

# **WASHINGTON PRIME GROUP**

FORM 10-K  
**2017**



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, 2017

**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 (34,760,026 units outstanding as of February 21, 2018)**

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

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

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

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

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

The aggregate market value of shares of common stock held by non-affiliates of Washington Prime Group Inc. was approximately \$1.6 billion based on the closing sale price on the New York Stock Exchange for such stock on June 30, 2017.

As of February 21, 2018, Washington Prime Group Inc. had 185,791,421 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 2018 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, 2017 of Washington Prime Group<sup>®</sup> Inc. and Washington Prime Group<sup>®</sup>, L.P. Unless stated otherwise or the context requires otherwise, references to "WPG Inc." mean Washington Prime Group<sup>®</sup> Inc., an Indiana corporation, and references to "WPG L.P." mean Washington Prime Group<sup>®</sup>, 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 84.3% of the partnership interests ("OP units") at December 31, 2017. 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.

WPG L.P. is a voluntary filer. We are evaluating whether or not WPG L.P. will continue to voluntarily file reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

**WASHINGTON PRIME GROUP INC. AND WASHINGTON PRIME GROUP, L.P.**  
**Annual Report on Form 10-K**  
**December 31, 2017**

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## Part I

### Item 1. Business

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

#### General

Washington Prime Group<sup>®</sup> Inc. ("WPG Inc.") is an Indiana corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). WPG will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute not less than 90% of REIT taxable income and satisfy certain other requirements. WPG 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. 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"), pursuant to a definitive agreement and plan of merger with GRT and certain affiliated parties of each dated September 16, 2014 (the "Merger Agreement"), in a stock and cash transaction valued at approximately \$4.2 billion, including the assumption of debt (the "Merger"). Additionally, included in the consideration were operating partnership units held by limited partners and preferred stock. In the Merger, we acquired material interests in 23 shopping centers (the "Merger Properties") comprised of approximately 15.8 million square feet of gross leasable area ("GLA") and assumed additional 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. These underlying agreements expired effective May 31, 2016.

We own, develop and manage enclosed retail properties and open air properties. As of December 31, 2017, our assets consisted of material interests in 108 shopping centers in the United States, comprised of approximately 59 million square feet of GLA.

#### Transactions

For a description of our operational strategies and developments in our business during 2017, 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, 2017, 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 3.0% 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 9.7% 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.

### ***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, 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.

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, 2017.

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.

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

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

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

### ***Conflicts of Interest Policies***

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

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

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

### ***Policies With Respect To Certain Other Activities***

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

### **Competition**

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

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

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



In addition, because our revenue potential is linked to the success of our retailers, we indirectly share exposure to the same competitive factors 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 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<sup>®</sup> (expiration date January 2028) and The Outlet Collection<sup>®</sup> (expiration date October 2023), as well as the names of certain of our properties such as Scottsdale Quarter<sup>®</sup> (expiration date November 2019) and Polaris Fashion Place<sup>®</sup> (expiration date July 2022), and other marketing terms, phrases, and materials it uses to promote its business, services, and properties. Additionally, WPG L.P. has filed a trademark application with the United States Patent and Trademark Office for the name "Tangible" and its status is pending.

### **Employees**

At December 31, 2017, we had 845 employees, of which 135 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](http://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](http://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. You may also read and copy any materials we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

## Item 1A. Risk Factors

*The following risk factors, among others, could materially affect our business, financial condition, operating results or cash flows. 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 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. 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 frequently 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.

***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.

***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, 2017, 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, 2017 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 10.4% of our consolidated indebtedness as of December 31, 2017, 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, 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, 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. We currently have investment grade credit ratings. Although we currently hold this rating, we have in the past been subject to downgrades. 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. For example, the Patient Protection and Affordable Care Act of 2010, as it is phased-in over time, might significantly impact our cost of providing employees with health care insurance. Similarly, its repeal could result in unanticipated administrative costs, disruptions and business inefficiencies that could adversely impact our business and fiscal results. We are unable to predict how this, or any other 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 Our 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 generally 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 are likely 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, 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, but these measures, our increased awareness of a risk of a cyber-incident, and our insurance coverage, do not guarantee that our financial results will not be negatively impacted by such an incident.

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

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

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

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

## **Risks Related to the Separation from SPG**

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

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

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

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

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

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

- 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 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"). On December 22, 2017, the Tax Cuts and Jobs Act was signed into law by the U.S. President. Although we are not aware of any provision in the final tax reform legislation 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 investment activities. Thus, compliance with WPG Inc.'s REIT requirements may hinder our ability to grow, which could adversely affect the value of WPG Inc.'s shares. Any restrictions on our ability to incur additional indebtedness or make certain distributions could preclude WPG Inc. from meeting the 90% distribution requirement. Decreases in funds from operations due to unfinanced expenditures for acquisitions of properties or increases in the number of shares outstanding without commensurate increases in funds from operations each would adversely affect WPG Inc.'s ability to maintain distributions to its shareholders. Consequently, there can be no assurance that WPG Inc. will be able to make distributions at the anticipated distribution rate or any other rate.

***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 25% (20% as of January 1, 2018) 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 common 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;
- 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, 2017, 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, officers, employees, advisors, and consultants who are eligible to receive such awards. Such awards will 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;
- Supermajority vote requirements for shareholders to amend certain provisions of WPG Inc.'s amended and restated articles of incorporation and bylaws;
- Limitations on the exercise of voting rights in respect of any "control shares" acquired in a control share acquisition, which WPG Inc. has currently opted out of in WPG Inc.'s amended and restated bylaws but which could apply to WPG Inc. in the future; and
- Restrictions on an "interested shareholder" to engage in certain business combinations with WPG Inc. for a five-year period following the date the interested shareholder became such.

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

Several of the agreements that we entered into with SPG in connection with the separation require SPG's consent to any assignment by us of our rights and obligations under the agreements, but these agreements generally expired within two years of May 28, 2014, except for certain agreements that continue for longer terms. These agreements include the Separation Agreement and the Tax Matters Agreement. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control 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 change of control 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 you 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, 2017, our portfolio of properties consisted of material interests in 108 properties totaling approximately 59 million square feet of 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, 2017, our properties had an ending occupancy rate of 93.1% (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 theatres, and regional and local retailers. As of December 31, 2017, selected anchors and tenants include Macy's, Inc., Dillard's, Inc., J.C. Penney Co., Inc., Sears Holdings Corporation, Target Corporation, The Bon-Ton Stores, Inc., 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, 2017. Further, no single property accounted for more than 5.1%, of our total base minimum rental revenues for the year ended December 31, 2017. Finally, as of December 31, 2017, no more than 13.6% 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, 2017:

#### **Property Information As of December 31, 2017**

| <b>Property Name</b>              | <b>State</b> | <b>City (Major Metropolitan Area)</b> | <b>Ownership Interest (Expiration if Lease)</b> | <b>Financial Interest (1)</b> | <b>Year Acquired or Built</b> | <b>Occupancy (%) (2)</b> | <b>Total Center SF</b> | <b>Anchors</b>  |
|-----------------------------------|--------------|---------------------------------------|---|-------------------------------|-------------------------------|--------------------------|------------------------|---|
| <b>Enclosed Retail Properties</b> |              |                                       |   |                               |                               |                          |                        |   |
| Anderson Mall                     | SC           | Anderson                              | Fee   | 100.0%                        | Built 1972                    | 78.3%                    | 670,031                | Belk(10), Books-A-Million, Dillard's(10), JCPenney, Sears(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  |
|--------------------------------|-------|--------------------------------|--|------------------------|------------------------|-------------------|-----------------|--|
| Arbor Hills                    | MI    | Ann Arbor                      | Fee                                      | 51.0%                  | Acquired 2015          | 100.0%            | 87,395          | N/A  |
| Arboretum, The                 | TX    | Austin                         | Fee                                      | 51.0%                  | Acquired 1998          | 94.3%             | 195,302         | Barnes & Noble, Cheesecake Factory, Pottery Barn   |
| Ashland Town Center            | KY    | Ashland                        | Fee                                      | 100.0%                 | Acquired 2015          | 94.3%             | 433,558         | Belk, Belk Home Store, JCPenney(10), T.J. Maxx   |
| Bowie Town Center              | MD    | Bowie (Wash, D.C.)             | Fee                                      | 100.0%                 | Built 2001             | 88.1%             | 571,820         | Barnes & Noble, Best Buy, L.A. Fitness, Macy's(10), Off Broadway Shoes, Sears(8)   |
| Boynton Beach Mall             | FL    | Boynton Beach (Miami)          | Fee                                      | 100.0%                 | Acquired 1996          | 87.3%             | 1,101,881       | Cinemark Theatres, Dillard's(10), JCPenney, Macy's(10), Sears, You Fit Health Clubs  |
| Brunswick Square               | NJ    | East Brunswick (New York)      | Fee                                      | 100.0%                 | Acquired 1996          | 98.5%             | 760,998         | Barnes & Noble, JCPenney(10), Macy's(10), Starplex Luxury Cinema   |
| Charlottesville Fashion Square | VA    | Charlottesville                | Ground Lease (2076)                      | 100.0%                 | Acquired 1997          | 87.3%             | 578,063         | Belk(4), JCPenney(10) Sears  |
| Chautauqua Mall                | NY    | Lakewood                       | Fee                                      | 100.0%                 | Acquired 1996          | 91.1%             | 432,931         | Bon Ton, JCPenney, Office Max, Sears   |
| 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          | 97.3%             | 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             | 87.8%             | 1,050,499       | Conn's Electronic & Appliance(10), Dillard's(10), JCPenney(10), Regal Cinema, Sears(10)  |
| Dayton Mall                    | OH    | Dayton                         | Fee                                      | 100.0%                 | Acquired 2015          | 96.7%             | 1,442,615       | Dick's Sporting Goods, DSW, Elder-Beerman(10), JCPenney, Macy's(10), Sears(8)  |
| Edison Mall                    | FL    | Fort Myers                     | Fee                                      | 100.0%                 | Acquired 1997          | 90.0%             | 1,038,097       | Books-A-Million, Dillard's(10), JCPenney, Macy's(4), Sears(8)  |
| Grand Central Mall             | WV    | Parkersburg                    | Fee                                      | 100.0%                 | Acquired 2015          | 90.4%             | 846,249         | Belk, Dunham's Sports, Elder-Beerman(5) JCPenney, Regal Cinemas, Sears   |
| Great Lakes Mall               | OH    | Mentor (Cleveland)             | Fee                                      | 100.0%                 | Acquired 1996          | 91.6%             | 1,222,601       | Atlas Cinema Stadium 16, Barnes & Noble, Dick's Sporting Goods, Dillard's(10), JCPenney, Macy's(10)  |
| Indian Mound Mall              | OH    | Newark                         | Fee                                      | 100.0%                 | Acquired 2015          | 91.8%             | 556,746         | AMC Theaters, Big Sandy Superstore(10), Dick's Sporting Goods, Elder-Beerman, JCPenney, Sears(10)  |
| Irving Mall                    | TX    | Irving (Dallas)                | Fee                                      | 100.0%                 | Built 1971             | 99.9%             | 1,052,204       | AMC Theatres, Burlington Coat Factory, Dillard's(10), Fitness Connection, La Vida Fashion and Home Décor(10), Macy's(10), Sears(8), Shoppers World, Sky Zone |
| Jefferson Valley Mall          | NY    | Yorktown Heights (New York)    | Fee                                      | 100.0%                 | Built 1983             | 92.4%             | 578,245         | Dick's Sporting Goods, Macy's, Sears(8)  |
| Lima Mall                      | OH    | Lima                           | Fee                                      | 100.0%                 | Acquired 1996          | 80.6%             | 743,361         | JCPenney, Macy's(10), Sears  |
| Lincolnwood Town Center        | IL    | Lincolnwood (Chicago)          | Fee                                      | 100.0%                 | Built 1990             | 86.7%             | 422,997         | Carson Pirie Scott, Kohl's   |

