

WASHINGTON PRIME GROUP INC.
Form 10-K
February 21, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

Washington Prime Group Inc.
Washington Prime Group, L.P.
(Exact name of Registrant as specified in its charter)

Indiana (Both Registrants)

(State or other jurisdiction of incorporation or organization)

001-36252 (Washington Prime Group Inc.) 180 East Broad Street

333-205859 (Washington Prime Group, L.P.) Columbus, Ohio 43215

(Commission File No.) (Address of principal executive offices)

46-4323686 (Washington Prime Group Inc.) (614) 621-9000

46-4674640 (Washington Prime Group, L.P.) (Registrants' telephone number, including area code)

(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Washington Prime Group Inc.:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	New York Stock Exchange
7.5% Series H Cumulative Redeemable Preferred Stock, par value \$0.0001 per share	New York Stock Exchange
6.875% Series I Cumulative Redeemable Preferred Stock, par value \$0.0001 per share	New York Stock Exchange

Washington Prime Group, L.P.: None

Securities registered pursuant to Section 12(g) of the Act:

Washington Prime Group Inc.: None

Washington Prime Group, L.P.: Units of limited partnership interest (34,755,660 units outstanding as of February 20, 2019)

Indicate by check mark if the Registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).

Washington Prime Group Inc. Yes No Washington Prime Group, L.P. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Washington Prime Group Inc. Yes No Washington Prime Group, L.P. Yes No

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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.

Washington Prime Group Inc. Yes x No " Washington Prime Group, L.P. 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).

Washington Prime Group Inc. Yes x No " Washington Prime Group, L.P. Yes x No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Washington Prime Group Inc. " Washington Prime Group, L.P. "

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

Washington Prime Group Inc. (Check One): Large accelerated filer x Accelerated filer " Emerging growth company "

Non-accelerated filer " Smaller reporting company "

(Do not check if a smaller reporting company)

Washington Prime Group, L.P. (Check One): Large accelerated filer " Accelerated filer " Emerging growth company "

Non-accelerated filer x Smaller reporting company "

(Do not check if a smaller reporting 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.

Washington Prime Group Inc. " Washington Prime Group, L.P. "

Indicate by check mark whether Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Washington Prime Group Inc. Yes " No x Washington Prime Group, L.P. Yes " No x

The aggregate market value of shares of common stock held by non-affiliates of Washington Prime Group Inc. was approximately \$1.5 billion based on the closing sale price on the New York Stock Exchange for such stock on June 29, 2018.

As of February 20, 2019, Washington Prime Group Inc. had 186,074,461 shares of common stock outstanding. Washington Prime Group, L.P. has no publicly traded equity and no common stock outstanding.

Documents Incorporated By Reference

Portions of Washington Prime Group Inc.'s Proxy Statement in connection with its 2019 Annual Meeting of Stockholders are incorporated by reference in Part III.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the fiscal year ended December 31, 2018 of Washington Prime Group[®] Inc. and Washington Prime Group[®], L.P. Unless stated otherwise or the context requires otherwise, references to "WPG Inc." mean Washington Prime Group[®] Inc., an Indiana corporation, and references to "WPG L.P." mean Washington Prime Group[®], L.P., an Indiana limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between WPG Inc. and WPG L.P. We use the terms "WPG," the "Company," "we," "us," and "our," to refer to WPG Inc., WPG L.P., and entities in which WPG Inc. or WPG L.P. (or any affiliate) has a material interest on a consolidated basis, unless the context indicates otherwise.

WPG Inc. operates as a self-managed and self-administered real estate investment trust ("REIT"). WPG Inc. owns properties and conducts operations through WPG L.P., of which WPG Inc. is the sole general partner and of which it held approximately 84.4% of the partnership interests ("OP units") at December 31, 2018. The remaining OP units are owned by various limited partners. As the sole general partner of WPG L.P., WPG Inc. has the exclusive and complete responsibility for WPG L.P.'s day-to-day management and control. Management operates WPG Inc. and WPG L.P. as one enterprise. The management of WPG Inc. consists of the same persons who direct the management of WPG L.P. As general partner with control of WPG L.P., WPG Inc. consolidates WPG L.P. for financial reporting purposes, and WPG Inc. does not have significant assets other than its investment in WPG L.P. Therefore, the assets and liabilities of WPG Inc. and WPG L.P. are substantially the same on their respective consolidated financial statements and the disclosures of WPG Inc. and WPG L.P. also are substantially similar.

The Company believes, therefore, that the combination into a single report of the annual reports on Form 10-K of WPG Inc. and WPG L.P. provides the following benefits:

- enhances investors' understanding of the operations of WPG Inc. and WPG L.P. by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both WPG Inc. and WPG L.P.; and
- creates time and cost efficiencies through the preparation of one set of disclosures instead of two separate sets of disclosures.

The substantive difference between WPG Inc.'s and WPG L.P.'s filings is the fact that WPG Inc. is a REIT with shares traded on a public stock exchange, while WPG L.P. is a limited partnership with no publicly traded equity. Moreover, the interests in WPG L.P. held by third parties are classified differently by the two entities (i.e. noncontrolling interests for WPG Inc. and partners' equity for WPG L.P.). In the consolidated financial statements, these differences are primarily reflected in the equity section of the consolidated balance sheets and in the consolidated statements of equity. Apart from the different equity presentation, the consolidated financial statements of WPG Inc. and WPG L.P. are nearly identical.

This combined Annual Report on Form 10-K for WPG Inc. and WPG L.P. includes, for each entity, separate financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting, and separate CEO/CFO certifications. In addition, if there were any material differences between WPG Inc. and WPG L.P. with respect to any other financial and non-financial disclosure items required by Form 10-K, they would be discussed separately herein.

WASHINGTON PRIME GROUP INC. AND WASHINGTON PRIME GROUP, L.P.

Annual Report on Form 10-K

December 31, 2018

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Part I

Item 1. Business

Unless the context otherwise requires, references to "WPG," "the Company," "we," "us" or "our" refer to WPG Inc., WPG L.P. and entities in which WPG Inc. or WPG L.P. (or any affiliate) has a material ownership or financial interest, on a consolidated basis.

General

Washington Prime Group[®]Inc. ("WPG Inc.") is an Indiana corporation that operates as a fully integrated, self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). WPG Inc. will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute at least 90% of its REIT taxable income, exclusive of net capital gains, and satisfy certain other requirements. WPG Inc. will generally be allowed a deduction against its U.S. federal income tax liability for dividends paid by it to REIT shareholders, thereby reducing or eliminating any corporate level taxation to WPG Inc. Washington Prime Group, L.P. ("WPG L.P.") is WPG Inc.'s majority-owned limited partnership subsidiary that owns, develops, and manages, through its affiliates, all of WPG Inc.'s real estate properties and other assets. WPG Inc. is the sole general partner of WPG L.P. On May 28, 2014, WPG separated from Simon Property Group Inc. ("SPG") through the distribution of 100% of the outstanding units of WPG L.P. to the owners of Simon Property Group L.P. and 100% of the outstanding shares of WPG to the SPG common shareholders in a tax-free distribution. Prior to the separation, WPG Inc. and WPG L.P. were wholly owned subsidiaries of SPG and its subsidiaries ("SPG Businesses"). At the time of the separation, our assets consisted of interests in 98 shopping centers (the "WPG Legacy Properties"). On January 15, 2015, the Company acquired Glimcher Realty Trust ("GRT"), in a stock and cash transaction valued at approximately \$4.2 billion, including the assumption of debt (the "Merger"). In the Merger, we acquired material interests in 23 shopping centers and assumed mortgages on 14 properties with a fair value of approximately \$1.4 billion. Prior to our separation from SPG, WPG Inc. entered into agreements with SPG under which SPG provided various services to WPG Inc. relating primarily to the legacy SPG Businesses and WPG Legacy Properties, including accounting, asset management, development, human resources, information technology, leasing, legal, marketing, public reporting and tax. The charges for the services were based on an hourly or per transaction fee arrangement and pass-through of out-of-pocket costs. Except for certain indemnification obligations and other terms and conditions, these underlying agreements expired effective May 31, 2016.

We own, develop and manage enclosed retail properties and open air properties. As of December 31, 2018, our assets consisted of material interests in 108 shopping centers in the United States, comprised of approximately 58 million square feet of managed gross leasable area ("GLA").

Transactions

For a description of our operational strategies and developments in our business during 2018 see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Form 10-K.

Segments

Our primary business is the ownership, development and management of retail real estate within the United States. We have aggregated our operations, including enclosed retail properties and open air properties, into one reportable segment because they have similar economic characteristics and we provide similar products and services to similar types of tenants and, in many cases, the same tenants. For the year ended December 31, 2018, Signet Jewelers, Ltd. (based on common parent ownership of tenants including, but not limited to, Body by Pagoda, Jared's, Kay Jewelers, Piercing Pagoda, Rogers Jewelers, and Zales Jewelers) accounted for approximately 2.9% of base minimum rents. Further, Signet Jewelers, Ltd., L Brands, Inc. (based on common parent ownership of tenants including Bath & Body Works, La Senza, Pink, Victoria's Secret, and White Barn Candle), Dick's Sporting Goods (based on common parent ownership including Dick's Sporting Goods, Field & Stream, and Golf Galaxy) and Footlocker, Inc. (based on common parent ownership including Champs Sports, Foot Action USA, Footlocker, Kids Footlocker, Lady Footlocker, and World Footlocker), in aggregate, comprised approximately 9.4% of base minimum rents. See Item 2. "Properties" for further information on tenant mix.

Other Policies

The following is a discussion of our investment policies, financing policies, conflicts of interest policies and policies with respect to certain other activities. One or more of these policies may be amended or rescinded from time to time

without a stockholder vote.

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Investment Policies

We are in the business of owning, managing and operating enclosed retail properties and open air properties across the United States and while we emphasize these real estate investments, we may also invest in equity or debt securities of other entities engaged in real estate activities or securities of other issuers. However, any of these investments would be subject to the percentage ownership limitations and gross income tests necessary for REIT qualification of WPG Inc. under federal tax laws as well as our own internal policies concerning conflicts of interest and related party transactions. These REIT limitations mean that we cannot make an investment that would cause our real estate assets to be less than 75% of our total assets. We must also derive at least 75% of our gross income directly or indirectly from investments relating to real property or mortgages on real property, including "rents from real property," dividends from other REITs and, in certain circumstances, interest from certain types of temporary investments. In addition, we must also derive at least 95% of our gross income from such real property investments, and from dividends, interest and gains from the sale or dispositions of stock or securities or from other combinations of the foregoing.

Subject to REIT limitations, we may invest in the securities of other issuers in connection with acquisitions of indirect interests in real estate. Such an investment would normally be in the form of general or limited partnership or membership interests in special purpose partnerships and limited liability companies that own one or more properties. We may, in the future, acquire all or substantially all of the securities or assets of other REITs, management companies or similar entities where such investments would be consistent with our investment policies.

Financing Policies

Because WPG Inc.'s REIT qualification requires it to distribute at least 90% of its taxable income, exclusive of net capital gains, we regularly access the capital markets to raise the funds necessary to finance operations, acquisitions, strategic investments, development and redevelopment opportunities, and to refinance maturing debt. We must comply with customary covenants contained in our financing agreements that limit our ratio of debt to total assets or market value, as defined in such agreements. For example, WPG L.P.'s current line of credit and term loans contain covenants that restrict the total amount of debt of WPG L.P. to 60% of total assets, as defined under the related agreements, and secured debt to 40% of total assets, with slight easing of restrictions during the four trailing quarters following a portfolio acquisition. In addition, these agreements contain other covenants requiring compliance with financial ratios. Furthermore, the amount of debt that we may incur is limited as a practical matter by our desire to maintain acceptable ratings for our equity securities and debt securities of WPG L.P. We strive to maintain investment grade ratings at all times, but we cannot assure you that we will be able to do so in the future (see "Liquidity and Capital Resources" within Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K for a discussion of events that occurred subsequent to December 31, 2018).

If WPG Inc.'s Board of Directors determines to seek additional capital, we may raise such capital by offering equity or debt securities, creating joint ventures with existing ownership interests in properties, entering into joint venture arrangements for new development projects, or a combination of these methods. If the Board of Directors determines to raise equity capital, it may, without shareholder approval, issue additional shares of common stock or other capital stock. The Board of Directors may issue a number of shares up to the amount of our authorized capital in any manner and on such terms and for such consideration as it deems appropriate. Such securities may be senior to the outstanding classes of common stock. Such securities also may include additional classes of preferred stock, which may be convertible into common stock. Existing shareholders have no preemptive right to purchase shares in any subsequent offering of WPG Inc.'s securities. Any such offering could dilute a shareholder's investment in WPG Inc.

We expect most future borrowings would be made through WPG L.P. or its subsidiaries. Borrowings may be in the form of bank borrowings, publicly and privately placed debt instruments, or purchase money obligations to the sellers of properties. Any such indebtedness may be secured or unsecured. Any such indebtedness may also have full or limited recourse to the borrower or be cross-collateralized with other debt, or may be fully or partially guaranteed by WPG L.P. Although we may borrow to fund the payment of dividends, we currently have no expectation that we will regularly do so. See "Financing and Debt" within Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Form 10-K for a discussion of our debt arrangements as of December 31, 2018.

We could potentially issue additional debt securities through WPG L.P., and we may issue such debt securities which may be convertible into capital stock or be accompanied by warrants to purchase capital stock. We also may sell or securitize our lease receivables.

We may also finance acquisitions through the issuance of common shares or preferred shares, the issuance of additional units of partnership interest in WPG L.P., the issuance of preferred units of WPG L.P., the issuance of other securities including unsecured notes and mortgage debt, draws on our credit facilities or sale or exchange of ownership interests in properties, including through the formation of joint venture agreements or other arrangements.

WPG L.P. may also issue units to transferors of properties or other partnership interests which may permit the transferor to defer gain recognition for tax purposes.

We do not have a policy limiting the number or amount of mortgages that may be placed on any particular property. Mortgage financing instruments, however, usually limit additional indebtedness on such properties. Additionally, unsecured credit facilities, unsecured note indentures and other contracts may limit our ability to borrow and contain limits on the amount of secured indebtedness we may incur.

Typically, we will invest in or form special purpose entities to assist us in obtaining secured permanent financing at attractive terms. Permanent financing may be structured as a mortgage loan on a single property, or on a group of properties, and will generally require us to provide a mortgage lien on the property or properties in favor of an institutional third party, as a joint venture with a third party, or as a securitized financing. For securitized financings, we may create special purpose entities to own the properties. These special purpose entities, which are common in the real estate industry, are structured with the intention of not being consolidated in a bankruptcy proceeding involving a parent company. We will decide upon the structure of the financing based upon the best terms then available to us and whether the proposed financing is consistent with our other business objectives. For accounting purposes, we will include the outstanding securitized debt of special purpose entities owning consolidated properties as part of our consolidated indebtedness.

Conflicts of Interest Policies

We maintain policies and have entered into agreements designed to reduce or eliminate potential conflicts of interest. We have adopted governance principles governing our affairs and those of the Board of Directors.

Under WPG Inc.'s Governance Principles, directors must disclose to the rest of the Board of Directors any potential conflict of interest they may have with respect to any matter under discussion and, if appropriate, recuse themselves from Board of Director discussions of, and/or refrain from voting on, such matter. Directors shall not have a duty to communicate or present any corporate opportunity to WPG Inc. and WPG Inc. renounces any interest or expectancy in such opportunity and waives any claim against a director arising from the fact that he or she does not present the opportunity to WPG Inc. or pursues or facilitates the pursuit of the opportunity by others; provided, however, that the foregoing shall not apply in a case in which a director is presented with a corporate opportunity in writing expressly in his or her capacity as a director or officer of WPG Inc.

In addition, we have a Code of Business Conduct and Ethics, which applies to all of our officers, directors, and employees. At least a majority of the members of WPG Inc.'s Board of Directors, Governance and Nominating Committee, Audit Committee and Compensation Committee must qualify as independent under the listing standards for New York Stock Exchange listed companies. Any transaction between us and any officer, WPG Inc. director or any family member of any of the foregoing persons, or 5% shareholder of WPG Inc. must be approved pursuant to our related party transaction policy.

Policies With Respect To Certain Other Activities

We intend to make investments which are consistent with WPG Inc.'s qualification as a REIT, unless the Board of Directors determines that it is no longer in WPG Inc.'s best interests to so qualify as a REIT. The Board of Directors may make such a determination because of changing circumstances or changes in the REIT requirements. We have authority to offer shares of our capital stock or other securities in exchange for property. We also have authority to repurchase or otherwise reacquire our shares or any other securities. We may issue shares of our common stock, or cash at our option, to holders of units in future periods upon exercise of such holders' rights under the Operating Partnership agreement. Our policy prohibits us from making any loans to our directors or executive officers for any purpose. We may make loans to the joint ventures in which we participate. Additionally, we may make or buy interests in loans for real estate properties owned by others.

Competition

Our direct competitors include other publicly-traded retail development and operating companies, retail real estate companies, commercial property developers and other owners of retail real estate that engage in similar businesses. Within our property portfolio, we compete for retail tenants and the nature and extent of the competition we face varies from property to property. With respect to specific alternative retail property types, we have faced increased competition over the last several years from both lifestyle centers and power centers, in addition to other open air properties and enclosed retail properties.

We believe the principal factors that retailers consider in making their leasing decisions include, but are not limited to, the following:

- Consumer demographics;
- Quality, design and location of properties;
- Total number and geographic distribution of properties;
- Diversity of retailers and anchor tenants;
- Management and operational expertise; and
- Rental rates.

In addition, because our revenue potential is linked to the success of our retailers, we indirectly share exposure to the same competitive factors and market forces that our retail tenants experience in their respective markets when trying to attract individual shoppers. These dynamics include general competition from other retail properties, including outlet properties and other discount shopping properties, as well as competition with discount shopping clubs, catalog companies, direct mail, home shopping networks, and telemarketing. The changes in consumer shopping behavior to increase purchases on-line from their computers and mobile devices provide retailers with distribution options other than brick and mortar retail stores and has resulted in competitive alternatives that could have a material adverse effect on our ability to lease, develop and redevelop traditional commercial retail space and on the level of rents we can obtain.

Seasonality

The shopping center business is, to some extent, seasonal in nature with tenants typically achieving the highest levels of sales during our fiscal fourth quarter due to the holiday season, which generally results in higher percentage rent income in the fourth quarter. Additionally, enclosed shopping centers achieve a substantial portion of their specialty (temporary retailer) rents during the holiday season. Thus, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realized in any one quarter may not be indicative of the results likely to be experienced over the course of our fiscal year.

Environmental Matters

See Item 1A. "Risk Factors" for information concerning the potential effects of environmental regulations on our operations.

Intellectual Property

WPG L.P., by and through its affiliates, holds service marks registered with the United States Patent and Trademark Office, including the terms Washington Prime Group® (expiration date January 2028), The Outlet Collection®(expiration date October 2023), Shelby's Sugar Shop® (expiration date September 2028), and TANGIBLE®(expiration date September 2028) as well as the names of certain of our properties such as Scottsdale Quarter® (expiration date November 2019) and Polaris Fashion Place® (expiration date July 2022), and other marketing terms, phrases, and materials it uses to promote its business, services, and properties.

Sustainability

ESG (Environmental, Social and Governance)

We know that ESG issues, otherwise known as corporate sustainability, are important to our stakeholders, and they are important to the Company. We believe in a strong commitment to the community and embrace opportunities to improve the lives of our guests, employees and the environment.

The Board of Directors' Sustainability Committee, as well as our internal, interdisciplinary ESG Steering Committee, work together with senior leadership to further establish sustainability as a key business driver as it relates to how we redevelop and operate our retail properties, conduct business with our guests, engage with our communities and create a productive and positive work environment for our employees. The Company will continue to work diligently to find ways to manage our properties' carbon footprint and identify environmentally-friendly alternatives that reduce waste, maximize energy efficiency and improve recycling efforts.

Some examples of the Company's focus on environmental sustainability investments in its properties include energy efficient Light Emitting Diode ("LED") lighting projects, charging stations for electric cars, solar energy panels, and many more innovations. As it relates to new projects, we are focused on the area of energy reduction and leveraging sustainability to achieve cost efficiencies in our operations. We are working with local and state municipalities to expand the Property Assessed Clean Energy (PACE) model promulgated by the U.S. Department of Energy to help

finance energy efficiency projects at its retail properties. The Company continues to install efficient LED lighting, including installations at nearly 40 of our retail properties in the past two years, which has led to a 9 percent reduction in the Company's annual electric consumption.

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In addition, the Company is working with a third party to implement operational and technology improvements at the property level. This initiative includes technical communications, WiFi design and implementation, as well as analytics and reporting in order to make informed future energy management decisions. We continue to explore ways to innovate even more so in the future.

We believe a commitment to incorporating sustainable practices into many of the areas of our business will add long term value to our portfolio of retail town centers.

Employees

At December 31, 2018, we had 834 employees, of which 107 were part-time.

Headquarters

Our corporate headquarters are located at 180 East Broad Street, Columbus, Ohio 43215, and our telephone number is (614) 621-9000. We have an additional corporate office located at 111 Monument Circle, Indianapolis, Indiana 46204.

Available Information

WPG Inc. and WPG L.P. file this Annual Report on Form 10-K and other periodic reports and statements electronically with the Securities Exchange Commission ("SEC"). The SEC maintains an Internet site that contains reports, statements and proxy and information statements, and other information provided by issuers at www.sec.gov. WPG Inc.'s and WPG L.P.'s reports and statements, including amendments, are also available free of charge on its website, www.washingtonprime.com, as soon as reasonably practicable after such documents are filed with the SEC. The information contained on our website is not incorporated by reference into this report and such information should not be considered a part of this report.

Item 1A. Risk Factors

The following risk factors, among others, could materially affect our business, financial condition, operating results, cash flows, fiscal outlook and business reputation. These risk factors may describe situations beyond our control and you should carefully consider them. Additional risks and uncertainties not presently known to us or that are currently not believed to be material could also affect our actual results. We may update these risk factors in our future periodic reports, other filings, and public announcements.

Risks Related to Our Business and Operations

We might not be able to renew leases or relet space at existing properties, or lease newly developed properties.

When leases for our existing properties expire, the premises might not be relet or the terms of reletting, including the cost of tenant allowances and concessions and the size of the space, might be less favorable than the current lease terms, due to strong competition or otherwise. Also, we might not be able to lease new properties to an appropriate mix of tenants or for rents that are consistent with our projections. To the extent that our leasing plans are not achieved, our business, results of operations and financial condition could be materially adversely affected and our operational and strategic objectives may not be achieved readily or at all.

Our lease agreements with our tenants typically provide a fixed rate for certain cost reimbursement charges; if our operating expenses increase or we are otherwise unable to collect sufficient cost reimbursement payments from our tenants, our business, results of operations and financial condition might be materially adversely affected.

Energy costs, repairs, maintenance and capital improvements to common areas of our properties, janitorial services, administrative, property and liability insurance costs and security costs are typically allocable to our properties' tenants. Our lease agreements typically provide that the tenant is liable for a portion of such common area maintenance charges (which we refer to as "CAM") and other operating expenses. The majority of our current leases require the tenant to pay a fixed periodic amount to reimburse a portion of our CAM and other operating expenses. In these cases, a tenant will pay either (a) a specified rent amount that includes the fixed CAM and operating expense reimbursement amount, or (b) a fixed expense reimbursement amount separate from the rent payment. Generally, both types of CAM and operating expense reimbursement payments are subject to annual increases regardless of the actual amount of CAM and other operating expenses. As a result, any adjustments in tenant payments do not depend on whether operating expenses increase or decrease, causing us to be responsible for any excess amounts. In the event that our operating expenses increase, CAM and tenant reimbursements that we receive might not allow us to recover a substantial portion of these operating costs.

Additionally, the computation of cost reimbursements from tenants for CAM, insurance and real estate taxes is complex and involves numerous judgments, including interpretation of lease terms and other tenant lease provisions, including those in leases that we assume in connection with property acquisitions. Unforeseen or underestimated expenses might cause us to collect less than our actual expenses. The amounts we calculate and bill could also be disputed by tenants or become the subject of a tenant audit or even litigation. There can be no assurance that we will collect all or substantially all of this amount.

Some of our properties depend on anchor stores or major tenants to attract shoppers and could be materially adversely affected by the loss of, or a store closure by, one or more of these anchor stores or major tenants.

Our open air properties and enclosed retail properties are typically anchored by department stores and other large nationally or regionally recognized tenants. The value of some of our properties could be materially adversely affected if these department stores or major tenants fail to comply with their contractual obligations, seek concessions in order to continue operations, or cease their operations.

For example, among department stores and other large stores, corporate merger or consolidation activity typically results in the closure of duplicate or geographically overlapping store locations. Resulting adverse pressure on the businesses of our department stores and major tenants could have an adverse impact upon our own results. Certain department stores, including The Bon-Ton Stores, Inc. which liquidated in 2018, and Sears Holdings Corporation, and other national retailers have experienced, and might continue to experience, depending on consumer confidence levels or overall economic conditions, considerable decreases in customer traffic in their retail stores, increased competition from alternative retail options, such as those accessible via the Internet and other mediums, and other forms of pressure on their business models. Pressure on these department stores and national retailers could impact their ability to maintain their stores, meet their obligations both to us and to their external lenders and suppliers, withstand

takeover attempts by investors or rivals or avoid bankruptcy and/or liquidation, all of which could result in impairment or closures of their stores. Other of our tenants might be entitled to modify the economic or other terms of their existing leases in the event of such closures (through co-tenancy clauses), which could decrease rents and/or operating expense reimbursements or entitle such retailers to close their stores. The leases of some anchors might permit the anchor to transfer its lease, including any attendant approval rights, to another retailer.

The transfer to a new anchor could cause customer traffic in the property to decrease or to be composed of different types of customers, which could reduce the income generated by that property and adversely impact development or re-development prospects for such property. A transfer of a lease to a new anchor also could allow other tenants to make reduced rental payments or to terminate their leases at the property, which could adversely affect our results of operations.

Additionally, department store or major tenant closures might result in decreased customer traffic, which could lead to decreased sales at our properties and adversely impact our ability to successfully execute our leasing strategy and objectives. If the sales of stores operating in our properties decline significantly due to the closing of anchor stores or other national retailers, adverse economic conditions, or other reasons, tenants might be unable to pay their minimum rents or expense recovery charges, which would likely negatively impact our financial results. In the event of any default by a tenant, whether a department store, national or regional retailer or otherwise, we might not be able to fully recover and/or experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with such parties.

We face risks associated with the acquisition, development, re-development and expansion of properties, including risks of higher than projected costs, inability to obtain financing, inability to obtain required consents or approvals and inability to attract tenants at anticipated rates.

In the event we seek to acquire and develop new properties and expand and redevelop existing properties, we might not be successful in identifying or pursuing acquisition, development or re-development/expansion opportunities. Additionally, newly acquired properties, developed, re-developed or expanded properties might not perform as well as expected. Other related risks we face include, without limitation, the following:

- Construction and other development costs of a project could be higher than projected, potentially making the project unfeasible or unprofitable;

- We might not be able to obtain financing or to refinance loans on favorable terms, if at all;

- We might be unable to obtain zoning, occupancy or other governmental approvals, or the approvals obtained may not be adequate;

- Occupancy rates and rents might not meet our projections and as a result the project could be unprofitable; and

In some cases, we might need the consent of third parties, such as anchor tenants, mortgage lenders and joint venture partners to conduct acquisition, development, re-development or expansion activities, and those consents may be withheld, take an unexpected amount of time to be obtained, or be subject to the satisfaction of certain conditions.

If a project is unsuccessful, either because it is not meeting our expectations when operational or was not completed according to the project planning, we could lose our investment in the project or have to incur an impairment charge relating to the asset or development which could then adversely impact our financial results. Furthermore, if we guarantee the property's financing, our loss could exceed our investment in the project.

Our assets may be subject to impairment charges that may materially affect our financial results.

We evaluate our real estate assets and other assets for impairment indicators whenever events or changes in circumstances indicate that recoverability of our investment in the asset is not reasonably assured. Furthermore, this evaluation is conducted no less frequently than quarterly, irrespective of changes in circumstances. Our determination of whether a particular held-for-use asset is impaired is based upon the undiscounted projected cash flows used for the impairment analysis and our determination of the asset's estimated fair value, that in turn are based upon our plans for the respective asset and our views of market and economic conditions. With respect to assets held-for-sale, our determination of whether such an asset is impaired is based upon market and economic conditions. If we determine that an impairment has occurred, then we would be required under Generally Accepted Accounting Principles in the United States ("GAAP") to make an adjustment to the net carrying value of the asset, which could have a material adverse effect on our results of operations in the accounting period in which the adjustment is made. Furthermore, changes in estimated future cash flows due to a change in our plans, policies, or views of market and economic conditions could result in the recognition of additional impairment losses for already impaired assets, which, under the applicable accounting guidance, could be substantial. See the "Impairment" section within Part II, Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of recent impairments.

Our ability to change the composition of our real estate portfolio is limited because real estate investments are relatively illiquid.

Our properties represent a substantial portion of our total consolidated assets, and these investments are relatively illiquid. As a result, our ability to sell one or more of our properties or investments in real estate in response to any changes in economic or other conditions is limited. If we want to sell a property, we cannot be certain that we will be able to dispose of it in the desired time period or that the sale price of a property will exceed the cost of our investment in that property, which may then have an adverse impact on our financial results.

Clauses in leases with certain tenants of our development or redevelopment properties may include inducements, such as reduced rent and tenant allowance payments, which can reduce our rents and Funds From Operations ("FFO"). As a result, these development or redevelopment properties are more likely to achieve lower returns during their stabilization periods than our previous development or redevelopment properties.

The leases for a number of the tenants that have opened stores at properties we have developed or redeveloped have reduced rent from co-tenancy clauses that allow those tenants to pay reduced rent until occupancy at the respective property reaches certain thresholds and/or certain named co-tenants open stores at the respective property.

Additionally, some tenants may have rent abatement clauses that delay rent commencement for a prolonged period of time after initial occupancy. The effect of these clauses reduces our rents and FFO while they are applicable. We expect to continue to offer co-tenancy and rent abatement clauses in the future to attract tenants to our development and redevelopment properties. As a result, our current and future development and redevelopment properties are more likely to achieve lower returns during their stabilization periods than other projects of this nature historically have, which may adversely impact our investment in such developments, as well as our financial condition and results of operations. Additionally, the prevalence and volume of such properties is likely to increase in our development and redevelopment pipeline at an unpredictable rate in light of the recent proliferation of bankruptcy filings and closures by retailers occupying "big box", anchor or other traditionally large spaces which can have an adverse impact on our financial condition and results of operations.

We face a wide range of competition that could affect our ability to operate profitably.

Our properties compete with other retail properties and other forms of retail, such as catalogs and e-commerce websites. Competition could also come from open air properties, outlet centers, lifestyle centers, and enclosed retail properties, and both existing and future development projects. The presence of competitive alternatives might adversely impact the success of our existing properties, our ability to lease space and the rental rates we can obtain.

We also compete with other retail property developers to acquire prime development sites. Additionally, we compete with other retail property companies for tenants and qualified management. If we are unable to successfully compete, our business, results of operations and financial condition could be materially adversely affected.

The increase in and prevalence of digital and mobile technology usage has increased the speed of the transition of a percentage of market share from shopping at physical locations to web-based purchases. If we are unsuccessful in adapting our business to changing consumer spending habits, our results of operations and financial condition could be materially adversely affected. Additionally, our investments in ventures aimed at finding innovative and unique uses within shopping centers and retail generally may be unsuccessful and incur expenses, losses, and use resources to a degree that adversely impacts our financial results without a corresponding positive financial return or operational benefit.

If we lose our key management personnel, we might not be able to successfully manage our business and achieve our objectives.

Our management team has substantial experience in owning, operating, acquiring, and developing enclosed shopping centers and other open air properties. A large part of our success depends on the leadership and performance of our executive management team and we cannot guarantee that they will remain with us. If we unexpectedly lose the services of these individuals, we might not be able to successfully manage our business or achieve our business objectives. Additionally, we continue to actively recruit management and other professional talent within the real estate and retail industries necessary to manage our properties to optimal performance. If we are not able to successfully recruit such personnel or cannot do so readily, this may adversely impact our ability to manage our business, achieve our financial goals, or meet our strategic and operational objectives.

We have limited control with respect to some properties that are partially owned or managed by third parties, which could adversely affect our ability to sell or refinance or otherwise take actions concerning these properties that would be in the best interests of WPG Inc.'s shareholders.

We may continue to co-invest with third parties through partnerships, joint ventures, or other entities, including without limitation by acquiring controlling or non-controlling interests in, or sharing responsibility for, managing the affairs of a property, partnership, joint venture or other entity. At December 31, 2018, we do not have sole decision-making authority regarding 13 unconsolidated properties that we currently hold through joint ventures with third parties.

Additionally, we might not be in a position to exercise sole decision-making authority regarding any future properties that we hold in a partnership or joint venture. Investments in partnerships, joint ventures or other entities could, under certain circumstances, involve risks that would not be present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, suffer a deterioration in their financial condition, or fail to fund their share of required capital contributions. Partners or co-venturers could have economic or other business interests or goals that are inconsistent with our own business interests or goals, and could be in a position to take actions contrary to our policies or objectives.

Such investments also have the potential risk of creating impasses on decisions, such as a sale or financing, because neither we nor our partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers might result in litigation or arbitration that could increase our expenses and prevent our officers and/or directors from focusing their time and efforts on our business. Consequently, actions by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. Additionally, we risk the possibility of being liable for the actions of our third-party partners or co-venturers.

Our revenues are dependent on the level of revenues realized by our tenants, and a decline in their revenues could materially adversely affect our business, results of operations and financial condition.

We are subject to various risks that affect the retail environment generally, including levels of consumer spending, seasonality, changes in economic conditions, unemployment rates, an increase in the use of the Internet by retailers and consumers, and natural disasters. Additionally, levels of consumer spending could be adversely affected by, for example, increases in consumer savings rates, increases in tax rates, reduced levels of income growth, interest rate increases, and other declines in consumer net worth and a strengthening of the U.S. dollar as compared to non-U.S. currencies.

As a result of these and other economic and market-based factors, our tenants might be unable to pay their existing minimum rents or expense recovery charges due. Because substantially all of our income is derived from rentals of commercial real property, our income and cash flow would be adversely affected if a significant number of tenants are unable to meet their obligations or their revenues decline, especially if they were tenants with a significant number of locations within our portfolio. Additionally, a decrease in retail demand could make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates.

Store closures and/or bankruptcy filings by tenants could occur during the course of our operations. We continually seek to re-lease vacant spaces resulting from tenant terminations. Large scale store closings or the bankruptcy of a tenant, particularly an anchor tenant, might make it more difficult to lease the remainder of a particular property or properties. Furthermore, certain of our tenants, including anchor tenants, hold the right under their lease(s) to terminate their lease(s) or reduce their rental rate if certain occupancy conditions are not met, if certain anchor tenants close, if certain sales levels (sales kick-out provisions) or profit margins are not achieved, or if an exclusive use provision is violated, which all could be triggered in the event of one or more tenant bankruptcies. Future tenant bankruptcies, especially by anchor tenants, could adversely affect our properties or impact our ability to successfully execute our re-leasing strategy as well as adversely impact our ability to achieve our operational and strategic objectives.

Economic and market conditions could negatively impact our business, results of operations and financial condition.

The market in which we operate is affected by a number of factors that are largely beyond our control but could nevertheless have a significant negative impact on us. These factors include, but are not limited to:

• Fluctuations or frequent variances in interest rates and credit spreads;

• The availability of credit, including the price, terms and conditions under which it can be obtained;

• A decrease in consumer spending or sentiment, including as a result of increases in savings rates and tax increases, and any effect that this might have on retail activity;

• The actual and perceived state of the real estate market, market for dividend-paying stocks and public capital markets in general; and

• Unemployment rates, both nationwide and within the primary markets in which we operate.

In addition, increased inflation might have a pronounced negative impact on the interest expense we pay in connection with our outstanding indebtedness and our general and administrative expenses, as these costs could increase at a rate higher than our rents. Inflation might adversely affect tenant leases with stated rent increases, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending which could impact our tenants' sales and, in turn, our own results of operations.

Conversely, deflation might result in a decline in general price levels, often caused by a decrease in the supply of money or credit. The predominant effects of deflation are high unemployment, credit contraction and weakened consumer demand. Restricted lending practices might impact our ability to obtain financing for our properties and might also negatively impact our tenants' ability to obtain credit. Decreases in consumer demand can have a direct

impact on our tenants and the rents we receive.

A slow-growing economy hinders consumer spending, which could decrease the level of discretionary income available for shopping at our properties. Weak income growth could weigh down consumer spending, which could be further affected if the overall economy suffers a setback.

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An increase in market interest rates could increase our interest costs on existing and future debt and could adversely affect WPG Inc.'s common share price.

An environment of rising interest rates could lead holders of our common shares to seek higher yields through other investments, which could adversely affect the market price of our common shares. One of the factors that may influence the price of our common shares in public markets is the annual distribution rate we pay as compared with the yields on alternative investments. Additionally, increases in market interest rates could result in increased borrowing costs for us, which may adversely affect our cash flow and the amounts available for distributions to our shareholders.

We have significant indebtedness, which could adversely affect our business, including decreasing our business flexibility and increasing our interest expense.

The consolidated indebtedness of our business as of December 31, 2018 was approximately \$2.9 billion. We have and will continue to incur various costs and expenses associated with our transactions and executing our operational and fiscal strategy. Any future increased levels of indebtedness could also reduce access to capital and increase borrowing costs generally, thereby reducing funds available for working capital, capital expenditures, tenant improvements, acquisitions and other general corporate purposes and may create competitive disadvantages for us relative to other companies with lower debt levels. If we do not achieve our operational and growth goals or if the financial performance of the Company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted. Lastly, if interest rates increase, the cost of capital and expenses of debt service requirements relating to our variable rate debt, which constitutes 15.2% of our consolidated indebtedness as of December 31, 2018, would increase which could adversely affect our cash flows.

We may not be able to generate sufficient cash to service and repay all of our debt and may be forced to take other actions to satisfy our obligations under our debt, which may not be successful.

Our ability to make scheduled payments on, or to refinance, our debt will depend on our financial condition, liquidity and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us both to fund our business purposes and to pay the principal of, or premium, if any, and interest on our debt.

If our cash flows and capital resources are insufficient to service and repay our debt and fund other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our debt. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet all of our debt obligations. Our unsecured revolving credit facility (the "Revolver") and senior unsecured term loan (the "Term Loan" and collectively with the Revolver, the "Facility") were amended and restated on January 22, 2018 and restrict (i) our ability to dispose of assets and (ii) our ability to incur debt. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt obligations then due.

In addition, we conduct our operations through our subsidiaries. Our subsidiaries may not be able to, or may not be permitted to, make cash available to us to enable us to make payments in respect of our debt. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual prohibitions or other restrictions may limit our ability to obtain cash from our subsidiaries. In the event that our subsidiaries do not make sufficient cash available to us, we may be unable to make required principal, premium, if any, and interest payments on our debt.

Our inability to obtain sufficient cash flows from our subsidiaries, whether as a result of their performance or otherwise, to satisfy our debt, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position, condition, liquidity and results of operations.

If we fail to make required payments in respect of our debt, (i) we will be in default thereunder and, as a result, the related debt holders and lenders, and potentially other debt holders and lenders, could declare all outstanding principal and interest to be due and payable, (ii) the lenders under the Revolver could terminate their commitments to loan money to us, (iii) our secured lenders could foreclose against the assets securing the related debt, (iv) could result in cross defaults on other financing obligations or defaults in other transactional arrangements we have; and (v) we could be forced into bankruptcy or liquidation.

Despite current and anticipated debt levels, we may still be able to incur substantially more debt.

We may be able to incur substantial additional debt in the future. Although the Facility and the WPG L.P. notes restrict the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions and the additional debt incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face would increase.

We depend on external financings for our growth and ongoing debt service requirements.

We depend on external financings, principally debt financings, to fund our acquisitions, development and other capital expenditures and to ensure that we can meet our debt service requirements. Our long-term ability to grow through acquisitions or development, which is an important component of our strategy, will be limited if we cannot obtain additional debt financing. Our access to financings depends on our credit ratings, the willingness of banks to lend to us and conditions in the capital markets. Market conditions might make it difficult to obtain debt financing, and we cannot be certain that we will be able to obtain additional debt financing or that we will be able to obtain such financing on acceptable terms.

The agreements that govern our indebtedness contain various covenants that impose restrictions on us and certain of our subsidiaries that might affect our or their ability to operate.

We have a variety of debt, including the unsecured Facility, the unsecured WPG L.P. notes, and secured property-level debt. The agreements that govern such indebtedness contain various affirmative and negative covenants that could, subject to certain significant exceptions, restrict our ability and certain of our subsidiaries to, among other things, have liens on property, incur additional indebtedness, make loans, advances or other investments, make non-ordinary course asset sales, and/or merge or consolidate with any other entity or sell or convey certain assets to any one person or entity. Additionally, some of the agreements that govern the debt financing contain financial covenants that require us to maintain certain financial ratios. Our ability and the ability of our subsidiaries to comply with these provisions might be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

If we cannot obtain additional capital, our growth might be limited.

In order to qualify and maintain our qualification as a REIT each year, we are required to distribute at least 90% of our REIT taxable income, excluding net capital gains, to our shareholders. As a result, our retained earnings available to fund acquisitions, development, innovation or other capital expenditures are nominal, and we rely upon the availability of additional debt or equity capital to fund these activities. Our long-term ability to grow through acquisitions, development, innovation or strategic partnerships which is an important component of our strategy, will be limited if we cannot obtain additional debt financing or equity capital. Market conditions might make it difficult to obtain debt financing or raise equity capital, and we cannot be certain that we will be able to obtain additional debt or equity financing or that we will be able to obtain such capital on favorable terms.

Adverse changes in any credit rating might affect our borrowing capacity and borrowing terms.

Our outstanding debt is periodically rated by nationally recognized credit rating agencies. Our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet debt obligations. At the end of 2018, we had investment grade credit ratings from three rating agencies. Subsequent to year end, two rating agencies lowered our rating below investment grade. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future. Furthermore, the interest rate under the Facility is variable and could increase in the event our credit rating is downgraded, resulting in higher borrowing costs. An increase in our cost of capital could adversely impact our ability to fund key activities related to achieving our business objectives.

We may enter into hedging interest rate protection arrangements that might not effectively limit our interest rate risk.

We may seek to selectively manage any exposure that we might have to interest rate risk through interest rate protection agreements geared toward effectively fixing or capping a portion of our variable-rate debt. Additionally, we may refinance fixed-rate debt at times when we believe rates and terms are appropriate. Any such efforts to manage these exposures might not be successful.

Our potential use of interest rate hedging arrangements to manage risk associated with interest rate volatility might expose us to additional risks, including the risk that a counterparty to a hedging arrangement fails to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of these hedging agreements typically involves costs, such as transaction fees or breakage costs.

As owners of real estate, we might face liabilities or other significant costs related to environmental issues. Federal, state and local laws and regulations relating to the protection of the environment might require us, as a current or previous owner or operator of real property, to investigate and clean up hazardous or toxic substances or petroleum product releases at a property or at impacted neighboring properties. These laws and regulations might require us to abate or remove asbestos containing materials in the event of damage, demolition or renovation, reconstruction or expansion of a property and also govern emissions of and exposure to asbestos fibers in the air. These laws and regulations also govern the installation, maintenance and removal of underground storage tanks used to store waste oils or other petroleum products. Many of our properties contain, or at one time contained, asbestos containing materials or underground storage tanks (primarily related to auto service center establishments or emergency electrical generation equipment). The costs of investigation, removal or remediation of hazardous or toxic substances could be substantial and could adversely affect our results of operations or financial condition. The presence of contamination, or the failure to remediate contamination, might also adversely affect our ability to sell, lease or redevelop a property or to borrow using a property as collateral.

In addition, under various federal, state or local laws, ordinances and regulations, a current or previous owner or operator of real estate might be held liable to third parties for bodily injury or property damage incurred by the parties in connection with the contamination. These laws often impose liability without regard to whether the owner or operator knew of, or otherwise caused, the release of the hazardous or toxic substances. The presence of contamination at any of our properties, or the failure to remediate contamination discovered at such properties, could result in significant costs to us and/or materially adversely affect our ability to sell or lease such properties or to borrow using such properties as collateral.

