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.) 333-205859 (Washington Prime Group, L.P.) (Commission File No.)	180 East Broad Street Columbus, Ohio 43215 (Address of principal executive offices)
46-4323686 (Washington Prime Group Inc.) 46-4674640 (Washington Prime Group, L.P.) (I.R.S. Employer Identification No.)	(614) 621-9000 (Registrants' telephone number, including area code)

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 x No ¨ Washington Prime Group, L.P. Yes ¨ No x

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 x Washington Prime Group, L.P. Yes ¨ No x

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
TABLE OF CONTENTS

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.

4

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.

6

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.

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.

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.

17

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:

- 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.

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.

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

23

- 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)
Boynton Beach Mall	FL	Boynton Beach (Miami)	Fee	100.0	%	Acquired 1996	81.2	%	1,101,881	Cinemark Theatres, Dillard's(10), 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),

									Macy's(10), Starplex Luxury Cinema
Charlottesville Fashion Square	VA	Charlottesville	Ground Lease (2076)	100.0	%	Acquired 1997	87.5	%	578,063	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

25

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
Indian Mound Mall	OH	Newark	Fee	100.0	%	Acquired 2015	89.5	%	556,746	AMC Theaters, Big Sandy Superstore(10), Dick's Sporting Goods, JCPenney, Sears(10)
Irving Mall	TX	Irving (Dallas)	Fee	100.0	%	Built 1971	99.2	%	1,052,013	AMC Theatres, Burlington Coat Factory, Dillard's(10), Fitness Connection, La Vida Fashion and Home Décor(10), Macy's(10), Shoppers World, Sky Zone
Jefferson Valley Mall	NY	Yorktown Heights (New York)	Fee	100.0	%	Built 1983	93.5	%	580,871	Dick's Sporting Goods, Macy's, Sears(5)(8)
Lima Mall	OH	Lima	Fee	100.0	%	Acquired 1996	98.1	%	743,872	JCPenney, Macy's(10)
Lincolnwood Town Center	IL	Lincolnwood (Chicago)	Fee	100.0	%	Built 1990	84.0	%	422,847	Kohl's
Lindale Mall	IA	Cedar Rapids	Fee	100.0	%	Acquired 1998	93.1	%	723,666	Hy-Vee, Von Maur
Longview Mall	TX	Longview	Fee	100.0	%	Built 1978	94.9	%	653,171	Dick's Sporting Goods, Dillard's(10), JCPenney(10), L'Patricia(10), Sears(5), Stage(10)
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, The	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

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	% (7)	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	Bed, Bath, and 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	% (6)	Acquired 1996	90.2	%	777,246	Bealls(10), Dillard's(10), DSW, JCPenney, Macy's(10),

								Recreational Warehouse, Regal Cinema, Sears(5)
Rolling Oaks Mall	TX	San Antonio	Fee	100.0 %	Built 1988	95.7 %	883,336	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
Southern Hills Mall	IA	Sioux City	Fee	100.0 %	Acquired 1998	90.1 %	794,010	AMC Theaters, Barnes & Noble, Hy-Vee, JCPenney(10), Scheel's All Sports, Sears(5)
Southern Park Mall	OH	Youngstown	Fee	100.0 %	Acquired 1996	81.5 %	1,202,768	Cinemark Theatres, Dillard's(10), JCPenney, Macy's
Southgate Mall	MT	Missoula	Fee	100.0 %	Acquired 2018	89.4 %	630,811	AMC Theater, Dillard's(10), JCPenney(10), Lucky's Market
Sunland Park Mall	TX	El Paso	Fee	100.0 %	Built 1988	77.9 %	927,305	Cinemark, Dillard's(11), Sears(5)(10), Starr Western Wear
Town Center at Aurora	CO	Aurora (Denver)	Fee	100.0 %	Acquired 1998	94.1 %	1,080,995	Century Theatres, Dillard's(10), JCPenney(10), Macy's(10), Sears

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								
Bloomingdale Court	IL	Bloomingdale (Chicago)	Fee	100.0 %	Built 1987	98.9 %	697,088	Best Buy, Dick's Sporting Goods, Jo-Ann Fabrics, Office Max, Picture

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

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 5th Saks 5th 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	

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)

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
Shops at Arbor Walk, The	TX	Austin	Ground Lease (2056)	51.0	%	Built 2006	99.1	%	309,064	DSW, Home Depot, Jo-Ann Fabrics, Marshalls, Sam Moon Trading Co., Spec's Wine, Spirits and Fine Foods
Shops at North East Mall, The	TX	Hurst (Dallas)	Fee	100.0	%	Built 1999	100.0	%	365,039	Barnes & Noble, Bed Bath & Beyond, Best Buy, DSW, Michaels, PetSmart, T.J. Maxx
St. Charles Towne Plaza	MD	Waldorf (Wash, D.C.)	Fee	100.0	%	Built 1987	90.6	%	391,325	Ashley Furniture, Big Lots, Citi Trends, Dollar Tree, K & G Menswear, Shoppers Food Warehouse, Value City Furniture(10)
Tippecanoe Plaza	IN	Lafayette	Fee	100.0	%	Built 1974	100.0	%	90,522	Barnes & Noble, Best Buy
University Center	IN	Mishawaka	Fee	100.0	%	Acquired 1996	96.8	%	150,441	Best Buy(10), Michael's, Ross Dress for Less
University Town Plaza	FL	Pensacola	Fee	100.0	%	Redeveloped 2013	78.3	%	565,538	Academy Sports, Burlington Coat Factory, JCPenney(10)
Village Park Plaza	IN	Carmel (Indianapolis)	Fee	100.0	%	Acquired 2014	100.0	%	517,948	Bed Bath & Beyond, Hobby Lobby, Kohl's, Marsh Supermarket(10), Regal Cinemas, Walmart Supercenter(10)
Washington Plaza	IN	Indianapolis	Fee	100.0	%	Acquired 1996	90.0	%	50,107	Jo-Ann Fabrics

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	

30

(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.
(2) Enclosed Retail Properties—Executed leases for all Company-owned GLA in enclosed retail property stores, 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.
(12) 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 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	%

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

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%
Boynton 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:	
Bloomingdale 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%

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(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.

	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

(1) In 2018, we adopted accounting guidance which requires that the statement of cash flows explain the change 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.

(2) 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 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 Sold	Purchase Price	Sales 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]		Store Sales Per Square Foot for 12 Months Ended[1]		Store Occupancy Cost %[1]		% of Total Comp NOI for 12 Months Ended[1]
		12/31/18	12/31/17	12/31/18	12/31/17	12/31/18	12/31/17	12/31/18
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 %

[1]Metrics 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	Towne West Square
Arboretum, The	Northtown Mall	Boynton Beach Mall	West Ridge 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			

[1]Property has been identified to change tiers in 2019.

[2]Reclassified 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® | 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)