| 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   |
|-----------------------------------|-------|--------------------------------|--|------------------------|------------------------|-------------------|-----------------|---|
| Lindale Mall                      | IA    | Cedar Rapids                   | Fee                                      | 100.0%                 | Acquired 1998          | 94.3%             | 730,590         | Sears(8), Von Maur, Younkers  |
| Longview Mall                     | TX    | Longview                       | Fee                                      | 100.0%                 | Built 1978             | 99.4%             | 653,238         | Dick's Sporting Goods, Dillard's(10), JCPenney(10), L'Patricia(10), Sears(10), Stage(10)                |
| Malibu Lumber Yard                | CA    | Malibu                         | Ground Lease (2047)                      | 51.0%                  | Acquired 2015          | 73.6%             | 31,514          | N/A   |
| Mall at Fairfield Commons, The    | OH    | Beavercreek                    | Fee                                      | 100.0%                 | Acquired 2015          | 92.7%             | 1,043,107       | Dick's Sporting Goods, Elder-Beerman, JCPenney, Macy's(10), Sears                                       |
| Mall at Johnson City, The         | TN    | Johnson City                   | Fee                                      | 51.0%                  | Acquired 2015          | 98.9%             | 567,895         | Belk for Her, Belk Home Store, Dick's Sporting Goods, JCPenney, Sears(10)                               |
| Maplewood Mall                    | MN    | St. Paul (Minneapolis)         | Fee                                      | 100.0%                 | Acquired 2002          | 83.6%             | 905,960         | Barnes & Noble, JCPenney(10), Kohl's(10), Macy's(10), Sears(8)  |
| Markland Mall                     | IN    | Kokomo                         | Fee (9)                                  | 100.0%                 | Built 1968             | 92.6%             | 312,579         | Carson Pirie Scott, Target  |
| Melbourne Square                  | FL    | Melbourne                      | Fee                                      | 100.0%                 | Acquired 1996          | 90.2%             | 723,804         | Dick's Sporting Goods, Dillard's(11), JCPenney, L.A. Fitness, Macy's(10)                                |
| Mesa Mall                         | CO    | Grand Junction                 | Fee                                      | 100.0%                 | Acquired 1998          | 93.2%             | 873,467         | Cabela's(10), Herberger's, JCPenney(10), Jo-Ann Fabrics, Sears, Target(10)                              |
| Morgantown Mall                   | WV    | Morgantown                     | Fee                                      | 100.0%                 | Acquired 2015          | 90.9%             | 555,531         | AMC Theaters, Belk(5), Elder-Beerman, JCPenney, Sears   |
| Muncie Mall                       | IN    | Muncie                         | Fee                                      | 100.0%                 | Built 1970             | 84.9%             | 641,821         | Carson's, JCPenney, Macy's(10), Sears(10)   |
| New Towne Mall                    | OH    | New Philadelphia               | Fee                                      | 100.0%                 | Acquired 2015          | 90.9%             | 506,618         | Dick's Sporting Goods, Elder-Beerman, Jo-Ann Fabrics, Kohl's, Marshalls, Super Fitness Center           |
| Northtown Mall                    | MN    | Blaine                         | Fee                                      | 100.0%                 | Acquired 2015          | 93.5%             | 607,199         | Becker Furniture, Best Buy, Burlington Coat Factory, Herberger's, Hobby Lobby, Home Depot, L.A. Fitness |
| Northwoods Mall                   | IL    | Peoria                         | Fee                                      | 100.0%                 | Built 1983             | 81.1%             | 686,176         | JCPenney(10), Round One, Sears(10)  |
| Oak Court Mall                    | TN    | Memphis                        | Fee                                      | 100.0%                 | Acquired 1997          | 96.7%             | 847,398         | Dillard's(4), Macy's(10)  |
| Oklahoma City Properties          | OK    | Oklahoma City                  | Fee                                      | 51.0% (7)              | Acquired 2015          | 89.9%             | 294,598         | Trader Joe's, Whole Foods   |
| Orange Park Mall                  | FL    | Orange Park (Jacksonville)     | Fee                                      | 100.0%                 | Acquired 1994          | 98.0%             | 959,438         | 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          | 94.2%             | 922,286         | Bed Bath & Beyond, Burlington Coat Factory, Dave & Busters, L.A. Fitness, Nordstrom Rack, Sam's Club(5) |
| Paddock Mall                      | FL    | Ocala                          | Fee                                      | 100.0%                 | Acquired 1996          | 95.4%             | 548,120         | Belk, JCPenney, Macy's(10), Sears(8)  |
| Pearlridge Center                 | HI    | Aiea                           | Fee and Ground Lease (2043, 2058)        | 51.0%                  | Acquired 2015          | 93.1%             | 1,288,651       | Longs Drug Store, Macy's, Pearlridge Mall Theaters, Ross Dress for Less, Sears, T.J. Maxx               |

| 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  |
|------------------------------|-------|--------------------------------|--|------------------------|------------------------|-------------------|-----------------|--|
| Polaris Fashion Place®       | OH    | Columbus                       | Fee                                      | 51.0%                  | Acquired 2015          | 99.1%             | 1,570,588       | Barnes & Noble, Dick's Sporting Goods, JCPenney(10), Macy's(10), Saks Fifth Avenue(10), Sears(10), Von Maur(10)  |
| Port Charlotte Town Center   | FL    | Port Charlotte                 | Fee                                      | 100.0% (6)             | Acquired 1996          | 87.7%             | 777,246         | Bealls(10), Dillard's(10), DSW, JCPenney, Macy's(10), Recreational Warehouse, Regal Cinema, Sears  |
| Rolling Oaks Mall            | TX    | San Antonio                    | Fee                                      | 100.0%                 | Built 1988             | 96.7%             | 883,336         | Dillard's(10), JCPenney(10), Macy's(10), Sears(10)   |
| Rushmore Mall                | SD    | Rapid City                     | Fee                                      | 100.0%                 | Acquired 1998          | 80.3%             | 831,040         | AMC Theaters, At Home, Herberger's, Hobby Lobby, JCPenney, Planet Fitness, Sears(5), Toys 'R Us(5)   |
| Scottsdale Quarter®          | AZ    | Scottsdale                     | Fee                                      | 51.0%                  | Acquired 2015          | 91.5%             | 725,431         | Apogee Physicians, H&M, iPic Theaters, JDA Software, Restoration Hardware, Starwood Hotels   |
| Seminole Towne Center        | FL    | Sanford (Orlando)              | Fee                                      | 22.4%                  | Built 1995             | 88.9%             | 1,109,948       | Athletic Apex, Burlington Coat Factory, Dick's Sporting Goods, Dillard's(10), JCPenney(10), Macy's, Sears(10), United Artists Theatre  |
| Southern Hills Mall          | IA    | Sioux City                     | Fee                                      | 100.0%                 | Acquired 1998          | 90.9%             | 794,010         | AMC Theaters, Barnes & Noble, Hy-Vee, JCPenney(10), Scheel's All Sports, Sears(10), Younkers   |
| Southern Park Mall           | OH    | Youngstown                     | Fee                                      | 100.0%                 | Acquired 1996          | 85.4%             | 1,202,924       | Cinemark Theatres, Dillard's(10), JCPenney, Macy's, Sears  |
| Sunland Park Mall            | TX    | El Paso                        | Fee                                      | 100.0%                 | Built 1988             | 83.0%             | 927,703         | Cinemark, Dillard's(11), Forever 21(10), Sears(10)   |
| Town Center at Aurora        | CO    | Aurora (Denver)                | Fee                                      | 100.0%                 | Acquired 1998          | 94.1%             | 1,080,940       | Century Theatres, Dillard's(10), JCPenney(10), Macy's(10), Sears(10)   |
| Town Center Crossing & Plaza | KS    | Leawood                        | Fee                                      | 51.0%                  | Acquired 2015          | 94.2%             | 671,286         | Arhaus, Barnes & Noble, Crate & Barrel, Macy's(10), Restoration Hardware   |
| Towne West Square            | KS    | Wichita                        | Fee                                      | 100.0%                 | Built 1980             | 79.4%             | 898,662         | Dick's Sporting Goods(10), Dillard's(11), JCPenney(10), The Movie Machine  |
| Waterford Lakes Town Center  | FL    | Orlando                        | Fee                                      | 100.0%                 | Built 1999             | 100.0%            | 965,482         | 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          | 98.6%             | 859,287         | Barnes & Noble, Dillard's(10), JCPenney(10), Sears(10)   |
| West Ridge Mall              | KS    | Topeka                         | Fee                                      | 100.0%                 | Built 1988             | 82.8%             | 1,015,064       | Burlington Coat Factory(5), Dillard's(10), Furniture Mall of Kansas(10), JCPenney(10), Sears(10), Sky Zone   |