For example, federal, state and local laws require abatement or removal of asbestos-containing materials in the event of demolition or certain renovations or remodeling, the cost of which might be substantial for certain re-developments. These regulations also govern emissions of, and exposure to, asbestos fibers in the air, which might necessitate implementation of site-specific maintenance practices. Certain laws also impose liability for the release of asbestos-containing materials into the air, and third parties might seek recovery from owners or operators of real property for personal injury or property damage associated with asbestos-containing materials. Asbestos-containing building materials are present at some of our properties and might be present at others. To minimize the risk of on-site asbestos being improperly disturbed, we have developed and implemented asbestos operations and maintenance programs to manage asbestos-containing materials and suspected asbestos-containing materials in accordance with applicable legal requirements, however we cannot be certain that our programs eliminate all risk of asbestos being improperly disturbed. Any liability, and the associated costs thereof, we might face for environmental matters could adversely impact our ability to operate our business and our financial condition.

Lastly, in connection with certain mortgages on our properties, our affiliate, Washington Prime Property, L.P., singly, or together with WPG L.P. and certain other affiliates, have executed environmental indemnification agreements to indemnify the respective lenders for those loans against losses or costs to remediate damage to the mortgaged property caused by the presence or release of hazardous materials.

We are subject to various regulatory requirements, and any changes in such requirements could have a material adverse effect on our business, results of operations and financial condition.

The laws, regulations and policies governing our business, or the regulatory or enforcement environment at the national level or in any of the states in which we operate, might change at any time and could have a material adverse effect on our business. We are unable to predict how any future legislative or regulatory proposals or programs will be administered or implemented, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future. Additionally, changes in tax laws might have a significant impact on our operating results. For more information regarding the impact of changing tax laws on our operating results, please refer to the risk factors section titled "Risks Related to WPG Inc.'s Status as a REIT."

Also, we may be required to expend significant sums of money to comply with the Americans with Disabilities Act of 1990, as amended ("ADA"), and other federal, state, and local laws in order for our properties and facilities to meet requirements related to access and use by physically challenged persons. Additionally, unanticipated costs and expenses may be incurred in connection with defending lawsuits relating to ADA compliance not covered by our liability insurance.

Our inability to remain in compliance with regulatory requirements could have a material adverse effect on our operations and on our reputation generally. We are unable to give any assurances that applicable laws or regulations will not be amended or construed differently, or that new laws and regulations will not be adopted, either of which could have a material adverse effect on our business, financial condition or results of operations.

Some of our potential losses might not be covered by insurance.

We maintain insurance coverage with financially-sound insurers for property, third-party liability, terrorism, workers compensation, and rental loss insurance on all of our properties. However, certain catastrophic perils are subject to large deductibles that may cause an adverse impact on our operating results. Additionally, there are some types of losses, including lease and other contract claims, that are not insured. If an uninsured loss or a loss in excess of insured limits occurs, or a loss for which there is a large deductible occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue it could generate.

We currently maintain insurance coverage for acts of terrorism by foreign or domestic agents. The United States government provides reinsurance coverage to insurance companies following a declared terrorism event under the Terrorism Risk Insurance Program Reauthorization Act, which extended the effectiveness of the Terrorism Risk Insurance Extension Act (which we refer to as the "TRIA") of 2005. The TRIA is designed to reinsure the insurance industry from declared terrorism events that cause or create in excess of \$100 million in damages or losses. The U.S. government could terminate its reinsurance of terrorism, thus increasing the risk of uninsured losses for such acts. Our tenants, vendors and joint venture partners in retail are subject to similar risks.

We face possible risks associated with climate change.

We cannot determine with certainty whether global warming or cooling is occurring and, if so, at what rate. To the extent climate change causes changes in weather patterns, our properties in certain markets and regions could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in volatile or decreased demand for retail space at certain of our properties or, in extreme cases, our inability to operate the properties at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) insurance on favorable terms and increasing the cost of energy and snow removal at our properties. Moreover, compliance with new laws or regulations related to climate change, including compliance with "green" building codes, may require us to make improvements to our existing properties or increase taxes and fees assessed on us or our properties. At this time, there can be no assurance that climate change will not have a material adverse effect on us.

Some of our properties are subject to potential natural or other disasters.

A number of our properties are located in Florida, California, Texas, and Hawaii or in other areas with a higher risk of natural disasters such as earthquakes, fires, floods, tornadoes, hurricanes, or tsunamis. The occurrence of natural disasters can adversely impact operations, redevelopment, or development at our centers and projects, increase investment costs to repair or replace damaged properties, increase future property insurance costs, and negatively impact the tenant demand for lease space. Additionally, some of our properties are located in coastal regions, and would therefore be affected by any future increases in sea levels. If insurance is unavailable to us or is unavailable on acceptable terms, or our insurance is not adequate to cover losses from these events, our financial condition and results of operations could be adversely affected.

Our due diligence review of acquisition opportunities or other transactions might not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Although we intend to conduct due diligence with respect to each acquisition opportunity or other transaction that we pursue, it is possible that our due diligence processes will not or did not uncover all relevant facts, particularly with respect to any assets we acquire from unaffiliated third parties. In some cases, we might be given limited access to information about the investment and will rely on information provided by the target of the investment. Additionally, if opportunities are scarce, the process for selecting bidders is competitive, or the time frame in which we are required to complete diligence is short, our ability to conduct a due diligence investigation might be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove to not be so over time, due to the limitations of the due diligence process or other factors.

Management and administrative services provided by unaffiliated persons or entities to one or more of the WPG Legacy Properties between May 28, 2014 and March 31, 2016 (the "Service Period") may have been provided in such a manner that requires personnel of WPG (or any affiliate) to address issues, problems, or disputes that arose during the Service Period and were not addressed resulting in our expenditure of time, capital and resources to address such matters to a degree that could materially affect our business, financial condition, liquidity or results of operations.

We depended on unaffiliated persons or entities to provide certain services in connection with their operation and management of the WPG Legacy Properties during the Service Period. These services included, but were not limited to, promoting the respective property through advertisements, leasing the WPG Legacy Properties, billing tenants for rent and all other charges, paying the salaries of persons responsible for management of the WPG Legacy Properties, making such infrastructure repairs as approved in the fiscal budget for the WPG Legacy Properties, maintenance and payment of any taxes or fees.

In the event there were isolated or perhaps even systemic instances of the aforementioned services being provided in a manner inconsistent with WPG's current business practices, philosophy or standards due to the inattention, underperformance, mismanagement, or deficit service, WPG personnel would, upon assuming management and operational control of the WPG Legacy Properties, which we did by March 31, 2016, have to address one or more issues, problems, or disputes that arose during the Service Period and were not addressed resulting in our expenditure of time, capital and resources to resolve such matters to a degree that could materially affect our business, financial condition, liquidity and results of operations as well as the optimal operation of one or more of the WPG Legacy Properties.

We cannot assure you that we will be able to continue paying distributions at the current rate.

We have maintained a policy to pay a quarterly cash distribution at an annualized rate of \$1.00 per common share/unit and intend to pay the same distribution going forward. However, holders of our common shares/units may not receive the same quarterly distributions for various reasons, including the following:

- We may not have enough cash to pay such distributions due to changes in our cash requirements, indebtedness, capital spending plans, cash flows or financial position;

- Decisions on whether, when and in what amounts to make any future distributions will remain at all times entirely at the discretion of WPG Inc.'s Board of Directors, which reserves the right to change dividend practices at any time and for any reason;

- We may desire to retain cash to maintain or improve our credit ratings or to address costs related to implementing our growth strategy or executing on our operational strategy; and

- The ability of our subsidiaries to make distributions to us may be subject to restrictions imposed by law, regulation or the terms of any current or future indebtedness that these subsidiaries may incur.

Our shareholders/unitholders have no contractual or other legal right to distributions that have not been declared.

Risks associated with the implementation of new information systems or upgrades to existing systems may interfere with our operations or ability to maintain adequate records.

We are continuing to implement new information systems and upgrades to existing systems as part of our growing business and problems with the design as well as the security or implementation of these new or upgraded systems could interfere with our operations or ability to maintain adequate and secure records.

The occurrence of cyber incidents, a deficiency in our cyber security, or a data breach could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupting data, or stealing confidential information. We rely upon information technology networks and systems, some of which are managed by third-parties, to process, transmit, and store electronic information, some of which may be confidential and/or proprietary, and to manage or support a variety of business processes and activities. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Primary risks that could directly result from the occurrence of a cyber-incident include, but are not limited to, operational interruption, damage to our relationship with our tenants and other business partners, and private data exposure (including personally identifiable information, or proprietary and confidential information, of ours and our employees, as well as third parties). Any such incidents could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, and reduce the benefits of our advanced technologies. We carry cyber liability insurance; however a loss could exceed the limits of the policy. We have implemented processes, procedures and controls to help mitigate these risks, such as providing security awareness training with simulated spam, phishing and social engineering attacks for associates. We perform mock incident and mock disasters to test the adequacy of our internal incident response plan and that our associates are properly prepared. We leverage a third party security firm to perform risk assessments. However, these measures, our increased awareness of a risk of a cyber-incident, and our insurance coverage, do not guarantee that our financial results will not be negatively impacted by such an incident.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and WPG Inc.'s share price.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Act and are required to prepare our financial statements according to the rules and regulations required by the Securities and Exchange Commission (the "SEC"). Additionally, the Exchange Act requires that we file annual, quarterly and current reports. Our failure to prepare and disclose this information in a timely manner or to otherwise comply with applicable law could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing.

In addition, the Sarbanes-Oxley Act requires that we, among other things, establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting in future reports, when such certifications will be required.

Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause our company to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in our company and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting or if the firm resigns in light of such a weakness. This could materially adversely affect our company by, for example, leading to a decline in WPG Inc.'s share price and impairing our ability to raise additional capital.

Risks Related to the Separation from SPG

Potential indemnification liabilities to SPG pursuant to the Separation Agreement could materially adversely affect our operations.

The Separation Agreement with SPG provides for, among other things, the principal corporate transactions required to effect the separation, certain conditions to the separation and distribution and provisions governing our relationship with SPG with respect to and following the separation and distribution. Among other things, the Separation Agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our business activities, whether incurred prior to or after the separation and distribution, as well as those obligations of SPG that we will assume pursuant to the Separation Agreement. If we are required to indemnify SPG under the circumstances set forth in this agreement, we may be subject to substantial liabilities.

In connection with our separation from SPG, SPG will indemnify us for certain pre-distribution liabilities and liabilities related to SPG assets. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that SPG's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation Agreement, SPG has agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that SPG agrees to retain, and there can be no assurance that SPG will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from SPG any amounts for which we are held liable, such indemnification may be insufficient to fully offset the financial impact of such liabilities and/or we may be temporarily required to bear these losses while seeking recovery from SPG.

We have a limited history operating as an independent company, and our historical financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

The historical information about us in this Form 10-K prior to May 28, 2014 is derived from the historical accounting records of SPG and refers to our business as operated by and integrated with SPG. Some of our historical financial information included in this annual report is derived from the consolidated financial statements and accounting records of SPG. Accordingly, the historical and financial information does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future. Factors which could cause our results to differ from those reflected in such historical financial information and which may adversely impact our ability to receive similar results in the future include, but are not limited to, the following:

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Prior to the separation, a portion of our current business had been operated by SPG as part of its broader corporate organization, rather than as an independent, stand-alone company. SPG or one of its affiliates performed various corporate functions for us, such as accounting, property management, information technology, legal, and finance. Following the separation, SPG provided some of these functions to us. Our historical financial results for periods prior to the separation from SPG reflect allocations of corporate expenses from SPG for such functions and are likely to be less than the expenses we would have incurred had we operated as a separate, publicly traded company. We have and will continue to make significant investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which we no longer have access after our separation from SPG. Developing our ability to operate without access to SPG's current operational and administrative infrastructure has been challenging; During the time our business was integrated with the other businesses of SPG, we were able to use SPG's size and purchasing power in procuring various goods and services and shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. For example, we were historically able to take advantage of SPG's purchasing power in technology and services, including information technology, marketing, insurance, treasury services, property support and the procurement of goods. We entered into certain transition and other separation-related agreements with SPG, however these agreements have either expired or been terminated and we may not continue to fully capture the benefits we enjoyed as a result of being integrated with SPG and might result in us paying higher charges than in the past for these services. As a separate, independent company, we may be unable to on a consistent, sustainable and long-term basis obtain goods and services at the prices and terms obtained prior to the separation, which could decrease our overall profitability. As a separate, independent company, we may also not be as successful on a consistent, sustainable and long-term basis in negotiating favorable tax treatments and credits with governmental entities. Likewise, it may be more difficult for us to attract and retain desired tenants on a consistent, sustainable and long-term basis. This could have an adverse effect on our business, results of operations and financial condition following the completion of the separation;

Before the separation, generally our working capital requirements and capital for our general corporate purposes, including acquisitions, research and development, and capital expenditures, were historically satisfied as part of SPG's cash management policies. Since the separation, we have been and may continue to be required to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements, which might not be on terms as favorable to those obtained by SPG, and the cost of capital for our business may be higher than SPG's cost of capital prior to the separation; and

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Act and are required to prepare our financial statements according to the rules and regulations promulgated by the SEC. Complying with these requirements could result in significant costs to us and require us to divert substantial resources, including management time, from other activities.

Other significant changes have occurred and may continue to occur in our cost structure, management, strategic transactions, financing and business operations as a result of operating as an independent company. For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements of our business, please refer to "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included elsewhere in this Form 10-K.

Risks Related to WPG Inc.'s Status as a REIT

If WPG Inc. fails to remain qualified as a REIT, it will be subject to U.S. federal income tax as a regular corporation and could face substantial tax liability, which would substantially reduce funds available for distribution to its shareholders and result in other negative consequences.

If WPG Inc. were to fail to qualify as a REIT in any taxable year, it would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and distributions to its shareholders would not be deductible by WPG Inc. in computing its taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to WPG Inc.'s shareholders, which in turn could have an adverse effect on the value of, and trading prices for, WPG Inc.'s common shares. Unless WPG Inc. is deemed to be entitled to relief under certain provisions of the Code, it would also be disqualified from taxation as a REIT for the four taxable years following the year during which it initially ceased to

qualify as a REIT.

Furthermore, the New York Stock Exchange ("NYSE") requires, as a condition to the listing of WPG Inc.'s common shares, that WPG Inc. maintain its REIT status. Consequently, if WPG Inc. fails to maintain its REIT status, its common shares could promptly be delisted from the NYSE, which would decrease the trading activity of such common shares, making the sale of such common shares difficult.

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Dividends paid by REITs do not qualify for the reduced tax rates available for some dividends.

Dividends paid by certain non-REIT corporations to their shareholders that are individuals, trusts and estates are generally taxed at reduced tax rates. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including WPG Inc.'s common shares.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualifying as a REIT involves the application of highly technical and complex provisions of the Code for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize WPG Inc.'s REIT qualification. WPG Inc.'s qualification as a REIT will depend on WPG Inc.'s satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis, and there can be no assurance that WPG Inc.'s personnel responsible for doing so will be able to successfully monitor WPG Inc.'s compliance, despite clauses in the property management agreements requiring such monitoring. Additionally, WPG Inc.'s ability to satisfy the requirements to qualify to be taxed as a REIT might depend, in part, on the actions of third parties over which we have either no control or only limited influence.

Monitoring REIT qualification for both WPG Inc. as well as the separate individual REITs within joint venture arrangements adds compliance complexity.

REIT compliance is required to be tested for WPG Inc. as well as any subsidiary REIT within our structure. Each REIT's compliance is tested and determined separately. Therefore the subsidiary REITs have a lower materiality threshold. If one of the subsidiary REITs failed to be REIT compliant it may impact the REIT status of WPG Inc.

Legislative, administrative, regulatory or other actions affecting REITs, including positions taken by the IRS, could have a negative effect on WPG Inc.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process, and by the IRS and the U.S. Department of the Treasury (the "Treasury"). Although we are not aware of any provision of the Tax Cuts and Jobs Act, the tax reform legislation enacted in 2017, or any pending tax legislation that would adversely affect our ability to operate as a REIT, changes to the tax laws or interpretations thereof by the IRS and the Treasury, with or without retroactive application, could materially and adversely affect WPG Inc.'s investors or WPG Inc. WPG Inc. cannot predict how changes in the tax laws might affect its investors or WPG Inc. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect WPG Inc.'s ability to qualify to be taxed as a REIT and/or the U.S. federal income tax consequences to WPG Inc.'s investors and WPG Inc. of such qualification.

Legislative or regulatory action could adversely affect stockholders.

Future changes to tax laws may adversely affect the taxation of the REIT, its subsidiaries or its stockholders. These changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. These potential changes could generally result in REITs having fewer tax advantages, and may lead REITs to determine that it would be more advantageous to elect to be taxed, for federal income tax purposes, as a corporation.

Not all states automatically conform to changes in the Internal Revenue Code. Some states use the legislative process to decide whether it is in their best interests to conform or not to various provisions of the Code. This could increase the complexity of our compliance efforts, increase compliance costs, and may subject us to additional taxes and audit risk.

WPG Inc.'s REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

In order for WPG Inc. to qualify to be taxed as a REIT, and assuming that certain other requirements are also satisfied, it generally must distribute at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to its shareholders each year, so that U.S. federal corporate income tax does not apply to earnings that it distributes. To the extent that WPG Inc. satisfies this distribution requirement and qualifies for taxation as a REIT, but distributes less than 100% of its REIT taxable income, determined without regard

to the dividends paid deduction and including any net capital gains, it will be subject to U.S. federal corporate income tax on its undistributed net taxable income. Additionally, WPG Inc. will be subject to a 4% nondeductible excise tax if the actual amount that it distributes to its shareholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. WPG Inc. intends to make distributions to its shareholders to comply with the REIT requirements of the Code.

From time to time, WPG Inc. might generate taxable income greater than its cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves, or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices, distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or make taxable distributions of WPG Inc.'s capital stock or debt securities to make distributions sufficient to enable WPG Inc. to pay out enough of its taxable income to satisfy the REIT distribution requirement and avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Further, amounts distributed will not be available to fund the growth of our business. Thus, compliance with WPG Inc.'s REIT requirements may hinder our ability to grow, which could adversely affect our liquidity and our ability to execute our business plan.

Even if WPG Inc. remains qualified as a REIT, it could face other tax liabilities that reduce its cash flows.

Even if WPG Inc. remains qualified for taxation as a REIT, it could be subject to certain U.S. federal, state and local taxes on its income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. For example, in order to meet the REIT qualification requirements, WPG Inc. may hold some of its assets or conduct certain of its activities through one or more taxable REIT subsidiaries ("TRSs") or other subsidiary corporations that will be subject to federal, state and local corporate-level income taxes as regular C corporations. Additionally, WPG Inc. might incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes would decrease cash available for distribution to WPG Inc.'s shareholders. Complying with WPG Inc.'s REIT requirements might cause us to forego otherwise attractive acquisition opportunities or liquidate otherwise attractive investments.

To qualify to be taxed as a REIT for U.S. federal income tax purposes, WPG Inc. must ensure that, at the end of each calendar quarter, at least 75% of the value of its assets consist of cash, cash items, government securities and "real estate assets" (as defined in the Code), including certain mortgage loans and securities. The remainder of WPG Inc.'s investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer.

Additionally, in general, no more than 5% of the value of WPG Inc.'s total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by securities of one or more TRSs. If WPG Inc. fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification and suffering adverse tax consequences. As a result, we might be required to liquidate or forego otherwise attractive investments. These actions could have the effect of reducing WPG Inc.'s income and amounts available for distribution to its shareholders.

In addition to the asset tests set forth above, to qualify to be taxed as a REIT, WPG Inc. must continually satisfy tests concerning, among other things, the sources of its income, the amounts it distributes to its shareholders and the ownership of its shares. We might be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements of WPG Inc. for qualifying as a REIT. Thus, compliance with WPG Inc.'s REIT requirements may hinder our ability to make certain attractive investments. Complying with WPG Inc.'s REIT requirements might limit our ability to hedge effectively and may cause WPG Inc. to incur tax liabilities.

The REIT provisions of the Code to which WPG Inc. must adhere substantially limit our ability to hedge our assets and liabilities. Income from certain potential hedging transactions that we may enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets or from transactions to manage risk of currency fluctuations with respect to any item of income or gain that satisfy WPG Inc.'s REIT gross income tests (including gain from the termination of such a transaction) does not constitute "gross income" for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of WPG Inc.'s

gross income tests.

As a result of these rules, we might be required to limit our use of advantageous hedging techniques or implement those hedges through a total return swap. This could increase the cost of our hedging activities because the total return swap may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

Additionally, losses in the total return swap will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against WPG Inc.'s past or future taxable income in the total return swap.

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The share ownership limit imposed by the Code for REITs, and WPG Inc.'s amended and restated articles of incorporation, may inhibit market activity in WPG Inc.'s shares and restrict our business combination opportunities. In order for WPG Inc. to maintain its qualification as a REIT under the Code, not more than 50% in value of its outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after its first taxable year. WPG Inc.'s amended and restated articles of incorporation, with certain exceptions, authorize its Board of Directors to take the actions that are necessary and desirable to preserve its qualification as a REIT. Unless exempted by WPG Inc.'s Board of Directors, no person may own more than 8%, or 18% in the case of certain family members and other related persons of Mr. David Simon, the current Chairman and CEO of SPG and former member of our Board of Directors, of any class of WPG Inc.'s capital stock or any combination thereof, determined by the number of shares outstanding, voting power or value (as determined by WPG Inc.'s Board of Directors), whichever produces the smallest holding of capital stock under the three methods, computed with regard to all outstanding shares of capital stock and, to the extent provided by the Code, all shares of WPG Inc.'s capital stock issuable under outstanding options and exchange rights that have not been exercised. WPG Inc.'s Board of Directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for WPG Inc.'s common shares or otherwise be in the best interest of WPG Inc.'s shareholders.

Risks Related to Our Common and Preferred Shares/Units

We cannot guarantee the timing, amount, or payment of distributions on our shares/units.

Although we expect to pay regular cash distributions, the timing, declaration, amount and payment of future distributions to shareholders will fall within the discretion of our Board of Directors. Our Board of Directors' decisions regarding the payment of distributions will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, limitations under our financing arrangements, industry practice, legal requirements, regulatory constraints, and other factors that it deems relevant. Our ability to pay distributions will depend on our ongoing ability to generate cash from operations and access capital markets. We cannot guarantee that we will pay a distribution in the future or continue to pay any distribution at a particular rate. The market value or trading price of our preferred and Common Shares could decrease based upon uncertainty in the marketplace and market perception.

The market price of our common and preferred shares may fluctuate widely as a result of a number of factors, many of which are outside our control or influence. Additionally, the stock market is subject to fluctuations in share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common and preferred shares. Among the factors that could adversely affect the market price of our common and preferred shares are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in our FFO, revenue, or earnings estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;
- negative speculation or information in the media or investment community;
- any changes in our distribution or dividend policy;
- any sale or disposal of properties within our portfolio;
- any future issuances of equity securities;
- increases in leverage, mortgage debt financing, or outstanding borrowings;
- strategic actions by our Company or our competitors, such as acquisitions, joint ventures, or restructurings;
- general market conditions and, in particular, developments related to market conditions for the real estate industry or retail sector;
- proposed or adopted regulatory or legislative changes or developments; or
- anticipated or pending investigations, proceedings, or litigation that involves or affect us.

WPG Inc.'s cash available for distribution to shareholders might be insufficient to pay distributions at any particular levels or in amounts sufficient in order for WPG Inc. to maintain its REIT qualification, which could require us to borrow funds in order to make such distributions.

As a REIT, WPG Inc. is required to distribute at least 90% of its REIT taxable income each year, excluding net capital gains, to its shareholders. WPG Inc. intends to make regular quarterly distributions whereby it expects to distribute at least 100% of its REIT taxable income to its shareholders out of assets legally available thereof. Based on the amount of its REIT taxable income for the year ended December 31, 2018, WPG Inc.'s annual dividend of \$1.00 per share satisfied this requirement. However, WPG Inc.'s ability to make distributions could be adversely affected by various factors, many of which are not within its control. For example, in the event of downturns in its financial condition or operating results, economic conditions or otherwise, WPG Inc. might be unable to declare or pay distributions to its shareholders to the extent required to maintain its REIT qualification. WPG Inc. might be required either to fund distributions from borrowings under the Revolver or to reduce its distributions. If we borrow to fund WPG Inc.'s distributions, our interest costs could increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

In addition, some of WPG Inc.'s distributions may include a return of capital. To the extent that WPG Inc. makes distributions in excess of its current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder's adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder's adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder's shares, the distributions will be treated as gain from the sale or exchange of such shares.

Your percentage of ownership in WPG Inc. may be diluted in the future.

In the future, your percentage ownership in us may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise. WPG Inc. also regularly grants compensatory equity awards to directors, executive officers and certain employees who are eligible to receive such awards. Such awards, which are derivatives of our common shares, will ultimately, if they vest, have a dilutive effect on WPG Inc.'s earnings per share, which could adversely affect the market price of WPG Inc.'s common shares.

In addition, WPG Inc.'s amended and restated articles of incorporation authorize WPG Inc. to issue, without the approval of its shareholders, one or more additional classes or series of preferred shares having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common shares respecting dividends and distributions, as WPG Inc.'s Board of Directors generally may determine. The terms of one or more such classes or series of preferred shares could dilute the voting power or reduce the value of WPG Inc.'s common shares. For example, WPG Inc. could grant the holders of preferred shares the right to elect some number of WPG Inc. directors in all events or on the occurrence of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of the common shares.

Certain provisions in WPG Inc.'s amended and restated articles of incorporation and bylaws, and provisions of Indiana law, might prevent or delay an acquisition of our company, which could decrease the trading price of WPG Inc.'s common shares.

WPG Inc.'s amended and restated articles of incorporation and bylaws contain, and Indiana law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with WPG Inc.'s Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- The inability of WPG Inc.'s shareholders to call a special meeting;
- Restrictions on the ability of WPG Inc.'s shareholders to act by written consent without a meeting;
 - Advance notice requirements and other limitations on the ability of shareholders to present proposals or nominate directors for election at shareholder meetings;
- The right of WPG Inc.'s Board of Directors to issue preferred shares without shareholder approval;
- Limitations on the ability of WPG Inc.'s shareholders to remove directors;
- The ability of WPG Inc.'s directors, and not shareholders, to fill vacancies on WPG Inc.'s Board of Directors;
- Restrictions on the number of shares of capital stock that individual shareholders may own;

Limitations on the exercise of voting rights in respect of any "control shares" acquired in a control share acquisition, which WPG Inc. has currently opted out of in WPG Inc.'s amended and restated bylaws but which could apply to WPG Inc. in the future; and

Restrictions on an "interested shareholder" to engage in certain business combinations with WPG Inc. for a five-year period following the date the interested shareholder became such.

We believe these provisions will protect WPG Inc.'s shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with WPG Inc.'s Board of Directors and by providing WPG Inc.'s Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make the company immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that WPG Inc.'s Board of Directors determines is not in the best interests of WPG Inc. and its shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Several of the agreements that we entered into with SPG in connection with the separation require SPG's consent to any assignment by us of our rights and obligations under the agreements, but these agreements generally expired within two years of May 28, 2014, except for certain agreements that continue for longer terms. These agreements include the Separation Agreement and the Tax Matters Agreement. The consent and termination rights set forth in these agreements might discourage, delay or prevent a strategic transaction that you may consider favorable.

In addition, an acquisition or further issuance of WPG Inc.'s common shares could trigger the application of Section 355(e) of the Code. Under the tax related agreement(s) we had with SPG following the separation, we would be required to indemnify SPG for any resulting taxes and related amounts, and this indemnity obligation might discourage, delay or prevent a strategic transaction that you may consider favorable.

Certain provisions in WPG L.P.'s amended and restated limited partnership agreement may limit our ability to execute transactions that our shareholders may consider favorable.

WPG L.P.'s amended and restated limited partnership agreement, as amended (the "Partnership Agreement") provides that we must obtain the approval of a majority of the units of limited partnership interest held by limited partners in order to merge or consolidate WPG L.P. or voluntarily sell or otherwise transfer all or substantially all of the assets of WPG L.P. In addition, during all periods in which Melvin Simon, Herbert Simon and David Simon and members of their immediate families (and including their lineal descendants, trusts established for their benefit and entities controlled by them), collectively, hold at least 10% of the partnership units in WPG L.P., the Partnership Agreement requires that WPG L.P. obtain the consent of the Simons holding more than 50% of the partnership units then held by the Simons prior to, among other things, selling, exchanging, transferring or otherwise disposing of all or substantially all of the assets of WPG L.P. David Simon (or such other person as may be designated by the holders of more than 50% of the partnership units held by the Simons) has been granted authority by those limited partners who are Simons to grant and withhold consent on behalf of the Simons whenever such consent of the Simons is required. Because WPG L.P.'s assets comprise substantially all of our assets, these restrictions could limit our ability to sell or transfer all or substantially all of our assets, or impact the manner in which we do so, even if some of our shareholders believe that doing so would be in our and their best interests.

WPG Inc.'s substantial shareholders may exert influence over our company that may be adverse to our best interests and those of WPG Inc.'s other shareholders.

A substantial portion of WPG Inc.'s outstanding common shares are held by a relatively small group of shareholders. This concentration of ownership may make some transactions more difficult or impossible without the support of some or all of these shareholders. For example, the concentration of ownership held by the substantial shareholders, even if they are not acting in a coordinated manner, could allow them to influence our policies and strategy and could delay, defer or prevent a change of control or impede a merger, takeover or other business combination that may otherwise be favorable to us and our other shareholders. Additionally, the interests of any of WPG Inc.'s substantial shareholders, or any of their respective affiliates, could conflict with or differ from the interests of WPG Inc.'s other shareholders or the other substantial shareholders. A substantial shareholder or affiliate thereof may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2018, our portfolio of properties consisted of material interests in 108 properties totaling approximately 58 million square feet of managed GLA. We also own parcels of land which can be used for either new development or the expansion of existing properties. While most of these properties are wholly owned by us, several are less than wholly owned through joint ventures and other arrangements with third parties, which is common in the real estate industry. As of December 31, 2018, our properties had an ending occupancy rate of 93.7% (based on the measures described in note (2) to the table that follows).

Our properties are leased to a variety of tenants across the retail spectrum including anchor stores, big-box tenants, national inline tenants, sit-down restaurants, movie theaters, and regional and local retailers. As of December 31, 2018, selected anchors and tenants include Macy's, Inc., Dillard's, Inc., J.C. Penney Co., Inc., Sears Holdings Corporation, Target Corporation, Kohl's Corporation, Dick's Sporting Goods, Best Buy Co., Inc., Bed Bath & Beyond Inc. and TJX Companies, Inc. With respect to all tenants in our portfolio, no single tenant was responsible for more than 3.0% of our total base minimum rental revenues for the year ended December 31, 2018. Further, no single property accounted for more than 5.1%, of our total base minimum rental revenues for the year ended December 31, 2018. Finally, as of December 31, 2018, no more than 14.5% of our total gross annual base minimum rental revenues was derived from leases that expire in any single calendar year. Capitalized terms not defined in this Item 2 shall have the definition ascribed to these terms in Item 1 of this Form 10-K.

The following table summarizes certain data for our portfolio of properties as of December 31, 2018:

Property Information

As of December 31, 2018

Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) ⁽²⁾	Total Center SF	Anchors
Enclosed Retail Properties								
Anderson Mall	SC	Anderson	Fee	100.0 %	Built 1972	85.2 %	670,772	Belk(10), Books-A-Million, Dillard's(10), JCPenney
Arbor Hills	MI	Ann Arbor	Fee	51.0 %	Acquired 2015	100.0 %	87,487	N/A
Arboretum, The	TX	Austin	Fee	51.0 %	Acquired 1998	92.5 %	195,331	Barnes & Noble, Cheesecake Factory, Pottery Barn
Ashland Town Center	KY	Ashland	Fee	100.0 %	Acquired 2015	97.9 %	437,284	Belk, Belk Home Store, JCPenney(10), T.J. Maxx
Bowie Town Center	MD	Bowie (Wash, D.C.)	Fee	100.0 %	Built 2001	92.5 %	571,483	Barnes & Noble, Best Buy(10), L.A. Fitness, Macy's(10), Off Broadway Shoes, Sears(5)(8), Cinemark Theatres, Dillard's(10), JCPenney, Macy's(10), Sears(5), You Fit Health Clubs
Boynton Beach Mall	FL	Boynton Beach (Miami)	Fee	100.0 %	Acquired 1996	81.2 %	1,101,881	JCPenney, Macy's(10), Sears(5), You Fit Health Clubs
Brunswick Square	NJ	East Brunswick (New York)	Fee	100.0 %	Acquired 1996	97.5 %	760,998	Barnes & Noble, JCPenney(10),

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Charlottesville Fashion Square	VA	Charlottesville	Ground Lease (2076)	100.0 %	Acquired 1997	87.5 %	578,063	Macy's(10), Starplex Luxury Cinema Belk(4), JCPenney(10) Sears(5)
Chautauqua Mall	NY	Lakewood	Fee	100.0 %	Acquired 1996	87.3 %	432,931	JCPenney, Office Max, Sears(5)
Chesapeake Square Theater	VA	Chesapeake (VA Beach)	Fee	100.0 %	Acquired 1996	100.0 %	42,248	Cinemark Theatres
Clay Terrace	IN	Carmel (Indianapolis)	Fee	100.0 %	Acquired 2014	92.6 %	577,601	Dick's Sporting Goods, DSW, Pier 1, St. Vincent's Sports Performance, Whole Foods
Cottonwood Mall	NM	Albuquerque	Fee	100.0 %	Built 1996	89.6 %	1,051,847	Conn's Electronic & Appliance(10), Dillard's(10), HiLife Furniture, Hobby Lobby, JCPenney(10), Regal Cinema

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Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) (2)	Total Center SF	Anchors
Dayton Mall	OH	Dayton	Fee	100.0 %	Acquired 2015	96.4 %	1,443,039	Dick's Sporting Goods, DSW, JCPenney, Macy's(10)
Edison Mall	FL	Fort Myers	Fee	100.0 %	Acquired 1997	95.2 %	1,039,126	Books-A-Million, Dillard's(10), JCPenney, Macy's(4), Sears(8)
Grand Central Mall	WV	Parkersburg	Fee	100.0 %	Acquired 2015	91.6 %	758,513	Belk, Dunham's Sports, JCPenney, Regal Cinemas
Great Lakes Mall	OH	Mentor (Cleveland)	Fee	100.0 %	Acquired 1996	90.7 %	1,232,642	Atlas Cinema Stadium 16, Barnes & Noble, Dick's Sporting Goods, Dillard's(10), JCPenney, Macy's(10), Round One AMC Theaters, Big Sandy Superstore(10), Dick's Sporting Goods, JCPenney, Sears(10)
Indian Mound Mall	OH	Newark	Fee	100.0 %	Acquired 2015	89.5 %	556,746	AMC Theatres, Burlington Coat Factory, Dillard's(10), Fitness Connection, La Vida Fashion and Home Décor(10), Macy's(10), Shoppers World, Sky Zone
Irving Mall	TX	Irving (Dallas)	Fee	100.0 %	Built 1971	99.2 %	1,052,013	Dick's Sporting Goods, Macy's, Sears(5)(8)
Jefferson Valley Mall	NY	Yorktown Heights (New York)	Fee	100.0 %	Built 1983	93.5 %	580,871	JCPenney, Macy's(10)
Lima Mall	OH	Lima	Fee	100.0 %	Acquired 1996	98.1 %	743,872	Kohl's
Lincolnwood Town Center	IL	Lincolnwood (Chicago)	Fee	100.0 %	Built 1990	84.0 %	422,847	Hy-Vee, Von Maur
Lindale Mall	IA	Cedar Rapids	Fee	100.0 %	Acquired 1998	93.1 %	723,666	Dick's Sporting Goods, Dillard's(10), JCPenney(10), L'Patricia(10), Sears(5), Stage(10)
Longview Mall	TX	Longview	Fee	100.0 %	Built 1978	94.9 %	653,171	N/A
Malibu Lumber Yard	CA	Malibu	Ground Lease (2047)	51.0 %	Acquired 2015	46.4 %	31,514	N/A
Mall at Fairfield Commons,	OH	Beavercreek	Fee	100.0 %	Acquired 2015	98.8 %	1,045,249	Dick's Sporting Goods, JCPenney, Macy's(10)

The Mall at Johnson City, TN	TN	Johnson City	Fee	51.0 %	Acquired 2015	98.5 %	567,892	Belk for Her, Belk Home Store, Dick's Sporting Goods, JCPenney, Sears(10)
Maplewood Mall	MN	St. Paul (Minneapolis)	Fee	100.0 %	Acquired 2002	81.6 %	905,960	Barnes & Noble, JCPenney(10), Kohl's(10), Macy's(10)
Markland Mall	IN	Kokomo	Fee	100.0 %	Built 1968	97.9 %	381,625	Aldi, PetSmart, Ross Dress for Less, Target
Melbourne Square	FL	Melbourne	Fee	100.0 %	Acquired 1996	91.2 %	723,654	Dick's Sporting Goods, Dillard's(11), JCPenney, L.A. Fitness, Macy's(10)
Mesa Mall	CO	Grand Junction	Fee	100.0 %	Acquired 1998	97.7 %	873,311	Cabela's(10), JCPenney(10), Jo-Ann Fabrics, Target(10)
Morgantown Mall	WV	Morgantown	Fee	100.0 %	Acquired 2015	87.7 %	555,350	AMC Theaters, JCPenney, Sears(5)
Muncie Mall	IN	Muncie	Fee	100.0 %	Built 1970	87.0 %	641,821	JCPenney, Macy's(10)
New Towne Mall	OH	New Philadelphia	Fee	100.0 %	Acquired 2015	86.6 %	505,223	Dick's Sporting Goods, Jo-Ann Fabrics, Kohl's, Marshalls, Route 250 Health and Performance

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Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) ⁽²⁾	Total Center SF	Anchors
Northtown Mall	MN	Blaine	Fee	100.0 %	Acquired 2015	98.3 %	644,735	Becker Furniture, Best Buy, Burlington Coat Factory, Hobby Lobby(10), Home Depot, L.A. Fitness, Sky Zone
Northwoods Mall	IL	Peoria	Fee	100.0 %	Built 1983	94.6 %	649,408	JCPenney(10), Round One, Sears(10), The RoomPlace
Oak Court Mall	TN	Memphis	Fee	100.0 %	Acquired 1997	96.5 %	847,127	Dillard's(4), Macy's(10)
Oklahoma City Properties	OK	Oklahoma City	Fee	51.0 %	Acquired 2015	97.0 %	312,692	Trader Joe's, Whole Foods
Orange Park Mall	FL	Orange Park (Jacksonville)	Fee	100.0 %	Acquired 1994	97.8 %	959,146	AMC Theatres, Belk(10), Dick's Sporting Goods, Dillard's(10), JCPenney, Sears(10)
Outlet Collection [®] Seattle, The	WA	Auburn (Seattle)	Fee	100.0 %	Acquired 2015	92.9 %	923,331	Bed Bath & Beyond, Burlington Coat Factory, Dave & Busters, Nordstrom Rack
Paddock Mall	FL	Ocala	Fee	100.0 %	Acquired 1996	96.4 %	548,147	Belk, JCPenney, Macy's(10), Sears(5)(8)
Pearlridge Center	HI	Aiea	Fee and Ground Lease (2043, 2058)	51.0 %	Acquired 2015	96.2 %	1,297,814	Beyond, Longs Drug Store, Macy's, Pearlridge Mall Theaters, Ross Dress for Less, Sears, T.J. Maxx
Polaris Fashion Place [®]	OH	Columbus	Fee	51.0 %	Acquired 2015	99.1 %	1,571,346	Barnes & Noble, Dick's Sporting Goods, JCPenney(10), Macy's(10), Saks Fifth Avenue(10), Sears(5), Von Maur(10)
Port Charlotte Town Center	FL	Port Charlotte	Fee	100.0 %	Acquired 1996	90.2 %	777,246	Bealls(10), Dillard's(10), DSW, JCPenney, Macy's(10),

Rolling Oaks Mall	TX	San Antonio	Fee	100.0 %	Built 1988	95.7 %	883,336	Recreational Warehouse, Regal Cinema, Sears(5) Dillard's(10), JCPenney(10), Macy's(10), Sears(5)(10)
Scottsdale Quarter®	AZ	Scottsdale	Fee	51.0 %	Acquired 2015	95.9 %	724,804	Apogee Physicians, H&M, iPic Theaters, JDA Software, Restoration Hardware, Starwood Hotels
Seminole Towne Center	FL	Sanford (Orlando)	Fee	6.8 % (6)	Built 1995	93.2 %	1,109,945	Athletic Apex, Burlington Coat Factory, Dick's Sporting Goods, Dillard's(10), JCPenney(10), Macy's, United Artists Theatre AMC Theaters, Barnes & Noble, Hy-Vee, JCPenney(10), Scheel's All Sports, Sears(5)
Southern Hills Mall	IA	Sioux City	Fee	100.0 %	Acquired 1998	90.1 %	794,010	Cinemark Theatres, Dillard's(10), JCPenney, Macy's AMC Theater, Dillard's(10), JCPenney(10), Lucky's Market
Southern Park Mall	OH	Youngstown	Fee	100.0 %	Acquired 1996	81.5 %	1,202,768	Cinemark, Dillard's(11), Sears(5)(10), Starr Western Wear
Southgate Mall	MT	Missoula	Fee	100.0 %	Acquired 2018	89.4 %	630,811	Century Theatres, Dillard's(10), JCPenney(10), Macy's(10), Sears
Sunland Park Mall	TX	El Paso	Fee	100.0 %	Built 1988	77.9 %	927,305	
Town Center at Aurora	CO	Aurora (Denver)	Fee	100.0 %	Acquired 1998	94.1 %	1,080,995	

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Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) (2)	Total Center SF	Anchors
Town Center Crossing & Plaza	KS	Leawood	Fee	51.0 %	Acquired 2015	98.6 %	670,455	Arhaus, Barnes & Noble, Crate & Barrel, Macy's(10), Restoration Hardware
Towne West Square	KS	Wichita	Fee	100.0 % (12)	Built 1980	— %	—	N/A
Waterford Lakes Town Center	FL	Orlando	Fee	100.0 %	Built 1999	100.0 %	965,765	Ashley Furniture Home Store (10), Barnes & Noble, Bed Bath & Beyond, Best Buy, Jo-Ann Fabrics, L.A. Fitness(10), Office Max, Regal Cinemas, Ross Dress for Less, Target(10), T.J. Maxx
Weberstown Mall	CA	Stockton	Fee	100.0 %	Acquired 2015	98.1 %	859,071	Barnes & Noble, Dillard's(10), JCPenney(10), Sears(10)
West Ridge Mall	KS	Topeka	Fee	100.0 % (9)	Built 1988	75.7 %	1,013,982	Dillard's(10), Furniture Mall of Kansas(10), JCPenney(10), Sky Zone
Westminster Mall	CA	Westminster (Los Angeles)	Fee	100.0 %	Acquired 1998	86.7 %	1,216,695	Chuze Fitness, DSW, JCPenney(10), John's Incredible Pizza, Macy's(10), Sky Zone, Target(10)
WestShore Plaza	FL	Tampa	Fee	100.0 %	Acquired 2015	92.8 %	1,075,486	AMC Theatres, Dick's Sporting Goods, JCPenney, Macy's(10), Sears(5)
Total Enclosed Retail Properties Portfolio Square Footage (3)							43,632,451	
Open Air Properties								
Bloomington Court	IL	Bloomington (Chicago)	Fee	100.0 %	Built 1987	98.9 %	697,088	Best Buy, Dick's Sporting Goods, Jo-Ann Fabrics, Office Max, Picture

