S. tax-exempt, and non-U.S. investors. As of December 31, 2011, ESL Partners (including investments through ESL Limited) held \$6.7 billion in assets.

While the remaining disclosures below reference the Funds, the disclosures as well as ESL’s policies and procedures generally also relate to any additional clients that would be serviced by ESL. The individuals and entities that are invested in the Funds are referred to as “Investors.”

Fees and Compensation

ESL is compensated for providing services to the Funds as set forth in the respective governing documents of the Funds. The compensation includes both management fees, which are payable quarterly in advance, and performance-based fees, which are generally paid/allocated on an annual basis. Management fees payable by an Investor in any particular fiscal year are generally calculated based on the balance of such Investor's capital account at the start of such year; management fees for an Investor who joins a Fund during a particular fiscal year are generally calculated (for such fiscal year) based on the amount of such Investor's capital contribution and prorated for the year based on the date of such Investor's capital contribution; certain investors may pay reduced management fees for investments above specified dollar amounts.

The performance-based fees are dependent on ESL exceeding the high-water mark on each Investor's interest in the applicable Fund. Investors are required to pay the management and performance-based fees specified in the governing agreement of the applicable Fund until an Investor redeems in full.

In addition to ESL's management and performance-based fees, Investors will also bear their pro-rata share of professional fees such as legal, accounting, auditing, tax services, brokerage commissions, custodial, and prime broker fees (collectively, the "Other Fund Expenses").

Related persons and family of ESL and of Rand do not pay management and/or performance-based fees based on their investment in the Funds. Notwithstanding, such investors pay their pro-rata share of Other Fund Expenses. Additionally, certain accounts managed by ESL, as further described in the Types of Clients section below, are not assessed management or performance-based fees.

Prospective and existing Investors in the Funds are encouraged to review the applicable Fund's governing agreement and confidential private placement memorandum for a more extensive description of the fees and expenses associated with an investment in the Funds.

While receiving management and performance-based fees from Investors, ESL and/or certain ESL and/or Rand employees may also receive remuneration and reimbursement for out-of-pocket expenses, based on providing the following services to portfolio companies:

- serving as a Director on a portfolio company's Board of Directors,
- providing consulting services to a portfolio company as requested by that portfolio company; and
- serving as an Officer or employee of a portfolio company.

A conflict would arise if ESL's investment recommendations would be influenced by the receipt of these and similar fees from portfolio companies.

Performance-Based Fees

As stated in the Fees and Compensation section above, ESL charges performance-based fees which are fees based on a share of income, including unrealized capital gains. However,

performance-based fees are only paid when an Investor's interest in the Fund has exceeded the applicable high-water mark.

The fact that ESL is in part compensated based on the performance of the Funds may create an incentive for ESL to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangement. This potential risk is mitigated by the fact that affiliates of the general partner make significant investments in and alongside the Funds. ESL manages the Funds in accordance with an investment strategy that is disclosed in the Funds' governing agreements and confidential private placement memorandums thereby informing Investors regarding the investment strategy and risks associated with the strategy.

Types of Clients

As stated in the Advisory Business section above, ESL's clients are limited partnerships and limited liability companies formed in U.S. and foreign jurisdictions. The Investors in the Funds are generally comprised of ultra-high-net-worth individuals and family offices, but also include private and public pension plans, financial institutions, and other institutional investors. Although the Funds' minimum subscription amount is \$25 million, the minimum may be waived at ESL's discretion in accordance with any applicable provisions in the Funds' governing agreements.

ESL may also from time to time form co-investment vehicles such as CBL Partners, L.P., through which certain persons may invest alongside the Funds in particular investment opportunities. ESL's compensation, if any, from a co-investment vehicle is negotiated on a case by case basis consistent with the governing agreements of the Funds. Generally, if a co-investment vehicle is established for an ESL affiliate to participate in a particular transaction, that co-investment vehicle will be contractually required to invest on the same economic terms as the Funds.