| 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  |
|--|-------|--------------------------------|--|------------------------|------------------------|-------------------|-------------------|--|
| Westminster Mall   | CA    | Westminster (Los Angeles)      | Fee                                      | 100.0%                 | Acquired 1998          | 87.6%             | 1,214,525         | Chuze Fitness, DSW, JCPenney(10), Macy's(10), Sears(5)(8), Sky Zone, Target(10)  |
| WestShore Plaza  | FL    | Tampa                          | Fee                                      | 100.0%                 | Acquired 2015          | 96.5%             | 1,075,486         | AMC Theatres, Dick's Sporting Goods, JCPenney, Macy's(10), Sears   |
| <b>Total Enclosed Retail Properties Portfolio Square Footage (3)</b> |       |                                |  |                        |                        |                   | <b>44,708,390</b> |  |
| <b>Open Air Properties</b>   |       |                                |  |                        |                        |                   |                   |  |
| Bloomington Court  | IL    | Bloomington (Chicago)          | Fee                                      | 100.0%                 | Built 1987             | 99.3%             | 696,588           | Best Buy, Dick's Sporting Goods(10), 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             | 100.0%            | 106,636           | Safeway(10)  |
| Canyon View Marketplace  | CO    | Grand Junction                 | Fee                                      | 100.0%                 | Acquired 2015          | 95.6%             | 43,053            | 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          | 100.0%            | 305,853           | Dollar Tree(10), PetSmart, Value City Furniture  |
| Concord Mills Marketplace  | NC    | Concord (Charlotte)            | Fee                                      | 100.0%                 | Acquired 2007          | 100.0%            | 262,020           | At Home, BJ's Wholesale Club, REC Warehouse  |
| Countryside Plaza  | IL    | Countryside (Chicago)          | Fee                                      | 100.0%                 | Built 1977             | 99.9%             | 403,756           | 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          | 100.0%            | 168,673           | Belk(10), Food Lion  |
| DeKalb Plaza   | PA    | King of Prussia (Philadelphia) | Fee                                      | 100.0%                 | Acquired 2003          | 100.0%            | 101,911           | 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          | 89.3%             | 249,488           | Burlington Coat Factory, Pier 1, XSport Fitness  |
| Fairfield Town Center  | TX    | Houston                        | Fee                                      | 100.0%                 | Built 2014             | 97.1%             | 293,524           | Academy Sports, HEB(10), Marshalls, Party City   |
| Forest Plaza   | IL    | Rockford                       | Fee                                      | 100.0%                 | Built 1985             | 100.0%            | 433,718           | Babies 'R Us/Toys 'R Us, Bed Bath & Beyond, Kohl's, Marshalls, Michaels, Office Max, Petco   |
| Gaitway Plaza  | FL    | Ocala                          | Fee                                      | 99.0% (6)              | Acquired 2014          | 98.4%             | 208,039           | Bed Bath & Beyond, Michael's, Office Depot, Ross Dress for Less, T.J. Maxx   |
| Gateway Centers  | TX    | Austin                         | Fee                                      | 51.0%                  | Acquired 2004          | 97.9%             | 512,153           | Best Buy, Crate & Barrel, Nordstrom Rack, Off 5 <sup>th</sup> Saks 5 <sup>th</sup> Ave, Regal Cinema(10), 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(10)   |
| Keystone Shoppes   | IN    | Indianapolis                   | Fee                                      | 100.0%                 | Acquired 1997          | 87.3%             | 36,402            | N/A  |

| 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   |
|-------------------------------|-------|--------------------------------|--|------------------------|------------------------|-------------------|-----------------|---|
| Lake Plaza                    | IL    | Waukegan (Chicago)             | Fee                                      | 100.0%                 | Built 1986             | 100.0%            | 215,590         | Home Owners Bargain Outlet  |
| Lake View Plaza               | IL    | Orland Park (Chicago)          | Fee                                      | 100.0%                 | Built 1986             | 99.0%             | 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             | 97.0%             | 386,229         | 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          | 80.8%             | 146,777         | Apex Soccer   |
| Mall of Georgia Crossing      | GA    | Buford (Atlanta)               | Fee                                      | 100.0%                 | Built 1999             | 100.0%            | 440,774         | American Signature Furniture, Best Buy, Nordstrom Rack, Staples, Target(10), T.J. Maxx 'n More                            |
| Markland Plaza                | IN    | Kokomo                         | Fee                                      | 100.0%                 | Built 1974             | 95.2%             | 90,527          | Bed Bath & Beyond, Best Buy   |
| Martinsville Plaza            | VA    | Martinsville                   | Ground Lease (2026)                      | 100.0%                 | Built 1967             | 69.2%             | 102,105         | Rose's  |
| Matteson Plaza                | IL    | Matteson (Chicago)             | Fee                                      | 100.0%                 | Built 1988             | 56.2%             | 273,836         | Shoppers World  |
| Muncie Towne Plaza            | IN    | Muncie                         | Fee                                      | 100.0%                 | Built 1998             | 86.1%             | 171,621         | AMC Theatres, Kohl's, T.J. Maxx   |
| North Ridge Shopping Center   | NC    | Raleigh                        | Fee                                      | 100.0%                 | Acquired 2004          | 96.5%             | 171,570         | Ace Hardware, Harris-Teeter Grocery, O2 Fitness Club  |
| Northwood Plaza               | IN    | Fort Wayne                     | Fee                                      | 100.0%                 | Built 1974             | 81.4%             | 204,956         | Target(10)  |
| Palms Crossing                | TX    | McAllen                        | Fee                                      | 51.0%                  | Built 2007             | 97.2%             | 409,158         | Babies 'R Us, Barnes & Noble, Bealls, Best Buy, DSW, Hobby Lobby, Overstock Furniture & Mattress                          |
| Plaza at Buckland Hills, The  | CT    | Manchester                     | Fee                                      | 100.0%                 | Acquired 2014          | 88.8%             | 327,483         | Big Lots, Jo-Ann Fabrics, Michael's(10), PetSmart(10), Total Wine & More, Toys 'R Us(10)                                  |
| Richardson Square             | TX    | Richardson (Dallas)            | Fee                                      | 100.0%                 | Acquired 1996          | 100.0%            | 516,100         | Lowe's Home Improvement(10), Ross Dress for Less, Sears(10), Super Target(10)   |
| Rockaway Commons              | NJ    | Rockaway (New York)            | Fee                                      | 100.0%                 | Acquired 1998          | 97.9%             | 239,050         | 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%            | 374,430         | Dick's Sporting Goods(10), PetSmart, Target(10)   |
| Royal Eagle Plaza             | FL    | Coral Springs (Miami)          | Fee                                      | 100.0%                 | Acquired 2014          | 82.4%             | 186,283         | Hobby Lobby, Lucky's Market   |
| Shops at Arbor Walk, The      | TX    | Austin                         | Ground Lease (2056)                      | 51.0%                  | Built 2006             | 98.4%             | 458,469         | 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   |

| 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   |
|---|-------|--------------------------------|--|------------------------|------------------------|-------------------|-------------------|---|
| St. Charles Towne Plaza                           | MD    | Waldorf (Wash, D.C.)           | Fee                                      | 100.0%                 | Built 1987             | 87.4%             | 391,653           | 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          | 95.1%             | 150,441           | Best Buy(10), Michael's, Ross Dress for Less  |
| University Town Plaza                             | FL    | Pensacola                      | Fee                                      | 100.0%                 | Redeveloped 2013       | 100.0%            | 565,538           | Academy Sports, Burlington Coat Factory, JCPenney(10), Sears(8), Toys 'R Us/Babies 'R Us                                |
| Village Park Plaza                                | IN    | Carmel (Indianapolis)          | Fee                                      | 100.0%                 | Acquired 2014          | 100.0%            | 575,548           | Bed Bath & Beyond, Hobby Lobby, Kohl's, Marsh Supermarket(10), Regal Cinemas, Walmart Supercenter(10)                   |
| Washington Plaza                                  | IN    | Indianapolis                   | Fee                                      | 100.0%                 | Acquired 1996          | 79.4%             | 50,107            | Jo-Ann Fabrics  |
| West Ridge Plaza                                  | KS    | Topeka                         | Fee                                      | 100.0%                 | Built 1988             | 100.0%            | 253,086           | Target(10), T.J. Maxx, Toys 'R Us(10)   |
| West Town Corners                                 | FL    | Altamonte Springs (Orlando)    | Fee                                      | 100.0% (6)             | Acquired 2014          | 93.5%             | 380,240           | American Signature Furniture(10), PetSmart, 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             | 100.0%            | 398,077           | Babies 'R Us/Toys 'R Us(10), County Market(10), Kohl's, Office Max, 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             | 97.9%             | 632,258           | Best Buy, DSW, Gold's Gym, Kohl's(10), Michael's, Office Depot, PetSmart, Ross Dress for Less, Target(10), T.J. Maxx    |
| <b>Total Open Air Portfolio Square Footage(3)</b> |       |                                |  |                        |                        |                   | <b>14,696,710</b> |   |
| <b>Total Portfolio Square Footage(3)</b>          |       |                                |  |                        |                        |                   | <b>59,405,100</b> |   |

- (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—26,846 sq. ft.
  - Royal Eagle Plaza—25,207 sq. ft.; Pearlridge Center—185,206 sq. ft.; Scottsdale Quarter—301,565 sq. ft.; Town West Square—32,362 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 2018.
- (6) We receive substantially all the economic benefit of the property due to a preference or advance.
- (7) Includes the following properties: Classen Curve, Nichols Hills Plaza and The Triangle @ Classen Curve.
- (8) Sears store owned by Seritage Growth Properties.
- (9) During the year ended December 31, 2017, we purchased the fee interest in the land, and terminated the ground lease.
- (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.