Bowie Town Center Strip	MD	Bowie (Wash, D.C.)	Fee	100.0 %	Built 2001	92.2 %	106,636	Show, Ross Dress for Less, T.J. Maxx N More, Walmart Supercenter(10)
Canyon View Marketplace	CO	Grand Junction	Fee	100.0 %	Acquired 2015	100.0 %	199,815	Safeway(10), City Market(10), Kohl's(10)
Charles Towne Square	SC	Charleston	Fee	100.0 %	Built 1976	100.0 %	71,794	Regal Cinema
Chesapeake Center	VA	Chesapeake (Virginia Beach)	Fee	100.0 %	Acquired 1996	94.3 %	279,581	Dollar Tree(10), PetSmart, Value City Furniture
Concord Mills Marketplace	NC	Concord (Charlotte)	Fee	100.0 %	Acquired 2007	100.0 %	250,704	At Home, BJ's Wholesale Club Best Buy, Dollar Tree, Floor & Decor, Home Depot(10), Jo-Ann Fabrics, PetSmart, The Tile Shop
Countryside Plaza	IL	Countryside (Chicago)	Fee	100.0 %	Built 1977	100.0 %	403,455	Belk(10), Food Lion
Dare Centre	NC	Kill Devil Hills	Ground Lease (2058)	100.0 %	Acquired 2004	95.8 %	168,613	ACME Grocery(10), Bob's Discount Furniture
DeKalb Plaza	PA	King of Prussia (Philadelphia)	Fee	100.0 %	Acquired 2003	100.0 %	101,915	Bed Bath & Beyond, Kohl's, Target(10)
Empire East	SD	Sioux Falls	Fee	100.0 %	Acquired 1998	100.0 %	301,438	Burlington Coat Factory, Pier 1, XSport Fitness
Fairfax Court	VA	Fairfax (Wash, D.C.)	Fee	100.0 %	Acquired 2014	98.5 %	249,488	Academy Sports, HEB(10), Marshalls, Party City
Fairfield Town Center	TX	Houston	Fee	100.0 %	Built 2014	98.8 %	364,469	

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Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) (2)	Total Center SF	Anchors
Forest Plaza	IL	Rockford	Fee	100.0 %	Built 1985	100.0 %	433,816	Bed Bath & Beyond, Kohl's, Marshalls, Michaels, Office Max, Petco
Gaitway Plaza	FL	Ocala	Fee	96.0 % (6)	Acquired 2014	98.4 %	196,812	Bed Bath & Beyond, Michael's, Office Depot, Ross Dress for Less, T.J. Maxx
Gateway Centers	TX	Austin	Fee	51.0 %	Acquired 2004	98.1 %	513,987	Best Buy, Crate & Barrel, Nordstrom Rack, Off 5 th Saks 5 th Ave, Regal Cinema, REI(10), Whole Foods, The Container Store, The Tile Shop
Greenwood Plus	IN	Greenwood (Indianapolis)	Fee	100.0 %	Built 1979	100.0 %	155,319	Best Buy, Kohl's
Henderson Square	PA	King of Prussia (Philadelphia)	Fee	100.0 %	Acquired 2003	100.0 %	107,371	Avalon Carpet & Tile Shop, Giant
Keystone Shoppes	IN	Indianapolis	Fee	100.0 %	Acquired 1997	97.5 %	36,457	N/A
Lake Plaza	IL	Waukegan (Chicago)	Fee	100.0 %	Built 1986	97.6 %	215,590	Home Owners Bargain Outlet
Lake View Plaza	IL	Orland Park (Chicago)	Fee	100.0 %	Built 1986	97.7 %	367,369	Arhaus, Best Buy, Bob's Discount Furniture, Golf Galaxy, Jo-Ann Fabrics, Petco, Tuesday Morning, Value City Furniture(10)
Lakeline Plaza	TX	Cedar Park (Austin)	Fee	100.0 %	Built 1998	100.0 %	386,229	Bed, Bath, & Beyond, Best Buy, Jumpstreet, Office Max, PetSmart, Ross Dress for Less, T.J. Maxx, Total Wine & More(10)
Lima Center	OH	Lima	Fee	100.0 %	Acquired 1996	100.0 %	233,878	Hobby Lobby(10), Jo-Ann Fabrics, Kohl's, T.J. Maxx
Lincoln Crossing	IL	O'Fallon (St. Louis)	Fee	100.0 %	Built 1990	100.0 %	303,526	Academy Sports, PetSmart, Walmart(10)
MacGregor Village	NC	Cary	Fee	100.0 %	Acquired 2004	83.6 %	139,520	Sports HQ
Mall of Georgia Crossing	GA	Buford (Atlanta)	Fee	100.0 %	Built 1999	100.0 %	440,774	Best Buy, Hobby Lobby, Nordstrom Rack, Staples, Target(10), T.J. Maxx 'n More
	IN	Kokomo	Fee	100.0 %		100.0 %	90,527	

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Markland Plaza					Built 1974				Bed Bath & Beyond, Best Buy
Martinsville Plaza	VA	Martinsville	Ground Lease (2026)	100.0 %	Built 1967	99.3 %	102,105		Ollie's Bargain Outlet, Rose's
Matteson Plaza	IL	Matteson (Chicago)	Fee	100.0 %	Built 1988	56.2 %	273,836		Beauty Trends, Shoppers World
Muncie Towne Plaza	IN	Muncie	Fee	100.0 %	Built 1998	86.1 %	171,621		AMC Theatres(10), Kohl's, T.J. Maxx
North Ridge Shopping Center	NC	Raleigh	Fee	100.0 %	Acquired 2004	97.8 %	171,489		Ace Hardware, Harris-Teeter Grocery, O2 Fitness Club
Northwood Plaza	IN	Fort Wayne	Fee	100.0 %	Built 1974	91.8 %	204,956		Target(10)
Palms Crossing	TX	McAllen	Fee	51.0 %	Built 2007	78.6 %	389,618		Barnes & Noble, Bealls, Best Buy, DSW, Hobby Lobby
Plaza at Buckland Hills, The	CT	Manchester	Fee	100.0 %	Acquired 2014	100.0 %	321,328		Big Lots, Jo-Ann Fabrics, Michael's(10), PetSmart(10), Total Wine & More, Trader Joe's
Richardson Square	TX	Richardson (Dallas)	Fee	100.0 %	Acquired 1996	100.0 %	516,100		Lowe's Home Improvement(10), Ross Dress for Less, Sears(5)(10), Super Target(10)

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Property Name	State	City (Major Metropolitan Area)	Ownership Interest (Expiration if Lease)	Financial Interest (1)	Year Acquired or Built	Occupancy (%) (2)	Total Center SF	Anchors
Rockaway Commons	NJ	Rockaway (New York)	Fee	100.0 %	Acquired 1998	98.7 %	238,970	Best Buy, Buy Buy Baby, Christmas Tree Shops, DSW, Michael's, Nordstrom Rack
Rockaway Town Plaza	NJ	Rockaway (New York)	Fee	100.0 %	Built 2004	100.0 %	306,436	Dick's Sporting Goods(10), PetSmart, Target(10)
Royal Eagle Plaza	FL	Coral Springs (Miami)	Fee	100.0 %	Acquired 2014	83.6 %	186,283	Hobby Lobby, Lucky's Market, DSW, Home Depot, Jo-Ann Fabrics, Marshalls, Sam Moon Trading Co., Spec's Wine, Spirits and Fine Foods
Shops at Arbor Walk, The	TX	Austin	Ground Lease (2056)	51.0 %	Built 2006	99.1 %	309,064	Barnes & Noble, Bed Bath & Beyond, Best Buy, DSW, Michaels, PetSmart, T.J. Maxx
Shops at North East Mall, The	TX	Hurst (Dallas)	Fee	100.0 %	Built 1999	100.0 %	365,039	Ashley Furniture, Big Lots, Citi Trends, Dollar Tree, K & G Menswear, Shoppers Food Warehouse, Value City Furniture(10)
St. Charles Towne Plaza	MD	Waldorf (Wash, D.C.)	Fee	100.0 %	Built 1987	90.6 %	391,325	Barnes & Noble, Best Buy
Tippecanoe Plaza	IN	Lafayette	Fee	100.0 %	Built 1974	100.0 %	90,522	Best Buy(10), Michael's, Ross Dress for Less
University Center	IN	Mishawaka	Fee	100.0 %	Acquired 1996	96.8 %	150,441	Academy Sports, Burlington Coat Factory, JCPenney(10)
University Town Plaza	FL	Pensacola	Fee	100.0 %	Redeveloped 2013	78.3 %	565,538	Bed Bath & Beyond, Hobby Lobby, Kohl's, Marsh Supermarket(10), Regal Cinemas, Walmart Supercenter(10)
Village Park Plaza	IN	Carmel (Indianapolis)	Fee	100.0 %	Acquired 2014	100.0 %	517,948	Jo-Ann Fabrics
Washington Plaza	IN	Indianapolis	Fee	100.0 %	Acquired 1996	90.0 %	50,107	

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West Ridge Plaza	KS	Topeka	Fee	100.0 % (9)	Built 1988	100.0 %	253,086	Ashley HomeStore (10), Target(10), T.J. Maxx
West Town Corners	FL	Altamonte Springs (Orlando)	Fee	100.0 % (6)	Acquired 2014	91.7 %	383,220	American Signature Furniture(10), PetSmart, T.J. Maxx, Walmart(10), Winn-Dixie Marketplace
Westland Park Plaza	FL	Orange Park (Jacksonville)	Fee	100.0 % (6)	Acquired 2014	86.7 %	163,259	Beall's, Burlington Coat Factory, Guitar Center, L.A. Fitness
White Oaks Plaza	IL	Springfield	Fee	100.0 %	Built 1986	98.8 %	398,077	Big Lots, County Market(10), HomeGoods, Kohl's, T.J. Maxx
Whitehall Mall	PA	Whitehall	Fee	100.0 %	Acquired 2014	99.5 %	603,475	Bed Bath & Beyond, Buy Buy Baby, Gold's Gym, Kohl's, Michael's, Raymour & Flanigan Furniture, Sears
Wolf Ranch	TX	Georgetown (Austin)	Fee	100.0 %	Built 2005	97.1 %	632,246	Best Buy, DSW, Gold's Gym, Kohl's(10), Michael's, Office Depot, PetSmart, Ross Dress for Less, Target(10), T.J. Maxx
Total Open Air Portfolio Square Footage(3)							14,572,260	
Total Portfolio Square Footage(3)							58,204,711	

- (1) Direct and indirect interests in some joint venture properties are subject to preferences on distributions and/or capital allocation in favor of other partners.
Enclosed Retail Properties—Executed leases for all Company-owned GLA in enclosed retail property stores,
- (2) excluding majors and anchors. Open Air Properties—Executed leases for all Company-owned retail GLA (or total center GLA).
- (3) Includes office space in the properties, including the following properties with more than 20,000 square feet of office space:
Clay Terrace—80,033 sq. ft.; Oak Court Mall—123,891 sq. ft.; Oklahoma City Properties—20,469 sq. ft.
Royal Eagle Plaza—25,207 sq. ft.; Pearlridge Center—182,796 sq. ft.; Scottsdale Quarter—297,473 sq. ft.
- (4) Indicates tenant has multiple locations at this property and one of these spaces is owned by others.
- (5) Indicates anchor has announced its intent to close this location in 2019.
- (6) Our interest does not reflect our legal ownership percentage due to capital preferences.
- (7) Includes the following properties: Classen Curve, Nichols Hills Plaza and The Triangle @ Classen Curve.
- (8) Sears store owned by Seritage Growth Properties.
- (9) Borrower is in default and thus in discussions with the loan servicer regarding the nonrecourse mortgage loan on this property.
- (10) Indicates anchor space is owned by others.
- (11) Indicates tenant has multiple locations at this property and both of these spaces are owned by others.
Borrower is in default. On August 24, 2018, we received notification that a receiver had been appointed to manage and lease the property. As we no longer manage or lease the property and we receive no economics from
- (12) the property after the date the property was placed into receivership, it is excluded from our GLA and occupancy numbers presented.

Lease Expirations(1)

The following table summarizes lease expiration data for our properties as of December 31, 2018:

Year	Number of Leases Expiring	Square Feet	Average Base Minimum Rent Per Square Foot	Percentage of Gross Annual Rental Revenues(2)	
Inline Stores and Freestanding					
Month To Month Leases	180	348,564	\$ 38.91	2.2	%
2019	719	2,004,342	\$ 28.68	9.1	%
2020	796	2,621,941	\$ 26.05	11.1	%
2021	706	2,394,365	\$ 25.65	10.2	%
2022	569	2,011,600	\$ 26.44	8.8	%
2023	510	1,875,301	\$ 27.40	8.5	%
2024	294	1,193,210	\$ 26.86	5.3	%
2025	230	987,930	\$ 27.89	4.6	%
2026	226	1,199,799	\$ 28.57	5.6	%
2027	224	1,044,060	\$ 28.04	4.7	%
2028	149	645,998	\$ 25.88	2.7	%
2029 and Thereafter	58	476,411	\$ 24.98	2.0	%
Specialty Leasing Agreements w/ terms in excess of 11 months	703	1,665,257	\$ 13.06	3.7	%
Anchors					
2019	18	1,484,687	\$ 2.95	0.8	%
2020	52	2,992,747	\$ 6.67	3.4	%
2021	46	2,523,234	\$ 7.65	3.2	%
2022	37	1,871,211	\$ 7.93	2.4	%
2023	48	2,278,701	\$ 9.80	3.7	%
2024	27	1,278,653	\$ 8.72	1.9	%
2025	20	960,667	\$ 11.08	1.8	%
2026	13	458,843	\$ 11.47	0.8	%
2027	15	783,498	\$ 8.45	1.0	%
2028	13	481,281	\$ 13.42	1.1	%
2029 and Thereafter	15	1,007,897	\$ 9.10	1.4	%

Does not consider the impact of renewal options that may be contained in leases and only considers

(1) Company-owned GLA managed at December 31, 2018. Accordingly, leases at Towne West Square are excluded as the property was placed into receivership during 2018.

(2) Gross annual rental revenues represents 2018 consolidated and joint venture combined base rental revenue for the portfolio.

Mortgage Financing on Properties

The following table sets forth certain information regarding the mortgages and unsecured indebtedness encumbering our properties and the properties held in our joint venture arrangements, and our unsecured corporate debt as of December 31, 2018:

Summary of Mortgage and Other Indebtedness

As of December 31, 2018

(in thousands)

Property Name	Maturity Date (1)	Interest Rate	Principal Balance	Our Share of Principal Balance	F = Fixed V = Variable Floating
Consolidated Indebtedness:					
Secured Indebtedness					
Anderson Mall	12/1/2022	4.61 %	\$ 17,891	\$ 17,891	F
Ashland Town Center	7/6/2021	4.90 %	36,824	36,824	F
Brunswick Square	3/1/2024	4.80 %	71,154	71,154	F
Canyon View Marketplace	11/6/2023	5.47 %	5,215	5,215	F
Charlottesville Fashion Square	4/1/2024	4.54 %	46,099	46,099	F
Concord Mills Marketplace	11/1/2023	4.82 %	16,000	16,000	F
Cottonwood Mall	4/6/2024	4.82 %	97,203	97,203	F
Dayton Mall	9/1/2022	4.57 %	80,421	80,421	F
Forest Plaza	10/10/2019	7.50 %	15,588	15,588	F
Grand Central Mall	7/6/2020	6.05 %	39,598	39,598	F
Lakeline Plaza	10/10/2019	7.50 %	14,604	14,604	F
Lincolnwood Town Center	4/1/2021	4.26 %	48,662	48,662	F
Mall of Georgia Crossing	10/6/2022	4.28 %	22,208	22,208	F
Muncie Mall	4/1/2021	4.19 %	33,876	33,876	F
Muncie Towne Plaza	10/10/2019	7.50 %	6,071	6,071	F
North Ridge Shopping Center	12/1/2022	3.41 %	11,764	11,764	F
Oak Court Mall	4/1/2021	4.76 %	36,998	36,998	F
Port Charlotte Town Center	11/1/2020	5.30 %	42,196	42,196	(2) F
Southgate Mall	9/27/2023	4.48 %	35,000	35,000	F
Town Center at Aurora	4/1/2021	4.19 %	52,250	52,250	F
Towne West Square	6/1/2021	5.61 %	45,205	45,205	(3) F
Weberstown Mall	6/8/2021	4.25 %	65,000	65,000	V
West Ridge Mall	3/6/2024	7.84 %	39,945	39,945	(3) F
West Ridge Plaza	3/6/2024	7.84 %	9,986	9,986	(3) F
Westminster Mall	4/1/2024	4.65 %	78,375	78,375	F
White Oaks Plaza	10/10/2019	7.50 %	12,143	12,143	F
Unsecured Indebtedness					
Credit Facility	12/30/2022	3.75 %	290,000	290,000	V
5.950% Notes due 2024	8/15/2024	5.95 %	750,000	750,000	F
3.850% Notes due 2020 ("Exchange Notes")	4/1/2020	3.85 %	250,000	250,000	F
Term Loan (unhedged portion)	12/30/2022	3.95 %	100,000	100,000	V
Term Loan (hedged portion)	12/30/2022	4.21 %	250,000	250,000	(4) F
December 2015 Term Loan	1/10/2023	3.51 %	340,000	340,000	(4) F
Total Indebtedness at Face Value	4.0 yrs.	4.75 %	2,960,276	2,960,276	

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Property Name	Maturity Date (1)	Interest Rate	Principal Balance	Our Share of Principal Balance	F = Fixed V = Variable Floating
Premium on Fixed-Rate Indebtedness			5,764	5,764	
Bond Discounts			(9,680)	(9,680))
Debt Issuance Costs, net			(18,883)	(18,883))
Total Consolidated Indebtedness	4.1 yrs.	4.79 %	2,937,477	2,937,477	
Unconsolidated Secured Indebtedness:					
Arbor Hills	1/1/2026	4.27 %	24,660	12,577	F
Arboretum, The	6/1/2027	4.13 %	59,400	30,294	F
Gateway Centers	6/1/2027	4.03 %	112,500	57,375	F
Mall at Johnson City, The	5/6/2020	6.76 %	49,050	25,016	F
Oklahoma City Properties					
Loan One	6/1/2027	3.90 %	52,779	26,917	F
Loan Two	1/1/2023	5.00 %	12,981	6,620	V
Palms Crossing	8/1/2021	5.49 %	34,110	17,396	F
Pearlridge Center					
Loan One	6/1/2025	3.53 %	225,000	114,750	F
Loan Two	5/1/2025	4.07 %	43,200	22,032	F
Polaris Fashion Place®					
Loan One	3/1/2025	3.90 %	225,000	114,750	F
Loan Two	3/1/2025	4.46 %	15,500	7,905	F
Scottsdale Quarter®					
Loan One	6/1/2025	3.53 %	165,000	84,150	F
Loan Two	4/1/2027	4.36 %	55,000	28,050	F
Seminole Towne Center	5/6/2021	5.97 %	53,603	3,624	(2) F
Shops at Arbor Walk, The	8/1/2021	5.49 %	38,552	19,662	F
Town Center Crossing & Plaza					
Loan One	2/1/2027	4.25 %	33,647	17,160	F
Loan Two	2/1/2027	5.00 %	67,978	34,669	F
Other joint venture mortgage debt	7/1/2032	4.70 %	19,269	2,017	F
Total Indebtedness at Face Value	6.5 yrs.	4.15 %	1,287,229	624,964	
Premium on Fixed-Rate Indebtedness			10,534	5,372	
Debt Issuance Costs, net			(4,962)	(2,451))
Total Unconsolidated Indebtedness	6.5 yrs.	4.13 %	1,292,801	627,885	
Total Mortgage and Other Indebtedness	4.5 yrs.	4.67 %	\$4,230,278	\$3,565,362	

(1) Maturity date assumes full exercise of extension options.

(2) Our share does not reflect our legal ownership percentage due to capital preferences.

(3) Borrower is in default and thus in discussions with loan servicer regarding this nonrecourse mortgage loan.

(4) Interest rate fixed via swap agreements as of December 31, 2018.

Note: Substantially all of the above mortgage and property related debt is nonrecourse to us.

The following table lists the 70 unencumbered properties in our portfolio as of December 31, 2018:

Unencumbered Properties

As of December 31, 2018

	Financial Interest
Enclosed Retail Properties:	
Bowie Town Center	100.0%
Boynnton Beach Mall	100.0%
Chautauqua Mall	100.0%
Clay Terrace	100.0%
Edison Mall	100.0%
Great Lakes Mall	100.0%
Indian Mound Mall	100.0%
Irving Mall	100.0%
Jefferson Valley Mall	100.0%
Lima Mall	100.0%
Lindale Mall	100.0%
Longview Mall	100.0%
Malibu Lumber Yard(1)	51.0%
Mall at Fairfield Commons, The	100.0%
Maplewood Mall	100.0%
Markland Mall	100.0%
Melbourne Square	100.0%
Mesa Mall	100.0%
Morgantown Mall	100.0%
New Towne Mall	100.0%
Northtown Mall	100.0%
Northwoods Mall	100.0%
Orange Park Mall	100.0%
Outlet Collection® | Seattle, The	100.0%
Paddock Mall	100.0%
Rolling Oaks Mall	100.0%
Southern Hills Mall	100.0%
Southern Park Mall	100.0%
Sunland Park Mall	100.0%
Waterford Lakes Town Center	100.0%
WestShore Plaza	100.0%
Open Air Properties:	
Bloomington Court	100.0%
Bowie Town Center Strip	100.0%
Charles Towne Square	100.0%
Chesapeake Center	100.0%
Countryside Plaza	100.0%
Dare Centre	100.0%
DeKalb Plaza	100.0%
Empire East	100.0%
Fairfax Court	100.0%
Fairfield Town Center	100.0%

	Financial Interest
Gaitway Plaza(2)	96.0%
Greenwood Plus	100.0%
Henderson Square	100.0%
Keystone Shoppes	100.0%
Lake Plaza	100.0%
Lake View Plaza	100.0%
Lima Center	100.0%
Lincoln Crossing	100.0%
MacGregor Village	100.0%
Markland Plaza	100.0%
Martinsville Plaza	100.0%
Matteson Plaza	100.0%
Northwood Plaza	100.0%
Plaza at Buckland Hills, The	100.0%
Richardson Square	100.0%
Rockaway Commons	100.0%
Rockaway Town Plaza	100.0%
Royal Eagle Plaza	100.0%
Shops at North East Mall, The	100.0%
St. Charles Towne Plaza	100.0%
Tippecanoe Plaza	100.0%
University Center	100.0%
University Town Plaza	100.0%
Village Park Plaza	100.0%
Washington Plaza	100.0%
West Town Corners(2)	100.0%
Westland Park Plaza(2)	100.0%
Whitehall Mall	100.0%
Wolf Ranch	100.0%

(1) This property is part of the O'Connor Joint Venture II, as discussed in Part II, Item 7 and Note 5 of the Notes to the Consolidated Financial Statements presented in Part IV, Item 15.

(2) We receive substantially all the economic benefit of the property due to a capital preference.

Item 3. Legal Proceedings

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to, commercial disputes, environmental matters, and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable and the amount of our exposure can be reasonably estimated.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

WPG Inc.

Market Information

WPG Inc.'s common shares are traded on the NYSE under the symbol "WPG." The following table sets forth, for the periods indicated, the dividends declared per common share:

	Distribution Declared Per Common Share	
	2018	2017
1st Quarter	\$0.25	\$0.25
2nd Quarter	\$0.25	\$0.25
3rd Quarter	\$0.25	\$0.25
4th Quarter	\$0.25	\$0.25

Stockholder Information

As of February 20, 2019, there were 1,339 holders of record of WPG Inc.'s common shares.

Distribution Information

WPG Inc. must pay a minimum amount of dividends to maintain its status as a REIT. WPG Inc.'s future dividends and future distributions of WPG L.P. will be determined by WPG Inc.'s Board of Directors based on actual results of operations, cash available for dividends and limited partner distributions, cash reserves as deemed necessary for capital and operating expenditures, and the amount required to maintain WPG Inc.'s status as a REIT. We announced a policy to pay a quarterly cash distribution at an annualized rate of \$1.00 per common share/unit, which continues in effect as of the date of this Annual Report on Form 10-K.

Common share/unit distributions paid during each of 2018 and 2017 aggregated \$1.00 per share/unit.

WPG Inc. 7.5% Series H Cumulative Redeemable Preferred Stock ("Series H Preferred Shares") and 6.875% Series I Cumulative Redeemable Preferred Stock ("Series I Preferred Shares") that were issued on January 15, 2015 in connection with the Merger each pay cumulative dividends, and therefore WPG Inc. is obligated to pay the dividends for these shares in each fiscal period in which the shares remain outstanding. Further, WPG L.P. issued 7.3% Series I-1 Preferred Units (the "Series I-1 Preferred Units") which pay cumulative distributions, and therefore we are obligated to pay the distributions for these units in each fiscal period in which the units remain outstanding. The aggregate preferred obligation is approximately \$14.3 million per year.

WPG L.P.

Market Information

There is no established public trading market for WPG L.P.'s units, including the preferred units, the transfers of which are restricted by the terms of WPG L.P.'s limited partnership agreement. The following table sets forth, for the periods indicated, WPG L.P.'s distributions declared per common unit:

	Distribution Declared Per Common Unit	
	2018	2017
1st Quarter	\$0.25	\$0.25
2nd Quarter	\$0.25	\$0.25
3rd Quarter	\$0.25	\$0.25
4th Quarter	\$0.25	\$0.25

Unitholder Information

As of February 20, 2019, there were 237 holders of record of WPG L.P.'s common units.

Distribution Information

Included in WPG Inc.'s "Distribution Information" discussion above.

Operating Partnership Units and Recent Sales of Unregistered Securities

On January 15, 2015, in connection with the Merger, WPG L.P. issued 1,621,695 common units of limited partnership interest and 130,592 WPG L.P. Series I-1 Preferred Units to third parties.

Additionally, long-term incentive units ("LTIP") of limited partnership interest have been previously issued to executives of the Company from our equity incentive compensation plan in connection with our equity compensation awards. See Note 9 - "Equity" in the Notes to Consolidated Financial Statements. Holders of common units of limited partnership interest receive distributions per unit in the same manner as distributions on a per common share basis to WPG Inc.'s common shareholders of beneficial interest.

Common shares to be issued upon redemption of common units of limited partnership interest would be issued in reliance on an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

Issuances Under Equity Compensation Plans (WPG Inc. and WPG L.P.)

For information regarding the securities authorized for issuance under our equity compensation plans, see Item 12 of this report.

Item 6. Selected Financial Data

The following tables set forth selected financial data for WPG Inc. and WPG L.P. The consolidated and combined statements of operations include the consolidated accounts of the Company and the combined accounts of SPG Businesses. Accordingly, the results presented for the year ended December 31, 2014 reflect the aggregate operations and changes in cash flows and equity on a carve-out basis of the SPG Businesses for the period from January 1, 2014 through May 27, 2014 and on a consolidated basis of the Company subsequent to May 27, 2014 following our separation from SPG.

The combined historical financial statements prior to the separation do not necessarily include all of the expenses that would have been incurred had we been operating as a separate, stand-alone entity and may not necessarily reflect our results of operations, financial position and cash flows had we been a stand-alone company during the periods presented prior to the separation. Our combined historical financial statements include charges related to certain SPG corporate functions, including senior management, property management, legal, leasing, development, marketing, human resources, finance, public reporting, tax and information technology. These expenses have been charged based on direct usage or benefit where identifiable, with the remainder charged on a pro rata basis of revenues, headcount, square footage, number of transactions or other measures. We consider the expense allocation methodology and results to be reasonable for all periods presented. However, the charges may not be indicative of the actual expenses that would have been incurred had WPG operated as an independent, publicly-traded company for the periods presented prior to the separation. Post-separation, WPG now incurs additional costs associated with being an independent, publicly traded company, primarily from newly established or expanded corporate functions.

The selected financial data should be read in conjunction with the financial statements and notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations". Other financial data we believe is important in understanding trends in our business is also included in the tables. The amounts in the below tables are in thousands, except per share amounts.

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	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
Operating Data:					
Total revenue	\$723,305	\$758,122	\$843,475	\$921,356	\$660,978
Depreciation and amortization	(257,796)	(258,740)	(281,150)	(332,469)	(197,890)
Spin-off, merger and transaction costs	—	—	(29,607)	(31,653)	(47,746)
Other operating expenses	(289,873)	(287,651)	(325,846)	(375,520)	(238,205)
Impairment loss	—	(66,925)	(21,879)	(147,979)	—
Interest expense, net	(141,987)	(126,541)	(136,225)	(139,923)	(82,428)
Income and other taxes	(1,532)	(3,417)	(2,232)	(849)	(1,215)
Income (loss) from unconsolidated entities	541	1,395	(1,745)	(1,247)	973
Gain on extinguishment of debt, net	51,395	90,579	34,612	—	—
Gain (loss) upon acquisition of controlling interests and on sale of interests in properties, net	24,602	124,771	(1,987)	4,162	110,988
Net income (loss)	\$108,655	\$231,593	\$77,416	\$(104,122)	\$205,455
WPG Inc.:					
Net income (loss)	\$108,655	\$231,593	\$77,416	\$(104,122)	\$205,455
Net (income) loss attributable to noncontrolling interests	(15,051)	(34,530)	(10,285)	18,825	(35,426)
Preferred share dividends	(14,032)	(14,032)	(14,032)	(15,989)	—
Net income (loss) attributable to common shareholders	\$79,572	\$183,031	\$53,099	\$(101,286)	\$170,029
Earnings (loss) per common share, basic and diluted	\$0.42	\$0.98	\$0.29	\$(0.55)	\$1.10
WPG L.P.:					
Net income (loss)	\$108,655	\$231,593	\$77,416	\$(104,122)	\$205,455
Net income attributable to noncontrolling interests	(76)	(68)	(11)	(286)	—
Preferred unit distributions	(14,272)	(14,272)	(14,272)	(16,218)	—
Net income (loss) attributable to common unitholders	\$94,307	\$217,253	\$63,133	\$(120,626)	\$205,455
Earnings (loss) per common unit, basic and diluted	\$0.42	\$0.98	\$0.29	\$(0.55)	\$1.10
Cash Flow Data: (1)					
Operating activities	\$287,245	\$324,631	\$288,987	\$310,882	\$279,417
Investing activities	\$(179,828)	\$93,850	\$(124,485)	\$(689,932)	\$(225,271)
Financing activities	\$(116,534)	\$(436,793)	\$(231,148)	\$403,102	\$39,703
Other Financial Data:					
FFO(2)	\$386,819	\$452,128	\$398,091	\$375,271	\$295,051
Distributions per common share/unit(3)	\$1.00	\$1.00	\$1.00	\$1.00	\$0.50
	As of December 31,				
	2018	2017	2016	2015 (4)	2014
Balance Sheet Data:					
Cash and cash equivalents	\$42,542	\$52,019	\$59,353	\$116,253	\$108,768
Total assets	\$4,361,288	\$4,451,407	\$5,107,466	\$5,459,609	\$3,528,003
Mortgages and other debt	\$2,937,477	\$2,897,609	\$3,506,404	\$3,648,601	\$2,348,864
Redeemable noncontrolling interests	\$3,265	\$3,265	\$10,660	\$6,132	\$—
Cumulative redeemable preferred stock	\$202,576	\$202,576	\$202,576	\$202,576	\$—
Total equity	\$1,148,271	\$1,267,122	\$1,262,811	\$1,407,373	\$958,041

- In 2018, we adopted accounting guidance which requires that the statement of cash flows explain the change
- (1) during the reporting period in the total of cash, cash equivalents and restricted cash or restricted cash equivalents. This resulted in the reclassification of restricted cash within the statement of cash flows for all periods presented. FFO does not represent cash flow from operations as defined by GAAP and may not be reflective of WPG's operating performance due to changes in WPG's capital structure in connection with the separation and
 - (2) distribution. We use FFO as a supplemental measure of our operating performance. For a definition of FFO as well as a discussion of its uses and inherent limitations, please refer to "Non-GAAP Financial Measures" below.
 - (3) Distributions per common share/unit are only applicable for periods after our separation from SPG on May 28, 2014 when we first issued common shares and units as a separate stand-alone entity.
 - (4) As a result of the Merger which closed on January 15, 2015 (net of the impact of the O'Connor Joint Venture I transaction which closed on June 1, 2015), our assets, liabilities and equity as of December 31, 2015 increased significantly over our assets, liabilities and equity as of December 31, 2014.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto that are included in this Annual Report on Form 10-K. Capitalized terms not defined in this Item 7 shall have the definitions ascribed to those terms in Items 1-6 of this Annual Report on Form 10-K.

Overview—Basis of Presentation

WPG Inc. is an Indiana corporation that operates as a self-administered and self-managed REIT, under the Code. WPG Inc. will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute at least 90% of its REIT taxable income, exclusive of net capital gains, and satisfy certain other requirements. WPG Inc. will generally be allowed a deduction against its U.S. federal income tax liability for dividends paid by it to REIT shareholders, thereby reducing or eliminating any corporate level taxation to WPG Inc. WPG L.P. is WPG Inc.'s majority-owned limited partnership subsidiary that owns, develops and manages, through its affiliates, all of WPG Inc.'s real estate properties and other assets. WPG Inc. is the sole general partner of WPG L.P. On May 28, 2014, WPG separated from SPG through the distribution of 100% of the outstanding units of WPG L.P. to the owners of SPG L.P. and 100% of the outstanding shares of WPG Inc. to the SPG common shareholders in a tax-free distribution. Prior to the separation, WPG Inc. and WPG L.P. were wholly owned subsidiaries of the SPG Businesses. On January 15, 2015, the Company acquired Glimcher Realty Trust in a stock and cash transaction valued at approximately \$4.2 billion, including the assumption of debt. As of December 31, 2018, our assets consisted of material interests in 108 shopping centers in the United States, consisting of open air properties and enclosed retail properties, comprised of approximately 58 million square feet of managed GLA.

The consolidated financial statements are prepared in accordance with U.S. GAAP. The consolidated balance sheets as of December 31, 2018 and December 31, 2017 include the accounts of WPG Inc. and WPG L.P., as well as their wholly-owned subsidiaries. The consolidated statements of operations include the consolidated accounts of the Company. All intercompany transactions have been eliminated in consolidation.

Leadership Changes and Severance Impacting Financial Results

2019 Activity

On February 5, 2019, the Company's Executive Vice President, Head of Open Air Centers, was terminated without cause from his position and received severance payments and other benefits pursuant to the terms and conditions of his employment agreement. In addition, the Company terminated, without cause, additional non-executive personnel in the Property Management department as part of an effort to reduce overhead costs. The Company expects to record aggregate severance charges of approximately \$1.9 million, including \$0.1 million of non-cash stock compensation in the form of accelerated vesting of equity incentive awards.

2018 Activity

On May 7, 2018, the Company's Executive Vice President, Property Management was terminated without cause from his position and received severance payments and other benefits pursuant to the terms and conditions of his employment agreement. In addition, the Company terminated without cause additional non-executive personnel in the Property Management department. In connection with and as part of the aforementioned management and personnel changes, the Company recorded aggregate severance charges of \$2.0 million, including \$0.5 million of non-cash stock compensation in the form of accelerated vesting of equity incentive awards, which costs are included in general and administrative expense in the consolidated statements of operations and comprehensive income for the year ended December 31, 2018.

2016 Activity

On June 20, 2016, the Company announced the following leadership changes: (1) the resignation of Mr. Michael P. Glimcher as the Company's Chief Executive Officer and Vice Chairman of the Board; (2) the appointment of Mr. Louis G. Conforti, a current Board member, as Interim Chief Executive Officer; (3) the resignation of Mr. Mark S. Ordan as non-executive Chairman of the Board; and (4) the resignation of Mr. Niles C. Overly from the Board. In July of 2016, the Company terminated some additional executive and non-executive personnel as part of an effort to reduce overhead costs. On October 6, 2016, the Company announced that Mr. Conforti would serve as the Company's Chief Executive Officer for a term ending December 31, 2019, subject to early termination clauses and automatic renewals pursuant to his employment agreement.

In connection with and as part of the aforementioned management changes, the Company recorded aggregate charges of \$29.6 million during the year ended December 31, 2016, of which \$25.5 million related to severance and restructuring-related costs, including \$9.5 million of non-cash stock compensation for accelerated vesting of equity incentive awards, and \$4.1 million related to fees and expenses incurred in connection with the Company's investigation of various strategic alternatives, which costs are included in merger, restructuring and transaction costs in the consolidated statements of operations and comprehensive income.

The Facility

On January 22, 2018, WPG L.P. amended and restated \$1.0 billion of the existing unsecured revolving credit facility, or "Revolver" and unsecured term loan, or "Term Loan" (collectively known as the "Facility"). The recasted Facility can be increased to \$1.5 billion through currently uncommitted Facility commitments. Excluding the accordion feature, the recasted Facility includes a \$650.0 million Revolver and \$350.0 million Term Loan. The interest rates for the Revolver and Term Loan remained substantially consistent with the previous terms. When considering extension options, the recasted Facility will mature on December 30, 2022. The \$350.0 million Term Loan was fully funded at closing, and the Company used the proceeds to repay the \$270.0 million outstanding on the June 2015 Term Loan and to pay down the Revolver.

Southgate Mall

On April 24, 2018, the Company closed on the acquisition of Southgate Mall, located in Missoula, Montana, for \$58.0 million. The enclosed retail property contains approximately 631,000 square feet of GLA and is anchored by a recently constructed AMC Theater, a new Lucky's Market grocer that replaced a portion of a former Sears, J.C. Penney (non-owned) and Dillard's (non-owned) and is the dominant retail center in this secondary market, with no competitive destination retail property located within 130 miles.

On September 27, 2018, an affiliate of WPG Inc. closed on a \$35.0 million full-recourse mortgage note payable with a three-year term and a fixed rate of 4.48% secured by Southgate Mall. The mortgage note payable requires interest only payments and will initially mature on September 27, 2021, subject to two one-year extensions available at our option subject to compliance with the terms of the underlying loan agreement and payment of customary extension fees. The proceeds were used to reduce corporate debt and for ongoing redevelopment efforts.

Sears Parcel Acquisitions

On April 11, 2018, we acquired, through a sale-leaseback transaction, four Sears department stores and adjacent Sears Auto Centers at Longview Mall, located in Longview, Texas; Polaris Fashion Place®, located in Columbus, Ohio; Southern Hills Mall, located in Sioux City, Iowa; and Town Center at Aurora, located in Aurora, Colorado. The purchase price was approximately \$28.5 million and was funded by a combination of \$13.4 million from our Facility, \$9.7 million from the first tranche of the Four Corners transaction, as discussed in "Overview - Basis of Presentation - Outparcel Sale," and \$5.4 million from our joint venture partner related to their pro-rata share of the joint venture that owns Polaris Fashion Place®. We have control of these stores for future redevelopment and Sears, depending on the outcome of their bankruptcy proceedings, will continue to operate under new leases, providing aggregate minimum rent under these leases of approximately \$1.25 million per annum. In addition, under the terms of these leases, Sears is responsible for paying common area maintenance charges, taxes, insurance and utilities while they operate the stores. Other than the store at Town Center at Aurora, Sears has announced plans to close the remaining three stores in the first quarter of 2019.

Sears Bankruptcy

On October 15, 2018, Sears Holdings filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code and announced additional store closings. As of December 31, 2018, we had 35 Sears stores totaling approximately 4.9 million square feet of GLA within the portfolio of properties we manage, which were responsible for approximately 0.8% of our total annualized base minimum rents. We own 17 of the stores, Sears owns eight stores and third parties (including Seritage Growth Properties) own 10 stores. Sears has announced plans to close a number of stores during the first quarter of 2019. Additionally, Sears has entered into an asset purchase agreement which was approved by the Bankruptcy Court for the Southern District of New York (the "Court") on February 8, 2019. Certain of our leases may be assumed and assigned as part of the asset purchase transaction, while other stores may be closed as part of Sears' ongoing store closings. After the announced closures, we expect to have 10 Sears stores operating in our portfolio, subject to the outcome of the ongoing proceedings. In addition to the risk of lost base minimum rent from Sears, co-tenancy clauses in leases for in-line retailers may trigger as a result of Sears store closures, and losses could be significant. We considered the impact of the bankruptcy announcement in our evaluation of impairment, including announced closures, noting no impairment charges were warranted as of December 31, 2018. We are in various stages of redevelopment for many of these stores (see details under "Development Activity").

Outparcel Sale

During the year ended December 31, 2018, we completed the sale of various tranches of restaurant outparcels to FCPT Acquisitions, LLC ("Four Corners") pursuant to the purchase and sale agreement executed on September 20, 2017 between the Company and Four Corners.

The following table summarizes the key terms of each tranche (dollars in thousands):

Tranche	Sales Date	Parcels Purchase Sales		
		Sold	Price	Proceeds
Tranche 1	January 12, 2018	10	\$ 13,692	\$ 13,506
Tranche 2	June 29, 2018	5	9,503	9,423
Tranche 3	July 27, 2018	2	4,607	4,530
Tranche 4	October 31, 2018	2	1,718	1,714
Tranche 5	November 16, 2018	1	3,195	3,166
		20	\$ 32,715	\$ 32,339

The Company used the proceeds to fund a portion of the acquisition of the Sears parcels on April 11, 2018 as discussed above, to reduce corporate debt, and to fund ongoing redevelopment efforts. On January 18, 2019, we completed the sixth tranche of restaurant outparcels. This tranche consisted of eight restaurant outparcels. Additionally on February 11, 2019, we closed on the sale of one additional restaurant outparcel. The allocated purchase price was approximately \$12.2 million, and the net proceeds of approximately \$12.1 million were used to fund ongoing redevelopment efforts and for general corporate purposes. The Company expects to close on the remaining 15 outparcels for approximately \$25.3 million during the first half of 2019, subject to due diligence and closing conditions.

The O'Connor Joint Ventures

The Company has two joint ventures with O'Connor Mall Partners, L.P. ("O'Connor").

•The O'Connor Joint Venture I

This investment consists of a 51% noncontrolling interest held by the Company in a portfolio of five enclosed retail properties and related outparcels, consisting of the following: The Mall at Johnson City located in Johnson City, Tennessee; Pearlridge Center located in Aiea, Hawaii; Polaris Fashion Place®; Scottsdale Quarter® located in Scottsdale, Arizona; and Town Center Plaza (which consists of Town Center Plaza and the adjacent Town Center Crossing) located in Leawood, Kansas. We retain management, leasing, and development responsibilities for the O'Connor Joint Venture I.

On April 11, 2018, the O'Connor Joint Venture I closed on the acquisition of the Sears department store located at Polaris Fashion Place® in connection with our acquisition of additional Sears department stores (see details under "Overview - Basis of Presentation - Sears Parcel Acquisitions").

On March 2, 2017, the O'Connor Joint Venture I acquired an additional section at Pearlridge Center for a gross purchase price of \$70.0 million. Pearlridge Center is currently comprised of two distinct enclosed venues commonly referred to as Uptown and Downtown. The acquired section consists of approximately 153,000 square feet, which is part of Uptown (and referenced herein as Pearlridge Uptown II), and is anchored by Ross Dress for Less and TJ Maxx. Subsequent to the purchase, the joint venture placed secured debt on the property (see below for details). Our share of the purchase price was funded by a combination of our share of the secured debt and availability on our credit facility. On March 30, 2017, the O'Connor Joint Venture I closed on a \$43.2 million non-recourse mortgage note payable with an eight year term and a fixed interest rate of 4.071% secured by Pearlridge Uptown II. The mortgage note payable requires monthly interest only payments until April 1, 2019, at which time monthly interest and principal payments are due until maturity. Our pro-rata share of the mortgage note payable issuance is \$22.0 million.

On March 29, 2017, the O'Connor Joint Venture I closed on a \$55.0 million non-recourse mortgage note payable with a ten year term and a fixed interest rate of 4.36% secured by sections of Scottsdale Quarter® known as Block K and Block M. The mortgage note payable requires monthly interest only payments until May 1, 2022, at which time monthly interest and principal payments are due until maturity. Our pro-rata share of the mortgage note payable issuance is \$28.1 million.

•The O'Connor Joint Venture II

During the year ended December 31, 2017, we completed an additional joint venture transaction with O'Connor with respect to the ownership and operation of seven of the Company's retail properties and certain related outparcels, consisting of the following: The Arboretum, located in Austin, Texas; Arbor Hills, located in Ann Arbor, Michigan; Classen Curve and The Triangle at Classen Curve, each located in Oklahoma City, Oklahoma and Nichols Hills Plaza,

located in Nichols Hills, Oklahoma (the "Oklahoma City Properties," collectively); Gateway Centers, located in Austin, Texas; Malibu Lumber Yard, located in Malibu, California; Palms Crossing I and II, located in McAllen, Texas and The Shops at Arbor Walk, located in Austin, Texas (the "O'Connor Joint Venture II"). The transaction valued the properties at \$598.6 million before closing adjustments and debt assumptions.