ESL may also from time to time form investment vehicles for one or more Investors to invest on a parallel basis with the Funds. The two such investment vehicles are in wind down and are no longer paying fees: ESL Institutional Partners, L.P. ("ESL Institutional") and ESL Investors L.L.C. ("ESL Investors").

The Funds and/or ESL may from time to time enter into "side letter" agreements with Investors that supplement the applicable Fund's governing agreements in respect of such Investors.

Methods of Analysis, Investment Strategies, and Risk of Loss

Investment Strategy. ESL's overall investment philosophy is value-driven and based on disciplined, extensive fundamental analysis and field research. ESL generally looks for good companies, with strong fundamentals, selling at attractive prices. ESL primarily invests with a bottom-up perspective, focusing on the individual company business model rather than making a sector or industry bet. ESL generally does not invest with a macroeconomic focus or in industries it does not believe it fully understands. Most investments have historically been made through U.S. financial markets in U.S.-based companies.

ESL typically invests only in a limited number of companies where its assessment of intrinsic value is substantially above the investment price. When it finds such opportunities, ESL often

invests a substantial portion of its assets, generally resulting in a highly concentrated undiversified portfolio.

ESL generally looks to invest in companies with management teams that have demonstrated business skills, and who are focused on delivering shareholder value. ESL's investment may in some cases be entirely passive. In other instances, ESL may engage with management and directors to increase value, especially with respect to capital allocation. In those situations where it engages with management, ESL strongly prefers working constructively with management and is not accustomed to publicly airing differences with management; at the same time, ESL strongly supports the principle of shareholder ownership and may oppose actions that do not enhance long-term value for shareholders. Mr. Lampert serves on the board of directors of certain portfolio companies and, with certain companies, has participated in the management of those companies. ESL may, from time to time, have its employees serve on boards of portfolio companies and, in addition, may utilize consultants and/or Rand employees to fill management and board positions in portfolio companies.

With its long-term capital and investment perspective, ESL has less of a focus on short-term market-driven price performance and has the ability to support strategies that increase the value of company shares over a longer time horizon. This long-term approach allows ESL to pursue those companies that may temporarily fall out of favor with the broad investor universe but where long-term value can be realized.

ESL's investment strategy is not intended to generate absolute returns, but is instead intended to exceed the performance of the broad U.S. stock market over a minimum five-year horizon. ESL seeks, and believes it is best suited for, Investors with a similar investment horizon.

Investment Process. Investment ideas are generated by Mr. Lampert with research input from Rand Capital. Mr. Lampert then performs a thorough bottom-up analysis of the opportunity, primarily based on research generated by Mr. Lampert and Rand Capital. Based on the results of the analysis, Mr. Lampert makes the decision whether or not to invest. Following the initial investment, Mr. Lampert and Rand Capital continue to analyze, review, and monitor the investment as part of ESL's ongoing due diligence and risk-management process.

Investment and Fund Risks. An investment in the Funds entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of the Funds and bearing the risk they represent. Set forth below is a non-exhaustive list of such risks, however, prospective and existing investors are encouraged to review the applicable Fund's confidential private placement memorandum for a more extensive description of the risks of investing in the Funds:

- Receipt of material, non-public information by ESL from portfolio companies and the designation of certain ESL investment personnel as company insiders. Both factors limit ESL's ability to freely transact in such public companies. As company insiders, ESL may be limited in its communications with investors about non-public aspects of such companies.