## Lease Expirations(1)

The following table summarizes lease expiration data for our properties as of December 31, 2017:

| Year   | Number of Leases Expiring | Square Feet | Average Base Minimum Rent Per Square Foot | Percentage of Gross Annual Rental Revenues(2) |
|--|---------------------------|-------------|---|---|
| <b>Inline Stores and Freestanding</b>                        |                           |             |   |   |
| Month To Month Leases  | 157                       | 324,590     | \$ 30.30                                  | 1.7%  |
| 2018   | 684                       | 2,008,740   | \$ 25.47                                  | 8.6%  |
| 2019   | 792                       | 2,492,748   | \$ 26.81                                  | 11.3%   |
| 2020   | 709                       | 2,396,749   | \$ 24.92                                  | 10.1%   |
| 2021   | 560                       | 1,895,909   | \$ 25.67                                  | 8.2%  |
| 2022   | 529                       | 1,846,987   | \$ 25.37                                  | 7.9%  |
| 2023   | 342                       | 1,483,266   | \$ 25.05                                  | 6.3%  |
| 2024   | 239                       | 932,271     | \$ 26.84                                  | 4.2%  |
| 2025   | 217                       | 945,645     | \$ 27.41                                  | 4.4%  |
| 2026   | 231                       | 1,183,525   | \$ 26.78                                  | 5.3%  |
| 2027   | 225                       | 1,046,734   | \$ 25.35                                  | 4.5%  |
| 2028 and Thereafter  | 68                        | 455,501     | \$ 23.77                                  | 1.8%  |
| Specialty Leasing Agreements w/ terms in excess of 11 months | 710                       | 1,630,971   | \$ 14.06                                  | 3.9%  |
| <b>Anchors</b>   |                           |             |   |   |
| Month To Month Leases  | 1                         | 17,892      | \$ 4.02                                   | 0.0%  |
| 2018   | 22                        | 1,455,902   | \$ 5.12                                   | 1.3%  |
| 2019   | 30                        | 1,840,142   | \$ 6.17                                   | 1.9%  |
| 2020   | 53                        | 2,624,820   | \$ 7.99                                   | 3.5%  |
| 2021   | 48                        | 2,792,119   | \$ 7.46                                   | 3.5%  |
| 2022   | 41                        | 2,426,802   | \$ 6.20                                   | 2.5%  |
| 2023   | 40                        | 1,831,789   | \$ 9.90                                   | 3.1%  |
| 2024   | 17                        | 848,845     | \$ 8.37                                   | 1.2%  |
| 2025   | 14                        | 597,259     | \$ 13.07                                  | 1.3%  |
| 2026   | 12                        | 430,373     | \$ 11.39                                  | 0.8%  |
| 2027   | 17                        | 843,633     | \$ 7.65                                   | 1.1%  |
| 2028 and Thereafter  | 15                        | 1,152,318   | \$ 8.41                                   | 1.6%  |

- (1) Does not consider the impact of renewal options that may be contained in leases and only considers Company-owned GLA.
- (2) Gross annual rental revenues represents 2017 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, 2017:

### Summary of Mortgage and Other Indebtedness As of December 31, 2017 (In thousands)

| Property Name                            | Maturity Date (1) | Interest Rate | Principal Balance | Our Share of Principal Balance |        | F = Fixed<br>V = Variable<br>Floating |
|--|-------------------|---------------|-------------------|--------------------------------|--------|---------------------------------------|
| <i>Consolidated Indebtedness:</i>        |                   |               |                   |                                |        |                                       |
| <i>Secured Indebtedness</i>              |                   |               |                   |                                |        |                                       |
| Anderson Mall                            | 12/1/2022         | 4.61 %        | \$ 18,449         | \$ 18,449                      |        | F                                     |
| Ashland Town Center                      | 7/6/2021          | 4.90 %        | 37,652            | 37,652                         |        | F                                     |
| Brunswick Square                         | 3/1/2024          | 4.80 %        | 72,504            | 72,504                         |        | F                                     |
| Canyon View Marketplace                  | 11/6/2023         | 5.47 %        | 5,305             | 5,305                          |        | F                                     |
| Charlottesville Fashion Square           | 4/1/2024          | 4.54 %        | 47,009            | 47,009                         |        | F                                     |
| Concord Mills Marketplace                | 11/1/2023         | 4.82 %        | 16,000            | 16,000                         |        | F                                     |
| Cottonwood Mall                          | 4/6/2024          | 4.82 %        | 99,031            | 99,031                         |        | F                                     |
| Dayton Mall                              | 9/1/2022          | 4.57 %        | 81,689            | 81,689                         |        | F                                     |
| Forest Plaza                             | 10/10/2019        | 7.50 %        | 16,084            | 16,084                         |        | F                                     |
| Grand Central Mall                       | 7/6/2020          | 6.05 %        | 40,397            | 40,397                         |        | F                                     |
| Lakeline Plaza                           | 10/10/2019        | 7.50 %        | 15,068            | 15,068                         |        | F                                     |
| Lincolnwood Town Center                  | 4/1/2021          | 4.26 %        | 49,668            | 49,668                         |        | F                                     |
| Mall of Georgia Crossing                 | 10/6/2022         | 4.28 %        | 22,713            | 22,713                         |        | F                                     |
| Muncie Mall                              | 4/1/2021          | 4.19 %        | 34,645            | 34,645                         |        | F                                     |
| Muncie Towne Plaza                       | 10/10/2019        | 7.50 %        | 6,264             | 6,264                          |        | F                                     |
| North Ridge Shopping Center              | 12/1/2022         | 3.41 %        | 12,018            | 12,018                         |        | F                                     |
| Oak Court Mall                           | 4/1/2021          | 4.76 %        | 37,701            | 37,701                         |        | F                                     |
| Outlet Collection®   Seattle, The        | 1/14/2020         | 3.06 %        | 86,500            | 86,500                         | (2)    | V                                     |
| Port Charlotte Town Center               | 11/1/2020         | 5.30 %        | 43,133            | 43,133                         | (3)    | F                                     |
| Rushmore Mall                            | 2/1/2019          | 5.79 %        | 94,000            | 94,000                         |        | F                                     |
| Town Center at Aurora                    | 4/1/2021          | 4.19 %        | 53,250            | 53,250                         |        | F                                     |
| Towne West Square                        | 6/1/2021          | 5.61 %        | 46,188            | 46,188                         |        | F                                     |
| Weberstown Mall                          | 6/8/2021          | 3.31 %        | 65,000            | 65,000                         |        | V                                     |
| West Ridge Mall                          | 3/6/2024          | 4.84 %        | 40,697            | 40,697                         |        | F                                     |
| West Ridge Plaza                         | 3/6/2024          | 4.84 %        | 10,174            | 10,174                         |        | F                                     |
| Westminster Mall                         | 4/1/2024          | 4.65 %        | 80,019            | 80,019                         |        | F                                     |
| White Oaks Plaza                         | 10/10/2019        | 7.50 %        | 12,528            | 12,528                         |        | F                                     |
| Whitehall Mall                           | 11/1/2018         | 7.00 %        | 8,750             | 8,750                          |        | F                                     |
| <i>Unsecured Indebtedness</i>            |                   |               |                   |                                |        |                                       |
| Credit Facility                          | 5/30/2019         | 2.81 %        | 155,000           | 155,000                        | (4)    | V                                     |
| 5.950% Notes due 2024                    | 8/15/2024         | 5.95 %        | 750,000           | 750,000                        |        | V                                     |
| 3.850% Notes due 2020 ("Exchange Notes") | 4/1/2020          | 3.85 %        | 250,000           | 250,000                        |        | F                                     |
| June 2015 Term Loan                      | 3/2/2020          | 2.56 %        | 270,000           | 270,000                        | (4)(5) | F                                     |
| December 2015 Term Loan                  | 1/10/2023         | 3.51 %        | 340,000           | 340,000                        | (5)    | F                                     |
| <b>Total Indebtedness at Face Value</b>  | <b>4.4 yrs.</b>   | <b>4.57%</b>  | <b>2,917,436</b>  | <b>2,917,436</b>               |        |                                       |

| Property Name                                | Maturity Date (1) | Interest Rate | Principal Balance  | Our Share of Principal Balance |     | F = Fixed<br>V = Variable<br>Floating |
|--|-------------------|---------------|--------------------|--------------------------------|-----|---------------------------------------|
| <i>Premium on Fixed-Rate Indebtedness</i>    |                   |               | 8,338              | 8,338                          |     |                                       |
| <i>Bond Discounts</i>                        |                   |               | (11,086)           | (11,086)                       |     |                                       |
| <i>Debt Issuance Costs, net</i>              |                   |               | (17,079)           | (17,079)                       |     |                                       |
| <b>Total Consolidated Indebtedness</b>       | <b>4.4 yrs.</b>   | <b>4.57%</b>  | <b>2,897,609</b>   | <b>2,897,609</b>               |     |                                       |
| <i>Unconsolidated Secured Indebtedness:</i>  |                   |               |                    |                                |     |                                       |
| Arbor Hills                                  | 1/1/2026          | 4.27 %        | 25,105             | 12,804                         |     | 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 %        | 49,939             | 25,469                         |     | F                                     |
| Oklahoma City Properties                     |                   |               |                    |                                |     |                                       |
| Loan One                                     | 6/1/2027          | 3.90 %        | 52,779             | 26,917                         |     | F                                     |
| Loan Two                                     | 1/1/2023          | 4.06 %        | 13,250             | 6,758                          |     | V                                     |
| Palms Crossing                               | 8/1/2021          | 5.49 %        | 34,804             | 17,750                         |     | 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 %        | 54,627             | 12,226                         | (3) | F                                     |
| Shops at Arbor Walk, The                     | 8/1/2021          | 5.49 %        | 39,336             | 20,061                         |     | F                                     |
| Town Center Crossing & Plaza                 |                   |               |                    |                                |     |                                       |
| Loan One                                     | 2/1/2027          | 4.25 %        | 34,442             | 17,565                         |     | F                                     |
| Loan Two                                     | 2/1/2027          | 5.00 %        | 69,498             | 35,444                         |     | F                                     |
| Other joint venture mortgage debt            | 7/1/2032          | 4.17 %        | 20,259             | 2,079                          |     | F                                     |
| <b>Total Indebtedness at Face Value</b>      | <b>7.4 yrs.</b>   | <b>4.15%</b>  | <b>1,294,639</b>   | <b>636,379</b>                 |     |                                       |
| <i>Premium on Fixed-Rate Indebtedness</i>    |                   |               | 13,275             | 6,770                          |     |                                       |
| <i>Debt Issuance Costs, net</i>              |                   |               | (5,771)            | (2,871)                        |     |                                       |
| <b>Total Unconsolidated Indebtedness</b>     | <b>7.4 yrs.</b>   | <b>4.15%</b>  | <b>1,302,143</b>   | <b>640,278</b>                 |     |                                       |
| <b>Total Mortgage and Other Indebtedness</b> | <b>4.9 yrs.</b>   | <b>4.49%</b>  | <b>\$4,199,752</b> | <b>\$ 3,537,887</b>            |     |                                       |

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

(2) On January 19, 2018 an affiliate of WPG Inc. repaid the outstanding balance. See discussions presented in Part II, Item 7 and Note 13 of the Notes to the Consolidated Financial Statements presented in Part IV, Item 15 for further details.

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

(4) On January 22, 2018, the Company amended and restated the terms of the Credit Facility. See Item 7 for further details. See discussions presented in Part II, Item 7 and Note 13 of the Notes to the Consolidated Financial Statements presented in Part IV, Item 15 for further details.

(5) Interest rate fixed via swap agreements as of December 31, 2017.