Under the terms of the joint venture agreement, we retained a non-controlling 51% interest in the O'Connor Joint Venture II and sold the remaining 49% to O'Connor. The transaction generated net proceeds to the Company of approximately \$138.9 million, after taking into consideration costs associated with the transaction and the assumption of debt (including the new mortgage loans on The Arboretum, Gateway Centers, and Oklahoma City Properties which closed prior to the joint venture transaction; see "Financing & Debt" below for net proceeds to the Company from the new mortgage loans), which we used to reduce the Company's debt as well as for general corporate purposes. At the time of closing, we deconsolidated the properties included in the O'Connor Joint Venture II and recorded a gain in connection with this partial sale of \$126.1 million, which is included in gain (loss) on disposition of interests in properties, net in the consolidated statements of operations and comprehensive income. The gain was recorded pursuant to ASC 360-20 and calculated based upon proceeds received, less 49% of the book value of the deconsolidated net assets. Our retained 51% non-controlling equity method interest was valued at historical cost based upon the pro rata book value of the retained interest in the net assets. We retain management and leasing responsibilities for the properties included in the O'Connor Joint Venture II. In connection with the formation of this joint venture, we recorded transaction costs of approximately \$6.4 million as part of our basis in this investment.

Impairment

During the fourth quarter of 2017, a major anchor tenant of Rushmore Mall, located in Rapid City, South Dakota, informed us of their intention to close their store at the property. The impending closure was deemed a triggering event and, therefore, we evaluated this property in conjunction with our quarterly impairment review and preparation of our financial statements for the year ended December 31, 2017. We compared the estimated fair value of \$37.5 million to the related carrying value of \$75.0 million, which resulted in the recording of an impairment charge of approximately \$37.5 million in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

On October 4, 2017, the Company entered into a purchase and sale agreement to sell Colonial Park Mall, located in Harrisburg, Pennsylvania, to an unaffiliated private real estate investor, which was sold on November 3, 2017. During the third quarter of 2017, we shortened the hold period used in assessing impairment for this asset, which resulted in the carrying value not being recoverable from the expected cash flows. We compared the fair value measurement of the property to its relative carrying value, which resulted in the recording of an impairment charge of approximately \$20.9 million in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

During the first quarter of 2017, the Company entered into a purchase and sale agreement to dispose of Morgantown Commons, located in Morgantown, West Virginia, which was sold in the second quarter of 2017. We shortened the hold period used in assessing impairment for the asset during the quarter ended March 31, 2017, which resulted in the carrying value not being recoverable from the expected cash flows. The purchase offer represented the best available evidence of fair value for this property. We compared the fair value to the carrying value, which resulted in the recording of an impairment charge of approximately \$8.5 million in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

During the year ended December 31, 2016, we recorded an impairment charge of \$21.9 million primarily related to noncore properties consisting of Gulf View Square, located in Port Richey, Florida; Richmond Town Square, located in Cleveland, Ohio; River Oaks Center, located in Chicago, Illinois; and Virginia Center Commons, located in Glen Allen, Virginia. The impairment charge was attributed to the continued declines in the fair value of the properties and executed agreements entered into in 2016 to sell these properties at prices below the carrying value. Each of the aforementioned noncore properties has been sold in accordance with the Company's strategic objectives.

Hurricane Harvey and Hurricane Irma

During the third quarter of 2017, Hurricane Harvey and Hurricane Irma made landfall in Houston, Texas and Southern Florida, respectively. The Company had 15 assets experience damage attributed to the hurricanes, but no asset sustained catastrophic damage nor was there any loss of life. Further, no asset experienced a significant loss of business or functionality. The Company recognized approximately \$900,000 of expense attributed to the damage, repairs and asset write-offs, which was below insurance deductible thresholds.

Business Opportunities

We derive our revenues primarily from retail tenant leases, including fixed minimum rent leases, percentage rent leases based on tenants' sales volumes and reimbursements from tenants for certain expenses. We seek to re-lease our spaces at higher rents and increase our occupancy rates, and to enhance the performance of our properties and increase our revenues by, among other things, adding or replacing anchors or big-box tenants, re-developing or renovating existing properties to increase the leasable square footage, and increasing the productivity of occupied locations through aesthetic upgrades, re-merchandising and/or changes to the retail use of the space. We seek growth in earnings, FFO and cash flows by enhancing the profitability and operation of our properties and investments.

Additionally, we feel there are opportunities to enhance our portfolio and balance sheet through active portfolio management. We believe that there are opportunities for us to acquire additional shopping centers that match our investment and strategic criteria. We invest in real estate properties to maximize total financial return which includes both operating cash flows and capital appreciation. We also seek to dispose of or contribute to a joint venture assets that no longer meet our strategic criteria. These dispositions will be a combination of asset sales and transitions of over-levered properties to lenders or special servicers.

We consider FFO, net operating income, or NOI, and comparable NOI (NOI for properties owned and operating in both periods under comparison) to be key measures of operating performance that are not specifically defined by GAAP. We use these measures internally to evaluate the operating performance of our portfolio and provide a basis for comparison with other real estate companies. Reconciliations of these measures to the most comparable GAAP measure are included elsewhere in this report.

Portfolio Data

The portfolio data discussed in this overview includes key operating statistics for the Company including ending occupancy, average base minimum rent per square foot and comparable NOI for the core properties owned at December 31, 2018. Towne West Square, located in Wichita, Kansas, and West Ridge Mall, located in Topeka, Kansas were identified as noncore properties.

Core business fundamentals in the overall portfolio during 2018 were generally stable compared to 2017. Ending occupancy for the core portfolio was 93.9% as of December 31, 2018, as compared to 93.5% as of December 31, 2017. Average base minimum rent per square foot for the core portfolio decreased by 0.5% when comparing December 31, 2018 to December 31, 2017. Comparable NOI decreased 3.0% for the core portfolio when comparing calendar year 2018 to 2017. Our core enclosed retail properties had a decrease in comparable NOI of 3.5%, which was driven primarily by the impact of 2018 department store bankruptcies filed and related co-tenancy impact. The core open air properties had a comparable NOI decrease of 1.7% in 2018 when compared to 2017, primarily related to the Toys R Us bankruptcy and lower CAM capital spending in 2018.

The following table sets forth key operating statistics for the combined portfolio of core properties or interests in properties:

	December % 31, 2018	Change	December % 31, 2017	Change	December 31, 2016
Ending occupancy (1)	93.9 %	0.4 %	93.5 %	(1.0)%	94.5 %
Average base minimum rent per square foot (2)	\$21.86	(0.5)%	\$21.96	0.5 %	\$21.86

(1) Ending occupancy is the percentage of GLA which is leased as of the last day of the reporting period. We include all Company-owned space except for anchors, majors, office and outlots at our enclosed retail properties in the calculation of ending occupancy. Open air property GLA included in the calculation relates to all Company-owned space other than office space.

(2) Average base minimum rent per square foot is the average base minimum rent charge in effect for the reporting period for all tenants that would qualify to be included in ending occupancy.

Current Leasing Activities

During the year ended December 31, 2018, we signed new leases and renewal leases with terms in excess of a year (excluding enclosed retail property anchors, majors, offices and in-line spaces in excess of 10,000 square feet) across the core portfolio, comprising approximately 2,188,100 square feet. The average annual initial base minimum rent for new leases was \$23.82 per square foot ("psf") and for renewed leases was \$26.87 psf. For these leases, the average for tenant allowances was \$31.54 psf for new leases and \$5.23 psf for renewals. During the year ended December 31, 2017, we signed new leases and renewal leases with terms in excess of a year (excluding enclosed retail property anchors, majors, offices and in-line spaces in excess of 10,000 square feet) across the comparable core portfolio, comprising approximately 2,497,800 square feet. The average annual initial base minimum rent for new leases was \$24.78 psf and for renewed leases was \$25.26 psf. For these leases, the average for tenant allowances was \$36.05 psf for new leases and \$3.40 psf for renewals.

Portfolio Summary

We have provided some of our key operating metrics for our core enclosed retail property portfolio in different tiers. The purpose of the disclosure is to provide some distinction between the characteristics of the core enclosed retail properties. Tier 1 enclosed retail properties generally have higher occupancy, sales productivity and growth profiles, while Tier 2 enclosed retail properties are viable enclosed retail properties with lower productivity and modest growth profiles.

The table below provides some of our key metrics for the core enclosed retail property tiers as well as some key metrics for our open air property portfolio:

	Property Count	Leased Occupancy % ¹	12/31/18 2/31/17	Store Sales Per Square Foot for 12 Months Ended ¹	12/31/18 2/31/17	Store Occupancy % ¹	12/31/18 2/31/17	Cost	12/31/18	% of Total Comp NOI for 12 Months Ended ¹
Open Air Properties	51	95.6%	95.8 %							25.4 %
Tier 1 Enclosed retail properties	41	94.2%	93.3 %	\$399	\$ 393	11.7%	12.3 %			64.2 %
Tier 2- Enclosed retail properties	14	87.7%	87.7 %	\$286	\$ 284	13.6%	14.0 %			10.4 %
Core Enclosed Retail Properties Subtotal	55	92.8%	92.0 %	\$377	\$ 371	12.0%	12.6 %			74.6 %
Total Core Portfolio	106	93.9%	93.5 %							100.0 %

¹Metrics only include properties owned as of December 31, 2018.

Enclosed Retail Property Tiers

The following table categorizes the enclosed retail properties into the respective tiers as of December 31, 2018:

Tier 1	Tier 2	NonCore
Arbor Hills	Morgantown Mall	Anderson Mall
Arboretum, The	Northtown Mall	Boynton Beach Mall
Ashland Town Center	Northwoods Mall	Charlottesville Fashion Square ⁽²⁾
Bowie Town Center	Oklahoma City Properties	Chautauqua Mall
Brunswick Square	Orange Park Mall	Indian Mound Mall
Clay Terrace	Paddock Mall	Lima Mall
Cottonwood Mall	Pearlridge Center	Lincolnwood Town Center ⁽¹⁾
Dayton Mall	Polaris Fashion Place	Maplewood Mall
Edison Mall	Port Charlotte Town Center	Muncie Mall ⁽²⁾
Grand Central Mall	Scottsdale Quarter	New Towne Mall
Great Lakes Mall	Southern Hills Mall	Oak Court Mall
Irving Mall	Southern Park Mall	Rolling Oaks Mall
Jefferson Valley Mall	Southgate Mall	Seminole Towne Center ⁽²⁾
Lindale Mall	The Outlet Collection | Seattle	Sunland Park Mall
Longview Mall	Town Center at Aurora	
Malibu Lumber Yard	Town Center Crossing & Plaza	
Mall at Fairfield Commons, The	Waterford Lakes Town Center	
Mall at Johnson City, The	Weberstown Mall	
Markland Mall	Westminster Mall	
Melbourne Square	WestShore Plaza	
Mesa Mall		

¹Property has been identified to change tiers in 2019.

²Reclassified as noncore properties in 2019.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the

financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements.

From time to time, we reevaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain. For a summary of our significant accounting policies, please refer to Note 3 of the notes to the consolidated financial statements.

We, as a lessor, retain substantially all of the risks and benefits of ownership of the investment properties and account for our leases as operating leases. We generally accrue minimum rents on a straight-line basis over the terms of their respective leases. Many of our retail tenants are also required to pay overage rents based on sales over a stated amount during the lease year. We recognize overage rents only when each tenant's sales exceed its sales threshold as defined in their lease. We amortize any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the related lease or occupancy term of the tenant, if shorter.

We review investment properties for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable. These circumstances include, but are not limited to, a decline in a property's cash flows, ending occupancy, estimated market values or our decision to dispose of a property before the end of its estimated useful life. Furthermore, this evaluation is conducted no less frequently than quarterly, irrespective of changes in circumstances. We measure any impairment of investment property when the estimated undiscounted operating income before depreciation and amortization plus its residual value is less than the carrying value of the property. To the extent impairment has occurred, we charge to expense the excess of carrying value of the property over its estimated fair value. We estimate fair value using unobservable data such as operating income, estimated capitalization rates, leasing prospects and local market information. We may decide to sell properties that are held for use and the sale prices of these properties may differ from their carrying values. We also review our investments, including investments in unconsolidated entities, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. We will record an impairment charge if we determine that a decline in the fair value of the investments below carrying value is other-than-temporary. Changes in economic and operating conditions that occur subsequent to our review of recoverability of investment property and other investments could impact the assumptions used in that assessment and could result in future charges to earnings if assumptions regarding those investments differ from actual results.

To maintain its status as a REIT, WPG Inc. must distribute at least 90% of its REIT taxable income, exclusive of net capital gains in any given year and meet certain asset and income tests. We monitor our business and transactions that may potentially impact WPG Inc.'s REIT status. In the unlikely event that WPG Inc. fails to maintain REIT status, and available relief provisions do not apply, then it would be required to pay federal income taxes at regular corporate income tax rates during the period it did not qualify as a REIT. If WPG Inc. lost its REIT status, it could not elect to be taxed as a REIT for four years unless its failure was due to reasonable cause and certain other conditions were met. As a result, failing to maintain REIT status would result in a significant increase in the income tax expense recorded and paid during those periods.

We make estimates as part of our recording of property acquisitions to the various components of the acquisition based upon the fair value of each component. The most significant components of our allocations are typically the recording of the fair value of buildings as-if-vacant, land and market value of in-place leases. In the case of the fair value of buildings and the recording of the fair value of land and other intangibles, our estimates of the values of these components will affect the amount of depreciation we record over the estimated useful life of the property acquired or the remaining lease term. In the case of the market value of in-place leases, we make our best estimates of the tenants' ability to pay rents based upon the tenants' operating performance at the property, including the competitive position of the property in its market as well as tenant sales, rents per square foot, and overall occupancy cost for the tenants in place at the acquisition date. Our assumptions affect the amount of future revenue that we will recognize over the remaining lease term for the acquired in-place leases.

A variety of costs are incurred in the development and leasing of properties. After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of professional judgment. The costs of land and buildings under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest

costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We consider a construction project as substantially completed when it is held available for occupancy, and accordingly, cease capitalization of costs upon opening.

New Accounting Pronouncements

Adoption of New Standards

On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" using the modified retrospective approach. ASU 2014-09 revised GAAP by offering a single comprehensive revenue recognition standard instead of numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The impacted revenue streams primarily consist of fees earned from management, development and leasing services provided to joint ventures in which we own an interest and other ancillary income earned from our properties. Upon adoption, we recorded a cumulative-effect adjustment to increase equity of approximately \$2.5 million related to changes in the revenue recognition pattern of lease commissions earned by the Company from our joint ventures. We do not expect the adoption of ASU 2014-09 to have a material impact to our net income on an ongoing basis.

Additionally, we adopted the clarified scope guidance of ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets" in conjunction with ASU 2014-09, using the modified retrospective approach. ASC 610-20 applies to the sale, transfer and derecognition of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales, and eliminates the guidance specific to real estate in ASC 360-20. With respect to full disposals, the recognition will generally be consistent with our current measurement and pattern of recognition. With respect to partial sales of real estate to joint ventures, the new guidance requires us to recognize a full gain where an equity investment is retained. These transactions could result in a basis difference as we will be required to measure our retained equity interest at fair value, whereas the joint venture may continue to measure the assets received at carryover basis. No adjustments were required upon adoption of this standard.

On January 1, 2018, we adopted ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 aims to reduce complexity in cash value hedges of interest rate risk and eliminates the requirement to separately measure and report hedge ineffectiveness, generally requiring the entire change in the fair value of the hedging instrument to be presented in the same income statement line as the hedged item. Upon adoption, we recorded a cumulative-effect adjustment of \$0.6 million between accumulated other comprehensive income and retained earnings.

On January 1, 2018, we adopted ASU 2016-15, "Statement of Cash Flows (Topic 230)" and ASU 2016-18 "Restricted Cash" using a retrospective transition approach, which changed our statements of cash flows and related disclosures for all periods presented. ASU 2016-15 is intended to reduce diversity in practice with respect to how certain transactions are classified in the statement of cash flows and its adoption had no impact on our financial statements. ASU 2016-18 requires that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. For the year ended December 31, 2017, restricted cash related to cash flows provided by operating activities of \$2.9 million, restricted cash related to cash flows used in investing activities of \$6.4 million, and restricted cash related to cash flows used in financing activities of \$1.7 million were reclassified. For the year ended December 31, 2016, restricted cash related to cash flows provided by operating activities of \$0.8 million, restricted cash related to cash flows used in investing activities of \$1.5 million, and restricted cash related to cash flows used in financing activities of \$10.4 million were reclassified. Restricted cash primarily relates to cash held in escrow for payment of real estate taxes and property reserves for maintenance, expansion or leasehold improvements as required by our mortgage loans. Restricted cash is included in "Deferred costs and other assets" in the consolidated balance sheets as of December 31, 2018 and December 31, 2017.

New Standards Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. It is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief.

In July 2018, the FASB approved an amendment that provides an entity the optional transition method to initially account for the impact of the adoption ASU 2016-02 with a cumulative adjustment to retained earnings on January 1,

2019 (the effective date of the ASU), rather than January 1, 2017, which would eliminate the need to restate amounts presented prior to January 1, 2019. We will utilize this optional transition method. From a lessee perspective, the Company currently has four material ground leases, two material office leases, and one material garage lease that, under the new guidance, will result in the recognition of a lease liability and corresponding right-of-use asset. As of December 31, 2018, undiscounted future minimum lease payments due under these leases total approximately \$31.1 million with termination dates which range from 2023 to 2076 and we expect the recognized lease liability and corresponding right-of-use asset to not exceed \$20.0 million upon adoption.

From a lessor perspective, the new guidance remains mostly similar to current rules, though contract consideration will now be allocated between lease and non-lease components. Non-lease component allocations will be recognized under ASU 2014-09, and we expect that this will result in a different pattern of recognition for certain non-lease components, including for fixed common-area ("CAM") revenues.

However, the FASB's amendment to ASU 2016-02 referred to above allows lessors to elect, as a practical expedient, not to allocate the total consideration to lease and non-lease components based on their relative standalone selling prices. This practical expedient allows lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the combined single component would be classified as an operating lease. We believe we meet the criteria to use this practical expedient and we plan to elect this practical expedient upon the effective date. In addition, ASU 2016-02 limits the capitalization of leasing costs to initial direct costs, which will likely result in a reduction to our capitalized leasing costs and an increase to general and administrative expenses, though the amount of such changes is highly dependent upon the leasing compensation structures in place at the time of adoption. For the years ended December 31, 2018 and 2017, the Company deferred \$17.7 million and \$16.9 million of internal leasing costs, respectively. From a lessor perspective, other than the reduction to capitalized leasing costs and increase to general and administrative expenses related to internal leasing costs based on the Company's current leasing compensation structure, which is not expected to change significantly upon adoption of ASU 2016-02, we do not expect the adoption of ASU 2016-02 to have a material impact to the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurements (ASC 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements." ASU 2018-13 eliminates certain disclosures, modifies certain disclosures, and adds additional disclosures. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures.

Results of Operations

The following acquisitions and dispositions affected our results in the comparative periods:

- On November 16, 2018, we completed the sale of the fifth tranche of restaurant outparcels with Four Corners.
- On October 31, 2018, we completed the sale of the fourth tranche of restaurant outparcels with Four Corners.
- On October 23, 2018, we transitioned Rushmore Mall to the lender.
- On July 27, 2018, we completed the sale of the third tranche of restaurant outparcels with Four Corners.
- On June 29, 2018, we completed the sale of the second tranche of restaurant outparcels with Four Corners.
- On April 24, 2018, we closed on the acquisition of Southgate Mall.
- On April 11, 2018, we closed on the acquisition of four Sears department stores located at Longview Mall, Polaris Fashion Place® (unconsolidated), Southern Hills Mall, and Town Center at Aurora.
- On January 12, 2018, we completed the sale of the first tranche of restaurant outparcels with Four Corners.
- On November 3, 2017, we completed the sale of Colonial Park Mall.
- On October 17, 2017, we completed a discounted payoff of the mortgage loan secured by Southern Hills Mall, located in Sioux City, Iowa.
- On October 3, 2017, we transitioned Valle Vista Mall, located in Harlingen, Texas, to the lender.
- On June 13, 2017, we sold 49% of our interest in Malibu Lumber Yard as part of the O'Connor Joint Venture II transaction.
- On June 7, 2017, we completed the sale of Morgantown Commons.
- On May 16, 2017, we completed the sale of an 80,000 square foot vacant anchor parcel at Indian Mound Mall, located in Heath, Ohio.
- On May 12, 2017, we completed the transaction forming the O'Connor Joint Venture II with regard to the ownership and operation of six of the Company's retail properties and certain related outparcels. Under the terms of the joint venture agreement, we retained a 51% non-controlling interest and sold a 49% interest to O'Connor, the third party partner.
- On April, 25, 2017, we completed a discounted payoff of the mortgage loan secured by Mesa Mall, located in Grand Junction, Colorado.
- On February 21, 2017, we completed the sale of Gulf View Square and River Oaks Center.
- On January 10, 2017, we completed the sale of Virginia Center Commons.
- On December 29, 2016, we transitioned River Valley Mall, located in Lancaster, Ohio, to the lender.
- On November 10, 2016, we completed the sale of Richmond Town Square.
- On August 19, 2016, we completed the sale of Knoxville Center, located in Knoxville, Tennessee.

- On June 9, 2016, we transitioned Merritt Square Mall, located in Merritt Island, Florida, to the lender.
- On April 28, 2016, we transitioned Chesapeake Square, located in Chesapeake, Virginia, to the lender.
- On January 29, 2016, we completed the sale of Forest Mall, located in Fond Du Lac, Wisconsin and Northlake Mall, located in Atlanta, Georgia.

Year Ended December 31, 2018 vs. Year Ended December 31, 2017

For purposes of the following comparisons, the transactions listed above that occurred in the periods under comparison (excluding the properties included in the O'Connor Joint Venture II and the discounted payoffs of Mesa Mall and Southern Hills Mall, which are referred to as their respective capitalized terms) are referred to as the "Property Transactions," and "comparable properties" refers to the remaining properties we owned and operated throughout both years in the year-to-year comparisons.

Minimum rents decreased \$24.2 million primarily due to a \$13.8 million decrease related to the O'Connor Joint Venture II properties, a \$6.3 million decrease related to the Property Transactions and a \$4.1 million decrease attributable to the comparable properties, primarily attributable to a reduction in base minimum rents as a result of anchor tenant bankruptcies and related co-tenancy claims. Tenant reimbursements decreased \$17.0 million primarily due to a \$9.2 million decrease attributable to the comparable properties, primarily due to lower real estate tax revenue and a reduction in common-area maintenance and capital expense reimbursements as a result of tenants converting to gross deals, as well as amendments that modified certain charges in leases of national retailers that filed bankruptcy in the first half of 2018 and throughout 2017, a \$5.2 million decrease related to the O'Connor Joint Venture II properties, and a \$2.6 million decrease attributable to the Property Transactions. Other income increased \$6.2 million, primarily attributable to receipt of \$4.7 million of franchise tax proceeds received, a \$1.6 million increase in management, leasing and development fee income from the unconsolidated joint ventures to which we provide such services, a \$1.1 million increase from lease settlements that occurred in 2018 at the comparable properties, and a \$0.4 million increase in ancillary income from the comparable properties, offset by a \$1.3 million decrease attributable to the O'Connor Joint Venture II properties, and a \$0.3 million decrease attributable to the Property Transactions.

Property operating expenses increased \$1.9 million, primarily due to an increase of \$8.1 million attributable to the comparable properties, primarily driven by snow removal costs, property and liability insurance costs, on-site security costs, trash removal costs, utility costs, operational repairs and maintenance, and employee benefits, offset by a \$3.3 million decrease attributable to the Property Transactions and a \$2.9 million decrease attributable to the O'Connor Joint Venture II properties. Depreciation and amortization decreased \$0.9 million, primarily due to a \$6.9 million decrease attributable to the O'Connor Joint Venture II properties and a \$4.0 million decrease attributable to the Property Transactions, offset by a \$10.0 million increase attributable to the comparable properties, which was primarily attributable to accelerated depreciation of certain tenant related improvements and intangibles in addition to development assets placed into service. Real estate taxes decreased \$3.0 million, primarily due to a \$3.4 million decrease attributable to the O'Connor Joint Venture II properties, offset by a \$0.2 million increase attributable to the Property Transactions and a \$0.2 million increase attributable to the comparable properties. Provision for credit losses increased \$0.8 million, primarily attributable to tenant bankruptcies during 2018. General and administrative expenses increased \$4.2 million, primarily attributable to \$2.0 million of severance costs, as discussed in "Overview - Basis of Presentation" and \$2.2 million primarily attributable to professional fees, office rent, amortization of stock-based compensation and travel costs. Ground rent decreased \$1.6 million primarily attributable to the O'Connor Joint Venture II properties. The \$66.9 million impairment loss recorded in 2017 related to the write down of Rushmore Mall, Colonial Park Mall and Morgantown Commons, as described in further detail under "Impairment." No impairment charges were recorded in 2018.

Interest expense, net, increased \$15.4 million, of which \$26.8 million was attributable to corporate debt activity primarily related to the August 2017 bond offering and amortization of deferred financing fees related to the January 2018 Facility recast and \$0.1 million related to default interest on properties transitioned, or to be transitioned, to lenders. Offsetting these increases were decreases of \$8.3 million attributable to the payoffs of the mortgage loans secured by Mesa Mall, WestShore Plaza, Southern Hills Mall, Henderson Square, The Outlet Collection® | Seattle, located in Auburn, Washington, and Whitehall Mall, located in Whitehall, Pennsylvania, \$1.8 million attributable to the O'Connor Joint Venture II Properties, \$1.0 million related to the Property Transactions, and \$0.4 million attributable to the comparable properties.

Gain (loss) on disposition of interests in properties, net for 2018 is primarily attributable to the outparcel sales to Four Corners. The 2017 net gain was attributed to sales of Morgantown Commons, a vacant anchor parcel at Indian Mound Mall, the O'Connor Joint Venture II transactions, Gulf View Square, River Oaks Center, and Virginia Center Commons.

Gain on extinguishment of debt, net recognized in the 2018 period consisted of the \$51.4 million gain related to the transition of the \$94.0 million mortgage loan secured by Rushmore Mall. The gain on extinguishment of debt, net recognized in the 2017 period consisted of the \$90.6 million gain related to the discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall, transitioning of the \$40.0 million mortgage loan secured by Valle Vista Mall to the lender, and the discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall.

Income and other taxes decreased \$1.9 million, which was primarily attributable to a nonrecurring state use tax that was incurred in 2017.

For WPG Inc., net income attributable to noncontrolling interests primarily relates to the allocation of income to third parties based on their respective weighted average ownership interest in WPG L.P., which percentage remained consistent over the periods.

Year Ended December 31, 2017 vs. Year Ended December 31, 2016

For purposes of the following comparisons, the transactions listed above that occurred in the periods under comparison (excluding the properties included in the O'Connor Joint Venture II and the discounted payoffs of Mesa Mall and Southern Hills Mall, which are referred to as their respective capitalized terms) are referred to as the "Property Transactions," and "comparable properties" refers to the remaining properties we owned and operated throughout both years in the year-to-year comparisons.

Minimum rents decreased \$56.4 million, primarily due to a \$33.3 million decrease related to the Property Transactions and \$23.6 million decrease related to the O'Connor Joint Venture II properties offset by a \$0.5 million increase attributable to the comparable properties. Overage rents decreased \$3.8 million primarily due to a \$1.0 million decrease related to the Property Transactions, \$1.3 million decrease related to the O'Connor Joint Venture II properties, and a \$1.5 million decrease attributable to the comparable properties. Tenant reimbursements decreased \$28.2 million due to a \$12.1 million decrease attributable to the Property Transactions, \$8.0 million decrease related to the O'Connor Joint Venture II properties, and an \$8.1 million decrease attributable to the comparable properties, primarily due to rent restructuring in leases for national retailers that filed bankruptcy in 2017 and 2016. Other income increased \$3.0 million, primarily due to a \$2.2 million increase from lease settlements that occurred in 2017 and a \$1.2 million increase in management, leasing and development fee income from the unconsolidated joint ventures to which we provide such services, offset by a net \$0.4 million decrease attributable to ancillary property income.

Property operating expenses decreased \$20.2 million, of which \$14.1 million was attributable to the Property Transactions, \$3.9 million was attributable to the O'Connor Joint Venture II properties, and \$2.2 million was attributable to the comparable properties, primarily involving a reduction in management fee expense related to the termination of certain transition service agreements with SPG in connection with the 2014 spin-off. Depreciation and amortization decreased \$22.4 million, primarily due to a \$17.1 million decrease attributable to the Property Transactions and an \$11.5 million decrease attributable to the O'Connor Joint Venture II properties, offset by a \$6.2 million increase attributable to the comparable properties, which was primarily due to development assets placed into service. Real estate taxes decreased \$13.0 million, primarily due to an \$8.7 million decrease attributable to the Property Transactions and a \$5.0 million decrease attributable to the O'Connor Joint Venture II properties, offset by a \$0.7 million increase attributable to the comparable properties. Provision for credit losses increased \$0.6 million, primarily attributable to tenant bankruptcies during 2017. General and administrative expenses decreased \$2.4 million, primarily due to reductions in external legal, consulting, and audit fees and reductions in salaries and wages expenses. The decrease in merger, restructuring and transaction costs of \$29.6 million was attributable to the management transition as well as strategic alternatives explored during 2016 and no comparable costs occurring in 2017. The increase of \$45.0 million in impairment losses recorded in 2017 relate to the write down of Rushmore Mall, Colonial Park Mall and Morgantown Commons, as described in further detail under "Impairment," when compared to the impairments taken during the comparable period in 2016.

Interest expense, net, decreased \$9.7 million, of which \$7.5 million was attributable to the Property Transactions, \$11.0 million was attributable to the discounted payoffs of the mortgage loans secured by Mesa Mall and Southern Hills Mall, respectively, and \$3.3 million was attributable to the O'Connor Joint Venture II properties. Offsetting these decreases were increases of \$11.4 million related to corporate debt activity, primarily related to the August 2017 bond offering offset by reduced Revolver activity, reductions in term loan interest expense, and swap ineffectiveness, and \$0.7 million related to other financing activities.

Gain (loss) on disposition of interests in properties, net in the 2017 period consisted of a net gain of \$124.8 million from the sales of Colonial Park Mall, Morgantown Commons, a vacant anchor parcel at Indian Mound Mall, the O'Connor Joint Venture II transaction, Gulf View Square, River Oaks Center, and Virginia Center Commons. The \$2.0 million loss in the 2016 period occurred from the sales of Richmond Town Square, Knoxville Center, Forest Mall, and Northlake Mall.

Gain on extinguishment of debt recognized in the 2017 period consisted of \$90.6 million gain related to the discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall, transitioning of \$40.0 million mortgage loan secured by Valle Vista Mall to the lender, and the discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall. The gain on extinguishment of debt, net recognized in the 2016 period consisted of the \$34.6 million net gain from the transitioning of River Valley Mall, Merritt Square Mall, and Chesapeake Square to the lenders.

Income and other taxes increased \$1.2 million, which was attributable primarily to a nonrecurring state use tax that was incurred in 2017.

For WPG Inc., net income attributable to noncontrolling interests primarily relates to the allocation of income to third parties based on their respective weighted average ownership interest in WPG L.P., which percentage remained consistent over the periods.

Liquidity and Capital Resources

Our primary uses of cash include payment of operating expenses, working capital, debt repayment, including principal and interest, reinvestment in properties, development and redevelopment of properties, tenant allowance and dividends. Our primary sources of cash are operating cash flow and borrowings under our debt arrangements, including our senior unsecured revolving credit facility, or "Revolver", unsecured notes payable and senior unsecured term loans as further discussed below.

We derive most of our liquidity from leases that generate positive net cash flow from operations, the total of which was \$287.2 million during the year ended December 31, 2018.

Our balance of cash and cash equivalents decreased \$9.5 million during 2018 to \$42.5 million as of December 31, 2018. The decrease was primarily due to net repayment of debt, dividend distributions, and capital expenditures, partially offset by operating cash flow from properties, net distributions from our joint ventures, and the net proceeds from the disposition of properties. See "Cash Flows" below for more information.

Because we own primarily long-lived income-producing assets, our financing strategy relies on a combination of long-term mortgage debt as well as unsecured debt supported by a quality unencumbered asset pool, providing us with ample flexibility from a liquidity perspective. Our strategy is to have the majority of our debt fixed either through fixed rate mortgages or interest rate swaps that effectively fix the interest rate. At December 31, 2018, floating rate debt (excluding loans hedged to fixed interest) comprised 15.2% of our total consolidated debt. We will continue to monitor our borrowing mix to limit market risk.

During the third quarter of 2017, we successfully completed the issuance of \$750.0 million of unsecured notes. The notes are due on August 15, 2024 and the proceeds were used to repay the \$500.0 million Term Loan (as defined in "Financing and Debt"), with a maturity date of May 30, 2018 and \$230.0 million of the June 2015 Term Loan (as defined in "Financing and Debt") with a maturity date of March 2, 2020, respectively.

Additionally, on January 22, 2018, we amended and restated our Facility (as defined under "The Facility."). Under the amended and restated terms, the Facility will mature in December 2022 assuming all extension options are exercised. Prior to the amendment and restatement, the Revolver matured on May 30, 2019, assuming all extension options were exercised. These transactions are reflective of our strategy to access the unsecured debt markets to extend our weighted average debt maturity.

On December 31, 2018, we had an aggregate available borrowing capacity of \$359.8 million under the Revolver, net of outstanding borrowings of \$290.0 million and \$0.2 million reserved for outstanding letters of credit. The weighted average interest rate on the Revolver was 3.3% for the year ended December 31, 2018.

Subsequent to December 31, 2018, Fitch Ratings & Moody's Investor Service lowered their credit rating on WPG L.P.'s unsecured long-term indebtedness, which will increase interest rates on our Facility (as defined in "Overview - Basis of Presentation - The Facility."), December 2015 Term Loan, and 5.950% Notes due 2024 as of February 2, 2019. Due to the downgrade, our Revolver will bear interest at LIBOR plus 165 basis points (an increase of 40 basis points), our Term Loan will bear interest at LIBOR plus 190 basis points (an increase of 45 basis points), and our December 2015 Term Loan will bear interest at LIBOR plus 235 basis points (an increase of 55 basis points). Our 5.950% Notes due 2024 will bear interest at 6.450% (an increase of 50 basis points). Assuming the new pricing grid was effective January 1, 2018, the impact would have resulted in an increase in borrowing costs of approximately \$8.5 million during 2018. Such a downgrade may also impact terms and conditions of future borrowings in addition to adversely affecting our ability to access the public markets.

The consolidated indebtedness of our business was approximately \$2.9 billion as of December 31, 2018, or an increase of approximately \$39.9 million from December 31, 2017. The change in consolidated indebtedness from December 31, 2017 is described in greater detail under "Financing and Debt."

Outlook

Our business model and WPG Inc.'s status as a REIT requires us to regularly access the debt markets to raise funds for acquisition, development and redevelopment activity, and to refinance maturing debt. We may also, from time to time, access the equity capital markets to accomplish our business objectives. We believe we have sufficient cash on hand, availability under the Revolver and cash flow from operations to address our debt maturities, distributions and capital needs through 2019.

The successful execution of our business strategy will require the availability of substantial amounts of operating and development capital both currently and over time. Sources of such capital could include additional bank borrowings, public and private offerings of debt or equity, including rights offerings, sale of certain assets and joint ventures. The major credit rating agencies have assigned us investment grade credit ratings as of December 31, 2018, but there can be no assurance that the Company will achieve a particular rating or maintain a particular rating in the future (see discussion above for further details).

Cash Flows

Our net cash flow from operating activities totaled \$287.2 million during 2018. During 2018, we also:

- funded capital expenditures of \$153.9 million,
- received net proceeds from the disposition of interests in properties and outparcels of \$39.2 million,
- funded investments in unconsolidated entities of \$20.2 million,
- received distributions of capital from unconsolidated entities of \$35.1 million,
- received net proceeds from our debt financing, refinancing, and repayment activities of \$120.4 million; and
- funded distributions to common and preferred shareholders and unitholders of \$236.8 million.

In general, we anticipate that cash generated from operations will be sufficient to meet operating expenses, monthly debt service, recurring capital expenditures, and distributions to shareholders necessary to maintain WPG Inc.'s status as a REIT on a long-term basis. In addition, we expect to be able to generate or obtain capital for nonrecurring capital expenditures, such as acquisitions, major building renovations and expansions, as well as for scheduled principal maturities on outstanding indebtedness, from:

- excess cash generated from operating performance and working capital reserves,
- borrowings on our debt arrangements,
- opportunistic asset sales,
- additional secured or unsecured debt financing, or
- additional equity raised in the public or private markets.

We expect to generate positive cash flow from operations in 2019, and we consider these projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our retail tenants. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds from our debt arrangements, curtail planned capital expenditures, or seek other additional sources of financing as discussed above.

Financing and Debt

Mortgage Debt

Total mortgage indebtedness at December 31, 2018 and 2017 was as follows (in thousands):

	December 31, 2018	December 31, 2017
Face amount of mortgage loans	\$ 980,276	\$ 1,152,436
Fair value adjustments, net	5,764	8,338
Debt issuance cost, net	(2,771)	(3,692)
Carrying value of mortgage loans	\$ 983,269	\$ 1,157,082

A roll forward of mortgage indebtedness from December 31, 2017 to December 31, 2018 is summarized as follows (in thousands):

Balance at December 31, 2017	\$1,157,082
Debt amortization payments	(18,322)
Repayment of debt	(94,838)
Debt borrowings, net of issuance costs	34,782
Debt canceled upon lender foreclosures, net of debt issuance costs	(93,988)
Amortization of fair value and other adjustments	(2,574)
Amortization of debt issuance costs	1,127
Balance at December 31, 2018	\$983,269

On October 23, 2018, the \$94.0 million mortgage on Rushmore Mall was canceled upon a deed-in-lieu of foreclosure agreement (see "Covenants" section below for additional details).

On October 2, 2018, an affiliate of WPG Inc. repaid the \$8.3 million mortgage loan on Whitehall Mall, located in Whitehall, Pennsylvania. This repayment was funded by cash on hand.

On September 27, 2018, an affiliate of WPG Inc. closed on a \$35.0 million full-recourse note payable secured by Southgate Mall (see details under "Overview - Basis of Presentation - Southgate").

On June 8, 2018, the Company exercised the first of three options to extend the maturity date of the \$65.0 million term loan secured by Weberstown Mall, located in Stockton, California, for one year. The extended maturity date is June 8, 2019, subject to two one year extensions available at our option subject to compliance with the terms of the underlying loan agreement and payment of customary extension fees.

On January 19, 2018, an affiliate of WPG Inc. repaid the \$86.5 million mortgage loan on The Outlet Collection® in Seattle. This repayment was funded by borrowings on the Revolver (as defined below).

On December 29, 2017, an affiliate of WPG Inc. repaid the \$11.7 million mortgage loan secured by Henderson Square, located in King of Prussia, Pennsylvania. This repayment was funded by cash on hand.

On October 17, 2017, an affiliate of WPG Inc. completed a discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall for \$55.0 million (see "Covenants" section below for additional details).

On October 3, 2017, the \$40.0 million mortgage on Valle Vista Mall was canceled upon a deed-in-lieu of foreclosure agreement (see "Covenants" section below for additional details).

On October 2, 2017, an affiliate of WPG Inc. repaid the \$99.6 million mortgage loan on WestShore Plaza, located in Tampa, Florida. This repayment was funded by borrowings on the Revolver.

On May 10, 2017 and prior to the deconsolidation of these properties due to the sale of 49% of our interests (see section "The O'Connor Joint Ventures" for additional details), the Company closed on non-recourse mortgage loans encumbering The Arboretum, Gateway Centers, and Oklahoma City Properties. The following table summarizes the key terms of each mortgage loan:

Property	Principal	Debt issuance costs	Net debt issuance	Interest Rate	Maturity Date
The Arboretum	\$59,400	\$(452)	\$58,948	4.13 %	June 1, 2027
Gateway Centers	112,500	(709)	111,791	4.03 %	June 1, 2027
Oklahoma City Properties	43,279	(427)	42,852	3.90 %	June 1, 2027
Total	\$215,179	\$(1,588)	\$213,591		

The Arboretum and Gateway Centers loans require monthly interest only payments until July 1, 2021, at which time monthly interest and principal payments are due until maturity. The Oklahoma City Properties loan requires monthly interest only payments until July 1, 2022, at which time monthly interest and principal payments are due until maturity. We used the net proceeds to repay a portion of the outstanding balance on the Revolver, as defined below. These three loans were deconsolidated during the year ended December 31, 2017, in connection with the completion of the O'Connor Joint Venture II transaction.

On April 25, 2017, the Company completed a discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall for \$63.0 million (see "Covenants" section below for additional details).

Highly-levered Assets

As of December 31, 2018, we have identified two mortgage loans that have leverage levels in excess of our targeted leverage and have plans to work with the special servicers on these non-recourse mortgages. These mortgage loans total \$95.1 million and encumber Towne West Square and West Ridge Mall and West Ridge Plaza, all of which have been identified as noncore properties. We expect to improve our leverage once all, or a portion of them, are transitioned to the lenders, with minimal impact to net cash flows. See "Covenants" below for further discussion on these highly-levered assets.

Unsecured Debt

The following table identifies our total unsecured debt outstanding at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Notes payable:		
Face amount - the Exchange Notes ⁽¹⁾	\$ 250,000	\$ 250,000
Face amount - 5.950% Notes due 2024 ⁽²⁾	750,000	750,000
Debt discount, net	(9,680	) (11,086)
Debt issuance costs, net	(7,623	) (9,542)
Total carrying value of notes payable	\$ 982,697	\$ 979,372
Unsecured term loans: ⁽⁸⁾		
Face amount - Term Loan ⁽³⁾⁽⁴⁾	\$ 350,000	\$ —
Face amount - December 2015 Term Loan ⁽⁵⁾	340,000	340,000
Face amount - June 2015 Term Loan ⁽⁶⁾	—	270,000
Debt issuance costs, net	(4,491	) (3,305)
Total carrying value of unsecured term loans	\$ 685,509	\$ 606,695
Revolving credit facility: ⁽³⁾⁽⁷⁾		
Face amount	\$ 290,000	\$ 155,000
Debt issuance costs, net	(3,998	) (540)
Total carrying value of revolving credit facility	\$ 286,002	\$ 154,460

⁽¹⁾ The Exchange Notes were issued at a 0.028% discount, bear interest at 3.850% per annum and mature on April 1, 2020.

⁽²⁾ The 5.950% Notes due 2024 were issued at a 1.533% discount, bear interest at 5.950% per annum, and mature on August 15, 2024. The interest rate could vary in the future based upon changes to the Company's credit ratings. In February 2019, the Company's credit rating was downgraded which will result in an interest rate increase of 50 basis points to 6.450%.

⁽³⁾ The Revolver and Term Loan are collectively known as the Facility, as defined in "Overview - Basis of Presentation - The Facility."

⁽⁴⁾ The Term Loan bears interest at one-month LIBOR plus 1.45% per annum and will mature on December 30, 2022. We had interest rate swap agreements totaling \$270.0 million, which effectively fixed the interest rate on a portion of the Term Loan at 2.56% per annum through June 30, 2018. On May 9, 2018, we executed swap agreements totaling \$250.0 million to replace matured swap agreements, which effectively fix the interest rate on a portion of the Term Loan at 4.21% through June 30, 2021. At December 31, 2018, the applicable interest rate on the unhedged portion of the Term Loan was one-month LIBOR plus 1.45% or 3.95%. In February 2019, the Company's credit rating was downgraded which will result in an interest rate increase of 45 basis points to LIBOR plus 1.90%.

⁽⁵⁾ The December 2015 Term Loan bears interest at one-month LIBOR plus 1.80% per annum and will mature on January 10, 2023. We have interest rate swap agreements totaling \$340.0 million, which effectively fix the interest rate at 3.51% per annum through maturity. In February 2019, the Company's credit rating was downgraded which will result in an interest rate increase of 55 basis points to LIBOR plus 2.35%.

⁽⁶⁾ The June 2015 Term Loan bore interest at one-month LIBOR plus 1.45% per annum. During the year ended December 31, 2017, the Company repaid \$230.0 million of the June 2015 Term Loan and wrote off \$0.9 million of debt issuance costs. On January 22, 2018, the Company repaid the remaining \$270.0 million outstanding with proceeds from the amended and restated Facility (as discussed above) and wrote off \$0.5 million of debt issuance costs.

⁽⁷⁾ As of December 31, 2017, the Revolver provided borrowings on a revolving basis up to \$900.0 million, bore interest at one-month LIBOR plus 1.25%, and was initially scheduled to mature on May 30, 2018. On January 22, 2018, we amended the terms of the Revolver to provide borrowings on a revolving basis up to \$650.0 million at one-month LIBOR plus 1.25%. Under the amended terms, the Revolver will mature on December 30, 2021, subject to

two six months month extensions available at our option subject to compliance with terms of the Facility and payment of a customary extension fee. Upon the amended terms, the Company wrote off \$0.3 million of debt issuance costs. At December 31, 2018, we had an aggregate available borrowing capacity of \$359.8 million under the Revolver, net of \$0.2 million reserved for outstanding letters of credit. At December 31, 2018, the applicable interest rate on the Revolver was one-month LIBOR plus 1.25%, or 3.75%. In February 2019, the Company's credit rating was downgraded which will result in an interest rate increase of 40 basis points to LIBOR plus 1.65%.