- The inability of investors to sell interests in the Funds, which includes rolling five-year lock-up periods.
- Dependence on Mr. Lampert for portfolio management and investment analyses.
- Dependence on Rand for research services, middle and back office support and the successful delivery of contracted services.
- Nature of investments in distressed companies experiencing financial or operating difficulties.
- Concentration of a limited number of investments held by the Funds.
- Limited liquidity with respect to some investments held by the Funds.
- Liability associated with acquiring control positions in companies held by the Funds.
- Opposition to ESL by the management of portfolio companies.
- Investments made in accordance with arbitrage transactions.
- Implementation of hedging techniques which may not be effective (i.e., short-selling, use of derivatives, etc.)
- Use of speculative investment techniques.
- Potentially negative impact of substantial Investor withdrawals from the Funds.
- Inability of Investors to control decisions made by ESL.
- In-kind distributions of Fund assets.
- Exposure to counterparties when trading in “over-the-counter” or “inter-dealer” markets.
- Funds are not registered under the Investment Company Act of 1940.
- The occurrence of adverse legal, tax, and regulatory changes.
- Economic exposure to litigation risk faced by portfolio companies and ESL personnel who may serve on the boards of portfolio companies from time to time.
- A mismatch between ESL’s and Investors’ investment horizons and tolerance for concentration and volatility levels.

Risk of Loss. Investments in privately-offered investment funds and the underlying securities in which they invest can be highly speculative. Investors should not subscribe to the Funds unless they can bear the risk of a complete loss of their invested capital. There is no assurance that the Funds will be able to generate returns or that the returns will be commensurate with the risks inherent in ESL’s investment strategy. The past investment performance of ESL cannot be taken to guarantee future results of the Funds or any investment in the Funds.

Services Agreement. ESL has engaged Rand Group to provide all middle and back-office support functions to ESL, and Rand Capital, an affiliate of Rand Group and a CT-registered investment adviser, will provide investment research services to ESL. ESL and its affiliates do not own or control Rand. ESL’s operations are reliant upon the proper performance by Rand of its duties and obligations.

Disciplinary Information

The Company and its employees have not been involved in legal or disciplinary events that would be material to an investor’s evaluation of ESL or its personnel.

Other Financial Industry Activities and Affiliations

The following entities are related to, or affiliated with, ESL, which is wholly owned by Mr. Lampert:

- RBS, which is wholly owned by Mr. Lampert and certain former key personnel of ESL, and is the general partner of ESL Partners.
- ESL Investment Management, L.P., the investment manager of ESL Limited.
- ESL Investment Management, L.L.C., which is wholly owned by Mr. Lampert, and is the general partner of ESL Investment Management, L.P.
- RBSIM, which is wholly owned by ESL, and is the general partner of ESL Institutional.
- Certain ESL personnel who serve on the boards of directors, serve in an officer capacity, or provide consulting services to certain of the Funds' portfolio companies.
- The Funds themselves and other investment vehicles, which are considered related entities of ESL.

ESL does not believe that any of the affiliations create material conflicts of interest with the Funds and/or investors unless as explicitly described herein, as the activities and affiliations have been developed to facilitate ESL's investment strategy and its management of client portfolios.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

ESL recognizes and believes that (1) high ethical standards are essential for its success and to maintain the confidence of its Investors; (2) its long-term business interests are best served by adherence to the principle that the interests of Investors come first; and (3) it has a fiduciary duty to its Investors to act for their benefit. All ESL personnel must put the interests of the Funds and Investors before their own personal interests and must act honestly and fairly in all respects in dealings with Investors. All ESL personnel must also comply with all federal securities laws.

ESL has adopted a Code of Ethics governing the personal trading activities of its personnel. Among other requirements, all personnel must seek pre-approval for certain personal trades, must report certain of their personal securities transactions and holdings, and must act as "whistleblowers" when it is believed that a violation of the Code of Ethics has occurred. The Code of Ethics additionally requires a review of personal trading documents and addressing any issues noted as a result of the review, including the appropriateness of imposing a penalty for violations of the Code of Ethics. Investors may obtain a copy of the Code of Ethics by contacting ESL at the contact information included on the cover page.

Eligible ESL personnel may hold financial interests in the Funds. However, ESL strictly and specifically forbids its personnel, except as described below, to trade interests in any securities held by the Funds, or to trade equity or non-government debt securities which could be traded by the Fund.