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

The following table lists the 68 unencumbered properties in our portfolio as of December 31, 2017:

**Unencumbered Properties  
As of December 31, 2017**

|                                    | <u>Financial Interest</u> |
|------------------------------------|---------------------------|
| <b>Enclosed Retail Properties:</b> |                           |
| 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%                    |
| 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%                    |
| <b>Open Air Properties:</b>        |                           |
| Bloomington Court                  | 100.0%                    |
| Bowie Town Center Strip            | 100.0%                    |
| Charles Towne Square               | 100.0%                    |
| Chesapeake Center                  | 100.0%                    |
| Countryside Plaza                  | 100.0%                    |
| Dare Centre                        | 100.0%                    |
| DeKalb Plaza                       | 100.0%                    |
| Empire East                        | 100.0%                    |
| Fairfax Court                      | 100.0%                    |
| Fairfield Town Center              | 100.0%                    |
| Gaitway Plaza(2)                   | 99.0%                     |

|                               | <b>Financial Interest</b> |
|-------------------------------|---------------------------|
| 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%                    |
| Wolf Ranch                    | 100.0%                    |

- 
- (1) This property is part of the O'Connor Joint Venture II, as discussed in Part II, Item 7 and Note 5 of the Notes to the Consolidated Financial Statements presented in Part IV, Item 15.
- (2) We receive substantially all the economic benefit of the property due to a capital preference.

### Item 3. Legal Proceedings

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

### Item 4. Mine Safety Disclosures

Not applicable.

## Part II

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

#### WPG Inc.

#### *Market Information*

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

|                | Price Per<br>Common Share |         | Dividend<br>Declared Per<br>Common<br>Share |
|----------------|---------------------------|---------|---|
|                | High                      | Low     |   |
| <b>2017</b>    |                           |         |   |
| First Quarter  | \$ 10.97                  | \$ 7.90 | \$ 0.25                                     |
| Second Quarter | \$ 9.49                   | \$ 7.31 | \$ 0.25                                     |
| Third Quarter  | \$ 9.79                   | \$ 8.00 | \$ 0.25                                     |
| Fourth Quarter | \$ 8.87                   | \$ 6.62 | \$ 0.25                                     |

|                | Price Per<br>Common Share |          | Dividend<br>Declared Per<br>Common<br>Share |
|----------------|---------------------------|----------|---|
|                | High                      | Low      |   |
| <b>2016</b>    |                           |          |   |
| First Quarter  | \$ 11.00                  | \$ 7.41  | \$ 0.25                                     |
| Second Quarter | \$ 12.17                  | \$ 9.23  | \$ 0.25                                     |
| Third Quarter  | \$ 14.15                  | \$ 10.94 | \$ 0.25                                     |
| Fourth Quarter | \$ 12.37                  | \$ 9.44  | \$ 0.25                                     |

The closing price for WPG Inc.'s common shares, as reported by the NYSE at December 31, 2017, was \$7.12 per share.

#### *Stockholder Information*

As of February 21, 2018, there were 1,381 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 2017 and 2016 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:

|             | <b>Distribution Declared Per<br/>Common Unit</b> |             |
|-------------|--|-------------|
|             | <b>2017</b>                                      | <b>2016</b> |
| 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 21, 2018, there were 252 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 financial statements for the periods prior to the separation are prepared on a carve-out basis from the consolidated financial statements of SPG using the historical results of operations and bases of the assets and liabilities of the transferred businesses and including allocations 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.

|   | Year Ended December 31, |              |              |              |              |
|---|-------------------------|--------------|--------------|--------------|--------------|
|   | 2017                    | 2016         | 2015         | 2014         | 2013         |
| <b>Operating Data:</b>  |                         |              |              |              |              |
| Total revenue   | \$ 758,122              | \$ 843,475   | \$ 921,356   | \$ 660,978   | \$ 626,289   |
| Depreciation and amortization   | (258,740)               | (281,150)    | (332,469)    | (197,890)    | (182,828)    |
| Spin-off, merger and transaction costs  | —                       | (29,607)     | (31,653)     | (47,746)     | —            |
| Other operating expenses  | (287,651)               | (325,846)    | (375,520)    | (238,205)    | (216,441)    |
| Impairment loss   | (66,925)                | (21,879)     | (147,979)    | —            | —            |
| Operating income  | 144,806                 | 184,993      | 33,735       | 177,137      | 227,020      |
| Interest expense, net   | (126,541)               | (136,225)    | (139,923)    | (82,428)     | (55,058)     |
| Income and other taxes  | (3,417)                 | (2,232)      | (849)        | (1,215)      | (196)        |
| Income (loss) from unconsolidated entities  | 1,395                   | (1,745)      | (1,247)      | 973          | 1,416        |
| Gain on extinguishment of debt, net   | 90,579                  | 34,612       | —            | —            | —            |
| Gain (loss) upon acquisition of controlling interests and on sale of interests in properties, net | 124,771                 | (1,987)      | 4,162        | 110,988      | 14,152       |
| Net income (loss)   | \$ 231,593              | \$ 77,416    | \$ (104,122) | \$ 205,455   | \$ 187,334   |
| <b>WPG Inc.:</b>  |                         |              |              |              |              |
| Net income (loss)   | \$ 231,593              | \$ 77,416    | \$ (104,122) | \$ 205,455   | \$ 187,334   |
| Net (income) loss attributable to noncontrolling interests  | (34,530)                | (10,285)     | 18,825       | (35,426)     | (31,853)     |
| Preferred share dividends   | (14,032)                | (14,032)     | (15,989)     | —            | —            |
| Net income (loss) attributable to common shareholders   | \$ 183,031              | \$ 53,099    | \$ (101,286) | \$ 170,029   | \$ 155,481   |
| <b>Earnings (loss) per common share, basic and diluted</b>  | \$ 0.98                 | \$ 0.29      | \$ (0.55)    | \$ 1.10      | \$ 1.00      |
| <b>WPG L.P.:</b>  |                         |              |              |              |              |
| Net income (loss)   | \$ 231,593              | \$ 77,416    | \$ (104,122) | \$ 205,455   | \$ 187,334   |
| Net income attributable to noncontrolling interests   | (68)                    | (11)         | (286)        | —            | (213)        |
| Preferred unit distributions  | (14,272)                | (14,272)     | (16,218)     | —            | —            |
| Net income (loss) attributable to common unitholders  | \$ 217,253              | \$ 63,133    | \$ (120,626) | \$ 205,455   | \$ 187,121   |
| <b>Earnings (loss) per common unit, basic and diluted</b>   | \$ 0.98                 | \$ 0.29      | \$ (0.55)    | \$ 1.10      | \$ 1.00      |
| <b>Cash Flow Data:</b>  |                         |              |              |              |              |
| Operating activities  | \$ 327,512              | \$ 289,798   | \$ 310,763   | \$ 277,640   | \$ 336,434   |
| Investing activities  | \$ 100,292              | \$ (125,942) | \$ (705,482) | \$ (234,432) | \$ (92,608)  |
| Financing activities  | \$ (435,138)            | \$ (220,756) | \$ 402,204   | \$ 39,703    | \$ (248,955) |
| <b>Other Financial Data:</b>  |                         |              |              |              |              |
| FFO(1)  | \$ 452,128              | \$ 398,091   | \$ 375,271   | \$ 295,051   | \$ 359,107   |
| Distributions per common share/unit(2)  | \$ 1.00                 | \$ 1.00      | \$ 1.00      | \$ 0.50      | N/A          |

|                                       | As of December 31, |              |              |              |              |
|---------------------------------------|--------------------|--------------|--------------|--------------|--------------|
|                                       | 2017               | 2016         | 2015 (3)     | 2014         | 2013         |
| <b>Balance Sheet Data:</b>            |                    |              |              |              |              |
| Cash and cash equivalents             | \$ 52,019          | \$ 59,353    | \$ 116,253   | \$ 108,768   | \$ 25,857    |
| Total assets                          | \$ 4,451,407       | \$ 5,107,466 | \$ 5,459,609 | \$ 3,528,003 | \$ 3,002,658 |
| Mortgages and other debt              | \$ 2,897,609       | \$ 3,506,404 | \$ 3,648,601 | \$ 2,348,864 | \$ 918,614   |
| Redeemable noncontrolling interests   | \$ 3,265           | \$ 10,660    | \$ 6,132     | \$ —         | \$ —         |
| Cumulative redeemable preferred stock | \$ 202,576         | \$ 202,576   | \$ 202,576   | \$ —         | \$ —         |
| Total equity                          | \$ 1,267,122       | \$ 1,262,811 | \$ 1,407,373 | \$ 958,041   | \$ 1,884,525 |



- (1) 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.
- (2) 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.
- (3) As a result of the Merger which closed on January 15, 2015 (net of the impact of the O'Connor Joint Venture 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 will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute not less than 90% of REIT taxable income and satisfy certain other requirements. WPG 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. 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. As of December 31, 2017, 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 59 million square feet of GLA.

The consolidated financial statements are prepared in accordance with U.S. GAAP. The consolidated balance sheets as of December 31, 2017 and December 31, 2016 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. WPG L.P. holds a service mark registered with the United States Patent and Trademark Office for the name Washington Prime Group®.

### ***The Merger***

On January 15, 2015, the Company acquired GRT as part of the Merger. In the Merger, GRT's common shareholders received, for each GRT common share, \$14.02 consisting of \$10.40 in cash and 0.1989 of a share of the WPG Inc.'s common stock valued at \$3.62 per GRT common share, based on the closing price of the WPG Inc.'s common stock on the Merger closing date. Approximately 29.9 million shares of WPG Inc.'s common stock were issued to GRT shareholders in the Merger, and WPG L.P. issued to WPG Inc. a like number of common units as consideration for the common shares issued. Additionally, included in the consideration were operating partnership units held by limited partners and preferred stock as noted below. In connection with the closing of the Merger, an indirect subsidiary of WPG L.P. was merged into GRT's operating partnership. In the Merger, we acquired material interests in the Merger Properties comprised of approximately 15.8 million square feet of GLA and assumed additional mortgages on 14 properties with a fair value of approximately \$1.4 billion. The combined company was renamed WP Glimcher Inc. in May 2015 upon receiving shareholder approval.

In the Merger, the preferred stock of GRT was converted into preferred stock of WPG Inc., and WPG L.P. issued to WPG Inc. preferred units as consideration for the preferred shares issued. Additionally, each outstanding unit of GRT's operating partnership held by limited partners was converted into 0.7431 of a unit of WPG L.P. Further, each outstanding stock option in respect of GRT common stock was converted into a WPG Inc. option, and certain other GRT equity awards were assumed by WPG Inc. and converted into equity awards in respect of WPG Inc.'s common shares.

Concurrent with the closing of the Merger, GRT completed a transaction with SPG under which affiliates of SPG acquired Jersey Gardens in Elizabeth, New Jersey, and University Park Village in Fort Worth, Texas, properties previously owned by affiliates of GRT, for an aggregate purchase price of \$1.09 billion, including SPG's assumption of approximately \$405.0 million of associated mortgage indebtedness (the "Property Sale").