⁽⁸⁾ While we have interest rate swap agreements in place that fix the LIBOR portion of the rates as noted above, the spread over LIBOR could vary in the future based upon changes to the Company's credit ratings.

Covenants

Our unsecured debt agreements contain financial and other covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by one or more of the respective lenders including adjustments to the applicable interest rate. As of December 31, 2018, management believes the Company is in compliance with all covenants of its unsecured debt. The total balance of mortgages was approximately \$980.3 million as of December 31, 2018. At December 31, 2018, certain of our consolidated subsidiaries were the borrowers under 21 non-recourse loans and two full-recourse loans secured by mortgages encumbering 26 properties, including one separate pool of cross-defaulted and cross-collateralized mortgages encumbering a total of four properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. Our existing non-recourse mortgage loans generally prohibit our subsidiaries that are borrowers thereunder from incurring additional indebtedness, subject to certain customary and limited exceptions. In addition, certain of these instruments limit the ability of the applicable borrower's parent entity from incurring mezzanine indebtedness unless certain conditions are satisfied, including compliance with maximum loan to value ratio and minimum debt service coverage ratio tests. Further, under certain of these existing agreements, if certain cash flow levels in respect of the applicable mortgaged property (as described in the applicable agreement) are not maintained for at least two consecutive quarters, the lender could accelerate the debt and enforce its right against its collateral. If the borrower fails to comply with these covenants, the lenders could accelerate the debt and enforce its right against their collateral.

On November 19, 2018, we received a notice of default letter, dated November 15, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$49.9 million mortgage loan secured by West Ridge Mall and West Ridge Plaza, located in Topeka, Kansas (collectively known as "West Ridge"). The notice was issued by the special servicer because the borrower did not make certain reserve payments or deposits as required by the loan agreement for the aforementioned loan. The borrower has initiated discussions with the special servicer regarding this non-recourse loan and is considering various options. The Company will continue to manage and lease the property.

On May 29, 2018, we received a notice of default letter, dated May 25, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$94.0 million mortgage loan secured by Rushmore Mall ("Rushmore"). The notice was issued by the special servicer because the borrower notified the lender that there were insufficient funds to ensure future compliance with the mortgage loan due to the loss of certain tenants at Rushmore. On October 23, 2018, an affiliate of the Company transitioned the property to the lender.

On April 11, 2018, we received a notice of default letter, dated April 6, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$45.2 million mortgage loan secured by Towne West Square, located in Wichita, Kansas. The notice was issued by the special servicer because the borrower did not make certain reserve payments or deposits as required by the loan agreement for the aforementioned loan. On August 24, 2018, we received notification that a receiver had been appointed to manage and lease the property. An affiliate of the Company still holds title to the property.

On March 30, 2017, the Company transferred the then \$40.0 million mortgage loan secured by Valle Vista Mall to the special servicer at the request of the borrower, a consolidated subsidiary of the Company. On May 18, 2017, we received a notice of default letter, dated that same date, from the special servicer because the borrower did not repay the loan in full by its May 10, 2017 maturity date. On October 3, 2017, an affiliate of WPG Inc. transitioned the property to the lender.

On June 6, 2016, we received a notice of default letter, dated June 3, 2016, from the special servicer to the borrower of the then \$99.7 million mortgage loan secured by Southern Hills Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its June 1, 2016 maturity date. On October 27, 2016, we received notification that a receiver had been appointed to manage and lease the property. On October 17, 2017, an affiliate of WPG Inc. completed a discounted payoff of the mortgage loan for \$55.0 million and we retained ownership and management of the property.

On June 30, 2016, we received a notice, dated that same date, that the then \$87.3 million mortgage loan secured by Mesa Mall had been transferred to the special servicer due to the payment default that occurred when the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its June 1, 2016 maturity date. On April 25, 2017, the Company completed a discounted payoff of the mortgage loan for \$63.0 million and retained ownership and management of the property.

During the year ended December 31, 2018 the Company recognized a net gain of \$51.4 million related to the \$94.0 million mortgage debt cancellation and ownership transfer of Rushmore Mall, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income for the year then ended. During the year ended December 31, 2017, the Company recognized a net gain of \$90.6 million based on the cancellation of mortgage debt of \$108.9 million related to discounted payoff of the mortgage note payable secured by Southern Hills Mall, ownership transfer of Valle Vista Mall, and discounted payoff of the mortgage note payable secured by Mesa Mall, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income for the year then ended.

At December 31, 2018, management believes the applicable borrowers under our other non-recourse mortgage loans were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows. The Company has assessed each of the defaulted properties for impairment indicators and have concluded no impairment charges were warranted as of December 31, 2018.

Summary of Financing

Our consolidated debt and the effective weighted average interest rates as of December 31, 2018 and 2017 consisted of the following (dollars in thousands):

	December 31, 2018	Weighted Average Interest Rate	December 31, 2017	Weighted Average Interest Rate
Fixed-rate debt, face amount	\$2,505,276	4.91 %	\$2,610,936	4.72 %
Variable-rate debt, face amount	455,000	3.87 %	306,500	2.99 %
Total face amount of debt	2,960,276	4.75 %	2,917,436	4.54 %
Note discount	(9,680)		(11,086)	
Fair value adjustments, net	5,764		8,338	
Debt issuance costs, net	(18,883)		(17,079)	
Total carrying value of debt	\$2,937,477		\$2,897,609	

Contractual Obligations

The following table summarizes the material aspects of the Company's future obligations for consolidated entities as of December 31, 2018, assuming the obligations remain outstanding through maturities noted below (in thousands):

	2019	2020 - 2021	2022 - 2023	Thereafter	Total
Long-term debt ⁽¹⁾	\$64,281	\$665,097	\$1,175,977	\$1,054,921	\$2,960,276
Interest payments ⁽²⁾	138,422	236,967	166,351	31,455	573,195
Distributions ⁽³⁾	3,568	—	—	—	3,568
Ground rent/operating leases ⁽⁴⁾	2,267	4,499	3,596	21,376	31,738
Purchase/tenant obligations ⁽⁵⁾	101,987	—	—	—	101,987
Total	\$310,525	\$906,563	\$1,345,924	\$1,107,752	\$3,670,764

⁽¹⁾Represents principal maturities only and therefore excludes net fair value adjustments of \$5,764, debt issuance costs of \$(18,883) and bond discount of \$(9,680) as of December 31, 2018. In addition, the principal maturities reflect any available extension options within the control of the Company.

⁽²⁾Variable rate interest payments are estimated based on the LIBOR rate and our credit ratings in place at December 31, 2018. Due to the credit rating downgrade that occurred subsequent to December 31, 2018, we expect an increase of approximately \$39.7 million in interest payments over the periods presented as a result of the new pricing grid based on the LIBOR rate in place at December 31, 2018.

⁽³⁾Since there is no required redemption, distributions on the Series H Preferred Shares/Units, Series I Preferred Shares/Units and Series I-1 Preferred Units may be paid in perpetuity; for purposes of this table, such distributions are included upon declaration by the Board as the optional redemption dates have lapsed.

⁽⁴⁾Represents minimum future lease payments due through the end of the initial lease term under executed leases.

⁽⁵⁾Includes amounts due under executed leases and commitments to vendors for development and other matters.

The following table summarizes the material aspects of the Company's proportionate share of future obligations for unconsolidated entities as of December 31, 2018, assuming the obligations remain outstanding through initial maturities (in thousands):

	2019	2020 - 2021	2022 - 2023	Thereafter	Total
Long-term debt ⁽¹⁾	\$3,346	\$73,488	\$20,062	\$528,068	\$624,964
Interest payments ⁽²⁾	25,926	50,690	42,446	44,589	163,651
Ground rent/operating leases ⁽³⁾	3,939	7,942	8,053	189,002	208,936
Purchase/tenant obligations ⁽⁴⁾	14,921	—	—	—	14,921
Total	\$48,132	\$132,120	\$70,561	\$761,659	\$1,012,472

⁽¹⁾Represents principal maturities only and therefore excludes net fair value adjustments of \$5,372 and debt issuance costs of \$(2,451) as of December 31, 2018. In addition, the principal maturities reflect any available extension options.

⁽²⁾Variable rate interest payments are estimated based on the LIBOR rate at December 31, 2018.

⁽³⁾Represents minimum future lease payments due through the end of the initial lease term under executed leases.

⁽⁴⁾Includes amounts due under executed leases and commitments to vendors for development and other matters.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements consist primarily of investments in joint ventures which are common in the real estate industry. Joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint venture debt is secured by a first mortgage, is without recourse to the joint venture partners, and does not represent a liability of the partners, except to the extent the partners or their affiliates expressly guarantee the joint venture debt. As of December 31, 2018, there were no guarantees of joint venture related mortgage indebtedness. In addition to obligations under mortgage indebtedness, our joint ventures have obligations under ground leases and purchase/tenant obligations. Our share of obligations under joint venture debt, ground leases and purchase/tenant obligations is quantified in the unconsolidated entities table within "Contractual Obligations" above. WPG may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not required contractually or otherwise.

Equity Activity

Preferred Stock

Series H Cumulative Redeemable Preferred Stock

On January 15, 2015, WPG Inc. issued 4,000,000 shares of 7.5% Series H Preferred Shares to convert the preferred stock of GRT outstanding at the time of merger. Dividends accrue quarterly at an annual rate of 7.5% per share. WPG Inc. can redeem this series, in whole or in part, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. WPG L.P. issued to WPG Inc. a like number of preferred units as consideration for the Series H Preferred Shares and can redeem this series, in whole or in part, when WPG Inc. can redeem the Series H Preferred Shares at like terms. All shares remain issued and outstanding as of December 31, 2018 and 2017.

Series I Cumulative Redeemable Preferred Stock

On January 15, 2015, WPG Inc. issued 3,800,000 shares of 6.875% Series I Preferred Shares to convert the preferred stock of GRT outstanding at the time of merger. Dividends accrue quarterly at an annual rate of 6.875% per share. WPG Inc. can redeem this series, in whole or in part, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. WPG L.P. issued to WPG Inc. a like number of preferred units as consideration for the Series I Preferred Shares and can redeem this series, in whole or in part, when WPG Inc. can redeem the Series I Preferred Shares at like terms. All shares remain issued and outstanding as of December 31, 2018 and 2017.

Exchange Rights

Subject to the terms of the limited partnership agreement of WPG L.P., limited partners in WPG L.P. have, at their option, the right to exchange all or any portion of their units for shares of WPG Inc. common stock on a one for one basis or cash, as determined by WPG Inc. Therefore, the common units held by limited partners are considered by WPG Inc. to be share equivalents and classified as noncontrolling interests within permanent equity, and classified by WPG L.P. as permanent equity. The amount of cash to be paid if the exchange right is exercised and the cash option is selected will be based on the market value of WPG Inc.'s common stock as determined pursuant to the terms of the WPG L.P. Partnership Agreement. During the year ended December 31, 2017, WPG Inc. issued 314,577 shares of common stock to a limited partner of WPG L.P. in exchange for an equal number of units pursuant to the WPG L.P. Partnership Agreement. This transaction increased WPG Inc.'s ownership interest in WPG L.P. There were no similar transactions during the years ended December 31, 2018 and 2016. At December 31, 2018, WPG Inc. had reserved 34,755,660 shares of common stock for possible issuance upon the exchange of units held by limited partners. The holders of the Series I-1 Preferred Units have, at their option, the right to have their units purchased by WPG L.P. subject to the satisfaction of certain conditions. Therefore, these preferred units are classified as redeemable noncontrolling interests outside of permanent equity.

Share Based Compensation

On May 28, 2014, the Board adopted the Washington Prime Group, L.P. 2014 Stock Incentive Plan (the "Plan"), which permits the Company to grant awards to current and prospective directors, officers, employees and consultants of the Company or any affiliate. An aggregate of 10,000,000 shares of common stock has been reserved for issuance under the Plan. In addition, the maximum number of awards to be granted to a participant in any calendar year is 500,000 shares/units. Awards may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs") or other stock-based awards in WPG Inc., long term incentive units ("LTIP units" or "LTIPs") or performance units ("Performance LTIP Units") in WPG L.P. The Plan terminates on May 28, 2024.

Long Term Incentive Awards

Time Vested LTIP Awards

The Company has issued time-vested LTIP units ("Inducement LTIP Units") to certain executive officers and employees under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients. These awards will vest and the related fair value will be expensed over a four-year vesting period. During the years ended December 31, 2018, 2017 and 2016, the Company did not grant any Inducement LTIP Units. As of December 31, 2018, the estimated future compensation expense for Inducement LTIP Units was \$37,500. The weighted average period over which the compensation expense will be recorded for the Inducement LTIP Units is approximately 0.2 years.

Performance Based Awards

2015 Awards

During 2015, the Company authorized the award of LTIP units subject to certain market conditions under ASC 718 ("Performance LTIP Units") to certain executive officers and employees of the Company in the maximum total amount of 304,818 units, to be earned and related fair value expensed over the applicable performance periods, except in certain instances that could result in accelerated vesting due to severance arrangements.

The Performance LTIP Units that were allocated during the year ended December 31, 2015 are market based awards with a service condition. Recipients could have earned between 0% -100% of the award based on the Company's achievement of absolute and relative (versus the MSCI REIT Index) total shareholder return ("TSR") goals, with 40% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of absolute TSR goals, and 60% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of relative TSR goals. The Performance LTIP Units issued during 2015 relate to the following performance periods: from the beginning of the service period to (i) December 31, 2016 ("2015-First Special PP"), (ii) December 31, 2017 ("2015-Second Special PP"), and (iii) December 31, 2018 ("2015-Third Special PP"). There was no award for the 2015-First Special PP, 2015-Second Special PP, or 2015-Third Special PP since our TSR was below the threshold level during 2016, 2017, and 2018, respectively.

Annual Long-Term Incentive Awards

During the years ended December 31, 2018 and 2017, the Company approved the terms and conditions of the 2018 and 2017 annual awards (the "2018 Annual Long-Term Incentive Awards" and "2017 Long-Term Incentive Awards," respectively) for certain executive officers and employees of the Company. Under the terms of the awards program, each participant is provided the opportunity to receive (i) time-based RSUs and (ii) performance-based stock units ("PSUs"). RSUs represent a contingent right to receive one WPG Inc. common share for each vested RSU. RSUs will vest in one-third installments on each annual anniversary of the respective Grant Date (as referenced below), subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants. During the service period, dividend equivalents will be paid with respect to the RSUs corresponding to the amount of any dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates. Compensation expense is recognized on a straight-line basis over the three year vesting term, except in instances that result in accelerated vesting due to severance arrangements. Actual PSUs earned may range from 0%-150% of the PSUs allocated to the award recipient, based on the Company's TSR compared to a peer group based on companies with similar assets and revenue over a three-year performance period that commenced on the respective Grant Date (as referenced below). During the performance period, dividend equivalents corresponding to the amount of any regular cash dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates will accrue and be deemed reinvested in additional PSUs, which will be settled in common shares at the same time and only to the extent that the underlying PSU is earned and settled in common shares. Payout of the PSUs is also subject to the participant's continued employment with the Company through the end of the performance period. The PSUs were valued through the use of a Monte Carlo model and the related compensation expense is recognized over the three-year performance period, except in instances that result in accelerated amortization due to severance arrangements.

The following table summarizes the issuance of the 2018 Annual Long-Term Incentive Awards and 2017 Annual Long-Term Incentive Awards, respectively:

	2018 Annual Long-Term Incentive Awards	2017 Annual Long-Term Incentive Awards
Grant Date	February 20, 2018	February 21, 2017
RSUs issued	587,000	358,198
Grant date fair value per unit	\$6.10	\$9.58
PSUs issued	587,000	358,198
Grant date fair value per unit	\$4.88	\$7.72

During 2016, the Company approved the performance criteria and maximum dollar amount of the 2016 annual awards (the "2016 Annual Long-Term Incentive Awards"), that generally range from 30%-100% of actual base salary, for certain executive officers and employees of the Company. The number of awards was determined by converting the cash value of the award to a number of RSUs (the "Allocated RSUs") based on the closing price of WPG Inc.'s common shares for the final 15 trading days of 2016. Eventual recipients were eligible to receive a percentage of the Allocated RSUs based on the Company's performance on its strategic goals detailed in the Company's 2016 cash bonus plan and the Company's relative TSR compared to a peer group based on companies with similar assets and revenue. Payout for 50% of the Allocated RSUs was based on the Company's performance on the strategic goals and the payout on the remaining 50% was based on the Company's TSR performance. Both the strategic goal component as well as the TSR performance were achieved at target, resulting in a 100% payout. During the year ended December 31, 2017, the Company awarded 324,237 Allocated RSUs, with a grant date fair value of \$2.2 million, related to the 2016 Annual Long-Term Incentive Awards, which will vest in one-third installments on each of February 21, 2018, 2019 and 2020, subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants.

During 2015, the Company approved the performance criteria and maximum dollar amount of the 2015 annual LTIP unit awards (the "2015 Annual Long-Term Incentive Awards"), that generally range from 30%-300% of actual base salary earnings, for certain executive officers and employees of the Company. The number of awards was determined by converting the cash value of the award to a number of LTIP units (the "Allocated Units") based on the closing price of WPG Inc.'s common shares for the final 15 trading days of 2015. Eventual recipients were eligible to receive a percentage of the Allocated Units based on the Company's performance on its strategic goals detailed in the Company's 2015 cash bonus plan and the Company's relative TSR compared to the MSCI REIT Index. Payout for 40% of the Allocated Units was based on the Company's performance on the strategic goals and the payout on the remaining 60% was based on the Company's TSR performance. The strategic goal component was achieved in 2015; however, the TSR was below threshold performance, resulting in only a 40% payout for this annual LTIP award. During the year ended December 31, 2016, the Company awarded 323,417 LTIP units related to the 2015 Annual Long-Term Incentive Awards, of which 108,118 vest in one-third installments on each of January 1, 2017, 2018 and 2019, subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants. The 94,106 LTIP units awarded to our former Executive Chairman fully vested on the grant date and the 121,193 LTIP units awarded to certain former executive officers fully vested on the applicable severance dates during 2016 pursuant to the underlying severance arrangements. The fair value of the portion of the awards based upon the Company's performance of the strategic goals was recognized to expense when granted.

WPG Restricted Share Awards

The WPG Restricted Shares relate to unvested restricted shares held by certain GRT executive employees at the time of the Merger. The amount of compensation expense related to unvested restricted shares that we expect to recognize in future periods is \$33,000 over a weighted average period of 0.3 years. During the year ended December 31, 2018, the aggregate intrinsic value of shares that vested was \$43,900. As of December 31, 2018, 9,033 WPG Restricted Shares were outstanding.

WPG Restricted Stock Unit Awards

The Company issues RSUs to certain executive officers, employees, and non-employee directors of the Board of Directors (see "Board of Directors Compensation" for discussion regarding RSUs issued to non-employee directors). The RSUs are service-based awards and the related fair value is expensed over the applicable service periods, except in instances that result in accelerated vesting due to severance arrangements. During the year ended December 31, 2018, the Company issued 673,792 RSUs under the Plan with a fair value of \$4.2 million, of which 587,000 RSUs with a fair value of \$3.6 million relates to the annual long-term incentive award issuances that occurred in February 2018 (see "Annual Long-Term Incentive Awards" section above). As of December 31, 2018, 1,430,665 unvested RSUs were outstanding. The amount of compensation related to the unvested RSUs that we expect to recognize in future periods is \$6.2 million over a weighted average period of 1.6 years.

Board of Directors Compensation

On May 18, 2018, the Board approved annual compensation for the period of May 29, 2018 through May 28, 2019 for the non-employee members of the Board. Each non-employee director's annual compensation (other than the Board Chairman who receives annual compensation of \$450,000) totaled \$230,000 based on a combination of cash and RSUs granted under the Plan. During 2018, the six non-employee directors were granted RSUs for 138,648 shares with an aggregate grant date fair value of \$940,000, which is being recognized as expense over the vesting period ending on May 28, 2019.

Stock Options

Options granted under the Company's Plan generally vest over a three year period, with options exercisable at a rate of 33.3% per annum beginning with the first anniversary on the date of the grant. These options were valued using the Black-Scholes pricing model and the expenses associated with these options are amortized over the requisite vesting period.

During the year ended December 31, 2018, no stock options were granted from the Plan to employees, no stock options were exercised by employees and 114,273 stock options were canceled, forfeited or expired. As of December 31, 2018, there were 679,741 stock options outstanding.

Share Award Related Compensation Expense

During the years ended December 31, 2018, 2017 and 2016, the Company recorded share award related compensation expense pertaining to the award and option plans noted above within the consolidated statements of operations and comprehensive income as indicated below (dollars in millions):

	For the Year Ended December 31,		
	2018	2017	2016
Merger, restructuring and transaction costs	\$—	\$—	\$9.5
General and administrative and property operating	8.3	6.4	4.6
Total expense	\$8.3	\$6.4	\$14.1

Distributions

During each of the years ended December 31, 2018 and 2017, the Board declared common share/unit dividends of \$1.00 per common share/unit.

On February 12, 2019, the Board declared common share/unit dividends of \$0.25 per common share/unit. The dividend is payable on March 15, 2019 to shareholders/unitholders of record on March 4, 2019.

Acquisitions and Dispositions

Buy-sell, marketing rights, and other exit mechanisms are common in real estate partnership agreements. Most of our partners are institutional investors who have a history of direct investment in retail real estate. We and our partners in our joint venture properties may initiate these provisions (subject to any applicable lock up or similar restrictions). If we determine it is in our shareholders' best interests for us to purchase the joint venture interest and we believe we have adequate liquidity to execute the purchase without hindering our cash flows, then we may initiate these provisions or elect to buy. If we decide to sell any of our joint venture interests, we expect to use the net proceeds to reduce outstanding indebtedness or to reinvest in development, redevelopment, or expansion opportunities.

Acquisitions. We pursue the acquisition of properties that meet our strategic criteria.

On April 24, 2018, the Company closed on the acquisition of Southgate Mall for \$58.0 million (see details under "Overview - Basis of Presentation - Southgate Mall").

On April 11, 2018, the Company closed on the acquisition of four Sears anchor parcels and related outparcels for \$28.5 million (see details under "Overview - Basis of Presentation - Sears Parcel Acquisitions").

On March 2, 2017, the O'Connor Joint Venture I completed the acquisition of Pearlridge Uptown II (see details under "Overview - Basis of Presentation - The O'Connor Joint Ventures").

Dispositions. We pursue the disposition of properties that no longer meet our strategic criteria or interests in properties to generate proceeds for alternative business uses.

On February 11, 2019, we completed the sale of the seventh tranche of restaurant outparcels which consisted of one outparcel and an allocated purchase price of approximately \$2.8 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$2.7 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On January 18, 2019, we completed the sale of the sixth tranche of restaurant outparcels which consisted of eight outparcels and an allocated purchase price of approximately \$9.4 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$9.4 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On November 16, 2018, we completed the sale of the fifth tranche of restaurant outparcels which consisted of one outparcel and an allocated purchase price of approximately \$3.2 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$3.2 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On October 31, 2018, we completed the sale of the fourth tranche of restaurant outparcels which consisted of two outparcels and an allocated purchase price of approximately \$1.7 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$1.7 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On July 27, 2018, we completed the sale of the third tranche of restaurant outparcels which consisted of two outparcels and an allocated purchase price of approximately \$4.6 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$4.5 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On June 29, 2018, we completed the sale of the second tranche of restaurant outparcels which consisted of 5 outparcels and an allocated purchase price of approximately \$9.5 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The Company received net proceeds of approximately \$9.4 million, which were used to reduce corporate debt and for ongoing redevelopment efforts.

On January 12, 2018, we completed the sale of the first tranche of restaurant outparcels which consisted of 10 outparcels and an allocated purchase price of approximately \$13.7 million of the total purchase price (see details under "Overview - Basis of Presentation - Outparcel Sale"). The net proceeds were used to fund a portion of the acquisition of the Sears parcels on April 11, 2018 and for general corporate purposes.

In connection with the 2018 sales noted above, the Company recorded a net gain of \$25.0 million for the year ended December 31, 2018, which is included in gain (loss) on disposition of interests in properties, net in the consolidated statements of operations and comprehensive income for the year ended December 31, 2018.

On November 3, 2017, we completed the sale of Colonial Park Mall to an unaffiliated private real estate investor for a purchase price of \$15.0 million. The net proceeds were used for general corporate purposes.

On June 13, 2017, we sold 49% of our interest in Malibu Lumber Yard as part of the O'Connor Joint Venture II transaction (see details under "Overview - Basis of Presentation - The O'Connor Joint Ventures").

On June 7, 2017, we completed the sale of Morgantown Commons, to a private real estate investor for a purchase price of approximately \$6.7 million. The net proceeds were used for general corporate purposes.

On May 16, 2017, we completed the sale of an 80,000 square foot vacant anchor parcel at Indian Mound Mall to a private real estate investor for a purchase price of approximately \$0.8 million. The net proceeds were used for general corporate purposes.

On May 12, 2017, we completed the transaction forming the O'Connor Joint Venture II with regard to the ownership and operation of six of the Company's retail properties and certain related outparcels. Under the terms of the joint venture agreement, we retained a 51% non-controlling interest and sold a 49% interest to O'Connor, the third party partner (see details under "Overview - Basis of Presentation - The O'Connor Joint Ventures").

On February 21, 2017, we completed the sale of Gulf View Square and River Oaks Center to private real estate investors for an aggregate purchase price of \$42.0 million. The net proceeds from the transaction were used to reduce corporate debt.

On January 10, 2017, we completed the sale of Virginia Center Commons to a private real estate investor for a purchase price of \$9.0 million. The net proceeds from the transaction were used to reduce corporate debt.

In connection with the 2017 sales noted above, the Company recorded a net gain of \$124.8 million, which is included in gain (loss) on disposition of interest in properties, net in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

On October 23, 2018, Rushmore Mall was transitioned to the lender (see "Financing and Debt" above for further discussion). Upon the ownership transfer, we reduced our debt by \$94.0 million.

On October 3, 2017, Valle Vista Mall was transitioned to the lender (see "Financing and Debt" above for further discussion). Upon the ownership transfer, we reduced our debt by \$40.0 million.

Development Activity

New Development, Expansions and Redevelopments. We routinely incur costs related to construction for significant redevelopment and expansion projects at our properties. Our share of development costs for calendar year 2018 related to these activities was approximately \$117 million. Our estimated stabilized return or yield, on invested capital typically ranges between 8% and 11%.

We have identified 28 department stores (currently vacant or anticipated vacancies) in our portfolio that we plan to redevelop and we are actively working on repositioning 24 of the locations. These department stores represent an opportunity to enhance the experience at the property by bringing in offerings such as dining, grocery, entertainment, home furnishings, mixed-use components as well as dynamic retail offerings. These stores are in our Tier 1 and open air properties and exclude department stores that are owned by third parties, such as Seritage. We project that we will

invest between \$300 million to \$350 million over the next three to five years to complete the redevelopment of these department stores.

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During the fourth quarter of 2016, we held our grand opening of our new approximately 400,000 square foot shopping center in the Houston metropolitan area, Fairfield Town Center. The project features retailers such as H-E-B, Academy Sports, Marshall's, Party City, Old Navy, and Ulta Cosmetics. In addition, a number of dining options are at the center such as Chipotle, PeiWei, Whataburger, and Zoe's Kitchen. The project is 100% leased as of December 31, 2018. During the third quarter of 2017, we approved the final phase of this new development for an additional investment of approximately \$28 million, which will add an additional 130,000 square feet of new GLA to accommodate the strong demand at the project. Leasing for this new phase is over 50% committed for small shops and we have executed deals with a national theater and a national value fashion apparel retailer, and are finalizing a deal with an additional big box user.

At Scottsdale Quarter in Scottsdale, Arizona, our most recent redevelopment effort involves the final phase of the significant expansion of our initial development of the project. The first part of the expansion has been completed and consists of buildings on the north and south parcels with tenancy including American Girl and Design Within Reach, as well as luxury apartment homes and office space. The final component of the expansion will be comprised of approximately 300 new luxury apartment homes and 30,000 to 35,000 square feet of new street-level retail. The street-level retail and luxury apartment homes will have substantial amenities, such as new on-site parking and roof-top terraces overlooking Scottsdale Quarter and the McDowell Mountains. On February 7, 2018, the rights to construct the luxury apartment homes on the land of this final component were sold to an unrelated third party for \$12.5 million and construction has since commenced. The interest in the retail unit of the planned development was retained. Tenants are expected to begin opening in this final component in 2019.

At Great Lakes Mall in Mentor, Ohio, we commenced redevelopment of a former Dillard's Men's Store. Dillard's made the decision earlier in 2017 to consolidate its department stores at Great Lakes Mall into a single renovated anchor space. Round 1 Entertainment anchors the redevelopment and opened on March 30, 2018. Additional dining options, including Outback Steakhouse, which opened in December 2018, and new retailers are expected to open in early 2019. In addition, an outparcel building will be redeveloped to add a new Hobby Lobby store. We will invest approximately \$15 million in this redevelopment with an expected yield of 7% - 9%.

At Cottonwood Mall in Albuquerque, New Mexico, we acquired the former Macy's store for a planned redevelopment at the property. We plan to replace the former department store with two home furnishings stores, Mor Furniture for Less and Homelife Furniture, which opened in December 2018, as well as a new Hobby Lobby store, which opened in November 2018. We will invest between \$20 million and \$22 million in this redevelopment with an expected yield of 6% - 7%.

At Grand Central Mall in Parkersburg, West Virginia, we replaced an Elder-Beerman with a new 20,000 square foot H&M store, their first store in West Virginia, which opened in October 2018. Additionally, we added a new Five Below and Ulta Beauty, which opened in September 2018, in the former hhgregg store, and we are adding a Big Lots in the former Toys R Us location. Lastly, we have finalized our redevelopment plans for the former Sears space which will add an exciting exterior facing element to the center featuring dynamic first-to-market retailers. This new lifestyle component will complete the transformation of Grand Central Mall from a traditional enclosed regional center into a hybrid town center. We will invest between \$31 million and \$33 million in this redevelopment with an expected yield of 6% - 8%.

At Dayton Mall in Dayton, Ohio, we have signed leases with Ross Dress for Less and The RoomPlace to enhance the retail offering at the property. Ross Dress for Less will replace a former hhgregg store and The RoomPlace will be located in a newly combined larger store from previous small shop space. The estimated investment in adding these two retailers to the property will be between \$8 million and \$10 million with an anticipated yield of 10% - 12%.

At Lincolnwood Town Center in Lincolnwood, Illinois, we have a signed lease with The RoomPlace to take approximately two thirds of the recently vacated Carson Pirie Scott department store. The estimated investment in the redevelopment will be between \$16 million and \$18 million and the yield is anticipated to be 7% - 8%.

On April 11, 2018 we acquired, through a sale-leaseback transaction, four Sears department stores and adjacent Sears Auto Centers located at Longview Mall; Polaris Fashion Place®; Southern Hills Mall; and Town Center at Aurora. The purchase price was approximately \$28.5 million and was funded by a combination of the Section 1031 tax proceeds from the Four Corners transaction, contributions from our joint venture partner related to their pro-rata share of the joint venture that owns Polaris Fashion Place® and availability on our Facility. We have control of these stores

for future redevelopment and Sears, subject to their bankruptcy proceedings, will continue to operate under new leases.

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In addition to the purchase of four Sears stores discussed above, we also proactively negotiated early termination of Sears leases to gain control of the real estate and commence redevelopment efforts at four of our Tier One assets. The first lease relates to the Sears store at Grand Central Mall, which closed in December 2018, and the redevelopment of the property is discussed above. The second lease relates to the Sears store at Southern Park Mall in Youngstown, Ohio which closed during the third quarter of 2018. We are in discussions with new tenants for the high visibility anchor space. The third lease relates to the Sears store at The Mall at Fairfield Commons in Beavercreek, Ohio, which closed in December 2018. We will be adding The RoomPlace and Round 1 Entertainment, both first to market. The RoomPlace will replace the upper level of Sears and complement the hybrid town center format with dynamic retail, dining and entertainment options. Round 1 Entertainment will replace the lower level of Sears. Both The RoomPlace and Round 1 Entertainment are expected to open in late 2019. The fourth lease relates to the Sears store at WestShore Plaza in Tampa, Florida which will terminate at the end of the first quarter of 2019, and we are currently in the entitlement process. We are actively working on redevelopment plans, and additional details will be announced in the future.

At The Outlet Collection® | Seattle, we have plans to add a FieldhouseUSA to the property in a former Sam's Club store. FieldhouseUSA specializes in sporting leagues, events and tournaments by offering year-round league and tournament play in team sports such as basketball, soccer, volleyball and flag football in addition to programs such as birthday parties, corporate events, performance training and skills training. This use will greatly complement the recently added Dave & Buster's at the property and we anticipate announcing further details about this exciting redevelopment in the near future. The estimated investment in the redevelopment will be between \$11 million and \$13 million and the yield is anticipated to be 9% - 10%.

Capital Expenditures

The following table summarizes total consolidated capital expenditures on a cash basis for the year ended December 31, 2018 (in thousands):

	2018
New developments	\$1,435
Redevelopments and expansions	95,440
Tenant allowances	23,464
Operational capital expenditures	37,052
Total (1)	\$157,391

(1) Excludes capitalized interest, wages and real estate taxes, as well as expenditures for certain equipment and fixtures, commissions, and project costs, which are included in capital expenditures, net on the consolidated statement of cash flows.

Forward-Looking Statements

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and it is possible that our actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such factors include, but are not limited to: changes in asset quality and credit risk; ability to sustain revenue and earnings growth; changes in political, economic or market conditions generally and the real estate and capital markets specifically; the impact of increased competition; the availability of capital and financing; tenant or joint venture partner(s) bankruptcies; the failure to increase enclosed retail store occupancy and same-store operating income; risks associated with acquisitions, dispositions, development, expansion, leasing and management of properties; changes in market rental rates; trends in the retail industry; relationships with anchor tenants; risks relating to joint venture properties; costs of common area maintenance; competitive market forces; the level and volatility of interest rates; the rate of revenue increases as compared to expense increases; the financial stability of tenants within the retail industry; the restrictions in current financing arrangements or the failure to comply with such arrangements; the liquidity of real estate investments; the impact of changes to tax legislation and our tax positions; failure to qualify as a real estate investment trust; the failure to refinance debt at favorable terms and conditions; loss of key personnel; material changes in the dividend rates on securities or the ability to pay dividends on common shares or other securities; possible restrictions on the ability to operate or dispose of any partially-owned properties; the failure to achieve earnings/funds from operations targets or estimates; the failure to achieve projected returns or yields on development and investment properties (including joint ventures); expected gains on debt extinguishment; changes in generally accepted accounting principles or interpretations thereof; terrorist activities and international hostilities; the unfavorable resolution of legal or regulatory proceedings; the impact of future acquisitions and divestitures; assets that may be subject to impairment charges; and significant costs related to environmental issues. We discussed these and other risks and uncertainties under Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K and other reports and statements filed by WPG Inc. and WPG L.P. with the SEC. We undertake no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

Non-GAAP Financial Measures

Industry practice is to evaluate real estate properties in part based on FFO, NOI and comparable NOI. We believe that these non-GAAP measures are helpful to investors because they are widely recognized measures of the performance of REITs and provide a relevant basis for our comparison among REITs. We also use these measures internally to measure the operating performance of our portfolio.

We determine FFO based on the definition set forth by the National Association of Real Estate Investment Trusts, or NAREIT, as net income computed in accordance with GAAP:

- excluding real estate related depreciation and amortization;
 - excluding gains and losses from extraordinary items and cumulative effects of accounting changes;
 - excluding gains and losses from the sales or disposals of previously depreciated retail operating properties;
 - excluding gains and losses upon acquisition of controlling interests in properties;
 - excluding impairment charges of depreciable real estate;
- plus the allocable portion of FFO of unconsolidated entities accounted for under the equity method of accounting based upon economic ownership interest.

We include in FFO gains and losses realized from the sale of land, marketable and non-marketable securities, and investment holdings of non-retail real estate.

You should understand that our computation of these non-GAAP measures might not be comparable to similar measures reported by other REITs and that these non-GAAP measures:

- do not represent cash flow from operations as defined by GAAP;
- should not be considered as alternatives to net income determined in accordance with GAAP as a measure of operating performance; and
- are not alternatives to cash flows as a measure of liquidity.

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The following schedule reconciles total FFO to net income for the years ended December 31, 2018, 2017 and 2016 (in thousands, except share/unit and per share/unit amounts):

	For the Year Ended December 31,		
	2018	2017	2016
Net income	\$ 108,655	\$ 231,593	\$ 77,416
Less: Preferred dividends and distributions on preferred operating partnership units	(14,272)	(14,272)	(14,272)
Adjustments to Arrive at FFO:			
Real estate depreciation and amortization, including joint venture impact	295,900	292,748	311,038
(Gain) loss on disposition of interests in properties, net including impairment loss	(3,353)	(57,846)	24,066
Net income attributable to noncontrolling interest holders in properties	(76)	(68)	(10)
Noncontrolling interests portion of depreciation and amortization	(35)	(27)	(147)
FFO of the Operating Partnership (1)	386,819	452,128	398,091
FFO allocable to limited partners	60,062	70,837	61,865
FFO allocable to common shareholders/unitholders	\$ 326,757	\$ 381,291	\$ 336,226
Diluted earnings per share/unit	\$ 0.42	\$ 0.98	\$ 0.29
Adjustments to arrive at FFO per share/unit:			
Depreciation and amortization from consolidated properties and our share of real estate depreciation and amortization from unconsolidated properties	1.33	1.32	1.41
(Gain) loss on disposition of interests in properties, net including impairment loss	(0.02)	(0.26)	0.10
Diluted FFO per share/unit	\$ 1.73	\$ 2.04	\$ 1.80
Weighted average shares outstanding - basic	187,696,339	186,829,385	185,633,582
Weighted average limited partnership units outstanding	34,703,770	34,808,890	34,304,109
Weighted average additional dilutive securities outstanding	603,674	337,508	803,805
Weighted average shares/units outstanding - diluted	223,003,783	221,975,783	220,741,496

(1) FFO of the operating partnership decreased \$65.3 million for the year ended December 31, 2018 when compared to the year ended December 31, 2017. During the year ended December 31, 2018, we received \$8.0 million less in FFO related to properties that were disposed of during the period January 1, 2017 through December 31, 2018. We also received \$6.9 million less in FFO from properties that are now held as joint ventures. The majority of this variance can be attributed to properties that were transferred to the O'Connor Joint Venture II during the second quarter of 2017. Interest expense increased by \$15.4 million of which the majority of this increase can be attributed to additional interest expense incurred on our corporate bonds. Additionally, we received \$18.6 million less in comparable NOI from comparable properties. Of this decrease, \$8.0 million is related to co-tenancy and lost rents associated with anchor bankruptcies, an additional \$1.3 million relates to tenant reimbursement revenue decreases related to capital projects, and \$5.9 million in additional property operating expenses which were primarily driven by an increase in insurance costs. Lastly, we experienced a decrease of FFO related to the gain on extinguishment of debt, net of \$39.2 million. During 2017 we recognized \$90.6 million in gain, related to three following transactions: \$21.2 million gain related to the discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall, a \$41.6 million gain related to the discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall; and a \$27.8 million gain related to the transition of Valle Vista Mall to the mortgage lender pursuant to the terms of a deed-in-lieu of foreclosure agreement entered into by an affiliate of WPG Inc. and the mortgage lender concerning the \$40.0 million mortgage loan. During 2018 we recorded a \$51.4 million gain related to the transition of Rushmore Mall to the mortgage lender pursuant to the term of a deed-in-lieu of foreclosure agreement entered into by an affiliate of WPG Inc. and the mortgage lender concerning the \$94.0 million mortgage loan. Offsetting these decreases was \$21.6 million in additional FFO received from the sale of outparcels primarily

related to the sale to Four Corners (see details under "Overview - Basis of Presentation - Outparcel Sale").

We deem NOI and comparable NOI to be important measures for investors and management to use in assessing our operating performance, as these measures enable us to present the core operating results from our portfolio, excluding certain non-cash, corporate-level and nonrecurring items. Specifically, we exclude from operating income the following items in our calculations of comparable NOI:

- straight-line rents and fair value rent amortization;
- management fee allocation to promote comparability across periods; and
- termination income, out-parcel sales and material insurance proceeds, which are deemed to be outside of normal operating results.

The following schedule reconciles comparable NOI for our core portfolio to net income and presents comparable NOI percent change for the years ended December 31, 2018 and 2017 (in thousands):

	For the Year Ended	
	December 31,	
	2018	2017
Net Income	\$108,655	\$231,593
Income from unconsolidated entities	(541)	(1,395)
Income and other taxes	1,532	3,417
Gain on extinguishment of debt, net	(51,395)	(90,579)
Gain on disposition of interests in properties, net	(24,602)	(124,771)
Interest expense, net	141,987	126,541
Operating Income	175,636	144,806
Depreciation and amortization	257,796	258,740
General and administrative	39,090	34,892
Impairment loss	—	66,925
Fee income	(9,527)	(7,906)
Management fee allocation	157	612
Pro-rata share of unconsolidated joint ventures in comp NOI	73,109	58,197
Property allocated corporate expense	14,591	13,683
Non-comparable properties and other ⁽¹⁾	(7,644)	(1,464)
NOI from sold properties	(5,387)	(16,143)
Termination income	(3,457)	(3,492)
Straight-line rents	(3,629)	(2,122)
Ground lease adjustments for straight-line and fair market value	50	65
Fair market value & inducement adjustments to base rents	(8,952)	(7,290)
Less: noncore properties ⁽²⁾	(6,613)	(8,300)
Comparable NOI - core properties	\$515,220	\$531,203
Comparable NOI percentage change	(3.0)%	

Represents an adjustment to remove the NOI amounts from properties not owned and operated in all periods presented, certain non-recurring expenses (such as hurricane related expenses), as well as material insurance proceeds and other non-recurring income received in the periods presented. This also includes adjustments related to the rents from the outparcels sold to Four Corners.

(2) NOI from the noncore properties held in each period presented.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates, primarily LIBOR. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly effective cash flow hedges under GAAP guidance. As of December 31, 2018, \$446.5 million (net of \$8.5 million of debt issuance costs) of our aggregate consolidated indebtedness (15.2% of total consolidated indebtedness) was subject to variable interest rates, excluding amounts outstanding under variable rate loans that have been hedged to fixed interest rates.

If LIBOR rates of interest on our variable rate debt fluctuated, our future earnings and cash flows would be impacted, depending upon the current LIBOR rates and the existence of any derivative contracts currently in effect. Based upon our variable rate debt balance as of December 31, 2018, a 50 basis point increase in LIBOR rates would result in a decrease in earnings and cash flow of \$2.3 million annually and a 50 basis point decrease in LIBOR rates would result in an increase in earnings and cash flow of \$2.3 million annually. This assumes that the amount outstanding under our variable rate debt remains at \$446.5 million, the balance as of December 31, 2018.

Item 8. Financial Statements and Supplementary Data

The financial statements of the Company included in this report are listed in Part IV, Item 15 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Controls and Procedures of Washington Prime Group Inc.

Evaluation of Disclosure Controls and Procedures. WPG Inc. maintains disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that WPG Inc. files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Management of WPG Inc., with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of WPG Inc.'s disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the disclosure controls and procedures of WPG Inc. were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2018, management assessed the effectiveness of WPG Inc.'s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2018, WPG Inc.'s internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that

controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting. Ernst & Young LLP, an independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of its audit, has issued its report, included herein on page F-3, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Controls and Procedures of Washington Prime Group, L.P.

Evaluation of Disclosure Controls and Procedures. WPG L.P. maintains disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that WPG L.P. files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer of WPG Inc., WPG L.P.'s general partner, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Management of WPG L.P., with the participation of the Chief Executive Officer and Chief Financial Officer of WPG Inc., WPG L.P.'s general partner, evaluated the effectiveness of the design and operation of WPG L.P.'s disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of WPG Inc., WPG L.P.'s general partner, concluded that, as of the end of the period covered by this report, WPG L.P.'s disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2018, management assessed the effectiveness of WPG L.P.'s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2018, WPG L.P.'s internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting. Ernst & Young LLP, an independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of its audit, has issued its report, included herein on page F-10, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2019 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2019 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2019 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2019 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2019 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

Part IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

Included herein at pages F-1 through F-51.