Mr. Lampert has a large personal investment alongside the Funds as a result of personal investments made in the Funds, historical distributions made to Mr. Lampert by the Funds, other investment vehicles, and portfolio companies of the Funds. To mitigate potential conflicts of

interest that might arise from Mr. Lampert holding investments that are also held by the Funds, ESL requires Mr. Lampert to trade these securities alongside the Funds, absent contractual obligations, or other regulatory, tax, or legal considerations. ESL follows documented trade allocation policies and procedures in allocating opportunities to the Funds and Mr. Lampert, and the governing documents of the Funds in general impose other limits on the participation of Mr. Lampert investing alongside the Funds. Notwithstanding, Mr. Lampert may from time to time receive distributions of securities that are held by the Funds, or trades may be allocated solely to Mr. Lampert because the Funds are not permitted to participate, and, in each case, a conflict could arise where Mr. Lampert is at the same time investing on behalf of the Funds and/or for his own account in different proportions.

As a condition of providing services to ESL, Rand has adopted a Code of Ethics and has implemented policies and procedures designed to, among other things, safeguard ESL Investor information, protect the proprietary information of ESL, and monitor the personal trading activities of its employees.

Brokerage Practices

Trading Authority. Mr. Lampert is empowered with the sole trading authority to make the following determinations in accordance with the Funds' objectives without obtaining prior consent from any Fund or Investor subject to the applicable provisions in the Funds' governing agreements: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Best Execution. ESL seeks to obtain the best execution when implementing its investment decisions, taking into account the following factors (this is not an exhaustive list):

- the degree of anonymity provided by a broker-dealer;
- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- the integrity and stability of the broker-dealer; and
- the competitiveness of commission rates in comparison with other brokers satisfying ESL's other selection criteria.

Although ESL seeks competitive commission rates and commission equivalents, it is not obligated to necessarily pay the lowest commission or equivalent that is available. In certain instances the Company may execute over-the-counter securities transactions on an agency basis, which may result in the Funds incurring two transaction costs for a single trade, including a commission paid to the executing broker-dealer in addition to the market maker's mark-up or mark-down.

Generally, ESL has determined that the use of a limited number of broker-dealers most effectively suits its trading requirements, due in large part to the level of anonymity that ESL seeks to achieve (preventing "leakage") under such arrangements. Notwithstanding the foregoing, ESL will endeavor to conduct periodic and systematic analyses of its counterparties and trading

arrangements to ensure that its current trading relationships and arrangements enable it to seek to obtain best execution on portfolio transactions.

Soft Dollars. ESL's transactions generate a limited amount of "soft dollar credits" that are used towards payment of certain pricing systems (used on Bloomberg terminals) and publications. The soft dollar arrangement represents a potential conflict of interest since Fund commissions are used to obtain a service that ESL would otherwise have to pay for with its own assets. Therefore ESL could be incented to utilize a soft dollar broker based on its interests in receiving soft dollar credits rather than on clients' interests in receiving most favorable execution. ESL's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934.

Trade Errors. As disclosed in the governing agreements and confidential placement memorandums, ESL will be indemnified for all trade errors that do not occur as a result of its gross negligence, fraud, willful misconduct or willful violation of any law or fiduciary duty.

Aggregation of Orders. All securities transactions for the Funds, other investment vehicles and ESL accounts or vehicles through which Mr. Lampert participates alongside the Funds (collectively, "Accounts"), will be aggregated and executed pursuant to ESL's trade allocation policies and procedures. To mitigate potential conflicts of interest that arise where a security is owned solely by the Funds and Mr. Lampert, sales and additional purchases of such security in the open market will generally be allocated proportionately based on the relative assets under management of each entity as determined at the time of such sale or purchase. To mitigate potential conflicts of interest that arise where securities are owned by all Accounts, sales and additional purchases of such securities in the open market will generally be allocated proportionately to each such Account based on such Account's ownership percentage of the aggregate holdings of the subject security owned by all such Account as determined at the time of such sale or purchase. ESL may from time to time deviate from pro-rata allocations due to, among other reasons, obligations imposed by the governing agreements of the Funds and other investment vehicles, regulations or other legal constraints, or other considerations as permitted under its trade allocation policies and procedures. In such cases, the reason for the deviation will be documented in ESL's records. Transactions are allocated at the average price received for all trades in a security over the course of the trading day.