The cash portion of the Merger consideration was funded by the Property Sale and draws under the Bridge Loan (see "Financing and Debt" below). During the year ended December 31, 2015, the Company incurred \$31.7 million of costs related to the Merger, which are included in merger, restructuring and transaction costs in the consolidated statements of operations and comprehensive income (loss).

## ***Leadership Changes and Corporate Name Change***

### **2015 Activity**

On June 1, 2015, the Company announced a management transition plan through which Mr. Mark S. Ordan, the then Executive Chairman of the WPG Inc. Board of Directors (the "Board"), transitioned to serve as an active non-executive Chairman of the Board and provide consulting services to the Company under a Transition and Consulting Agreement, effective as of January 1, 2016 (see "2016 Activity" below for subsequent matters related to Mr. Ordan). Additionally, the Company reduced staff formerly located in its Bethesda, Maryland-based transition operations group led by Mr. C. Marc Richards, the Company's then Executive Vice President and Chief Administrative Officer, who departed the Company on January 15, 2016.

Other senior executives from the Bethesda office who departed the Company at the end of 2015 were Mr. Michael J. Gaffney, then Executive Vice President, Head of Capital Markets (who served as a consultant to the Company through March 31, 2016), and Ms. Farinaz S. Tehrani, then Executive Vice President, Legal and Compliance. During the year ended December 31, 2015, the Company incurred \$8.6 million of related severance costs, consisting of \$4.6 million in cash severance and approximately \$4.0 million in non-cash stock compensation charges, which are included in the total merger, restructuring and transactions costs disclosed above.

### **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 (loss). During WPG Inc.'s annual meeting of shareholders on August 30, 2016, the common shareholders approved a proposal to change WPG Inc.'s name back to Washington Prime Group Inc.

### **2017 Activity**

On September 28, 2017, Mr. Keric M. "Butch" Knerr, Executive Vice President and Chief Operating Officer, informed the Company of his resignation. Mr. Knerr's final day of employment was October 13, 2017. There were no severance payments or accelerated vesting of stock compensation benefits in connection with his resignation.

### ***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**

On June 1, 2015, we completed a joint venture transaction with O'Connor, an unaffiliated third party, with respect to the ownership and operation of five of the Company's enclosed retail properties and certain related out-parcels acquired in the Merger, consisting of the following: The Mall at Johnson City located in Johnson City, Tennessee; Pearlridge Center located in Aiea, Hawaii; Polaris Fashion Place® located in Columbus, Ohio; 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 (the "O'Connor Joint Venture I"). The O'Connor Joint Venture I was valued at approximately \$1.625 billion, and we retained a 51% non-controlling interest. The transaction generated net proceeds, after taking into consideration the assumption of debt and costs associated with the transaction, of approximately \$432 million (including \$28.7 million for the partial reimbursement of the Scottsdale Quarter development costs), which was used to repay a portion of the Bridge Loan (for definition, see "Financing and Debt" below). We deconsolidated the properties and recorded a gain in connection with this sale of \$4.2 million, which is included in gain (loss) on disposition of interests in properties, net for the year ended December 31, 2015 within the consolidated statements of operations and comprehensive income (loss). We retained day to day management, leasing, and development responsibilities for the O'Connor Joint Venture I.

During the year ended December 31, 2016, the O'Connor Joint Venture I sold its 25% indirect ownership interest in Crescent-SDQ III Venture, LLC to unaffiliated third parties. The Company received a cash distribution from the joint venture at closing of \$4.4 million and recorded \$0.3 million as our share of the joint venture's gain, based on our pro-rata ownership interest in the O'Connor Joint Venture I, which is recorded in income (loss) from unconsolidated entities on the consolidated statements of operations and comprehensive income (loss).

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 and 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. 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 (loss) during the year then ended. The gain was recorded pursuant to Accounting Standards Codification ("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 retained management and leasing responsibilities of the properties, though our partner's substantive participating rights over the decisions most important to the operations of the O'Connor Joint Venture II preclude our control and consolidation of this venture. 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.

### ***Outparcel Sale***

On September 20, 2017, the Company executed a purchase and sale agreement with an affiliate of Four Corners Property Trust, Inc. ("FCPT") to sell 41 restaurant outparcels located at 21 of the Company's enclosed retail properties and open air properties. On January 12, 2018, we completed the sale of the first tranche of restaurant outparcels which consisted of 10 restaurant outparcels, for an allocated purchase price of approximately \$13.7 million. The net proceeds of approximately \$13.5 million were used to fund future acquisitions and development and for general corporate purposes. The Company expects to close on the second tranche in the second half of 2018, subject to due diligence and closing conditions.

### ***Southgate Mall***

On December 22, 2017 the Company executed a purchase agreement to acquire Southgate Mall, located in Missoula, Montana, for \$58.0 million. Due diligence was completed on February 21, 2018 and the purchase is expected to be completed on or about April 20, 2018. The purchase will be funded by a combination of proceeds from the transaction with FCPT (see details under "Overview - Basis of Presentation - Outparcel Sale"), the Revolver and potentially the issuance of operating partnership units. The enclosed retail property contains approximately 632,000 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, Herberger's, 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 product located within 130 miles. The cap rate on underwritten NOI is approximately 10.4% and will be accretive to the Company's earnings.

### ***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 (loss) 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 (loss) 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 (loss) 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.

During the year ended December 31, 2015, we took an impairment charge of approximately \$138.0 million primarily related to certain noncore properties, in addition to Forest Mall, located in Fond Du Lac, Wisconsin and Northlake Mall, located in Atlanta, Georgia, which were both sold on January 29, 2016, and Knoxville Center, located in Knoxville, Tennessee, which was sold on August 19, 2016. The impairment charge resulted from the change in facts and circumstances when we decided to hold the assets for a shorter period which resulted in the carrying value not being recoverable from the projected cash flows.

During the third quarter of 2015, a major anchor tenant of Chesapeake Square, located in Chesapeake, Virginia, 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 quarter ended September 30, 2015. We compared the fair value to the related carrying value, which resulted in the recording of an impairment charge of approximately \$9.9 million in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015. Furthermore, we transferred ownership of this property to the mortgage lender on April 28, 2016 (see "Financing and Debt - Covenants" below).

### ***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. 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.

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 properties owned at December 31, 2017.

Core business fundamentals in the overall portfolio during 2017 were generally stable compared to 2016. Ending occupancy for the portfolio was 93.1% as of December 31, 2017, as compared to 94.1% as of December 31, 2016. Average base minimum rent per square foot for the portfolio increased by 0.2% when comparing December 31, 2017 to December 31, 2016. Comparable NOI decreased 1.2% for the portfolio when comparing calendar year 2017 to 2016. Our enclosed retail properties had a decrease in comparable NOI of 3.0%, which was driven primarily by the impact of tenant bankruptcies filed in 2016 and 2017. The open air properties had comparable NOI growth of 4.5% in 2017 when compared to 2016.

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

|   | December 31,<br>2017 | %<br>Change | December 31,<br>2016 | %<br>Change | December 31,<br>2015 |
|---|----------------------|-------------|----------------------|-------------|----------------------|
| Ending occupancy (1)                          | 93.1%                | (1.0)%      | 94.1%                | 0.6%        | 93.5%                |
| Average base minimum rent per square foot (2) | \$ 21.93             | 0.2 %       | \$ 21.88             | 1.2%        | \$ 21.63             |

- (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, freestanding 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, 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 portfolio, comprising approximately 2,635,100 square feet. The average annual initial base minimum rent for new leases was \$25.25 per square foot ("psf") and for renewed leases was \$25.34 psf. For these leases, the average for tenant allowances was \$36.05 psf for new leases and \$3.49 psf for renewals. During the year ended December 31, 2016, 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 portfolio, comprising approximately 2,637,500 square feet. The average annual initial base minimum rent for new leases was \$23.54 psf and for renewed leases was \$28.91 psf. For these leases, the average for tenant allowances was \$35.28 psf for new leases and \$4.86 psf for renewals.

## Portfolio Summary

We have provided some of our key operating metrics for our enclosed retail property portfolio in different tiers. The purpose of the disclosure is to provide some distinction between the characteristics of the 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 enclosed retail property tiers as well as some key metrics for our open air property portfolio:

|  | Property Count | Leased Occupancy % <sup>1</sup> |              | Store Sales Per Square Foot for 12 Months Ended <sup>1</sup> |               | Store Occupancy Cost % <sup>1</sup> |              | % of Total Comp NOI for 12 Months Ended <sup>1</sup> |
|--|----------------|---------------------------------|--------------|--|---------------|-------------------------------------|--------------|--|
|  |                | 12/31/17                        | 12/31/16     | 12/31/17   | 12/31/16      | 12/31/17                            | 12/31/16     | 12/31/17   |
|  |                | <b>Open Air Properties</b>      | <b>51</b>    | <b>95.8%</b>   | <b>95.8%</b>  |                                     |              |  |
| Tier 1 Enclosed retail properties          | 38             | 92.8%                           | 93.6%        | \$ 397   | \$ 399        | 12.2%                               | 12.2%        | 56.3%  |
| Tier 2- Enclosed retail properties         | 19             | 88.3%                           | 91.7%        | \$ 287   | \$ 305        | 14.0%                               | 13.9%        | 18.8%  |
| <b>Enclosed Retail Properties Subtotal</b> | <b>57</b>      | <b>91.3%</b>                    | <b>93.0%</b> | <b>\$ 365</b>  | <b>\$ 370</b> | <b>12.6%</b>                        | <b>12.6%</b> | <b>75.1%</b>   |
| <b>Total Portfolio</b>                     | <b>108</b>     | <b>93.1%</b>                    | <b>94.1%</b> |  |               |                                     |              | <b>100.0%</b>  |

<sup>1</sup>Metrics only include properties owned as of December 31, 2017.