2. Financial Statement Schedules

The following financial statement schedule is included herein at pages F-52 through F-56:

Schedule III—Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

3. Exhibits

The following exhibits are filed as part of this Annual Report on Form 10-K:

Exhibit Number	Exhibit Descriptions
2.1	<u>Separation and Distribution Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P., dated as of May 27, 2014 (incorporated by reference to Form 8-K filed on May 29, 2014).</u>
2.2	<u>Purchase, Sale and Escrow Agreement, dated February 25, 2015, by and among WPG-OC Limited Partner, LLC, WPG-OC General Partner, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 8-K filed on February 26, 2015).</u>
2.3	<u>Amendment No. 1 to Purchase, Sale and Escrow Agreement, dated May 29, 2015, by and among WPG-OC Limited Partner, LLC, WPG-OC General Partner, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 10-Q filed on August 5, 2015).</u>
2.4	<u>Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 8-K filed on November 8, 2016).</u>
2.5	<u>First Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company, dated as of January 4, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017).</u>
2.6	<u>Second Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, WPG Management Associates, Inc., WPG-OC Limited Partner II, LLC, O'Connor Mall Partners, L.P., O'Connor Mall Parallel Partners, L.P. and Fidelity National Title Insurance Company, dated as of April 26, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017).</u>
2.7	<u>Third Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, WPG Management Associates, Inc., WPG-OC Limited Partner II, LLC, O'Connor Mall Partners, L.P., O'Connor Mall Parallel Partners, L.P. and Fidelity National Title Insurance Company, dated as of May 11, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017).</u>
3.1	<u>Amended and Restated Articles of Incorporation for the Registrant (incorporated by reference to Form 8-K filed on May 22, 2017).</u>
3.2	<u>Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company Relating to Name Change (incorporated by reference to Form 8-K filed on May 26, 2015).</u>
3.3	<u>Articles of Amendment to the Amended and Restated Articles of Incorporation of Washington Prime Group Inc. relating to corporate name change (incorporated by reference to Form 8-K filed on September 2, 2016).</u>
3.4	<u>Articles of Amendment to the Amended and Restated Articles of Incorporation of the Washington Prime Group Inc. (incorporated by reference to Form 8-K filed on May 22, 2017).</u>
3.5	<u>Amended and Restated Bylaws of Washington Prime Group Inc., effective August 30, 2016 (incorporated by reference to Form 8-K filed on September 2, 2016).</u>
4.1	<u>Indenture, dated as of March 24, 2015, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K filed March 26, 2015).</u>
4.2	<u>First Supplemental Indenture, dated as of March 24, 2015, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K filed March 26, 2015).</u>
4.3	<u>Second Supplemental Indenture, dated as of August 4, 2017, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K August 4, 2017).</u>
4.4	<u>Registration Rights Agreement, dated as of March 24, 2015, by and among Washington Prime Group, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and RBS Securities Inc., as representatives of the initial purchasers named therein (incorporated by reference to Form 8-K filed March 26, 2015).</u>

- 4.5 * Glimcher Realty Trust Amended and Restated 2004 Incentive Compensation Plan (incorporated by reference to S-8 filed January 15, 2015).
- 4.6 * Glimcher Realty Trust 2012 Incentive Compensation Plan (incorporated by reference to S-8 filed January 15, 2015).
- 4.7 * Washington Prime Group, L.P. 2014 Stock Incentive Plan (incorporated by reference to Form 8 K filed May 29, 2014).
- 4.8 Articles of Amendment of Washington Prime Group Inc. setting forth the Terms of Series H Cumulative Redeemable Preferred Stock (incorporated by reference to Form 8 A filed January 14, 2015).

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- 4.9 Articles of Amendment of Washington Prime Group Inc. setting forth the Terms of Series I Cumulative Redeemable Preferred Stock (incorporated by reference to Form 8 A filed January 14, 2015).
- 4.10 Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. (incorporated by reference to Form 8 K filed May 29, 2014).
- 4.11 Amendment No. 2 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series H Preferred Units (incorporated by reference to Form 10 K filed February 26, 2015).
- 4.12 Amendment No. 3 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series I Preferred Units (incorporated by reference to Form 10 K filed February 26, 2015).
- 4.13 Amendment No. 4 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series I 1Preferred Units (incorporated by reference to Form 10 K filed February 26, 2015).
- 10.1 Senior Secured Term Loan Agreement, dated as of June 8, 2016, by and among Washington Prime Group, L.P., WTM Glimcher, LLC, The Huntington National Bank, PNC Bank, National Association, U.S. Bank National Association, and several lenders from time to time (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.2 Term Loan Promissory Note, dated June 8, 2016 (The Huntington National Bank) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.3 Term Loan Promissory Note, dated June 8, 2016 (U.S. Bank National Association) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.4 Term Loan Promissory Note, dated June 8, 2016 (PNC Bank, National Association) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.5 Environmental Indemnity Agreement, dated June 8, 2016, by Washington Prime Group, L.P. and WTM Glimcher, LLC to and for benefit of The Huntington National Bank and other lenders under Senior Secured Term Loan Agreement (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.6 Collateral Assignment of Membership Interest Agreement, dated June 8, 2016, by Weberstown Mall, LLC to The Huntington National Bank and other lenders under Senior Secured Term Loan Agreement (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10 Q filed on August 4, 2016).
- 10.7 Purchase Agreement, dated as of March 17, 2015, by and between Washington Prime Group, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and RBS Securities Inc., as representatives of the initial purchasers named therein, relating to 2.850% Senior Notes due 2020 (incorporated by reference to Form 8-K filed March 23, 2015).
- 10.8 Amended and Restated Revolving Credit and Term Loan Agreement, dated January 22, 2018 (incorporated by reference to Form 8-K January 22, 2018).
- 10.9 Purchase and Sale Agreement, dated as of September 16, 2014, by and between Washington Prime Group, L.P. and Simon Property Group, L.P. (attached as Annex B to the proxy statement/prospectus included in the Form S 4 filed October 28, 2014 (Commission File No. 333 199626)).
- 10.10 First Amendment to Purchase and Sale Agreement, dated as of January 15, 2015, by and between Washington Prime Group, L.P. and Simon Property Group, L.P. (incorporated by reference to Form 10 K filed February 26, 2015).
- 10.11 Transition Services Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by reference to Form 8 K filed May 29, 2014).
- 10.12 Tax Matters Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by reference to Form 8 K filed May 29, 2014).
- 10.13 Employee Matters Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by

reference to Form 8 K filed May 29, 2014).

- 10.14 Form of Indemnification Agreement between Washington Prime Group Inc. and each of its executive officers and directors (incorporated by reference to Amendment No. 3 to Form 10 filed April 21, 2014).
- 10.15* Separation Agreement and General Release by and between WP Glimcher Inc. and Michael P. Glimcher, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).
- 10.16* Resignation and General Release by and between WP Glimcher Inc. and Niles C. Overly, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).
- 10.17* Agreement by and between WP Glimcher Inc. and Louis G. Conforti, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).
- 10.18* Employment Agreement, dated October 6, 2016, by and between Washington Prime Group Inc. and Louis G. Conforti (incorporated by reference to Form 8-K filed on October 11, 2016).

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- 10.19* Employee Restricted Stock Unit Award Agreement, dated October 6, 2016, among Washington Prime Group Inc., Washington Prime Group, L.P. and Louis G. Conforti (incorporated by reference to Form 8-K filed on October 11, 2016).
- 10.20* Description of Terms of 2015 Annual LTIP Unit Awards (incorporated by reference to Form 10 Q filed on May 7, 2015).
- 10.21* Amended and Restated Employment Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Mark E. Yale (incorporated by reference to Form 8-K filed on February 2, 2017).
- 10.22* Amended and Restated Employment Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Robert P. Demchak (incorporated by reference to Form 8-K filed on February 2, 2017).
- 10.23* Employment Agreement between the Washington Prime Group Inc. and Melissa (Lisa) A. Indest, dated August 6, 2018 and effective as of August 3, 2018 (incorporated by reference to Form 8-K filed on August 6, 2018).
- 10.24* First Amendment to Employment Agreement between the Washington Prime Group Inc. and Lisa A. Indest, dated February 12, 2019 and effective as of February 12, 2019 (incorporated by reference to Form 8-K filed on February 15, 2019).
- 10.25* General Release and Amendment to Employment Agreement, dated October 13, 2017, by and between Washington Prime Group Inc. and Keric M. Knerr (incorporated by reference to Form 8-K filed on October 16, 2017).
- 10.26* Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Gregory E. Zimmerman (incorporated by reference to Form 8-K filed on November 8, 2017).
- 10.27* Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Paul Ajdaharian (incorporated by reference to Form 8-K filed on November 8, 2017).
- 10.28* Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Armand Mastropietro (incorporated by reference to Form 8-K filed on November 8, 2017).
- 10.29* First Amendment to the Amended and Restated Employment Agreement between Washington Prime Group Inc. and Robert P. Demchak, dated February 21, 2017 (incorporated by reference to Form 10 Q filed on April 27, 2017).
- 10.30* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Michael P. Glimcher, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.31* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Mark E. Yale, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.32* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Mark S. Ordan dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.33* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Melissa A. Indest, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.34* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Keric M. “Butch” Knerr, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.35* Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Thomas J. Drought, Jr., dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.36* Form of Certificate of Designation of Series 2015B LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 10 Q filed on May 6, 2016).
- 10.37* Certificate of Designation of Series 2014B LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 8 K filed on August 28, 2014).
- 10.38*

- Certificate of Designation of Series 2015A LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 10-Q filed on May 7, 2015).
- 10.39* Form of Non-Employee Director Restricted Stock Unit Award Agreement (incorporated by reference to Form 8-K filed on August 8, 2014).
- 10.40* Form of Series 2014B LTIP Unit Award Agreements with Officers (incorporated by reference to Form 8-K filed on August 28, 2014).
- 10.41* Form of Series 2015A LTIP Unit Award Agreements with Executive Officers Other Than EVP, Legal & Compliance (incorporated by reference to Form 10-Q filed on May 7, 2015).
- 10.42* Form Employee Restricted Stock Unit Award Agreement 2017 (incorporated by reference to Form 10-Q filed on April 27, 2017).
- 10.43* Form Employee Restricted Stock Unit Award Agreement (Employee with Severance Agreement) (incorporated by reference to Form 10-Q filed on April 27, 2017).

- 10.44 * Form Employee Restricted Stock Unit Award Agreement (Employee with Employment Agreement)
(incorporated by reference to Form 10-Q filed on April 27, 2017).
- 10.45 * Form Employee Performance Share Unit Award Agreement (Employee with Employment Agreement)
(incorporated by reference to Form 10-Q filed on April 27, 2017).
- 10.46 * Form Employee Performance Share Unit Award Agreement (Employee without Employment Agreement)
(incorporated by reference to Form 10-Q filed on April 27, 2017).
- 21.1 **List of Subsidiaries
- 23.1 **Consent of Ernst & Young LLP for Washington Prime Group Inc.
- 23.2 **Consent of Ernst & Young LLP for Washington Prime Group, L.P.
Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities
- 31.1 **Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for
Washington Prime Group Inc.
Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities
- 31.2 **Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for
Washington Prime Group Inc.
Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities
- 31.3 **Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for
Washington Prime Group, L.P.
Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities
- 31.4 **Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for
Washington Prime Group, L.P.
Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.
- 32.1 **Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Washington
Prime Group Inc.
Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.
- 32.2 **Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Washington
Prime Group, L.P.
- 101.INS **XBRL Instance Document
- 101.SCH **XBRL Taxonomy Extension Schema Document
- 101.CAL **XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB **XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE **XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF **XBRL Taxonomy Extension Definition Linkbase Document
- * Compensatory plans or arrangements required to be filed pursuant to Item 15(b) of Form 10-K.
- ** Filed electronically herewith.
- Item 16. Form 10-K Summary
- None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WASHINGTON PRIME GROUP INC.

WASHINGTON PRIME GROUP, L.P.

by: Washington Prime Group Inc., its sole general partner

By: /s/ LOUIS G. CONFORTI

Louis G. Conforti

Chief Executive Officer & Director

(Principal Executive Officer)

Dated: February 21, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ ROBERT J. LAIKIN Robert J. Laikin	Chairman of the Board of Directors	February 21, 2019
/s/ LOUIS G. CONFORTI Louis G. Conforti	Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2019
/s/ J. TAGGART BIRGE J. Taggart Birge	Director	February 21, 2019
/s/ JOHN J. DILLON III John J. Dillon III	Director	February 21, 2019
/s/ JOHN F. LEVY John F. Levy	Director	February 21, 2019
/s/ JACQUELYN R. SOFFER Jacquelyn R. Soffer	Director	February 21, 2019
/s/ SHERYL G. VON BLUCHER Sheryl G. von Blucher	Director	February 21, 2019
/s/ MARK E. YALE Mark E. Yale	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2019
/s/ MELISSA A. INDEST		

Executive Vice President, Finance and Chief Accounting Officer
(Principal Accounting Officer)

February 21,
2019

Melissa A. Indest

WASHINGTON PRIME GROUP INC. AND WASHINGTON PRIME GROUP, L.P.
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Report of Independent Registered Public Accounting Firm

The Shareholders and the Board of Directors of Washington Prime Group Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Washington Prime Group Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index to Financial Statements on Page F-1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.

Indianapolis, Indiana

February 21, 2019

Report of Independent Registered Public Accounting Firm

The Shareholders and the Board of Directors of Washington Prime Group Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Washington Prime Group Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Washington Prime Group Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Indianapolis, Indiana
February 21, 2019

Washington Prime Group Inc.
Consolidated Balance Sheets
(dollars in thousands, except share and par value amounts)

	December 31, 2018	December 31, 2017
ASSETS:		
Investment properties at cost	\$ 5,914,705	\$ 5,807,760
Less: accumulated depreciation	2,283,764	2,139,620
	3,630,941	3,668,140
Cash and cash equivalents	42,542	52,019
Tenant receivables and accrued revenue, net	85,463	90,314
Investment in and advances to unconsolidated entities, at equity	433,207	451,839
Deferred costs and other assets	169,135	189,095
Total assets	\$ 4,361,288	\$ 4,451,407
LIABILITIES:		
Mortgage notes payable	\$ 983,269	\$ 1,157,082
Notes payable	982,697	979,372
Unsecured term loans	685,509	606,695
Revolving credit facility	286,002	154,460
Accounts payable, accrued expenses, intangibles, and deferred revenues	253,862	264,998
Distributions payable	2,992	2,992
Cash distributions and losses in unconsolidated entities, at equity	15,421	15,421
Total liabilities	3,209,752	3,181,020
Redeemable noncontrolling interests	3,265	3,265
EQUITY:		
Stockholders' Equity:		
Series H Cumulative Redeemable Preferred Stock, \$0.0001 par value, 4,000,000 shares issued and outstanding as of December 31, 2018 and 2017	104,251	104,251
Series I Cumulative Redeemable Preferred Stock, \$0.0001 par value, 3,800,000 shares issued and outstanding as of December 31, 2018 and 2017	98,325	98,325
Common stock, \$0.0001 par value, 350,000,000 shares authorized; 186,074,461 and 185,791,421 issued and outstanding as of December 31, 2018 and 2017, respectively	19	19
Capital in excess of par value	1,247,639	1,240,483
Accumulated deficit	(456,924)	(350,594)
Accumulated other comprehensive income	6,400	6,920
Total stockholders' equity	999,710	1,099,404
Noncontrolling interests	148,561	167,718
Total equity	1,148,271	1,267,122
Total liabilities, redeemable noncontrolling interests and equity	\$ 4,361,288	\$ 4,451,407

The accompanying notes are an integral part of these statements.

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Washington Prime Group Inc.
Consolidated Statements of Operations and Comprehensive Income
(dollars in thousands, except per share amounts)

	For the Year Ended December 31,		
	2018	2017	2016
REVENUE:			
Minimum rent	\$492,169	\$516,386	\$572,781
Overage rent	9,313	9,115	12,882
Tenant reimbursements	191,319	208,290	236,510
Other income	30,504	24,331	21,302
Total revenues	723,305	758,122	843,475
EXPENSES:			
Property operating	148,433	146,529	166,690
Depreciation and amortization	257,796	258,740	281,150
Real estate taxes	86,665	89,617	102,638
Advertising and promotion	9,070	9,107	10,375
Provision for credit losses	5,826	5,068	4,508
General and administrative	39,090	34,892	37,317
Merger, restructuring and transaction costs	—	—	29,607
Ground rent	789	2,438	4,318
Impairment loss	—	66,925	21,879
Total operating expenses	547,669	613,316	658,482
Interest expense, net	(141,987)	(126,541)	(136,225)
Gain (loss) on disposition of interests in properties, net	24,602	124,771	(1,987)
Gain on extinguishment of debt, net	51,395	90,579	34,612
Income and other taxes	(1,532)	(3,417)	(2,232)
Income (loss) from unconsolidated entities	541	1,395	(1,745)
NET INCOME	108,655	231,593	77,416
Net income attributable to noncontrolling interests	15,051	34,530	10,285
NET INCOME ATTRIBUTABLE TO THE COMPANY	93,604	197,063	67,131
Less: Preferred share dividends	(14,032)	(14,032)	(14,032)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$79,572	\$183,031	\$53,099
EARNINGS PER COMMON SHARE, BASIC AND DILUTED	\$0.42	\$0.98	\$0.29
COMPREHENSIVE INCOME:			
Net income	\$108,655	\$231,593	\$77,416
Unrealized (loss) income on interest rate derivative instruments	(1,284)	2,401	3,801
Comprehensive income	107,371	233,994	81,217
Comprehensive income attributable to noncontrolling interests	14,871	34,927	10,886
Comprehensive income attributable to common shareholders	\$92,500	\$199,067	\$70,331

The accompanying notes are an integral part of these statements.

Washington Prime Group Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)

	For the Year Ended December		
	31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 108,655	\$ 231,593	\$ 77,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including fair value rent, fair value debt, deferred financing costs and equity-based compensation	259,022	259,167	284,960
Gain on extinguishment of debt, net	(51,395)	(90,579)	(34,612)
(Gain) loss on disposition of interests in properties and outparcels, net	(24,602)	(125,063)	1,987
Impairment loss	—	66,925	21,879
Provision for credit losses	5,826	5,068	4,508
(Income) loss from unconsolidated entities	(541)	(1,395)	1,745
Distributions of income from unconsolidated entities	8,619	1,873	804
Changes in assets and liabilities:			
Tenant receivables and accrued revenue, net	327	2,309	(14,054)
Deferred costs and other assets	(23,087)	(21,209)	(14,397)
Accounts payable, accrued expenses, deferred revenues and other liabilities	4,421	(4,058)	(41,249)
Net cash provided by operating activities	287,245	324,631	288,987
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	(80,108)	—	—
Capital expenditures, net	(153,850)	(147,329)	(173,593)
Net proceeds from disposition of interests in properties and outparcels	39,212	218,801	22,653
Investments in unconsolidated entities	(20,178)	(50,911)	(11,631)
Distributions of capital from unconsolidated entities	35,096	73,289	38,086
Net cash (used in) provided by investing activities	(179,828)	93,850	(124,485)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distributions to noncontrolling interest holders in properties	(66)	(114)	—
Redemption of limited partner units/preferred shares	(28)	(251)	(6)
Net proceeds from issuance of common shares, including common stock plans	—	13	512
Distributions to redeemable noncontrolling interest	—	—	(24)
Purchase of redeemable noncontrolling interest	—	(6,830)	(339)
Distributions on common and preferred shares/units	(236,821)	(236,152)	(235,092)
Proceeds from issuance of debt, net of transaction costs	708,563	1,293,322	206,740
Repayments of debt	(588,182)	(1,486,781)	(202,939)
Net cash used in financing activities	(116,534)	(436,793)	(231,148)
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(9,117)	(18,312)	(66,646)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	70,201	88,513	155,159
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 61,084	\$ 70,201	\$ 88,513

The accompanying notes are an integral part of these statements.

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Washington Prime Group Inc.
 Consolidated Statements of Equity
 (dollars in thousands, except per share/unit amounts)

	Preferred Series H	Preferred Series I	Common Stock	Capital in Excess of Par Value	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-Controlling Interests	Total Equity	Redeemable Non-Controlling Interests
Balance, December 31, 2015	\$104,251	\$98,325	\$19	\$1,225,926	\$(214,243)	\$1,716	\$1,215,994	\$191,379	\$1,407,373	\$6,132
Exercise of stock options	—	—	—	512	—	—	512	—	512	—
Redemption of limited partner units	—	—	—	—	—	—	—	(6)	(6)	—
Other	—	—	—	151	—	—	151	—	151	(925)
Adjustment of redemption value for redeemable noncontrolling interest	—	—	—	(5,464)	—	—	(5,464)	—	(5,464)	5,464
Equity-based compensation	—	—	—	9,506	—	—	9,506	4,603	14,109	—
Adjustments to noncontrolling interests	—	—	—	2,007	—	—	2,007	(2,007)	—	—
Distributions on common shares/units (\$1.00 per common share/unit)	—	—	—	—	(185,562)	—	(185,562)	(35,258)	(220,820)	—
Distributions declared on preferred shares	—	—	—	—	(14,032)	—	(14,032)	—	(14,032)	—
Other comprehensive income	—	—	—	—	—	3,200	3,200	601	3,801	—
Net income (loss), excluding \$240 of distributions to preferred unitholders	—	—	—	—	67,131	—	67,131	10,056	77,187	(11)
Balance, December 31, 2016	104,251	98,325	19	1,232,638	(346,706)	4,916	1,093,443	169,368	1,262,811	10,660

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Exercise of stock options	—	—	—	13	—	—	13	—	13	—
Redemption of limited partner units	—	—	—	—	—	—	—	(251)	(251)	—
Exchange of limited partner units	—	—	—	2,463	—	—	2,463	(2,463)	—	—
Other	—	—	—	(146)	) —	—	(146)	) —	(146)) —
Equity-based compensation	—	—	—	5,280	—	—	5,280	1,122	6,402	—
Adjustments to noncontrolling interests	—	—	—	(330)	) —	—	(330)	) 330	—	—
Purchase of redeemable noncontrolling interest	—	—	—	565	—	—	565	—	565	(7,395)
Distributions on common shares/units (\$1.00 per common share/unit)	—	—	—	—	(186,919)	) —	(186,919)	) (35,075)	(221,994)) —
Distributions declared on preferred shares	—	—	—	—	(14,032)	) —	(14,032)	) —	(14,032)) —
Other comprehensive income	—	—	—	—	—	2,004	2,004	397	2,401	—
Net income, excluding \$240 of distributions to preferred unitholders	—	—	—	—	197,063	—	197,063	34,290	231,353	—
Balance, December 31, 2017	104,251	98,325	19	1,240,483	(350,594)	) 6,920	1,099,404	167,718	1,267,122	3,265

The accompanying notes are an integral part of these statements.

Washington Prime Group Inc.
 Consolidated Statements of Equity
 (dollars in thousands, except per share/unit amounts)

	Preferred Series H	Preferred Series I	Common Stock	Capital in Excess of Par Value	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-Controlling Interests	Total Equity	Redeemable Non-Controlling Interests
Cumulative effect of accounting standards	—	—	—	(389)	) 1,890	584	2,085	389	2,474	—
Redemption of limited partner units	—	—	—	—	—	—	—	(28)	(28)	—
Other	—	—	—	(103)	) —	—	(103)	—	(103)	—
Equity-based compensation	—	—	—	7,480	—	—	7,480	842	8,322	—
Adjustments to noncontrolling interests	—	—	—	168	—	—	168	(168)	—	—
Distributions on common shares/units (\$1.00 per common share/unit)	—	—	—	—	(187,792)	) —	(187,792)	(34,823)	(222,615)	—
Distributions declared on preferred shares	—	—	—	—	(14,032)	) —	(14,032)	—	(14,032)	—
Other comprehensive loss	—	—	—	—	—	(1,104)	(1,104)	(180)	(1,284)	—
Net income, excluding \$240 of distributions to preferred unitholders	—	—	—	—	93,604	—	93,604	14,811	108,415	—
Balance, December 31, 2018	\$104,251	\$98,325	\$19	\$1,247,639	\$(456,924)	\$6,400	\$999,710	\$148,561	\$1,148,271	\$3,265

The accompanying notes are an integral part of these statements.

Report of Independent Registered Public Accounting Firm

The Partners of Washington Prime Group L.P.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Washington Prime Group L.P. (the Partnership) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index to Financial Statements on Page F-1 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership’s auditor since 2015.

Indianapolis, Indiana

February 21, 2019

Report of Independent Registered Public Accounting Firm

The Partners of Washington Prime Group, L.P.:

Opinion on Internal Control over Financial Reporting

We have audited Washington Prime Group, L.P.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Washington Prime Group, L.P. (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Partnership and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Indianapolis, Indiana

February 21, 2019

Washington Prime Group, L.P.
 Consolidated Balance Sheets
 (dollars in thousands, except unit amounts)

	December 31, 2018	December 31, 2017
ASSETS:		
Investment properties at cost	\$ 5,914,705	\$ 5,807,760
Less: accumulated depreciation	2,283,764	2,139,620
	3,630,941	3,668,140
Cash and cash equivalents	42,542	52,019
Tenant receivables and accrued revenue, net	85,463	90,314
Investment in and advances to unconsolidated entities, at equity	433,207	451,839
Deferred costs and other assets	169,135	189,095
Total assets	\$ 4,361,288	\$ 4,451,407
LIABILITIES:		
Mortgage notes payable	\$ 983,269	\$ 1,157,082
Notes payable	982,697	979,372
Unsecured term loans	685,509	606,695
Revolving credit facility	286,002	154,460
Accounts payable, accrued expenses, intangibles, and deferred revenues	253,862	264,998
Distributions payable	2,992	2,992
Cash distributions and losses in unconsolidated entities, at equity	15,421	15,421
Total liabilities	3,209,752	3,181,020
Redeemable noncontrolling interests	3,265	3,265
EQUITY:		
Partners' Equity:		
General partner		
Preferred equity, 7,800,000 units issued and outstanding as of December 31, 2018 and 2017	202,576	202,576
Common equity, 186,074,461 and 185,791,421 units issued and outstanding as of December 31, 2018 and 2017, respectively	797,134	896,828
Total general partners' equity	999,710	1,099,404
Limited partners, 34,755,660 and 34,760,026 units issued and outstanding as of December 31, 2018 and 2017, respectively	147,493	166,660
Total partners' equity	1,147,203	1,266,064
Noncontrolling interests	1,068	1,058
Total equity	1,148,271	1,267,122
Total liabilities, redeemable noncontrolling interests and equity	\$ 4,361,288	\$ 4,451,407

The accompanying notes are an integral part of these statements.

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Washington Prime Group, L.P.

Consolidated Statements of Operations and Comprehensive Income

(dollars in thousands, except per unit amounts)

	For the Year Ended December 31,		
	2018	2017	2016
REVENUE:			
Minimum rent	\$492,169	\$516,386	\$572,781
Overage rent	9,313	9,115	12,882
Tenant reimbursements	191,319	208,290	236,510
Other income	30,504	24,331	21,302
Total revenues	723,305	758,122	843,475
EXPENSES:			
Property operating	148,433	146,529	166,690
Depreciation and amortization	257,796	258,740	281,150
Real estate taxes	86,665	89,617	102,638
Advertising and promotion	9,070	9,107	10,375
Provision for credit losses	5,826	5,068	4,508
General and administrative	39,090	34,892	37,317
Merger, restructuring and transaction costs	—	—	29,607
Ground rent	789	2,438	4,318
Impairment loss	—	66,925	21,879
Total operating expenses	547,669	613,316	658,482
Interest expense, net	(141,987)	(126,541)	(136,225)
Gain (loss) on disposition of interests in properties, net	24,602	124,771	(1,987)
Gain on extinguishment of debt, net	51,395	90,579	34,612
Income and other taxes	(1,532)	(3,417)	(2,232)
Income (loss) from unconsolidated entities	541	1,395	(1,745)
NET INCOME	108,655	231,593	77,416
Net income attributable to noncontrolling interests	76	68	11
NET INCOME ATTRIBUTABLE TO UNITHOLDERS	108,579	231,525	77,405
Less: Preferred unit distributions	(14,272)	(14,272)	(14,272)
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS	\$94,307	\$217,253	\$63,133
NET INCOME ATTRIBUTABLE TO COMMON UNITHOLDERS:			
General partner	\$79,572	\$183,031	\$53,099
Limited partners	14,735	34,222	10,034
Net income attributable to common unitholders	\$94,307	\$217,253	\$63,133
EARNINGS PER COMMON UNIT, BASIC AND DILUTED	\$0.42	\$0.98	\$0.29
COMPREHENSIVE INCOME:			
Net income	\$108,655	\$231,593	\$77,416
Unrealized (loss) income on interest rate derivative instruments	(1,284)	2,401	3,801
Comprehensive income	107,371	233,994	81,217
Comprehensive income attributable to noncontrolling interests	76	68	11
Comprehensive income attributable to unitholders	\$107,295	\$233,926	\$81,206

The accompanying notes are an integral part of these statements.

Washington Prime Group, L.P.
Consolidated Statements of Cash Flows
(dollars in thousands)

	For the Year Ended December		
	31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 108,655	\$ 231,593	\$ 77,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, including fair value rent, fair value debt, deferred financing costs and equity-based compensation	259,022	259,167	284,960
Gain on extinguishment of debt, net	(51,395)	(90,579)	(34,612)
(Gain) loss on disposition of interests in properties and outparcels, net	(24,602)	(125,063)	1,987
Impairment loss	—	66,925	21,879
Provision for credit losses	5,826	5,068	4,508
(Income) loss from unconsolidated entities	(541)	(1,395)	1,745
Distributions of income from unconsolidated entities	8,619	1,873	804
Changes in assets and liabilities:			
Tenant receivables and accrued revenue, net	327	2,309	(14,054)
Deferred costs and other assets	(23,087)	(21,209)	(14,397)
Accounts payable, accrued expenses, deferred revenues and other liabilities	4,421	(4,058)	(41,249)
Net cash provided by operating activities	287,245	324,631	288,987
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	(80,108)	—	—
Capital expenditures, net	(153,850)	(147,329)	(173,593)
Net proceeds from disposition of interests in properties and outparcels	39,212	218,801	22,653
Investments in unconsolidated entities	(20,178)	(50,911)	(11,631)
Distributions of capital from unconsolidated entities	35,096	73,289	38,086
Net cash (used in) provided by investing activities	(179,828)	93,850	(124,485)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distributions to noncontrolling interest holders in properties	(66)	(114)	—
Redemption of limited partner/preferred units	(28)	(251)	(6)
Net proceeds from issuance of common units, including equity-based compensation plans	—	13	512
Distributions to redeemable noncontrolling interest	—	—	(24)
Purchase of redeemable noncontrolling interest	—	(6,830)	(339)
Distributions to unitholders, net	(236,821)	(236,152)	(235,092)
Proceeds from issuance of debt, net of transaction costs	708,563	1,293,322	206,740
Repayments of debt	(588,182)	(1,486,781)	(202,939)
Net cash used in financing activities	(116,534)	(436,793)	(231,148)
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(9,117)	(18,312)	(66,646)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	70,201	88,513	155,159
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$61,084	\$70,201	\$88,513

The accompanying notes are an integral part of these statements.

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Washington Prime Group, L.P.

Consolidated Statements of Equity

(dollars in thousands, except per unit amounts)

	General Partner			Limited Partners	Total Partners' Equity	Non-Controlling Interests	Total Equity	Redeemable Non-Controlling Interests
	Preferred	Common	Total					
Balance, December 31, 2015	\$202,576	\$1,013,418	\$1,215,994	\$190,297	\$1,406,291	\$1,082	\$1,407,373	\$6,132
Exercise of stock options	—	512	512	—	512	—	512	—
Redemption of limited partner units	—	—	—	(6)	(6)	—	(6)	—
Other	—	151	151	—	151	—	151	(925)
Adjustment of redemption value for redeemable noncontrolling interest	—	(5,464)	(5,464)	—	(5,464)	—	(5,464)	5,464
Equity-based compensation	—	9,506	9,506	4,603	14,109	—	14,109	—
Adjustments to limited partners' interests	—	2,007	2,007	(2,007)	—	—	—	—
Distributions to common unitholders, net	—	(185,562)	(185,562)	(35,258)	(220,820)	—	(220,820)	—
Distributions declared on preferred units	(14,032)	—	(14,032)	—	(14,032)	—	(14,032)	(240)
Other comprehensive income	—	3,200	3,200	601	3,801	—	3,801	—
Net income	14,032	53,099	67,131	10,034	77,165	22	77,187	229
Balance, December 31, 2016	202,576	890,867	1,093,443	168,264	1,261,707	1,104	1,262,811	10,660
Exercise of stock options	—	13	13	—	13	—	13	—
Redemption of limited partner units	—	—	—	(251)	(251)	—	(251)	—
Exchange of limited partner units	—	2,463	2,463	(2,463)	—	—	—	—
Other	—	(146)	(146)	—	(146)	—	(146)	—
Equity-based compensation	—	5,280	5,280	1,122	6,402	—	6,402	—

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Adjustments to noncontrolling interests	—	(330)	(330)	330	—	—	—	—
Purchase of redeemable noncontrolling interest	—	565	565	—	565	—	565	(7,395)
Distributions to common unitholders, net	—	(186,919)	(186,919)	(34,961)	(221,880)	(114)	(221,994)	—
Distributions declared on preferred units	(14,032)	—	(14,032)	—	(14,032)	—	(14,032)	(240)
Other comprehensive income	—	2,004	2,004	397	2,401	—	2,401	—
Net income	14,032	183,031	197,063	34,222	231,285	68	231,353	240
Balance, December 31, 2017	202,576	896,828	1,099,404	166,660	1,266,064	1,058	1,267,122	3,265

The accompanying notes are an integral part of these statements.

Washington Prime Group, L.P.

Consolidated Statements of Equity

(dollars in thousands, except per unit amounts)

	General Partner			Limited Partners	Total Partners' Equity	Non-Controlling Interests	Total Equity	Redeemable Non-Controlling Interests
	Preferred	Common	Total					
Cumulative effect of accounting standards	—	2,085	2,085	389	2,474	—	2,474	—
Redemption of limited partner units	—	—	—	(28)	(28)	—	(28)	—
Other	—	(103)	(103)	—	(103)	—	(103)	—
Equity-based compensation	—	7,480	7,480	842	8,322	—	8,322	—
Adjustments to noncontrolling interests	—	168	168	(168)	—	—	—	—
Distributions to common unitholders, net	—	(187,792)	(187,792)	(34,757)	(222,549)	(66)	(222,615)	—
Distributions declared on preferred units	(14,032)	—	(14,032)	—	(14,032)	—	(14,032)	(240)
Other comprehensive loss	—	(1,104)	(1,104)	(180)	(1,284)	—	(1,284)	—
Net income	14,032	79,572	93,604	14,735	108,339	76	108,415	240
Balance, December 31, 2018	\$202,576	\$797,134	\$999,710	\$147,493	\$1,147,203	\$1,068	\$1,148,271	\$3,265

The accompanying notes are an integral part of these statements.

Washington Prime Group Inc. and Washington Prime Group, L.P.
Notes to Consolidated Financial Statements
(dollars in thousands, except share, unit and per share amounts and
where indicated as in millions or billions)

1. Organization

Washington Prime Group Inc. ("WPG Inc.") is an Indiana corporation that operates as a fully integrated, self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). WPG Inc. will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute at least 90% of its REIT taxable income, exclusive of net capital gains, and satisfy certain other requirements. WPG Inc. will generally be allowed a deduction against its U.S. federal income tax liability for dividends paid by it to REIT shareholders, thereby reducing or eliminating any corporate level taxation to WPG Inc. Washington Prime Group, L.P. ("WPG L.P.") is WPG Inc.'s majority-owned limited partnership subsidiary that owns, develops and manages, through its affiliates, all of WPG Inc.'s real estate properties and other assets. WPG Inc. is the sole general partner of WPG L.P. On May 28, 2014, WPG separated from Simon Property Group ("SPG") through the distribution of 100% of the outstanding units of WPG L.P. to the owners of Simon Property Group L.P. and 100% of the outstanding shares of WPG Inc. to the SPG common shareholders in a tax-free distribution. Prior to the separation, WPG Inc. and WPG L.P. were wholly owned subsidiaries of SPG and its subsidiaries. On January 15, 2015, the Company acquired Glimcher Realty Trust ("GRT") in a stock and cash transaction valued at approximately \$4.2 billion, including the assumption of debt. As of December 31, 2018, our assets consisted of material interests in 108 shopping centers in the United States, consisting of open air properties and enclosed retail properties, comprised of approximately 58 million square feet (unaudited) of managed gross leasable area ("GLA").

Unless the context otherwise requires, references to "WPG," the "Company," "we," "us" or "our" refer to WPG Inc., WPG L.P. and entities in which WPG Inc. or WPG L.P. (or any affiliate) has a material ownership or financial interest, on a consolidated basis.

We derive our revenues primarily from retail tenant leases, including fixed minimum rent leases, overage and percentage rent leases based on tenants' sales volumes, offering property operating services to our tenants and others, including energy, waste handling and facility services, and reimbursements from tenants for certain recoverable expenditures such as property operating, real estate taxes, repair and maintenance, and advertising and promotional expenses.

We seek to enhance the performance of our properties and increase our revenues by, among other things, securing leases of anchor and inline tenant spaces, re-developing or renovating existing properties to increase the leasable square footage, and increasing the productivity of occupied locations through aesthetic upgrades, re-merchandising and/or changes to the retail use of the space.

Leadership Changes and Severance Impacting Financial Results

2018 Activity

On May 7, 2018, the Company's Executive Vice President, Property Management was terminated without cause from his position and received severance payments and other benefits pursuant to the terms and conditions of his employment agreement. In addition, the Company terminated without cause additional non-executive personnel in the Property Management department. In connection with and as part of the aforementioned management and personnel changes, the Company recorded aggregate severance charges of \$2.0 million, including \$0.5 million of non-cash stock compensation in the form of accelerated vesting of equity incentive awards, which costs are included in general and administrative expense in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2018.

2016 Activity

On June 20, 2016, the Company announced the following leadership changes: (1) the resignation of Mr. Michael P. Glimcher as the Company's Chief Executive Officer and Vice Chairman of the Board; (2) the appointment of Mr. Louis G. Conforti, a current Board member, as Interim Chief Executive Officer; (3) the resignation of Mr. Mark S. Ordan as non-executive Chairman of the Board; and (4) the resignation of Mr. Niles C. Overly from the Board. In July

of 2016, the Company terminated some additional executive and non-executive personnel as part of an effort to reduce overhead costs. On October 6, 2016, the Company announced that Mr. Conforti would serve as the Company's Chief Executive Officer for a term ending December 31, 2019, subject to early termination clauses and automatic renewals pursuant to his employment agreement.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

In connection with and as part of the aforementioned management changes, the Company recorded a charge of \$29.6 million during the year ended December 31, 2016, of which \$25.5 million related to severance and restructuring-related costs, including \$9.5 million of non-cash stock compensation for accelerated vesting of equity incentive awards, and \$4.1 million related to fees and expenses incurred in connection with the Company's investigation of various strategic alternatives, which costs are included in merger, restructuring and transaction costs in the accompanying consolidated statements of operations and comprehensive income.

2. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated balance sheets as of December 31, 2018 and 2017 include the accounts of WPG Inc. and WPG L.P., as well as their majority owned and controlled subsidiaries. The accompanying consolidated statements of operations include the consolidated accounts of the Company. All intercompany transactions have been eliminated in consolidation.

General

These consolidated financial statements reflect the consolidation of properties that are wholly owned or properties in which we own less than a 100% interest but that we control. Control of a property is demonstrated by, among other factors, our ability to refinance debt and sell the property without the consent of any other unaffiliated partner or owner, and the inability of any other unaffiliated partner or owner to replace us.

We consolidate a variable interest entity ("VIE") when we are determined to be the primary beneficiary.

Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our determination of the primary beneficiary of a VIE considers all relationships between us and the VIE, including management agreements and other contractual arrangements. As of December 31, 2018, we have two VIEs which consist of our interest in WPG L.P. and undeveloped land, respectively.

There have been no changes during the year ended December 31, 2018 to any of our previous conclusions about whether an entity qualifies as a VIE or whether we are the primary beneficiary of any previously identified VIE. During the year ended December 31, 2018, we did not provide financial or other support to a previously identified VIE that we were not previously contractually obligated to provide.

Investments in partnerships and joint ventures represent our noncontrolling ownership interests in properties. We account for these investments using the equity method of accounting. We initially record these investments at cost and we subsequently adjust for net equity in income or loss, which we allocate in accordance with the provisions of the applicable partnership or joint venture agreement and cash contributions and distributions, if applicable. The allocation provisions in the partnership or joint venture agreements are not always consistent with the legal ownership interests held by each general or limited partner or joint venture investee primarily due to partner preferences. We separately report investments in joint ventures for which accumulated distributions have exceeded investments in and our share of net income from the joint ventures within cash distributions and losses in unconsolidated entities, at equity in the consolidated balance sheets. The net equity of certain joint ventures is less than zero because of financing or operating distributions that are usually greater than net income, as net income includes non-cash charges for depreciation and amortization, and WPG has historically committed to or intends to fund the venture.

As of December 31, 2018, our assets consisted of material interests in 108 shopping centers. The consolidated financial statements as of that date reflect the consolidation of 91 wholly owned properties and four additional properties that are less than wholly owned, but which we control or for which we are the primary beneficiary. We account for our interests in the remaining 13 properties, or the joint venture properties, using the equity method of accounting. While we manage the day-to-day operations of the joint venture properties, we do not control the operations as we have determined that our partner or partners have substantive participating rights with respect to the

assets and operations of these joint venture properties.

We allocate net operating results of WPG L.P. to third parties and to WPG Inc. based on the partners' respective weighted average ownership interests in WPG L.P. Net operating results of WPG L.P. attributable to third parties are reflected in net income attributable to noncontrolling interests. WPG Inc.'s weighted average ownership interest in WPG L.P. was 84.4%, 84.3% and 84.1% for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, WPG Inc.'s ownership interest in WPG L.P. was 84.4% and, 84.3% respectively. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in WPG L.P.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents generally consist of commercial paper, bankers' acceptances, repurchase agreements, and money market deposits or securities. Financial instruments that potentially subject us to concentrations of credit risk include our cash and cash equivalents and our tenant receivables. We place our cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents may be in excess of FDIC and SIPC insurance limits.

Investment Properties

We record investment properties at fair value when acquired. Investment properties include costs of acquisitions; development, predevelopment, and construction (including allocable salaries and related benefits); tenant allowances and improvements; and interest and real estate taxes incurred during construction. We capitalize improvements and replacements from repair and maintenance when the repair and maintenance extends the useful life, increases capacity, or improves the efficiency of the asset. All other repair and maintenance items are expensed as incurred. We capitalize interest on projects during periods of construction until the projects are ready for their intended purpose based on interest rates in place during the construction period. Capitalized interest for the years ended December 31, 2018, 2017 and 2016 was \$2,234, \$1,521 and \$2,640, respectively.

We record depreciation on buildings and improvements utilizing the straight-line method over an estimated original useful life, which is generally five to 40 years. We review depreciable lives of investment properties periodically and we make adjustments when necessary to reflect a shorter economic life. We amortize tenant allowances and tenant improvements utilizing the straight-line method over the term of the related lease or occupancy term of the tenant, if shorter. We record depreciation on equipment and fixtures utilizing the straight-line method over three to ten years. We review investment properties for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable. These circumstances include, but are not limited to, declines in a property's cash flows, ending occupancy, estimated market values or our decision to dispose of a property before the end of its estimated useful life. Furthermore, this evaluation is conducted no less frequently than quarterly, irrespective of changes in circumstances. We measure any impairment of investment property when the estimated undiscounted operating income before depreciation and amortization plus its residual value is less than the carrying value of the property. To the extent impairment has occurred, we charge to expense the excess of carrying value of the property over its estimated fair value. We estimate fair value using unobservable data such as operating income, estimated capitalization rates, leasing prospects and local market information. We may decide to dispose properties that are held for use and the consideration received from these property dispositions may differ from their carrying values. We also review our investments, including investments in unconsolidated entities, if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. We will record an impairment charge if we determine that a decline in the fair value of the investments in unconsolidated entities is other-than-temporary. Changes in economic and operating conditions that occur subsequent to our review of recoverability of investment property and other investments in unconsolidated entities could impact the assumptions used in that assessment and could result in future charges to earnings if assumptions regarding those investments differ from actual results. See the "Impairment" section within Note 4 - "Investment in Real Estate" for a discussion of recent impairments.