Cross and Principal Trades. Subject to applicable restrictions under the Employee Retirement Income Security Act of 1974, as amended, as well as the restrictions provided in the applicable Fund's governing agreement, ESL may direct one client to sell securities to another client through a "cross trade" in which neither ESL nor a related person will receive compensation. Any such transaction will generally be effected based on the closing market price of the security as determined in public secondary markets (i.e., NYSE, NASDAQ, etc.). Cross trades are most commonly completed as a means to balance client accounts. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in a Fund by ESL and its personnel, ESL will comply with the requirements of Section 206(3) of the Investment Advisers Act of 1940 ("Advisers Act") and the applicable Fund's governing agreement, including that ESL will notify the Funds (or an independent representative of the

Funds) in writing of the transaction and the method of pricing the transaction and obtain the consent of the Funds (or an independent representative of the Funds) for the principal transaction.

Review of Accounts

Portfolios are reviewed with regard to positions held and proper settlement at least on a daily basis by Mr. Lampert and Rand employees. Additionally, given the highly concentrated securities positions held in portfolios and ESL's frequent involvement on the board of directors or in an officer capacity of portfolio companies, the portfolio companies are closely reviewed, often on a daily basis.

Investors in the Funds receive quarterly information packets that generally include net asset value statements, unaudited financial statements, and a letter that includes a general discussion on Mr. Lampert's perception of the markets and investment environment. Investors also receive annual audited financial statements of the Funds and, as requested, certain Investors receive monthly Fund performance estimates. As applicable, Investors are provided with any material amendments to the Funds governing agreements. ESL and Rand personnel also meet with Investors on an as-requested basis for periodic due diligence reviews.

Client Referrals and Other Compensation

ESL does not directly or indirectly compensate any third-party for client referrals.

By virtue of it conducting business with broker-dealers, ESL may receive certain economic benefits from such broker-dealers which would not be received if ESL did not transact through the broker-dealers. ESL understands that any such benefits that may be received generally do not depend on the amount of transactions directed to, or amount of assets held in custody by, the broker-dealers, and are not material to ESL.

Custody

With the exception of interests in any assets defined as "privately offered securities" in Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), all portfolio investments and cash are held in custody by prime brokers or banks acting in the capacity as "qualified custodians."

Notwithstanding the foregoing, ESL's role as general partner to the Funds enables it to access Fund assets and ESL has developed procedures that ensure the safeguarding and protection of the assets. Such procedures include among other things, the separation of functions, dual signatory approvals (and Mr. Lampert's explicit approval) for certain types of distributions, and confirmations of instructions for the distribution of Fund capital.

The Funds are subject to an annual audit and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed within 120 days of the Funds' fiscal year ends.

Investment Discretion

ESL maintains the authority to manage the Funds on a discretionary basis in a manner consistent with the terms outlined in each Fund's governing agreement.

Voting Client Securities

ESL has developed a written policy and procedures to govern its proxy voting activities. In general, ESL's proxy voting policy requires it to vote proxies in the interest of maximizing shareholder value. Mr. Lampert determines how ESL will vote proxies, and addresses any conflicts of interest that arise in the proxy voting process. In addition, ESL maintains a record of all proxy votes cast on behalf of the Funds. Finally, Mr. Lampert reviews all class actions and when appropriate, participates in the action on behalf of the Funds. When deemed appropriate, ESL may itself initiate a class action. Investors may obtain a copy of ESL's proxy voting policy and the proxy voting record over the past twelve months by contacting ESL at the contact information on the cover page. As a matter of general policy, ESL does not disclose how it expects to vote on upcoming proxies.

Financial Information

ESL has never filed for bankruptcy and is not aware of any financial condition that is expected to adversely affect its ability to manage the Funds.