### Enclosed Retail Property Tiers

The following table categorizes the enclosed retail properties into the respective tiers as of December 31, 2017:

| Tier 1                         | Tier 2                           |
|--------------------------------|----------------------------------|
| Arbor Hills                    | Anderson Mall                    |
| Arboretum, The                 | Boynton Beach Mall               |
| Ashland Town Center            | Charlottesville Fashion Square   |
| Bowie Town Center              | Chautauqua Mall                  |
| Brunswick Square               | Cottonwood Mall <sup>(1)</sup>   |
| Clay Terrace                   | Indian Mound Mall                |
| Dayton Mall                    | Irving Mall <sup>(1)</sup>       |
| Edison Mall                    | Lincolnwood Town Center          |
| Grand Central Mall             | Maplewood Mall                   |
| Great Lakes Mall               | Mesa Mall <sup>(1)</sup>         |
| Jefferson Valley Mall          | New Towne Mall                   |
| Lima Mall <sup>(1)</sup>       | Northtown Mall <sup>(1)</sup>    |
| Lindale Mall                   | Oak Court Mall                   |
| Longview Mall                  | Rolling Oaks Mall                |
| Malibu Lumber Yard             | Rushmore Mall <sup>(2)</sup>     |
| Mall at Fairfield Commons, The | Seminole Towne Center            |
| Mall at Johnson City, The      | Sunland Park Mall                |
| Markland Mall                  | Towne West Square <sup>(2)</sup> |
| Melbourne Square               | West Ridge Mall <sup>(2)</sup>   |
| Morgantown Mall                |                                  |
| Muncie Mall <sup>(1)</sup>     |                                  |

<sup>1</sup>Property has been identified to change tiers in 2018.

<sup>2</sup>Reclassified as noncore properties in 2018.



## 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 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**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 revises 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. This new standard is effective for the Company as of January 1, 2018 and impacts revenue streams consisting 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. In 2017, these revenues were approximately 2.5% of consolidated revenue. Fee income earned from our joint ventures for management and development services and other ancillary property income will generally be recognized in a manner consistent with our current measurement and patterns of recognition whereas we will fully recognize leasing service fee revenue upon lease execution. We will adopt the standard effective January 1, 2018, using the modified retrospective approach, which will require an immaterial cumulative effect adjustment as of the date of adoption to the opening balance of retained earnings. We expect an immaterial impact to our net income on an ongoing basis due to the aforementioned changes in patterns of recognition.

In February 2017, the FASB issued guidance that clarified the scope of ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets," which was finalized in conjunction with ASU 2014-09. 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. The guidance is effective as of January 1, 2018. With respect to full disposals, the recognition pattern did not change from our current measurement and pattern of recognition. With respect to partial sales of real estate to joint ventures such as the O'Connor Joint Venture II, as defined below (see Note 5 - "Investment in Unconsolidated Entities, at Equity"), the new guidance requires us to recognize a full gain where an equity investment was retained, resulting in a basis difference as we are required to measure our retained equity interest at fair value, whereas the joint venture may measure the assets received at carryover basis. We will adopt the standard effective January 1, 2018, using the modified retrospective approach.

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 January 2018, the FASB issued a proposed amendment that would provide 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. From a lessee perspective, the Company currently has four material ground leases and two material office leases that, under the new guidance, will result in the recognition of a lease liability and corresponding right-of-use asset.

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 proposed amendment to ASU 2016-02 referred to above would also allow 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. If adopted, this practical expedient will allow 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. 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 year ended December 31, 2017, the Company deferred \$16.9 million of internal leasing costs. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. It is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted. Additionally, in November 2016, the Emerging Issues Task Force ("EITF") of the FASB issued EITF Issue 16-A "Restricted Cash," requiring 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. Therefore, amounts generally described as restricted cash would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is also effective for fiscal years beginning after December 15, 2017, including interim periods. These new standards require a retrospective transition approach. The Company has \$18.2 million and \$29.2 million of restricted cash on its consolidated balance sheets as of December 31, 2017 and 2016, respectively, whose cash flow statement classification will change to align with the new guidance upon adoption of the EITF. We adopted the standards effective January 1, 2018.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," that provides guidance to assist entities with evaluating when a set of transferred assets and activities (set) is a business. The new guidance requires an acquirer to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of assets; if so, the set of transferred assets and activities is not a business. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted and will be applied on a prospective basis for transactions that occur within the period of adoption. We adopted this standard early and applied it prospectively as of January 1, 2017, as permitted under the standard, and anticipate subsequent property acquisitions to be accounted for under asset acquisition accounting rather than business combination accounting, resulting in capitalization of transactions costs rather than expensing of said costs.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," to better align the results of hedge accounting with an entity's risk management activities. The new guidance aims to reduce complexity in fair 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. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with early adoption permitted in any interim period or fiscal year before the effective date. The updated presentation and disclosure guidance is required only on a prospective basis. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

## Results of Operations

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

- 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.
- 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 and Northlake Mall.
- On June 1, 2015, we completed the transaction forming the O'Connor Joint Venture I.
- On January 15, 2015, we acquired 23 properties in the Merger.
- On January 13, 2015, we acquired Canyon View Marketplace, located in Grand Junction, Colorado.

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

For the 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 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 \$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.

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.

For WPG Inc., net income (loss) attributable to noncontrolling interests primarily relates to the allocation of income (loss) 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, 2016 vs. Year Ended December 31, 2015***

For the purposes of the following comparisons, the properties acquired in the Merger transaction, including the impact of the deconsolidation of certain properties in the O'Connor Joint Venture I transaction, the transitioning to the lenders of River Valley Mall and Merritt Square Mall (both causing decreases period over period), certain properties included in the O'Connor Joint Venture II transaction, and the dispositions of Morgantown Commons and Colonial Park Mall are referred to as the "Merger Properties" and the other transactions listed above that occurred in the periods under comparison are referred to as the "Property Transactions." In the following discussions of our results of operations, "comparable" refers to the remaining properties we owned and operated throughout both years in the year-to-year comparisons.

Minimum rents decreased \$50.3 million, primarily due to a \$37.6 million decrease related to the Merger Properties and \$12.8 million decrease related to the Property Transactions offset by a \$0.1 million increase attributable to the comparable properties. Overage rents decreased \$1.2 million primarily attributable to the Merger Properties. Tenant reimbursements decreased \$23.3 million due to a \$5.5 million decrease attributable to the Property Transactions and a net \$18.0 million decrease attributable to the Merger Properties offset by a \$0.2 million increase attributable to the comparable properties. Other income decreased \$3.1 million, primarily due to a \$3.6 million decrease from the comparable properties primarily due to lease settlements that occurred in 2015 and a \$2.3 million decrease attributable to sponsorship income at the comparable properties, partially offset by a \$2.8 million increase in management, leasing and development fee income from the unconsolidated joint ventures to which we provide such services.

Total operating expenses decreased \$229.1 million, of which \$61.7 million was attributable to the Merger Properties, \$20.5 million was attributable to the Property Transactions and \$8.0 million was attributable to the comparable properties, primarily related to decreased depreciation on fully depreciated assets, \$10.8 million was attributable to a net decrease in general and administrative expenses, \$2.0 million was attributable to a net decrease in merger, restructuring and transaction costs, primarily attributable to the management transition that occurred during the year ended 2015, and \$126.1 million was attributable to a net decrease in impairment losses recorded during the year ended 2016.

Interest expense, net, decreased \$3.7 million, due to a \$5.8 million decrease attributable to the repayment of certain mortgages in 2015 and a \$5.8 million decrease attributable to the Merger Properties, which were partially offset by a \$6.8 million increase attributable to additional interest on borrowings to finance the Merger transaction (net of Bridge Loan fees written off in 2015) and a \$1.1 million increase related to default interest on properties transitioned or to be transitioned to lenders.

Gain on extinguishment of debt recognized in the 2016 period consisted of \$34.6 million net gain from the transitioning of River Valley Mall, Merritt Square Mall, and Chesapeake Square to the lenders. There was no such gain in the 2015 period.

Gain (loss) on disposition of interests in properties recognized in the 2016 period consisted of the \$2.0 million loss from the sales of Richmond Town Square, Knoxville Center, Forest Mall, and Northlake Mall and in the 2015 period consisted of the \$4.2 million gain related to the O'Connor Joint Venture I transaction.

Preferred share dividends relate to the 8.125% Series G Cumulative Redeemable Preferred Stock (the "Series G Preferred Shares"), the 7.5% Series H Cumulative Redeemable Preferred Stock (the "Series H Preferred Shares"), and the 6.875% Series I Cumulative Redeemable Preferred Stock (the "Series I Preferred Shares") issued in conjunction with the Merger. Preferred dividends decreased \$2.0 million primarily related to the Series G Preferred Shares, which were redeemed in full on April 15, 2015.

For WPG Inc., net income (loss) attributable to noncontrolling interests primarily relates to the allocation of income (loss) 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 \$327.5 million during the year ended December 31, 2017.

Our balance of cash and cash equivalents decreased \$7.3 million during 2017 to \$52.0 million as of December 31, 2017. 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, 2017, floating rate debt (excluding loans hedged to fixed interest) comprised 10.4% 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 "Financing and Debt"). 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, 2017, we had an aggregate available borrowing capacity of \$744.8 million under the Revolver, net of outstanding borrowings of \$155.0 million and \$0.2 million reserved for outstanding letters of credit. The weighted average interest rate on the Revolver was 2.2% for the year ended December 31, 2017. Upon the date of the amended and restated Facility, we had an aggregate borrowing capacity of \$494.8 million under the Revolver, net of outstanding borrowings of \$155.0 million and \$0.2 million reserved for outstanding letters of credit.

The consolidated indebtedness of our business was approximately \$2.9 billion as of December 31, 2017, or a decrease of approximately \$608.8 million from December 31, 2016. The change in consolidated indebtedness from December 31, 2016 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 2018.

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, but there can be no assurance that the Company will achieve a particular rating or maintain a particular rating in the future.

### **Cash Flows**

Our net cash flow from operating activities totaled \$327.5 million during 2017. During 2017, we also:

- funded capital expenditures of \$147.3 million,
- received net proceeds from the disposition of properties of \$224.4 million,
- funded investments in unconsolidated entities of \$50.9 million,
- received distributions of capital from unconsolidated entities of \$73.3 million,
- funded the net repayment of debt of \$188.4 million; and
- funded distributions to common and preferred shareholders and unitholders of \$236.2 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 2018, 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, 2017 and 2016 was as follows (in thousands):

|                                  | December 31,<br>2017 | December 31,<br>2016 |
|----------------------------------|----------------------|----------------------|
| Face amount of mortgage loans    | \$ 1,152,436         | \$ 1,610,429         |
| Fair value adjustments, net      | 8,338                | 12,661               |
| Debt issuance cost, net          | (3,692)              | (5,010)              |
| Carrying value of mortgage loans | <u>\$ 1,157,082</u>  | <u>\$ 1,618,080</u>  |

A roll forward of mortgage indebtedness from December 31, 2016 to December 31, 2017 is summarized as follows (in thousands):

|  |                     |
|--|---------------------|
| Balance at December 31, 2016   | \$ 1,618,080        |
| Debt amortization payments   | (19,455)            |
| Repayment of debt  | (229,298)           |
| Debt issuances, net of debt issuance costs   | 213,574             |
| Debt canceled upon partial paydown   | (68,931)            |
| Debt canceled upon lender foreclosures   | (40,000)            |
| Debt transferred to unconsolidated entities, net of debt issuance costs and fair value adjustments | (314,595)           |
| Amortization of fair value and other adjustments   | (3,475)             |
| Amortization of debt issuance costs  | 1,182               |
| Balance at December 31, 2017   | <u>\$ 1,157,082</u> |

On January 19, 2018, an affiliate of WPG Inc. repaid the \$86.5 million mortgage loan secured by The Outlet Collection<sup>®</sup> Seattle, located in Auburn, Washington. This repayment was funded by borrowings on the Revolver.