Investments in Unconsolidated Entities

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties, and diversify our risk in a particular property or portfolio of properties. We held material unconsolidated joint venture ownership interests in 13 properties as of December 31, 2018 and 2017 (see Note 5 - "Investment in Unconsolidated Entities, at Equity").

Certain of our joint venture properties are subject to various rights of first refusal, buy-sell provisions, put and call rights, or other sale or marketing rights for partners which are customary in real estate joint venture agreements and the industry. We and our partners in these joint ventures may initiate these provisions (subject to any applicable lock up or similar restrictions), which may result in either the sale of our interest or the use of available cash or borrowings to acquire the joint venture interest from our partner.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Fair Value Measurements

The Company measures and discloses its fair value measurements in accordance with Accounting Standards Codification ("ASC") Topic 820 - "Fair Value Measurement" ("Topic 820"). Topic 820 guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy, as defined by Topic 820, contains three levels of inputs that may be used to measure fair value as follows:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 6 - "Indebtedness" includes a discussion of the fair value of debt measured using Level 1 and Level 2 inputs.

Note 4 - "Investment in Real Estate" includes a discussion of the fair value inputs used in our impairment analyses, using Level 3 inputs, primarily. Level 3 inputs include our estimations of net operating results of the property, capitalization rates and discount rates.

The Company has derivatives that must be measured under the fair value standard (see Note 7 - "Derivative Financial Instruments"). The Company currently does not have any non-financial assets and non-financial liabilities that are required to be measured at fair value on a recurring basis.

Purchase Accounting Valuation

We record the total consideration of acquisitions, including transaction costs as permitted under Accounting Standards Update ("ASU ") 2017-1, "Business Combinations (Topic 805): Clarifying the Definition of a Business," and any excess investment in unconsolidated entities to the various components of the acquisition based upon the fair value of each component which may be derived from various Level 2 and Level 3 inputs. Level 3 inputs include our estimations of net operating results of the property, capitalization rates and discount rates. Also, we may utilize third party valuation specialists. These components typically include buildings, land and intangibles related to in-place leases and we estimate:

- the fair value of land and related improvements and buildings on an as-if-vacant basis;
- the market value of in-place leases based upon our best estimate of current market rents and amortize the resulting market rent adjustment into revenues;
- the value of costs to obtain tenants, including tenant allowances and improvements and leasing commissions; and
- the value of revenue and recovery of costs foregone during a reasonable lease-up period, as if the space was vacant.

The fair value of buildings is depreciated over the estimated remaining life of the acquired buildings or related improvements. We amortize tenant improvements, in-place lease assets and other lease-related intangibles over the remaining life of the underlying leases. We also estimate the value of other acquired intangible assets, if any, which are amortized over the remaining life of the underlying related intangibles.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Use of Estimates

We prepared the accompanying consolidated financial statements in accordance with GAAP. This requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported period. Our actual results could differ from these estimates.

Segment Disclosure

Our primary business is the ownership, development and management of retail real estate. We have aggregated our operations, including enclosed retail properties and open air properties, into one reportable segment because they have similar economic characteristics and we provide similar products and services to similar types of, and in many cases, the same tenants.

New Accounting Pronouncements

Adoption of New Standards

On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" using the modified retrospective approach. ASU 2014-09 revised GAAP by offering a single comprehensive revenue recognition standard instead of numerous revenue requirements for particular industries or transactions, which sometimes resulted in different accounting for economically similar transactions. The impacted revenue streams primarily consist of fees earned from management, development and leasing services provided to joint ventures in which we own an interest and other ancillary income earned from our properties. Upon adoption, we recorded a cumulative-effect adjustment to increase equity of approximately \$2.5 million related to changes in the revenue recognition pattern of lease commissions earned by the Company from our joint ventures. We do not expect the adoption of ASU 2014-09 to have a material impact to our net income on an ongoing basis.

Additionally, we adopted the clarified scope guidance of ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets" in conjunction with ASU 2014-09, using the modified retrospective approach. ASC 610-20 applies to the sale, transfer and derecognition of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales, and eliminates the guidance specific to real estate in ASC 360-20. With respect to full disposals, the recognition will generally be consistent with our current measurement and pattern of recognition. With respect to partial sales of real estate to joint ventures, the new guidance requires us to recognize a full gain where an equity investment is retained. These transactions could result in a basis difference as we will be required to measure our retained equity interest at fair value, whereas the joint venture may continue to measure the assets received at carryover basis. No adjustments were required upon adoption of this standard.

On January 1, 2018, we adopted ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 aims to reduce complexity in cash value hedges of interest rate risk and eliminates the requirement to separately measure and report hedge ineffectiveness, generally requiring the entire change in the fair value of the hedging instrument to be presented in the same income statement line as the hedged item. Upon adoption, we recorded a cumulative-effect adjustment of \$0.6 million between accumulated other comprehensive income and retained earnings.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The cumulative effect of the changes to our consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09 and ASU 2017-12 were as follows:

	Balance at December 31, 2017	Adjustments Due to ASU 2014-09	Adjustments Due to ASU 2017-12	Balance at January 1, 2018
Balance Sheet				
Liabilities				
Accounts payable, accrued expenses, intangibles, and deferred revenues	\$264,998	\$ (2,474)	\$ —	\$262,524
Equity				
Capital in excess of par value	\$1,240,483	\$ (389)	\$ —	\$1,240,094
Accumulated deficit	\$(350,594)	\$ 2,474	\$ (584)	\$(348,704)
Accumulated other comprehensive income	\$6,920	\$ —	\$ 584	\$7,504
Noncontrolling interests	\$167,718	\$ 389	\$ —	\$168,107

In accordance with ASU 2014-09 requirements, the disclosure of the impact of adoption on our consolidated statements of operations for the year ended December 31, 2018 and consolidated balance sheet as of December 31, 2018 were as follows:

	For the Year Ended December 31, 2018		
	As Reported	Balances Without Adoption of ASU 2014-09	Effect of Change Higher/(Lower)
Consolidated Statements of Operations			
Revenues			
Other income	\$30,504	\$29,954	\$ 550
December 31, 2018			
	As Reported	Balances Without Adoption of ASU 2014-09	Effect of Change Higher/(Lower)
Balance Sheet			
Liabilities			
Accounts payable, accrued expenses, intangibles, and deferred revenues	\$253,862	\$256,886	\$ (3,024)
Equity			
Capital in excess of par value	\$1,247,639	\$1,248,111	\$ (472)
Accumulated deficit	\$(456,924)	\$(459,948)	\$ 3,024
Noncontrolling interests	\$148,561	\$148,089	\$ 472

On January 1, 2018, we adopted ASU 2016-15, "Statement of Cash Flows (Topic 230)" and ASU 2016-18 "Restricted Cash" using a retrospective transition approach, which changed our statements of cash flows and related disclosures

for all periods presented. ASU 2016-15 is intended to reduce diversity in practice with respect to how certain transactions are classified in the statement of cash flows and its adoption had no impact on our financial statements. ASU 2016-18 requires that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following is a summary of our cash, cash equivalents and restricted cash total as presented in our statements of cash flows for the years ended December 31, 2018, 2017 and 2016:

	For the Year Ended		
	December 31,		
	2018	2017	2016
Cash and cash equivalents	\$42,542	\$52,019	\$59,353
Restricted cash	18,542	18,182	29,160
Total cash, cash equivalents and restricted cash	\$61,084	\$70,201	\$88,513

For the year ended December 31, 2017, restricted cash related to cash flows provided by operating activities of \$2.9 million, restricted cash related to cash flows used in investing activities of \$6.4 million, and restricted cash related to cash flows used in financing activities of \$1.7 million were reclassified. For the year ended December 31, 2016, restricted cash related to cash flows provided by operating activities of \$0.8 million, restricted cash related to cash flows used in investing activities of \$1.5 million, and restricted cash related to cash flows used in financing activities of \$10.4 million were reclassified. Restricted cash primarily relates to cash held in escrow for payment of real estate taxes and property reserves for maintenance, expansion or leasehold improvements as required by our mortgage loans. Restricted cash is included in "Deferred costs and other assets" in the accompanying balance sheets as of December 31, 2018 and December 31, 2017.

New Standards Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. It is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. In July 2018, the FASB approved an amendment that provides an entity the optional transition method to initially account for the impact of the adoption ASU 2016-02 with a cumulative adjustment to retained earnings on January 1, 2019 (the effective date of the ASU), rather than January 1, 2017, which would eliminate the need to restate amounts presented prior to January 1, 2019. We will utilize this optional transition method. From a lessee perspective, the Company currently has four material ground leases, two material office leases, and one material garage lease that, under the new guidance, will result in the recognition of a lease liability and corresponding right-of-use asset. As of December 31, 2018, undiscounted future minimum lease payments due under these leases total approximately \$31.1 million with termination dates which range from 2023 to 2076 and we expect the recognized lease liability and corresponding right-of-use asset to not exceed \$20.0 million upon adoption.

From a lessor perspective, the new guidance remains mostly similar to current rules, though contract consideration will now be allocated between lease and non-lease components. Non-lease component allocations will be recognized under ASU 2014-09, and we expect that this will result in a different pattern of recognition for certain non-lease components, including for fixed common-area ("CAM") revenues. However, the FASB's amendment to ASU 2016-02 referred to above allows lessors to elect, as a practical expedient, not to allocate the total consideration to lease and non-lease components based on their relative standalone selling prices. This practical expedient allows lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the combined single component would be classified as an operating lease. We believe we meet the criteria to use this practical expedient and we plan to elect this practical expedient upon the effective date. In addition, ASU 2016-02 limits the capitalization of leasing costs to initial direct costs, which will likely result in a reduction to our capitalized leasing costs and an increase to general and administrative expenses, though the amount of such changes is highly dependent upon the leasing compensation structures in place at the time of adoption. For the years ended December 31, 2018 and 2017, the Company deferred

\$17.7 million and \$16.9 million of internal leasing costs, respectively. From a lessor perspective, other than the reduction to capitalized leasing costs and increase to general and administrative expenses related to internal leasing costs based on the Company's current leasing compensation structure, which is not expected to change significantly upon adoption of ASU 2016-02, we do not expect the adoption of ASU 2016-02 to have a material impact to the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurements (ASC 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements." ASU 2018-13 eliminates certain disclosure requirements for all entities, requires public entities to disclose certain new information, and modifies some disclosure requirements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Deferred Costs and Other Assets

Deferred costs and other assets include the following as of December 31, 2018 and 2017:

	2018	2017
Deferred leasing costs and corporate improvements, net	\$74,260	\$79,079
In-place lease intangibles, net	38,453	46,627
Acquired above market lease intangibles, net	18,827	24,254
Mortgage and other escrow deposits	18,542	18,182
Prepays, notes receivable and other assets, net	19,053	20,953
	\$169,135	\$189,095

During the year ended December 31, 2018, the Company received the remaining \$5.3 million outstanding on the promissory note receivable related to the August 19, 2016 sale of Knoxville Center, located in Knoxville, Tennessee (see Note 4 - "Investment in Real Estate" for details).

Deferred Leasing Costs and Corporate Improvements

Our deferred leasing costs consist of salaries and related benefits, including fees charged by SPG in conjunction with the 2014 spin-off (see Note 11- "Related Party Transactions" for further details), for salaries and related benefits incurred in connection with lease originations, and fees paid to third party brokers. We record amortization of deferred leasing costs on a straight-line basis over the terms of the related leases. Details of deferred leasing costs and corporate improvements as of December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred leasing costs	\$142,903	\$143,667
Corporate improvements	6,072	5,324
Accumulated amortization	(74,715)	(69,912)
Deferred lease costs and corporate improvements, net	\$74,260	\$79,079

Amortization of deferred leasing costs is a component of depreciation and amortization expense. The accompanying consolidated statements of operations include amortization expense of \$27.9 million, \$25.9 million, and \$26.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Revenue Recognition

The following tables disaggregate our revenue by major source for the years ended December 31, 2018, 2017 and 2016:

	For the Year Ended December 31, 2018				Total
	Minimum rent	Overage rent	Tenant reimbursements	Other income	
Lease related	\$492,169	\$9,313	\$191,319	\$3,457	\$696,258
Ancillary	—	—	—	10,275	10,275
Fee related	—	—	—	9,527	9,527
Other ⁽¹⁾	—	—	—	7,245	7,245
Total revenues	\$492,169	\$9,313	\$191,319	\$30,504	\$723,305

(1) Primarily relates to insurance proceeds received from property insurance claims and excess franchise tax refunds for a previously-owned property.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

	For the Year Ended December 31, 2017				Total
	Minimum rent	Overage rent	Tenant reimbursements	Other income	
Lease related	\$516,386	\$9,115	\$208,290	\$3,492	\$737,283
Ancillary	—	—	—	9,848	9,848
Fee related	—	—	—	7,906	7,906
Other	—	—	—	3,085	3,085
Total revenues	\$516,386	\$9,115	\$208,290	\$24,331	\$758,122
	For the Year Ended December 31, 2016				Total
	Minimum rent	Overage rent	Tenant reimbursements	Other income	
Lease related	\$572,781	\$12,882	\$236,510	\$1,310	\$823,483
Ancillary	—	—	—	10,111	10,111
Fee related	—	—	—	6,709	6,709
Other	—	—	—	3,172	3,172
Total revenues	\$572,781	\$12,882	\$236,510	\$21,302	\$843,475

Minimum Rent

Minimum rent is recognized on a straight-line basis over the terms of their respective leases. Minimum rent also includes accretion related to above-market and below-market lease intangibles related to the acquisition of operating properties. We amortize any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the related lease or occupancy term of the tenant, if shorter.

Overage Rent

A large number of our retail tenants are also required to pay overage rents based on sales over a stated base amount during the lease year. We recognize overage rents only when each tenant's sales exceed the applicable sales threshold as defined in their lease.

Tenant Reimbursements

A substantial portion of our leases require the tenant to reimburse us for a material portion of our property operating expenses, including CAM, real estate taxes and insurance. Such property operating expenses typically include utility, insurance, security, janitorial, landscaping, food court and other administrative expenses. Tenant reimbursements are established in the leases or computed based upon a formula related to real estate taxes, insurance and other property operating expenses and are recognized as revenues in the period they are earned. When not reimbursed by the fixed CAM component, CAM expense reimbursements are based on the tenant's proportionate share of the allocable operating expenses and CAM capital expenditures for the property. We accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. We recognize differences between estimated recoveries and the final billed amounts in the subsequent year.

Other Income

Lease related: We collect lease termination income from tenants to allow for the tenant to vacate their space prior to their scheduled lease termination date. We recognize lease termination income in the period when a termination agreement is signed, collectability is assured, and we are no longer obligated to provide space to the tenant. In the event that a tenant is in bankruptcy when the termination agreement is signed, termination fee income is deferred and recognized when, and if, it is received.

Ancillary: We seek to monetize our common areas through robust ancillary programs. These programs include destination holiday experiences, customer service programs, sponsored children's play areas and local events, and static and digital media initiatives. We enter into agreements with unrelated third parties under these programs and charge a negotiated fee in exchange for providing the unrelated third party access to the common area as defined

under the respective agreements. We recognize the fee as revenue as we satisfy our performance obligations, which typically occurs over one year.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Fee related: We collect fee income primarily from our unconsolidated joint ventures in exchange for providing management, leasing, and development services. Management fees are charged as a percentage of revenues (as defined in the applicable management agreements) and are recognized as revenue as we render such services. Leasing fees are charged on a fixed amount per square foot signed or a percentage of net rent negotiated within the underlying lease and are recognized upon lease execution. Development fees are charged on a contractual percentage of hard costs to develop the respective asset and are recognized as we satisfy our obligation to provide the development services.

Allowance for Credit Losses

We record a provision for credit losses based on our judgment of a tenant's creditworthiness, ability to pay and probability of collection. In addition, we also consider the retail sector in which the tenant operates and our historical collection experience in cases of bankruptcy, if applicable. Accounts are written off when they are deemed to be no longer collectible. The activity in the allowance for credit losses, which are included in "Tenant receivables and accrued revenue, net" in the accompanying balance sheets, during the years ended December 31, 2018, 2017 and 2016 is as follows:

	For the Year Ended		
	December 31,		
	2018	2017	2016
Balance, beginning of year	\$7,867	\$8,578	\$4,222
Provision for credit losses	5,826	5,068	4,508
Accounts deconsolidated upon joint venture formation (see Note 5)	—	(1,271)	—
Accounts written off, net of recoveries, and other	(3,562)	(4,508)	(152)
Balance, end of year	\$10,131	\$7,867	\$8,578

Income and Other Taxes

WPG Inc. has elected to be taxed as a REIT under Sections 856 through 860 of the Code and applicable Treasury regulations relating to REIT qualification. In order to maintain REIT status, the regulations require the entity to distribute at least 90% of taxable income, exclusive of net capital gains, to its owners and meet certain other asset and income tests as well as other requirements. WPG Inc. intends to continue to adhere to these requirements and maintain its REIT status and that of its REIT subsidiaries. As a REIT, WPG Inc. will generally not be liable for federal corporate income taxes as long as it continues to distribute at least of 100% of its taxable income. Thus, we made no provision for federal income taxes on WPG Inc. in the accompanying consolidated financial statements. If WPG Inc. fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it failed to qualify. If WPG Inc. loses its REIT status it could not elect to be taxed as a REIT for four years unless its failure to qualify was due to reasonable cause and certain other conditions were satisfied.

We have also elected taxable REIT subsidiary ("TRS") status for some of WPG Inc.'s subsidiaries. This enables us to provide services that would otherwise be considered impermissible for REITs and participate in activities that do not qualify as "rents from real property." For the years ended December 31, 2018, 2017 and 2016, we recorded federal income tax provisions (benefits) of \$525, \$(87), and \$227, respectively, related to the taxable income generated by the TRS entities, which is included in income and other taxes in the accompanying consolidated statements of operations and comprehensive income. For these entities, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates to be in effect when the temporary differences reverse. There were no deferred tax assets or liabilities for the years ended December 31, 2018 and 2017 as a result of federal and state net operating loss carryovers.

A valuation allowance for deferred tax assets is provided if we believe all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income.

There were no valuation allowances as of December 31, 2018 and 2017, respectively, as the TRS did not have any net operating loss carryovers. As of December 31, 2018 and 2017, the TRS had no net deferred tax assets related to net operating loss carryovers.

We are also subject to certain other taxes, including state and local taxes and franchise taxes, which are included in income and other taxes in the accompanying consolidated statements of operations and comprehensive income. For federal income tax purposes, the cash distributions paid to WPG Inc.'s common and preferred shareholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. Tax law permits certain characterization of distributions which could result in differences between cash basis and tax basis distribution amounts.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following characterizes distributions paid per common and preferred share on a tax basis for the years ended December 31, 2018, 2017 and 2016:

	2018		2017		2016	
	\$	%	\$	%	\$	%
Common shares						
Ordinary income	\$1.0000	100.00%	\$0.4306	43.06%	\$0.6128	61.28%
Capital gain	—	—	0.5694	56.94%	—	—
Non-dividend distributions	—	—	—	—	0.3872	38.72%
	\$1.0000	100.00%	\$1.0000	100.00%	\$1.0000	100.00%
Series H Preferred Shares						
Ordinary income	\$1.8752	100.00%	\$1.0093	43.06%	\$1.4064	100.00%
Capital gain	—	—	1.3347	56.94%	—	—
	\$1.8752	100.00%	\$2.3440	100.00%	\$1.4064	100.00%
Series I Preferred Shares						
Ordinary income	\$1.7188	100.00%	\$0.9251	43.06%	\$1.2891	100.00%
Capital gain	—	—	1.2234	56.94%	—	—
	\$1.7188	100.00%	\$2.1485	100.00%	\$1.2891	100.00%

Noncontrolling Interests for WPG Inc.

Details of the carrying amount of WPG Inc.'s noncontrolling interests are as follows as of December 31, 2018 and 2017:

	2018	2017
Limited partners' interests in WPG L.P.	\$147,493	\$166,660
Noncontrolling interests in properties	1,068	1,058
Total noncontrolling interests	\$148,561	\$167,718

Net income attributable to noncontrolling interests (which includes limited partners' interests in WPG L.P. and noncontrolling interests in consolidated properties) is a component of consolidated net income of WPG Inc.

Redeemable Noncontrolling Interests for WPG Inc.

During the year ended December 31, 2017, but prior to the completion of the O'Connor Joint Venture II transaction (see Note 5 - "Investment in Unconsolidated Entities, at Equity" for further details), the Company purchased all of the redeemable noncontrolling interest equity owned by the unaffiliated third parties in consolidated joint venture entities that owned Arbor Hills, located in Ann Arbor, Michigan and Classen Curve and The Triangle at Classen Curve, each located in Oklahoma City, Oklahoma and Nichols Hills Plaza, located in Nichols Hills, Oklahoma (the "Oklahoma City Properties," collectively). At December 31, 2018 and 2017, redeemable noncontrolling interests represented the outstanding 130,592 units of WPG L.P. 7.3% Series I-1 Preferred Units (the "Series I-1 Preferred Units"). Dividends accrue quarterly at an annual rate of 7.3% per share. The unaffiliated third parties have, at their option, the right to have their equity purchased by the Company subject to the satisfaction of certain conditions.

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Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

4. Investment in Real Estate

Summary

Investment properties consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$836,214	\$807,202
Buildings and improvements	4,980,939	4,908,794
Total land, buildings and improvements	5,817,153	5,715,996
Furniture, fixtures and equipment	97,552	91,764
Investment properties at cost	5,914,705	5,807,760
Less: accumulated depreciation	2,283,764	2,139,620
Investment properties at cost, net	\$3,630,941	\$3,668,140

Construction in progress included above \$35,068 \$46,046

Real Estate Acquisitions and Dispositions

We acquire interests in properties to generate both current income and long-term appreciation in value. We acquire interests in individual properties or portfolios of retail real estate companies that meet our investment criteria and dispose of properties which no longer meet our strategic criteria. Unless otherwise noted below, gains and losses on these transactions are included in gain (loss) on sale of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income.

No acquisition activity occurred during the years ended December 31, 2017 and 2016. Acquisition activity for the year ended December 31, 2018 and disposition activity for the years ended December 31, 2018, 2017 and 2016 is highlighted as follows:

2018 Acquisitions

On April 11, 2018, we acquired, through a sale-leaseback transaction, four Sears department stores and adjacent Sears Auto Centers at Longview Mall, located in Longview, Texas; Polaris Fashion Place®, located in Columbus, Ohio; Southern Hills Mall, located in Sioux City, Iowa; and Town Center at Aurora, located in Aurora, Colorado. The purchase price was approximately \$28.5 million and was funded by a combination of \$13.4 million from our Facility (as defined in Note 6 - "Indebtedness"), \$9.7 million from the first tranche of the Four Corners transaction, as discussed below, and \$5.4 million from O'Connor Mall Partners, L.P. ("O'Connor") related to their pro-rata share of the joint venture that owns Polaris Fashion Place® (see Note 5 - "Investment in Unconsolidated Entities, at Equity"). On April 24, 2018, the Company closed on the acquisition of Southgate Mall, located in Missoula, Montana, for \$58.0 million, which was funded from our Facility (as defined in Note 6 - "Indebtedness").

The following table summarizes the fair value allocation for the acquisitions, which was finalized during the three months ended June 30, 2018:

Investment properties	\$72,647
Investment in and advances to unconsolidated entities, at equity	5,543
Deferred costs and other assets	10,311
Accounts payable, accrued expenses, intangibles, and deferred revenue	(8,393)
Net cash paid for acquisitions	\$80,108

Intangibles of \$10.3 million, which relate primarily to above-market leases and lease in place values, are included in "Deferred costs and other assets" as of the respective acquisition dates. The initial weighted average useful life of the intangible assets was 11.5 years. Intangibles of \$4.9 million, which relate primarily to below-market leases, are included in "Accounts payable, accrued expense, intangibles, and deferred revenue" as of the respective acquisition dates. The initial weighted average useful life of the intangible liabilities was 9.6 years.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The transactions were accounted for as asset acquisitions and accordingly, \$0.6 million of transaction costs were capitalized as part of the allocation of fair value.

2018 Dispositions

During the year ended December 31, 2018, we completed the sale of various tranches of restaurant outparcels to FCPT Acquisitions, LLC ("Four Corners") pursuant to the purchase and sale agreement executed on September 20, 2017 between the Company and Four Corners. The following table summarizes the key terms of each tranche:

Tranche	Sales Date	Parcels Purchase Sales		
		Sold	Price	Proceeds
Tranche 1	January 12, 2018	10	\$ 13,692	\$ 13,506
Tranche 2	June 29, 2018	5	9,503	9,423
Tranche 3	July 27, 2018	2	4,607	4,530
Tranche 4	October 31, 2018	2	1,718	1,714
Tranche 5	November 16, 2018	1	3,195	3,166
		20	\$ 32,715	\$ 32,339

The Company used the proceeds to fund a portion of the acquisition of the Sears parcels on April 11, 2018 as discussed above, to reduce corporate debt, and to fund ongoing redevelopment efforts. The Company expects to close on the remaining 24 outparcels for approximately \$37.5 million during the first half of 2019, subject to due diligence and closing conditions (see Note 13 - "Subsequent Events" for additional details).

In connection with the 2018 dispositions, the Company recorded a net gain of \$24.6 million which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2018.

On October 23, 2018, Rushmore Mall, located in Rapid City, South Dakota, was transitioned to the lender (see Note 6 - "Indebtedness" for further discussion).

2017 Dispositions

On November 3, 2017, we completed the sale of Colonial Park Mall, located in Harrisburg, Pennsylvania, to an unaffiliated private real estate investor for a purchase price of \$15.0 million. The net proceeds were used for general corporate purposes.

On June 13, 2017, we sold 49% of our interest in Malibu Lumber Yard, located in Malibu, California, as part of the O'Connor Joint Venture II transaction (as defined below and as discussed in Note 5 - "Investment in Unconsolidated Entities, at Equity").

On June 7, 2017, we completed the sale of Morgantown Commons, located in Morgantown, West Virginia, to an unaffiliated private real estate investor for a purchase price of approximately \$6.7 million. The net proceeds were used for general corporate purposes.

On May 16, 2017, we completed the sale of an 80,000 square foot (unaudited) vacant anchor parcel at Indian Mound Mall, located in Heath, Ohio, to an unaffiliated private real estate investor for a purchase price of approximately \$0.8 million. The net proceeds were used for general corporate purposes.

On May 12, 2017, we completed the transaction with regard to the ownership and operation of six of the Company's retail properties and certain related outparcels (the "O'Connor Joint Venture II" as discussed in Note 5 - "Investment in Unconsolidated Entities, at Equity").

On February 21, 2017, we completed the sale of Gulf View Square, located in Port Richey, Florida, and River Oaks Center, located in Chicago, Illinois, to unaffiliated private real estate investors for an aggregate purchase price of \$42.0 million. The net proceeds from the transaction were used to reduce corporate debt.

On January 10, 2017, we completed the sale of Virginia Center Commons, located in Glen Allen, Virginia, to an unaffiliated private real estate investor for a purchase price of \$9.0 million. The net proceeds from the transaction were used to reduce corporate debt.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

In connection with the 2017 dispositions, the Company recorded a net gain of \$124.8 million which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

On October 3, 2017, Valle Vista Mall, located in Harlingen, Texas, was transitioned to the lender (see Note 6 - "Indebtedness" for further discussion).

2016 Dispositions

On November 10, 2016, we completed the sale of Richmond Town Square, located in Cleveland, Ohio, to a private real estate investor for a purchase price of \$7.3 million. The net proceeds from the transaction were used to reduce the balance of corporate debt.

On August 19, 2016, the Company completed the sale of Knoxville Center to a private real estate investor (the "Buyer") for a purchase price of \$10.1 million. The sales price consisted of \$3.9 million paid to the Company at closing and the issuance of a promissory note for \$6.2 million from the Buyer to the Company with an interest rate of 5.5% per annum (see Note 3 - "Summary of Significant Accounting Policies" for further discussion). The remaining note receivable balance of \$5.3 million was received during the year ended December 31, 2018. The net proceeds from the transaction were used to reduce the balance outstanding under the Facility (see Note 6 - "Indebtedness").

On January 29, 2016, we completed the sale of Forest Mall and Northlake Mall to private real estate investors (the "Buyers") for an aggregate purchase price of \$30 million. The sales price consisted of \$10 million paid to us at closing and the issuance of a promissory note for \$20 million from us to the Buyers with an interest rate of 6% per annum. On June 29, 2016, the Buyers repaid \$4.4 million of the promissory note balance and exercised a six-month extension option. The remaining proceeds were paid in full on January 4, 2017. The net proceeds from the transaction were used to reduce the balance outstanding under the Facility (see Note 6 - "Indebtedness").

In connection with the 2016 dispositions, the Company recorded a net loss of \$2.0 million, which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2016.

On December 29, 2016, June 9, 2016 and April 28, 2016, River Valley Mall, located in Lancaster, Ohio, Merritt Square Mall, located in Merritt Island, Florida, and Chesapeake Square, located in Chesapeake, Virginia, were transitioned to the lenders, respectively (see Note 6 - "Indebtedness" for further discussion).

Intangible Assets and Liabilities Associated with Acquisitions

Intangible assets and liabilities, which were recorded at the respective acquisition dates, are associated with the Company's acquisitions of properties at fair value. The gross intangibles recorded as of their respective acquisition date are comprised of an asset for acquired above-market leases in which the Company is the lessor, a liability for acquired below-market leases in which the Company is the lessor, and an asset for in-place leases.

The following table denotes the gross carrying values of the respective intangibles as of December 31, 2018 and 2017:

Intangible Asset/Liability	Balance as of	
	December 31, 2018	December 31, 2017
Above-market leases - Company is lessor	\$48,373	\$ 51,315
Below-market leases - Company is lessor	\$117,395	\$ 124,475
In-place leases	\$109,379	\$ 120,159

The intangibles related to above and below-market leases in which the Company is the lessor are amortized to minimum rents on a straight-line basis over the estimated life of the lease, with amortization as a net increase to minimum rents in the amounts of \$8,971, \$7,323, and \$9,930 for the years ended December 31, 2018, 2017 and 2016, respectively.

In-place leases are amortized to depreciation and amortization expense over the life of the leases to which they pertain, with such amortization of \$14,780, \$18,457, and \$24,269 for the years ended December 31, 2018, 2017 and

2016, respectively.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The table below identifies the types of intangible assets and liabilities, their location on the consolidated balance sheets, their weighted average amortization period, and their book value, which is net of accumulated amortization, as of December 31, 2018 and 2017:

Intangible Asset/Liability	Location on the Consolidated Balance Sheets	Weighted Average Remaining Amortization (in years)	Balance as of	
			December 31, 2018	December 31, 2017
Above-market leases - Company is lessor	Deferred costs and other assets	6.9	\$18,827	\$ 24,254
Below-market leases - Company is lessor	Accounts payable, accrued expenses, intangibles and deferred revenues	12.6	\$66,651	\$ 77,870
In-place leases	Deferred costs and other assets	11.1	\$38,453	\$ 46,627

The future net amortization of intangibles as an increase (decrease) to net income as of December 31, 2018 is as follows:

	Above/Below-Market Leases-Lessor	In-place Leases	Total Net Intangible Amortization
2019	\$ 4,339	\$(9,203)	\$ (4,864)
2020	4,606	(6,965)	(2,359)
2021	4,677	(3,584)	1,093
2022	4,187	(2,819)	1,368
2023	3,619	(2,285)	1,334
Thereafter	26,396	(13,597)	12,799
	\$ 47,824	\$(38,453)	\$ 9,371

Impairment

During the fourth quarter of 2017, a major anchor tenant of Rushmore Mall informed us of their intention to close their store at the property. The impending closure was deemed a triggering event and, therefore, we evaluated this property in conjunction with our quarterly impairment review and preparation of our financial statements for the year ended December 31, 2017. We compared the estimated fair value of \$37.5 million to the related carrying value of \$75.0 million, which resulted in the recording of an impairment charge of approximately \$37.5 million in the consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

On November 3, 2017, the Company completed the sale of Colonial Park Mall for \$15.0 million. We compared the fair value measurement of the property to its relative carrying value, which resulted in the recording of an impairment charge of approximately \$20.9 million in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2017. The impairment charge was due to the change in facts and circumstances when we decided to hold the asset for a shorter period which resulted in the carrying value not being recoverable from the projected cash flows.

During the first quarter of 2017, the Company entered into a purchase and sale agreement to dispose of Morgantown Commons, which was sold in the second quarter of 2017. Earlier in 2017, we shortened the hold period used in assessing impairment for the asset, which resulted in the carrying value not being recoverable from the expected cash flows. The purchase offer represented the best available evidence of fair value for this property. We compared the fair value to the carrying value, which resulted in the recording of an impairment charge of approximately \$8.5 million in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

During the year ended December 31, 2016, we recorded an impairment charge of \$21.9 million, primarily related to noncore properties consisting of Gulf View Square, Richmond Town Square, River Oaks Center, and Virginia Center Commons. The impairment charge was attributed to the continued declines in the fair value of the properties and executed agreements entered into in 2016 to sell these properties at prices below the carrying value.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

5. Investment in Unconsolidated Entities, at Equity

The Company's investment activity in unconsolidated real estate entities for the years ended December 31, 2018 and 2017 consisted of investments in the following joint ventures:

¶The O'Connor Joint Venture I

This investment consists of a 51% noncontrolling interest held by the Company in a portfolio of five enclosed retail properties and related outparcels, consisting of the following: The Mall at Johnson City located in Johnson City, Tennessee; Pearlridge Center located in Aiea, Hawaii; Polaris Fashion Place®; Scottsdale Quarter® located in Scottsdale, Arizona; and Town Center Plaza (which consists of Town Center Plaza and the adjacent Town Center Crossing) located in Leawood, Kansas. We retain management, leasing, and development responsibilities for the O'Connor Joint Venture I.

On April 11, 2018, the O'Connor Joint Venture I closed on the acquisition of the Sears department store located at Polaris Fashion Place® in connection with our acquisition of additional Sears department stores (see Note 4 - "Investment in Real Estate").

On March 2, 2017, the O'Connor Joint Venture I closed on the purchase of Pearlridge Uptown II, an approximately 153,000 square foot (unaudited) wing of Pearlridge Center, for a gross purchase price of \$70.0 million.

On March 30, 2017, the O'Connor Joint Venture I closed on a \$43.2 million non-recourse mortgage note payable with an eight year term and a fixed interest rate of 4.071% secured by Pearlridge Uptown II. The mortgage note payable requires monthly interest only payments until April 1, 2019, at which time monthly interest and principal payments are due until maturity.

On March 29, 2017, the O'Connor Joint Venture I closed on a \$55.0 million non-recourse mortgage note payable with a ten year term and a fixed interest rate of 4.36% secured by sections of Scottsdale Quarter® known as Block K and Block M. The mortgage note payable requires monthly interest only payments until May 1, 2022, at which time monthly interest and principal payments are due until maturity.

¶The O'Connor Joint Venture II

During the year ended December 31, 2017, we completed an additional joint venture transaction with O'Connor with respect to the ownership and operation of seven of the Company's retail properties and certain related outparcels, consisting of the following: The Arboretum, located in Austin, Texas; Arbor Hills; the Oklahoma City Properties; Gateway Centers, located in Austin, Texas; Malibu Lumber Yard; Palms Crossing I and II, located in McAllen, Texas; and The Shops at Arbor Walk, located in Austin, Texas (the "O'Connor Joint Venture II"). The transaction valued the properties at \$598.6 million before closing adjustments and debt assumptions. Under the terms of the joint venture agreement, we retained a non-controlling 51% interest in the O'Connor Joint Venture II and sold the remaining 49% to O'Connor. The transaction generated net proceeds to the Company of approximately \$138.9 million, after taking into consideration costs associated with the transaction and the assumption of debt (including the new mortgage loans on The Arboretum, Gateway Centers, and Oklahoma City Properties which closed prior to the joint venture transaction; see Note 6 - "Indebtedness" for net proceeds to the Company from the new mortgage loans), which we used to reduce the Company's debt as well as for general corporate purposes. At the time of closing, we deconsolidated the properties included in the O'Connor Joint Venture II and recorded a gain in connection with this partial sale of \$126.1 million, which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income. The gain was recorded pursuant to ASC 360-20 and calculated based upon proceeds received, less 49% of the book value of the deconsolidated net assets. Our retained 51% non-controlling equity method interest was valued at historical cost based upon the pro rata book value of the retained interest in the net assets. We retain management and leasing responsibilities for the properties included in the O'Connor Joint Venture II.

In connection with the formation of this joint venture, we recorded transaction costs of approximately \$6.4 million as part of our basis in this investment.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

¶The Seminole Joint Venture

This investment consists of a 45% non-controlling interest held by the Company in Seminole Towne Center, an approximate 1.1 million square foot (unaudited) enclosed regional retail property located in the Orlando, Florida area. The Company's effective financial interest in this property (after preferences) was approximately 6.76% for the year ended December 31, 2018. We retain day to day management, leasing, and development responsibilities for the Seminole Joint Venture. During the year ended December 31, 2017, the Company received cash of \$0.7 million (after preferences) related to our share of the proceeds from the sale of two outparcels, which was recorded in income (loss) from unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income.

○Other Joint Venture

The Company also holds an indirect 12.5% ownership interest in certain real estate through a joint venture with an unaffiliated third party. We do not have management, leasing and development responsibilities for this joint venture. Advances to the O'Connor Joint Venture I and O'Connor Joint Venture II totaled \$5.2 million and \$4.3 million as of December 31, 2018 and 2017, respectively, which are included in investment in and advances to unconsolidated entities, at equity in the accompanying consolidated balance sheets. Management deems this balance to be collectible and anticipates repayment within one year.

The results for the O'Connor Joint Venture I, Seminole Joint Venture, and our indirect 12.5% ownership interest are included below for all periods presented. The results for the O'Connor Joint Venture II are included below for the year ended December 31, 2018 and from May 12, 2017 (the closing date of the venture), and in the case of Malibu Lumber Yard from June 13, 2017 (the date the property was contributed to the venture), through December 31, 2017.

	For the Year Ended December 31,		
	2018	2017	2016
Total revenues	\$264,521	\$236,415	\$191,831
Operating expenses	108,513	95,603	78,685
Depreciation and amortization	97,810	89,397	78,972
Operating income	58,198	51,415	34,174
Gain on sale of interests in property and unconsolidated entities, net	583	1,585	1,014
Interest expense, taxes, and other, net	(52,477)	(45,906)	(32,754)
Net income from the Company's unconsolidated real estate entities	\$6,304	\$7,094	\$2,434
Our share of income (loss) from the Company's unconsolidated real estate entities	\$541	\$1,395	\$(1,745)

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following table presents the combined balance sheets for the unconsolidated joint venture properties for the periods indicated above during which the Company accounted for these investments as unconsolidated entities as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Assets:		
Investment properties at cost, net	\$1,964,699	\$1,972,208
Construction in progress	21,019	44,817
Cash and cash equivalents	43,169	40,955
Tenant receivables and accrued revenue, net	31,661	30,866
Deferred costs and other assets ⁽¹⁾	147,481	174,665
Total assets	\$2,208,029	\$2,263,511
Liabilities and Members' Equity:		
Mortgage notes payable	\$1,292,801	\$1,302,143
Accounts payable, accrued expenses, intangibles, and deferred revenues ⁽²⁾	137,073	148,273
Total liabilities	1,429,874	1,450,416
Members' equity	778,155	813,095
Total liabilities and members' equity	\$2,208,029	\$2,263,511
Our share of members' equity, net	\$396,229	\$414,245

⁽¹⁾ Includes value of acquired in-place leases and acquired above-market leases with a net book value of \$91,609 and \$107,869 as of December 31, 2018 and 2017, respectively.

⁽²⁾ Includes the net book value of below market leases of \$57,392 and \$69,269 as of December 31, 2018 and 2017, respectively.

The following table presents the investment in and advances to (cash distributions and losses in) unconsolidated entities for the periods indicated above during which the Company accounted for these investments as unconsolidated entities as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
Our share of members' equity, net	\$396,229	\$414,245
Advances and excess investment	21,557	22,173
Net investment in and advances to unconsolidated entities, at equity ⁽¹⁾	\$417,786	\$436,418

Includes \$433,207 and \$451,839 of investment in and advances to unconsolidated entities, at equity as of (1)December 31, 2018 and 2017, respectively, and \$15,421 and \$15,421 of cash distributions and losses in unconsolidated entities, at equity as of December 31, 2018 and 2017, respectively.

6. Indebtedness

Mortgage Debt

Total mortgage indebtedness at December 31, 2018 and 2017 was as follows:

	2018	2017
Face amount of mortgage loans	\$980,276	\$1,152,436
Fair value adjustments, net	5,764	8,338
Debt issuance cost, net	(2,771)	(3,692)
Carrying value of mortgage loans	\$983,269	\$1,157,082

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The mortgage debt had weighted average interest and maturity of 5.00% and 3.5 years at December 31, 2018 and 4.77% and 4.0 years at December 31, 2017.

A roll forward of mortgage indebtedness from December 31, 2017 to December 31, 2018 is summarized as follows:

Balance at December 31, 2017	\$1,157,082
Debt amortization payments	(18,322)
Repayment of debt	(94,838)
Debt borrowings, net of issuance costs	34,782
Debt canceled upon lender foreclosures, net of debt issuance costs	(93,988)
Amortization of fair value and other adjustments	(2,574)
Amortization of debt issuance costs	1,127
Balance at December 31, 2018	\$983,269

2018 Activity

On October 23, 2018, the \$94.0 million mortgage on Rushmore Mall was canceled upon a deed-in-lieu of foreclosure agreement (see "Covenants" section below for additional details).

On October 2, 2018, an affiliate of WPG Inc. repaid the \$8.3 million mortgage loan on Whitehall Mall, located in Whitehall, Pennsylvania. This repayment was funded by cash on hand.

On September 27, 2018, an affiliate of WPG Inc. closed on a \$35.0 million full-recourse mortgage note payable with a three-year term and a fixed rate of 4.48% secured by Southgate Mall. The mortgage note payable requires interest only payments and will initially mature on September 27, 2021, subject to two one-year extensions available at our option subject to compliance with the terms of the underlying loan agreement and payment of customary extension fees. The proceeds were used to reduce corporate debt and for ongoing redevelopment efforts.

On June 8, 2018, the Company exercised the first of three options to extend the maturity date of the \$65.0 million term loan secured by Weberstown Mall, located in Stockton, California, for one year. The extended maturity date is June 8, 2019, subject to two one year extensions available at our option subject to compliance with the terms of the underlying loan agreement and payment of customary extension fees.

On January 19, 2018, an affiliate of WPG Inc. repaid the \$86.5 million mortgage loan on The Outlet Collection® | Seattle, located in Auburn, Washington. This repayment was funded by borrowings on the Revolver (as defined below).

2017 Activity

On December 29, 2017, an affiliate of WPG Inc. repaid the \$11.7 million mortgage loan secured by Henderson Square, located in King of Prussia, Pennsylvania. This repayment was funded by cash on hand.

On October 17, 2017, an affiliate of WPG Inc. completed a discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall, located in Sioux City, Iowa, for \$55.0 million (see "Covenants" section below for additional details).

On October 3, 2017, the \$40.0 million mortgage on Valle Vista Mall was canceled upon a deed-in-lieu of foreclosure agreement (see "Covenants" section below for additional details).

On October 2, 2017, an affiliate of WPG Inc. repaid the \$99.6 million mortgage loan on WestShore Plaza, located in Tampa, Florida. This repayment was funded by borrowings on the Revolver.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

On May 10, 2017 and prior to the deconsolidation of these properties due to the sale of 49% of our interests (see Note 5 - "Investment in Unconsolidated Entities, at Equity" for further details), the Company closed on non-recourse mortgage loans encumbering The Arboretum, Gateway Centers, and Oklahoma City Properties. The following table summarizes the key terms of each mortgage loan:

Property	Principal	Debt issuance costs	Net debt issuance	Interest Rate	Maturity Date
The Arboretum	\$59,400	\$(452)	\$58,948	4.13 %	June 1, 2027
Gateway Centers	112,500	(709)	111,791	4.03 %	June 1, 2027
Oklahoma City Properties	43,279	(427)	42,852	3.90 %	June 1, 2027
Total	\$215,179	\$(1,588)	\$213,591		

The Arboretum and Gateway Centers loans require monthly interest only payments until July 1, 2021, at which time monthly interest and principal payments are due until maturity. The Oklahoma City Properties loan requires monthly interest only payments until July 1, 2022, at which time monthly interest and principal payments are due until maturity. We used the net proceeds to repay a portion of the outstanding balance on the Revolver, as defined below. These three loans were deconsolidated during the year ended December 31, 2017, in connection with the completion of the O'Connor Joint Venture II transaction.

On April 25, 2017, the Company completed a discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall, located in Grand Junction, Colorado, for \$63.0 million (see "Covenants" section below for additional details).

Unsecured Debt

On January 22, 2018, WPG L.P. amended and restated \$1.0 billion of the existing facility. The recast Facility (as defined below) can be increased to \$1.5 billion through currently uncommitted Facility commitments. Excluding the accordion feature, the recast Facility includes a \$650.0 million Revolver (as defined below) and \$350.0 million Term Loan (as defined below). The \$350.0 million Term Loan was fully funded at closing, and the Company used the proceeds to repay the \$270.0 million outstanding on the June 2015 Term Loan (as defined below) and to pay down the Revolver.

On August 4, 2017, WPG L.P. completed the issuance of \$750.0 million of unsecured notes. The proceeds were used to repay the \$500.0 million previously outstanding Term Loan (as defined below) and partial repayment of \$230.0 million on the June 2015 Term Loan (as defined below).

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following table identifies our total unsecured debt outstanding at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Notes payable:		
Face amount - 3.850% Notes due 2020 (the "Exchange Notes") ⁽¹⁾	\$ 250,000	\$ 250,000
Face amount - 5.950% Notes due 2024 ⁽²⁾	750,000	750,000
Debt discount, net	(9,680)	(11,086)
Debt issuance costs, net	(7,623)	(9,542)
Total carrying value of notes payable	\$ 982,697	\$ 979,372
Unsecured term loans: ⁽⁸⁾		
Face amount - Term Loan ⁽³⁾⁽⁴⁾	\$ 350,000	\$ —
Face amount - December 2015 Term Loan ⁽⁵⁾	340,000	340,000
Face amount - June 2015 Term Loan ⁽⁶⁾	—	270,000
Debt issuance costs, net	(4,491)	(3,305)
Total carrying value of unsecured term loans	\$ 685,509	\$ 606,695
Revolving credit facility: ⁽³⁾⁽⁷⁾		
Face amount	\$ 290,000	\$ 155,000
Debt issuance costs, net	(3,998)	(540)
Total carrying value of revolving credit facility	\$ 286,002	\$ 154,460

⁽¹⁾The Exchange Notes were issued at a 0.028% discount, bear interest at 3.850% per annum and mature on April 1, 2020.

⁽²⁾The 5.950% Notes due 2024 were issued at a 1.533% discount, bear interest at 5.950% per annum, and mature on August 15, 2024. The interest rate could vary in the future based upon changes to the Company's credit ratings (see Note 13 - "Subsequent Events").

⁽³⁾The unsecured revolving credit facility, or "Revolver" and unsecured term loan, or "Term Loan" are collectively known as the "Facility."

⁽⁴⁾The Term Loan bears interest at one-month LIBOR plus 1.45% per annum and will mature on December 30, 2022. We had interest rate swap agreements totaling \$270.0 million, which effectively fixed the interest rate on a portion of the Term Loan at 2.56% per annum through June 30, 2018. On May 9, 2018, we executed swap agreements totaling \$250.0 million to replace matured swap agreements, which effectively fix the interest rate on a portion of the Term Loan at 4.21% through June 30, 2021. At December 31, 2018, the applicable interest rate on the unhedged portion of the Term Loan was one-month LIBOR plus 1.45% or 3.95%.

⁽⁵⁾The December 2015 Term Loan bears interest at one-month LIBOR plus 1.80% per annum and will mature on January 10, 2023. We have interest rate swap agreements totaling \$340.0 million, which effectively fix the interest rate at 3.51% per annum through maturity.

⁽⁶⁾The June 2015 Term Loan bore interest at one-month LIBOR plus 1.45% per annum. During the year ended December 31, 2017, the Company repaid \$230.0 million of the June 2015 Term Loan and wrote off \$0.9 million of debt issuance costs. On January 22, 2018, the Company repaid the remaining \$270.0 million outstanding with proceeds from the amended and restated Facility (as discussed above) and wrote off \$0.5 million of debt issuance costs.

⁽⁷⁾As of December 31, 2017, the Revolver provided borrowings on a revolving basis up to \$900.0 million, bore interest at one-month LIBOR plus 1.25%, and was initially scheduled to mature on May 30, 2018. On January 22, 2018, we amended the terms of the Revolver to provide borrowings on a revolving basis up to \$650.0 million at

one-month LIBOR plus 1.25%. Under the amended terms, the Revolver will mature on December 30, 2021, subject to two six month extensions available at our option subject to compliance with terms of the Facility and payment of a customary extension fee. Upon the amended terms, the Company wrote off \$0.3 million of debt issuance costs. At December 31, 2018, we had an aggregate available borrowing capacity of \$359.8 million under the Revolver, net of \$0.2 million reserved for outstanding letters of credit. At December 31, 2018, the applicable interest rate on the Revolver was one-month LIBOR plus 1.25%, or 3.75% (see Note 13 - "Subsequent Events").

⁽⁸⁾ While we have interest rate swap agreements in place that fix the LIBOR portion of the rates as noted above, the spread over LIBOR could vary in the future based upon changes to the Company's credit ratings (see Note 13 - "Subsequent Events").

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following table presents the borrowings and paydowns on the Revolver during the years ended December 31, 2018 and December 31, 2017:

	2018	2017
Beginning Balance	\$ 155,000	\$ 308,000
Borrowings	332,000	350,000
Paydowns	(197,000)	(503,000)
Ending Balance	\$ 290,000	\$ 155,000

During 2018, borrowings under the Revolver were primarily used for general corporate purposes. Paydowns of outstanding borrowings were funded using proceeds from property dispositions (see Note 4 - "Investment in Real Estate"), new mortgage activity as discussed above and cash flow from operations.

During 2017, borrowings under the Revolver were primarily used for general corporate purposes. Paydowns of outstanding borrowings were funded using proceeds from property dispositions (see Note 4 - "Investment in Real Estate"), the O'Connor Joint Venture II transaction (see Note 5 - "Investment in Unconsolidated Entities, at Equity"), including certain mortgage notes executed prior to the deconsolidation, and cash flow from operations.

Covenants

Our unsecured debt agreements contain financial and other covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of December 31, 2018, management believes the Company is in compliance with all covenants of its unsecured debt.

The total balance of mortgages was approximately \$980.3 million as of December 31, 2018. At December 31, 2018, certain of our consolidated subsidiaries were the borrowers under 21 non-recourse loans and two full-recourse loans secured by mortgages encumbering 26 properties, including one separate pool of cross-defaulted and cross-collateralized mortgages encumbering a total of four properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. Our existing non-recourse mortgage loans generally prohibit our subsidiaries that are borrowers thereunder from incurring additional indebtedness, subject to certain customary and limited exceptions. In addition, certain of these instruments limit the ability of the applicable borrower's parent entity from incurring mezzanine indebtedness unless certain conditions are satisfied, including compliance with maximum loan to value ratio and minimum debt service coverage ratio tests. Further, under certain of these existing agreements, if certain cash flow levels in respect of the applicable mortgaged property (as described in the applicable agreement) are not maintained for at least two consecutive quarters, the lender could accelerate the debt and enforce its right against its collateral. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral.

On November 19, 2018, we received a notice of default letter, dated November 15, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$49.9 million mortgage loan secured by West Ridge Mall and West Ridge Plaza, located in Topeka, Kansas (collectively known as "West Ridge"). The notice was issued by the special servicer because the borrower did not make certain reserve payments or deposits as required by the loan agreement for the aforementioned loan. The borrower has initiated discussions with the special servicer regarding this non-recourse loan and is considering various options. The Company will continue to manage and lease the property.

On May 29, 2018, we received a notice of default letter, dated May 25, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$94.0 million mortgage loan secured by Rushmore Mall ("Rushmore"). The notice was issued by the special servicer because the borrower notified the lender that there

were insufficient funds to ensure future compliance with the mortgage loan due to the loss of certain tenants at Rushmore. On October 23, 2018, an affiliate of the Company transitioned the property to the lender. On April 11, 2018, we received a notice of default letter, dated April 6, 2018, from the special servicer to the borrower, a consolidated subsidiary of WPG L.P., concerning the \$45.2 million mortgage loan secured by Towne West Square, located in Wichita, Kansas. The notice was issued by the special servicer because the borrower did not make certain reserve payments or deposits as required by the loan agreement for the aforementioned loan. On August 24, 2018, we received notification that a receiver had been appointed to manage and lease the property. An affiliate of the Company still holds title to the property.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

On March 30, 2017, the Company transferred the \$40.0 million mortgage loan secured by Valle Vista Mall to the special servicer at the request of the borrower, a consolidated subsidiary of the Company. On May 18, 2017, we received a notice of default letter, dated that same date, from the special servicer because the borrower did not repay the loan in full by its May 10, 2017 maturity date. On October 3, 2017, an affiliate of WPG Inc. transitioned the property to the lender.

On June 6, 2016, we received a notice of default letter, dated June 3, 2016, from the special servicer to the borrower of the \$99.7 million mortgage loan secured by Southern Hills Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its June 1, 2016 maturity date. On October 27, 2016, we received notification that a receiver has been appointed to manage and lease the property. On October 17, 2017, an affiliate of WPG Inc. completed a discounted payoff of the mortgage loan for \$55.0 million and retained ownership and management of the property.

On June 30, 2016, we received a notice, dated that same date, that the \$87.3 million mortgage loan secured by Mesa Mall had been transferred to the special servicer due to the payment default that occurred when the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its June 1, 2016 maturity date. On April 25, 2017, the Company completed a discounted payoff of the mortgage loan for \$63.0 million and retained ownership and management of the property.

On August 8, 2016, we received a notice of default letter, dated August 4, 2016, from the special servicer to the borrower concerning the \$44.9 million mortgage loan secured by River Valley Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its January 11, 2016 maturity date. On December 29, 2016, we transferred title of the property to the mortgage lender pursuant to the terms of a deed-in-lieu of foreclosure agreement entered into by the Company's affiliate and the mortgage lender.

On October 8, 2015, we received a notice of default letter, dated October 5, 2015, from the special servicer to the borrower of the \$52.9 million mortgage loan secured by Merritt Square Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its September 1, 2015 maturity date. On May 25, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure sale of Merritt Square Mall, in which the Company's affiliate previously held a 100% ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on June 9, 2016. The Company managed the property through and including July 31, 2016.

On October 30, 2015, we received a notice of default letter, dated that same date, from the special servicer to the borrower concerning the \$62.4 million mortgage loan that matures on February 1, 2017 and was secured by Chesapeake Square. The default resulted from an operating cash flow shortfall at the property in October 2015 that the borrower, a consolidated subsidiary of the Company, did not cure. On April 21, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure of Chesapeake Square, in which the Company's affiliate previously held majority ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on April 28, 2016.

At December 31, 2018, management believes the applicable borrowers under our other non-recourse mortgage loans were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows. The Company has assessed each of the defaulted properties for impairment indicators and have concluded no impairment charges were warranted as of December 31, 2018.

Gain on Extinguishment of Debt, Net

During the year ended December 31, 2018, the Company recognized a net gain of \$51.4 million related to the \$94.0 million mortgage debt cancellation and ownership transfer of Rushmore Mall, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income for the year then ended.

During the year ended December 31, 2017, the Company recognized a net gain of \$90.6 million based on the cancellation of mortgage debt of \$108.9 million related to discounted payoff of the mortgage note payable secured by Southern Hills Mall, ownership transfer of Valle Vista Mall, and discounted payoff of the mortgage note payable secured by Mesa Mall, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income for the year then ended.

During the year ended December 31, 2016, the Company recognized a net gain of \$34.6 million related to the \$160.1 million mortgage debt cancellation and ownership transfers of River Valley Mall, Merritt Square Mall, and Chesapeake Square, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income for the year then ended.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Debt Maturity and Cash Paid for Interest

Scheduled principal repayments on indebtedness (including extension options) as of December 31, 2018 are as follows:

2019	\$64,281
2020	344,584
2021	320,513
2022	771,856
2023	404,121
Thereafter	1,054,921
Total principal maturities	2,960,276
Bond Discount	(9,680)
Fair value adjustments, net	5,764
Debt issuance costs, net	(18,883)
Total mortgages and unsecured indebtedness	\$2,937,477

Cash paid for interest for the years ended December 31, 2018, 2017 and 2016 was \$141,641, \$107,609 and \$125,999, respectively.

Fair Value of Debt

The carrying values of our variable-rate loans approximate their fair values. We estimate the fair values of fixed-rate mortgages and fixed-rate unsecured debt (including variable-rate unsecured debt swapped to fixed-rate) using cash flows discounted at current borrowing rates or Level 2 inputs. We estimate the fair values of consolidated fixed-rate unsecured notes payable using quoted market prices, or, if no quoted market prices are available, we use quoted market prices for securities with similar terms and maturities or Level 1 inputs. The book value and fair value of these financial instruments along with the related discount rate assumptions as of December 31, 2018 and 2017 are summarized as follows:

	2018	2017		
Book value of fixed- rate mortgages ⁽¹⁾	\$915,276	\$1,000,936		
Fair value of fixed-rate mortgages	\$928,129	\$1,024,890		
Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages	4.57	% 4.19	%	
Book value of fixed-rate unsecured debt ⁽¹⁾	\$1,590,000	\$1,610,000		
Fair value of fixed-rate unsecured debt	\$1,485,672	\$1,616,810		
Weighted average discount rates assumed in calculation of fair value for fixed-rate unsecured debt	5.62	% 4.27	%	

(1) Excludes deferred financing fees and applicable debt discounts.

7. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash payments related to the Company's

borrowings.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps or caps as part of its interest rate risk management strategy. Interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company may also enter into forward starting swaps or treasury lock agreements to set the effective interest rate on a planned fixed-rate financing. In a forward starting swap or treasury lock agreement that the Company cash settles in anticipation of a fixed rate financing or refinancing, the Company will receive or pay an amount equal to the present value of future cash flow payments based on the difference between the contract rate and market rate on the settlement date. On January 1, 2018, the Company adopted ASU 2017-12, as permitted under the standard (see Note 3 - "Summary of Significant Accounting Policies" for additional details).

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in other comprehensive income ("OCI") or other comprehensive loss ("OCL") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Net realized gains or losses resulting from derivatives that were settled in conjunction with planned fixed-rate financings or refinancings continue to be included in accumulated other comprehensive income ("AOCI") during the term of the hedged debt transaction.

Amounts reported in AOCI relate to derivatives that will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Realized gains or losses on settled derivative instruments included in AOCI are recognized as an adjustment to income over the term of the hedged debt transaction. During the next twelve months, the Company estimates that an additional \$2.4 million will be reclassified as a decrease to interest expense. On August 4, 2017, the Company terminated six interest rate derivatives and partially terminated one interest rate derivative with an aggregate notional amount of \$430,000, upon the repayment of the Term Loan and partial repayment of the June 2015 Term Loan, receiving cash proceeds of approximately \$2.0 million upon settlement. On May 9, 2018, the Company entered into four three-year swaps, totaling \$250.0 million with an effective date of June 29, 2018, to replace two three-year swaps totaling \$270.0 million, which matured on June 30, 2018. As of December 31, 2018, the Company had 10 outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk with a notional value of \$590,000.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheet as of December 31, 2018 and 2017:

Derivatives designated as hedging instruments:		Balance Sheet Location	December 31, 2018	December 31, 2017
Interest rate products	Asset Derivatives	Deferred costs and other assets	\$ 9,306	\$ 7,413
Interest rate products	Liability Derivatives	Accounts payable, accrued expenses, intangibles and deferred revenues	\$ 1,913	\$ —

The asset derivative instruments were reported at their fair value of \$9,306 and \$7,413 in deferred costs and other assets at December 31, 2018 and 2017, respectively, with a corresponding adjustment to OCI for the unrealized gains and losses (net of noncontrolling interest allocation). The liability derivative instruments were reported at their fair

value \$1,913 and \$0 in accounts payable, accrued expenses, intangibles, and deferred revenues at December 31, 2018 and 2017, respectively, with a corresponding adjustment to OCL for the unrealized gains and losses (net of noncontrolling interest allocation). Over time, the unrealized gains and losses held in AOCI will be reclassified to earnings. This reclassification will correlate with the recognition of the hedged interest payments in earnings.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations and comprehensive income for the years ended December 31, 2018, 2017 and 2016:

Derivatives in Cash Flow Hedging Relationships (Interest rate products)	Location of Gain or (Loss) Recognized in Income on Derivatives	For the Year Ended December 31,		
		2018	2017	2016
Amount of Gain or (Loss) Recognized in OCI on Derivative		\$1,054	\$1,256	\$(3,580)
Amount of Gain or (Loss) Reclassified from AOCI into Income	Interest expense	\$(2,338)	\$1,145	\$7,381

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016:

Effect of Cash Flow Hedges on Consolidated Statements of Operations	For the year ended December 31,		
	2018	2017	2016
Total interest (expense) presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded	\$(141,987)	\$(126,541)	\$(136,225)
Amount of (gain) loss reclassified from accumulated other comprehensive income into interest expense	\$(2,338)	\$1,145	\$7,381

Credit Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision that if the Company either defaults or is capable of being declared in default on any of its consolidated indebtedness, then the Company could also be declared in default on its derivative obligations.

The Company has agreements with its derivative counterparties that incorporate the loan covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of December 31, 2018, the fair value of derivatives in a net liability position, plus accrued interest but excluding any adjustment for nonperformance risk, related to these agreements was \$1,913. As of December 31, 2018, the Company has not posted any collateral related to these agreements. The Company is not in default with any of these provisions. If the Company had breached any of these provisions at December 31, 2018, it would have been required to settle its obligation under these agreements at their termination value of \$1,913.

Fair Value Considerations

Currently, the Company uses interest rate swaps and caps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. Based on these inputs the Company has determined that its interest rate swap and cap valuations are classified within Level 2 of the fair value hierarchy.

To comply with the provisions of Topic 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings,

thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2018 and 2017, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The tables below presents the Company's net assets and liabilities measured at fair value as of December 31, 2018 and 2017 aggregated by the level in the fair value hierarchy within which those measurements fall:

	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
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Derivative instruments, net \$	—\$ 7,393	\$	—\$ 7,393
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	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
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Derivative instruments, net \$	—\$ 7,413	\$	—\$ 7,413
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8. Rentals under Operating Leases

Future minimum rentals to be received under non-cancelable operating leases for each of the next five years and thereafter, excluding tenant reimbursements of operating expenses and percentage rent based on tenant sales volume, as of December 31, 2018 are as follows:

2019	\$401,604
2020	336,602
2021	270,936
2022	222,569
2023	175,206
Thereafter	423,765
	\$1,830,682

9. Equity

Preferred Stock

Series H Cumulative Redeemable Preferred Stock

On January 15, 2015, WPG Inc. issued 4,000,000 shares of 7.5% Series H Cumulative Redeemable Preferred Stock (the "Series H Preferred Shares") to convert the preferred stock of GRT outstanding at the time of merger. Dividends accrue quarterly at an annual rate of 7.5% per share. WPG Inc. can redeem this series, in whole or in part, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. WPG L.P. issued to WPG Inc. a like number of preferred units as consideration for the Series H Preferred Shares and can redeem this series, in whole or in part, when WPG Inc. can redeem the Series H Preferred Shares at like terms. All shares remain issued and outstanding as of December 31, 2018 and 2017.

Series I Cumulative Redeemable Preferred Stock

On January 15, 2015, WPG Inc. issued 3,800,000 shares of 6.875% Series I Cumulative Redeemable Preferred Stock (the "Series I Preferred Shares") to convert the preferred stock of GRT outstanding at the time of merger. Dividends

accrue quarterly at an annual rate of 6.875% per share. WPG Inc. can redeem this series, in whole or in part, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. WPG L.P. issued to WPG Inc. a like number of preferred units as consideration for the Series I Preferred Shares and can redeem this series, in whole or in part, when WPG Inc. can redeem the Series I Preferred Shares at like terms. All shares remain issued and outstanding as of December 31, 2018 and 2017.

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Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Exchange Rights

Subject to the terms of the limited partnership agreement of WPG L.P., limited partners in WPG L.P. have, at their option, the right to exchange all or any portion of their units for shares of WPG Inc. common stock on a one for one basis or cash, as determined by WPG Inc. Therefore, the common units held by limited partners are considered by WPG Inc. to be share equivalents and classified as noncontrolling interests within permanent equity, and classified by WPG L.P. as permanent equity. The amount of cash to be paid if the exchange right is exercised and the cash option is selected will be based on the market value of WPG Inc.'s common stock as determined pursuant to the terms of the WPG L.P. Partnership Agreement. During the year ended December 31, 2017, WPG Inc. issued 314,577 shares of common stock to a limited partner of WPG L.P. in exchange for an equal number of units pursuant to the WPG L.P. Partnership Agreement. This transaction increased WPG Inc.'s ownership interest in WPG L.P. There were no similar transactions during the years ended December 31, 2018 and 2016. At December 31, 2018, WPG Inc. had reserved 34,755,660 shares of common stock for possible issuance upon the exchange of units held by limited partners.

The holders of the Series I-1 Preferred Units have, at their option, the right to have their units purchased by WPG L.P. subject to the satisfaction of certain conditions. Therefore, the Series I-1 Preferred Units are classified as redeemable noncontrolling interests outside of permanent equity.

Share Based Compensation

On May 28, 2014, the Board adopted the Washington Prime Group, L.P. 2014 Stock Incentive Plan (the "Plan"), which permits the Company to grant awards to current and prospective directors, officers, employees and consultants of the Company or any affiliate. An aggregate of 10,000,000 shares of common stock has been reserved for issuance under the Plan. In addition, the maximum number of awards to be granted to a participant in any calendar year is 500,000 shares/units. Awards may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs") or other stock-based awards in WPG Inc., long term incentive units ("LTIP units" or "LTIPs") or performance units ("Performance LTIP Units") in WPG L.P. The Plan terminates on May 28, 2024.

Long Term Incentive Awards

Time Vested LTIP Awards

The Company has issued time-vested LTIP units ("Inducement LTIP Units") to certain executive officers and employees under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients. These awards will vest and the related fair value will be expensed over a four-year vesting period. During the years ended December 31, 2018, 2017 and 2016, the Company did not grant any Inducement LTIP Units. As of December 31, 2018, the estimated future compensation expense for Inducement LTIP Units was \$38. The weighted average period over which the compensation expense will be recorded for the Inducement LTIP Units is approximately 0.2 years.

A summary of the Inducement LTIP Units and changes during the year ended December 31, 2018 is listed below:

	Activity for the Year Ended December 31, 2018	Weighted Average Inducement Grant Date Fair Value
Outstanding unvested at beginning of year	37,868	\$ 17.82
Units granted	—	\$ —

Units vested	(25,036)	\$ 17.97
Units forfeited	—	\$ —
Outstanding unvested at end of year	12,832	\$ 17.53

During the year ended December 31, 2017, 29,685 LTIP Units, with a weighted average grant date fair value per share of \$18.33, vested. During the year ended December 31, 2016, 189,755 LTIP Units, with a weighted average grant date fair value per share of \$18.07, vested.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Performance Based Awards

2015 Awards

During 2015, the Company authorized the award of LTIP units subject to certain market conditions under ASC 718 ("Performance LTIP Units") to certain executive officers and employees of the Company in the maximum total amount of 304,818 units, to be earned and related fair value expensed over the applicable performance periods, except in certain instances that could result in accelerated vesting due to severance arrangements.

The Performance LTIP Units that were allocated during the year ended December 31, 2015 are market based awards with a service condition. Recipients could have earned between 0% -100% of the award based on the Company's achievement of absolute and relative (versus the MSCI REIT Index) total shareholder return ("TSR") goals, with 40% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of absolute TSR goals, and 60% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of relative TSR goals.

The Performance LTIP Units issued during 2015 relate to the following performance periods: from the beginning of the service period to (i) December 31, 2016 ("2015-First Special PP"), (ii) December 31, 2017 ("2015-Second Special PP"), and (iii) December 31, 2018 ("2015-Third Special PP"). There was no award for the 2015-First Special PP, 2015-Second Special PP, or 2015-Third Special PP since our TSR was below the threshold level during 2016, 2017, and 2018, respectively.

Annual Long-Term Incentive Awards

During the years ended December 31, 2018 and 2017, the Company approved the terms and conditions of the 2018 and 2017 annual awards (the "2018 Annual Long-Term Incentive Awards" and "2017 Long-Term Incentive Awards," respectively) for certain executive officers and employees of the Company. Under the terms of the awards program, each participant is provided the opportunity to receive (i) time-based RSUs and (ii) performance-based stock units ("PSUs"). RSUs represent a contingent right to receive one WPG Inc. common share for each vested RSU. RSUs will vest in one-third installments on each annual anniversary of the respective Grant Date (as referenced below), subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants. During the service period, dividend equivalents will be paid with respect to the RSUs corresponding to the amount of any dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates. Compensation expense is recognized on a straight-line basis over the three year vesting term, except in instances that result in accelerated vesting due to severance arrangements. Actual PSUs earned may range from 0%-150% of the PSUs allocated to the award recipient, based on the Company's TSR compared to a peer group based on companies with similar assets and revenue over a three-year performance period that commenced on the respective Grant Date (as referenced below). During the performance period, dividend equivalents corresponding to the amount of any regular cash dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates will accrue and be deemed reinvested in additional PSUs, which will be settled in common shares at the same time and only to the extent that the underlying PSU is earned and settled in common shares. Payout of the PSUs is also subject to the participant's continued employment with the Company through the end of the performance period. The PSUs were valued through the use of a Monte Carlo model and the related compensation expense is recognized over the three-year performance period, except in instances that result in accelerated amortization due to severance arrangements.

The following table summarizes the issuance of the 2018 Annual Long-Term Incentive Awards and 2017 Annual Long-Term Incentive Awards, respectively:

	2018 Annual Long-Term Incentive Awards	2017 Annual Long-Term Incentive Awards
Grant Date	February 20, 2018	February 21, 2017
RSUs issued	587,000	358,198
Grant date fair value per unit	\$6.10	\$9.58

PSUs issued	587,000	358,198
Grant date fair value per unit	\$4.88	\$7.72

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following table summarizes the assumptions used to value the PSUs under a Monte Carlo simulation model:

	2018 Annual Long-Term Incentive Awards	2017 Annual Long-Term Incentive Awards
Risk free rate	2.39%	1.49%
Volatility	24.70%	20.52%
Dividend yield	16.39%	10.44%

During 2016, the Company approved the performance criteria and maximum dollar amount of the 2016 annual awards (the "2016 Annual Long-Term Incentive Awards"), that generally range from 30%-100% of actual base salary, for certain executive officers and employees of the Company. The number of awards was determined by converting the cash value of the award to a number of RSUs (the "Allocated RSUs") based on the closing price of WPG Inc.'s common shares for the final 15 trading days of 2016. Eventual recipients were eligible to receive a percentage of the Allocated RSUs based on the Company's performance on its strategic goals detailed in the Company's 2016 cash bonus plan and the Company's relative TSR compared to a peer group based on companies with similar assets and revenue. Payout for 50% of the Allocated RSUs was based on the Company's performance on the strategic goals and the payout on the remaining 50% was based on the Company's TSR performance. Both the strategic goal component as well as the TSR performance were achieved at target, resulting in a 100% payout. During the year ended December 31, 2017, the Company awarded 324,237 Allocated RSUs, with a grant date fair value of \$2.2 million, related to the 2016 Annual Long-Term Incentive Awards, which will vest in one-third installments on each of February 21, 2018, 2019 and 2020, except in instances that result in accelerated vesting due to severance arrangements.

During 2015, the Company approved the performance criteria and maximum dollar amount of the 2015 annual LTIP unit awards (the "2015 Annual Long-Term Incentive Awards"), that generally range from 30%-300% of actual base salary earnings, for certain executive officers and employees of the Company. The number of awards was determined by converting the cash value of the award to a number of LTIP units (the "Allocated Units") based on the closing price of WPG Inc.'s common shares for the final 15 trading days of 2015. Eventual recipients were eligible to receive a percentage of the Allocated Units based on the Company's performance on its strategic goals detailed in the Company's 2015 cash bonus plan and the Company's relative TSR compared to the MSCI REIT Index. Payout for 40% of the Allocated Units was based on the Company's performance on the strategic goals and the payout on the remaining 60% was based on the Company's TSR performance. The strategic goal component was achieved in 2015; however, the TSR was below threshold performance, resulting in only a 40% payout for this annual LTIP award. During the year ended December 31, 2016, the Company awarded 323,417 LTIP units related to the 2015 Annual Long-Term Incentive Awards, of which 108,118 vest in one-third installments on each of January 1, 2017, 2018 and 2019. The 94,106 LTIP units awarded to our former Executive Chairman fully vested on the grant date and the 121,193 LTIP units awarded to certain former executive officers fully vested on the applicable severance dates during 2016 pursuant to the underlying severance arrangements. The fair value of the portion of the awards based upon the Company's performance of the strategic goals was recognized to expense when granted.

The 2016 and 2015 Annual Long-Term Incentive Awards that are based upon TSR were calculated using a Monte Carlo simulation model. The total amount of compensation to be recognized over the performance period, and the assumptions used to value the 2016 and 2015 Annual Long-Term Incentive Awards are provided below:

	2016	2015
Fair value per share of Allocated RSUs/Units	\$3.81	\$7.07
Total amount to be recognized over the performance period	\$2,516	\$4,656
Risk free rate	0.44 %	0.20 %
Volatility	31.40 %	22.66 %
Dividend yield	10.05 %	6.03 %

WPG Restricted Share Awards

The WPG Restricted Shares relate to unvested restricted shares held by certain GRT executive employees at the time of merger. The amount of compensation expense related to unvested restricted shares that we expect to recognize in future periods is \$33 over a weighted average period of 0.3 years. During the year ended December 31, 2018, the aggregate intrinsic value of shares that vested was \$44.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

A summary of the status of the WPG Restricted Shares at December 31, 2018 and changes during the year are presented below:

	Activity for the Year Ended December 31, 2018	
	Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	30,535	\$ 18.18
Shares granted	—	\$ —
Shares vested/forfeited	(21,502)	\$ 18.18
Outstanding at end of year	9,033	\$ 18.18

There were no restricted shares granted during the years ended December 31, 2018, 2017 and 2016. The total original fair value of the restricted shares vested during the years ended December 31, 2018, 2017 and 2016 was \$391, \$2,182, and \$14,115, respectively.

WPG Restricted Stock Unit Awards

The Company issues RSUs to certain executive officers, employees, and non-employee directors of the Board. During the years ended December 31, 2018, 2017 and 2016, the Company issued 812,440, 843,435 and 518,112 RSUs, respectively. Of the 812,440 RSUs issued in 2018, 587,000 RSUs with a fair value of \$3.6 million relates to the annual long-term incentive award issuances that occurred in February 2018 (see "Annual Long-Term Incentive Awards" section above). Of the 843,435 RSUs issued in 2017, 682,435 RSUs with a fair value of \$5.6 million relates to the annual long-term incentive award issuances that occurred in February 2017 (see "Annual Long-Term Incentive Awards" section above). Of the 518,112 RSUs issued in 2016, 284,483 RSUs with a fair value of \$3.3 million relates to Mr. Louis G. Conforti's appointment as the Company's CEO in October 2016. The RSUs are service-based awards and the related fair value is expensed over the applicable service periods, except in instances that result in accelerated vesting due to severance arrangements.

The amount of compensation related to the unvested RSUs that we expect to recognize in future periods is \$6.6 million over a weighted average period of 1.5 years.

A summary of the status of the WPG RSUs at December 31, 2018 and changes during the year are presented below:

	Activity for the Year Ended December 31, 2018	
	RSUs	Weighted Average Grant Date Fair Value
Outstanding unvested at beginning of year	1,157,576	\$ 9.40
RSUs granted	812,440	\$ 6.28

RSUs vested/forfeited	(400,703)	\$ 8.29
Outstanding unvested at end of year	1,569,313	\$ 8.07

The weighted average grant date fair value per share of RSUs granted during the years ended December 31, 2018, 2017 and 2016 was \$6.28, \$8.07, and \$11.48, respectively. The total fair value of the RSUs vested during the years ended December 31, 2018, 2017 and 2016 was \$3,320, \$1,128, and \$1,082, respectively.

Stock Options

Options granted under the Company's Plan generally vest over a three year period, with options exercisable at a rate of 33.3% per annum beginning with the first anniversary on the date of the grant. These options were valued using the Black-Scholes pricing model and the expense associated with these options are amortized over the requisite vesting period.

There were no options granted during the years ended December 31, 2018 and 2017. During the year ended December 31, 2016, the Company granted 247,500 options to employees. The weighted average grant date fair value was \$0.62.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

A summary of the status of the Company's option plans at December 31, 2018 and changes during the year are listed below:

	Activity for the Year Ended December 31, 2018	Weighted Average Stock Grant Options Date Fair Value
Outstanding at beginning of year	794,014	\$ 2.26
Options granted	—	\$ —
Options exercised	—	\$ —
Options forfeited/expired	(114,273)	\$ 3.36
Outstanding at end of year	679,741	\$ 2.08

The fair value of each option grant was the date of the grant using the Black-Scholes options pricing mode. The weighted average per share value of options granted as well as the assumptions used to value the grants is listed below:

	2016
Weighted average per share value of options granted/converted	\$0.62
Weighted average risk free rates	1.4 %
Expected average lives in years	6.0 years
Annual dividend rates	\$1.00
Weighted average volatility	28.3 %
Forfeiture rate	10 %

The following table summarizes information regarding the options outstanding at December 31, 2018:

Options Outstanding	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 2018	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2018	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Range of Exercise Prices						
\$1.79	2,348	0.2	\$1.79	2,348	0.2	\$1.79
\$5.76	14,758	1.2	\$5.76	14,758	1.2	\$5.76
\$11.97	36,267	2.3	\$11.97	36,267	2.3	\$11.97
\$12.67	55,419	3.4	\$12.67	55,419	3.4	\$12.67
\$16.56	105,381	4.4	\$16.56	105,381	4.4	\$16.56
\$13.10	72,068	5.3	\$13.10	72,068	5.3	\$13.10
\$14.28	226,000	6.4	\$14.28	226,000	6.4	\$14.28
\$9.95	167,500	7.4	\$9.95	111,663	7.4	\$9.95
	679,741	5.6	\$12.96	623,904	5.4	\$13.23

The following table summarizes the aggregate intrinsic value of options that are: outstanding, exercisable and exercised. It also depicts the fair value of options that have vested.

	For the Year Ended December 31, 2018
Aggregate intrinsic value of options outstanding	\$ 7
Aggregate intrinsic value of options exercisable	\$ 7
Aggregate intrinsic value of options exercised	\$ —
Aggregate fair value of options vested	\$ 154

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The aggregate intrinsic value of options that exercised and the aggregate fair value of options that vested during the year ended December 31, 2017 was \$12 and \$187, respectively. The aggregate intrinsic value of options that exercised and the aggregate fair value of options that vested during the year ended December 31, 2016 was \$163 and \$191, respectively.

Share Award Related Compensation Expense

During the years ended December 31, 2018, 2017 and 2016, the Company recorded share award related compensation expense pertaining to the award and option plans noted above within the consolidated statements of operations and comprehensive income as indicated below (amounts in millions):

	For the Year Ended December 31,		
	2018	2017	2016
Merger, restructuring and transaction costs	\$—	\$—	\$9.5
General and administrative and property operating	8.3	6.4	4.6
Total expense	\$8.3	\$6.4	\$14.1

Distributions

During the years ended December 31, 2018 and 2017, the Board declared common share/unit dividends of \$1.00 per common share/unit, respectively.

10. Commitments and Contingencies

Litigation

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters, and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable and the amount can be reasonably estimated.

Lease Commitments

As of December 31, 2018, a total of four consolidated properties are subject to ground leases. The termination dates of these ground leases range from 2026 to 2076. These ground leases generally require us to make fixed annual rental payments, or a fixed annual rental plus a percentage rent component based upon the revenues or total sales of the property. Some of these leases also include escalation clauses and renewal options. We incurred ground lease expense, which is included in ground rent in the accompanying consolidated statements of operations and comprehensive income, for the years ended December 31, 2018, 2017 and 2016 of \$789, \$2,438 and \$4,318, respectively.

Additionally, the Company has two material office leases and one material garage lease. The termination dates of these leases range from 2023 to 2026. These leases generally require us to make fixed annual rental payments, plus our share of common-area maintenance expense and real estate taxes and insurance. We incurred lease expense, which is included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income, for the years ended December 31, 2018, 2017 and 2016 of \$2,668, \$2,397, and \$2,160, respectively.

Future minimum lease payments due under these leases for each of the next five years and thereafter, excluding applicable extension options, as of December 31, 2018 are as follows:

2019	\$2,029
2020	2,049
2021	2,069
2022	2,099
2023	1,427

Thereafter 21,377
\$31,050

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

Concentration of Credit Risk

Our properties rely heavily upon anchor or major tenants to attract customers; however, these retailers do not constitute a material portion of our financial results. Additionally, many anchor retailers in the enclosed retail properties own their spaces further reducing their contribution to our operating results. All operations are within the United States and no customer or tenant accounts for 5% or more of our consolidated revenues.

11. Related Party Transactions

Transactions with SPG

The Company was formed in 2014 through a spin-off of certain properties from SPG. SPG managed the day-to-day operations of our legacy SPG enclosed retail properties through February 29, 2016 in accordance with property management agreements that expired as of May 31, 2016. Additionally, WPG and SPG entered into a transition services agreement pursuant to which SPG provided to WPG, on an interim, transitional basis after May 28, 2014 through May 31, 2016, the date on which it was terminated, various services including administrative support for the open air properties through December 31, 2015, information technology, property management, accounts payable and other financial functions, as well as engineering support, quality assurance support and other administrative services for the enclosed retail properties until March 1, 2016. Under the transition services agreement that terminated on May 31, 2016, SPG charged WPG, based upon SPG's allocation of certain shared costs such as insurance premiums, advertising and promotional programs, leasing and development fees. Amounts charged to expense for property management and common costs, services, and other as well as insurance premiums are included in property operating expenses in the consolidated statements of operations and comprehensive income. Additionally, leasing and development fees charged by SPG were capitalized by the property. WPG terminated the transition services agreement, all applicable property management agreements with SPG, and the property development agreement effective May 31, 2016.

We did not incur any charges pertaining to the transition services agreements for the years ended December 31, 2018 and 2017. Charges for properties which for the year ended December 31, 2016 are as follows:

	For the Year Ended December 31, 2016	
	Consolidated	Unconsolidated
Property management and common costs, services and other	\$8,791	\$ 196
Insurance premiums	\$—	\$ —
Advertising and promotional programs	\$102	\$ 6
Capitalized leasing and development fees	\$3,166	\$ 23

Consulting Agreement with Mark S. Ordan

Mr. Mark S. Ordan served as a member of the Board until May 18, 2017 at which time his term on the Board expired and he retired from service. During 2017, Mr. Ordan and the Company were parties to a Consulting Agreement in which Mr. Ordan provided consulting services to the Company for a fee. The Consulting Agreement was terminated on May 28, 2017. During 2017, the Company paid Mr. Ordan approximately \$0.2 million in fees under the Consulting Agreement. The Company has no further payment obligations under the Consulting Agreement.

12. Earnings Per Common Share/Unit

WPG Inc. Earnings Per Common Share

We determine WPG Inc.'s basic earnings per common share based on the weighted average number of shares of common stock outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine WPG Inc.'s diluted earnings per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all potentially dilutive securities were converted into common shares at the earliest date

possible.

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Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

The following table sets forth the computation of WPG Inc.'s basic and diluted earnings per common share:

	For the Year Ended December 31,		
	2018	2017	2016
Earnings Per Common Share, Basic:			
Net income attributable to common shareholders - basic	\$79,572	\$ 183,031	\$ 53,099
Weighted average shares outstanding - basic	187,696,386	186,829,385	185,633,582
Earnings per common share, basic	\$0.42	\$ 0.98	\$ 0.29

Earnings Per Common Share, Diluted:

Net income attributable to common shareholders - basic	\$79,572	\$ 183,031	\$ 53,099
Net income attributable to common unitholders	14,735	34,222	10,034
Net income attributable to common shareholders - diluted	\$94,307	\$ 217,253	\$ 63,133
Weighted average common shares outstanding - basic	187,696,386	186,829,385	185,633,582
Weighted average operating partnership units outstanding	34,703,770	34,808,890	34,304,109
Weighted average additional dilutive securities outstanding	603,674	337,508	803,805
Weighted average common shares outstanding - diluted	223,003,781	221,975,783	220,741,496
Earnings per common share, diluted	\$0.42	\$ 0.98	\$ 0.29

For the years ended December 31, 2018, 2017 and 2016, additional potentially dilutive securities include contingently-issuable outstanding stock options and performance based components of annual awards. We accrue distributions when they are declared.

WPG L.P. Earnings Per Common Unit

We determine WPG L.P.'s basic earnings per common unit based on the weighted average number of common units outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine WPG L.P.'s diluted earnings per unit based on the weighted average number of common units outstanding combined with the incremental weighted average units that would have been outstanding assuming all potentially dilutive securities were converted into common units at the earliest date possible.

The following table sets forth the computation of WPG L.P.'s basic and diluted earnings per common unit:

	For the Year Ended December 31,		
	2018	2017	2016
Earnings Per Common Unit, Basic and Diluted:			
Net income attributable to common unitholders - basic and diluted	\$94,307	\$ 217,253	\$ 63,133
Weighted average common units outstanding - basic	222,400,171	221,638,275	219,937,691
Weighted average additional dilutive securities outstanding	603,674	337,508	803,805
Weighted average shares outstanding - diluted	223,003,781	221,975,783	220,741,496
Earnings per common unit, basic and diluted	\$0.42	\$ 0.98	\$ 0.29

For the years ended December 31, 2018, 2017 and 2016, additional potentially dilutive securities include contingently-issuable units related to WPG Inc.'s outstanding stock options and WPG Inc.'s performance based components of annual awards. We accrue distributions when they are declared.

13. Subsequent Events

On January 18, 2019, we completed the sale of the sixth tranche of restaurant outparcels to Four Corners. This tranche consisted of eight restaurant outparcels. Additionally, on February 11, 2019, we closed on the sale of one additional restaurant outparcel. The allocated purchase price was approximately \$12.2 million, and the net proceeds of approximately \$12.1 million were used to fund ongoing redevelopment efforts and for general corporate purposes.

Washington Prime Group Inc. and Washington Prime Group, L.P.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands, except share, unit, per share and per unit amounts and where indicated as in millions or billions)

During the first quarter of 2019, Fitch Ratings & Moody's Investor Service lowered their credit rating on WPG L.P.'s unsecured long-term indebtedness, which will increase interest rates on our Facility (as defined in Note 6 - "Indebtedness"), December 2015 Term Loan, and 5.950% Notes due 2024 as of February 2, 2019. Due to the downgrade, our Revolver will bear interest at LIBOR plus 165 basis points (an increase of 40 basis points), our Term Loan will bear interest at LIBOR plus 190 basis points (an increase of 45 basis points), and our December 2015 Term Loan will bear interest at LIBOR plus 235 basis points (an increase of 55 basis points). Our 5.950% Notes due 2024 will bear interest at 6.450% (an increase of 50 basis points). Assuming the new pricing grid was effective January 1, 2018, the impact would have resulted in an increase in borrowing costs of approximately \$8.5 million during 2018. On February 5, 2019, the Company's Executive Vice President, Head of Open Air Centers, was terminated without cause from his position and received severance payments and other benefits pursuant to the terms and conditions of his employment agreement. In addition, the Company terminated, without cause, additional non-executive personnel in the Property Management department as part of an effort to reduce overhead costs. The Company expects to record aggregate severance charges of approximately \$1.9 million, including \$0.1 million of non-cash stock compensation in the form of accelerated vesting of equity incentive awards.

On February 12, 2019, the Board declared common share/unit dividends of \$0.25 per common share/unit. The dividend is payable on March 15, 2019 to shareholders/unitholders of record on March 4, 2019.

14. Quarterly Financial Data (Unaudited)

Quarterly 2018 and 2017 data is summarized in the table below. Quarterly amounts may not sum to annual amounts due to rounding.

	First	Second	Third	Fourth
	Quarter	Quarter	Quarter	Quarter
2018				