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, the Company closed on non-recourse mortgage loans encumbering The Arboretum, Gateway Centers, and Oklahoma City Properties. The completion of the aforementioned mortgage transactions preceded the sale and deconsolidation of our 49% interests (see section "The O'Connor Joint Ventures" for additional details). The following table summarizes the key terms of each mortgage loan:

| Property                 | Principal         | Debt<br>issuance<br>costs | Net debt<br>issuance | Interest<br>Rate | Maturity<br>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                    | <u>\$ 215,179</u> | <u>\$ (1,588)</u>         | <u>\$ 213,591</u>    |                  |                  |

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 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).

#### ***Bridge Loan***

On September 16, 2014, in connection with the execution of the Merger Agreement, WPG entered into a debt commitment letter, which was amended and restated on September 23, 2014 pursuant to which parties agreed to provide up to \$1.25 billion in a senior unsecured bridge loan facility (the "Bridge Loan"). The Bridge Loan had a maturity date of January 14, 2016, the date that was 364 days following the closing date of the Merger.

On January 15, 2015, the Company borrowed \$1.19 billion under the Bridge Loan in connection with the closing of the Merger, which balance was repaid in full during 2015.

The Company incurred \$10.4 million of Bridge Loan commitment, structuring and funding fees. Upon full repayment of the Bridge Loan, the Company accelerated amortization of the deferred loan costs, resulting in total amortization of \$10.4 million included in interest expense in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015.

## Unsecured Debt

The following table identifies our total unsecured debt outstanding at December 31, 2017 and December 31, 2016:

|  | December 31,<br>2017 | December 31,<br>2016 |
|--|----------------------|----------------------|
| <b>Notes payable:</b>                                |                      |                      |
| Face amount - the Exchange Notes <sup>(1)</sup>      | \$ 250,000           | \$ 250,000           |
| Face amount - 5.950% Notes due 2024 <sup>(2)</sup>   | 750,000              | —                    |
| Debt discount, net                                   | (11,086)             | (47)                 |
| Debt issuance costs, net                             | (9,542)              | (2,316)              |
| Total carrying value of notes payable                | <u>\$ 979,372</u>    | <u>\$ 247,637</u>    |
| <b>Unsecured term loans:<sup>(8)</sup></b>           |                      |                      |
| Face amount - Term Loan <sup>(3)(4)</sup>            | \$ —                 | \$ 500,000           |
| Face amount - December 2015 Term Loan <sup>(5)</sup> | 340,000              | 340,000              |
| Face amount - June 2015 Term Loan <sup>(6)</sup>     | 270,000              | 500,000              |
| Debt issuance costs, net                             | (3,305)              | (5,478)              |
| Total carrying value of unsecured term loans         | <u>\$ 606,695</u>    | <u>\$ 1,334,522</u>  |
| <b>Revolving credit facility:<sup>(3)(7)</sup></b>   |                      |                      |
| Face amount  | \$ 155,000           | \$ 308,000           |
| Debt issuance costs, net                             | (540)                | (1,835)              |
| Total carrying value of revolving credit facility    | <u>\$ 154,460</u>    | <u>\$ 306,165</u>    |

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

<sup>(2)</sup> On August 4, 2017, WPG L.P. completed the issuance of \$750.0 million of unsecured notes. The notes were issued at a 1.533% discount, with an interest rate of 5.950% per annum, and mature on August 15, 2024. Proceeds from the unsecured notes offering were used to pay down the Term Loan (defined below) and for partial repayment of the June 2015 Term Loan as discussed below. The interest rate could vary in the future based upon changes to the Company's credit ratings.

<sup>(3)</sup> The unsecured revolving credit facility, or "Revolver" and unsecured term loan, or "Term Loan" are collectively known as the "Facility." On January 22, 2018, the Company amended and restated \$1.0 billion of the existing Facility. The newly recast Facility can be increased to \$1.5 billion through currently uncommitted facility commitments. Excluding this accordion feature, the newly recast Facility includes a \$650.0 million Revolver and \$350.0 million Term Loan. The interest rates for the Revolver and Term Loan are consistent with the existing terms. When considering extension options, the Facility will mature in December of 2022.

<sup>(4)</sup> The Term Loan bore interest at one-month LIBOR plus 1.45% per annum. We had interest rate swap agreements totaling \$200.0 million, which effectively fixed the interest rate on a portion of the Term Loan at 2.04% per annum. During the year ended December 31, 2017, the Term Loan was repaid in full and the Company wrote off \$0.2 million of debt issuance costs. On January 22, 2018, the Company borrowed \$350.0 million under the Term Loan feature of the amended and restated Facility.

<sup>(5)</sup> The December 2015 Term Loan bears interest at one-month LIBOR plus 1.80% per annum and will mature on January 10, 2023. We have interest rate swap agreements totaling \$340.0 million, which effectively fix the interest rate at 3.51% per annum through maturity.

<sup>(6)</sup> The June 2015 Term Loan bears interest at one-month LIBOR plus 1.45% per annum and will mature on March 2, 2020. We have interest rate swap agreements totaling \$270.0 million, which effectively fix the interest rate at 2.56% per annum through June 30, 2018. During the year ended December 31, 2017, the Company repaid \$230.0 million of the June 2015 Term Loan and wrote off \$0.9 million of debt issuance costs. On January 22, 2018, the Company repaid the \$270.0 million outstanding with proceeds from the amended and restated Facility.

<sup>(7)</sup> The Revolver provides borrowings on a revolving basis up to \$900.0 million, bears interest at one-month LIBOR plus 1.25%, and will initially mature on May 30, 2018, subject to two six-month extensions available at our option subject to compliance with terms of the Facility and payment of a customary extension fee. At December 31, 2017, we had an aggregate available borrowing capacity of \$744.8 million under the Revolver, net of \$0.2 million reserved for outstanding letters of credit. At December 31, 2017, the applicable interest rate on the Revolver was one-month LIBOR plus 1.25%, or 2.81%. On January 22, 2018, the Company amended the Revolver under the amended and restated Facility to provide borrowings up to \$650.0 million.

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

## *Covenants*

Our unsecured debt agreements contain financial and other covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by one or more of the respective lenders including adjustments to the applicable interest rate. As of December 31, 2017, management believes the Company is in compliance with all covenants of its unsecured debt.

The total balance of mortgages was approximately \$1.2 billion as of December 31, 2017. At December 31, 2017, certain of our consolidated subsidiaries were the borrowers under 23 non-recourse loans, one full-recourse loan and one partial-recourse loan secured by mortgages encumbering 28 properties, including one separate pool of cross-defaulted and cross-collateralized mortgages encumbering a total of four properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. Our existing non-recourse mortgage loans generally prohibit our subsidiaries that are borrowers thereunder from incurring additional indebtedness, subject to certain customary and limited exceptions. In addition, certain of these instruments limit the ability of the applicable borrower's parent entity from incurring mezzanine indebtedness unless certain conditions are satisfied, including compliance with maximum loan to value ratio and minimum debt service coverage ratio tests. Further, under certain of these existing agreements, if certain cash flow levels in respect of the applicable mortgaged property (as described in the applicable agreement) are not maintained for at least two consecutive quarters, the lender could accelerate the debt and enforce its right against its collateral. If the borrower fails to comply with these covenants, the lenders could accelerate the debt and enforce its right against their collateral.

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

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

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

On August 8, 2016, we received a notice of default letter, dated August 4, 2016, from the special servicer to the borrower concerning the then \$44.9 million mortgage loan secured by River Valley Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its January 11, 2016 maturity date. On December 29, 2016, we transferred title of the property to the mortgage lender pursuant to the terms of a deed-in-lieu of foreclosure agreement entered into by the Company's affiliate and the mortgage lender.

On October 8, 2015, we received a notice of default letter, dated October 5, 2015, from the special servicer to the borrower of the then \$52.9 million mortgage loan secured by Merritt Square Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its September 1, 2015 maturity date. On May 25, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure sale of Merritt Square Mall, in which the Company's affiliate previously held a 100% ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on June 9, 2016. The Company managed the property through and including July 31, 2016.

On October 30, 2015, we received a notice of default letter, dated that same date, from the special servicer to the borrower concerning the then \$62.4 million mortgage loan that matures on February 1, 2017 and was secured by Chesapeake Square. The default resulted from an operating cash flow shortfall at the property in October 2015 that the borrower, a consolidated subsidiary of the Company, did not cure. On April 21, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure of Chesapeake Square, in which the Company's affiliate previously held majority ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on April 28, 2016.

Upon the discounted payoff of the mortgage note payable secured by Southern Hills Mall, ownership transfer of Valle Vista Mall, and discounted payoff of the mortgage note payable secured by Mesa Mall, the Company recognized a net gain of \$90.6 million based on the cancellation of the remaining outstanding mortgage debt of \$108.9 million, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2017. During the year ended December 31, 2016, the Company recognized a net gain of \$34.6 million related to the \$160.1 million mortgage debt cancellation and ownership transfers of River Valley Mall, Merritt Square Mall, and Chesapeake Square, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income (loss) for the year then ended.

At December 31, 2017, management believes the applicable borrowers under our other non-recourse mortgage loans were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows.

### Summary of Financing

Our consolidated debt and the effective weighted average interest rates as of December 31, 2017 and 2016 consisted of the following (dollars in thousands):

|                                 | December 31,<br>2017 | Weighted<br>Average<br>Interest Rate | December 31,<br>2016 | Weighted<br>Average<br>Interest Rate |
|---------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
| Fixed-rate debt, face amount    | \$ 2,610,936         | 4.72%                                | \$ 2,649,329         | 4.23%                                |
| Variable-rate debt, face amount | 306,500              | 2.99%                                | 859,100              | 2.25%                                |
| Total face amount of debt       | 2,917,436            | 4.54%                                | 3,508,429            | 3.75%                                |
| Note discount                   | (11,086)             |                                      | (47)                 |                                      |
| Fair value adjustments, net     | 8,338                |                                      | 12,661               |                                      |
| Debt issuance costs, net        | (17,079)             |                                      | (14,639)             |                                      |
| Total carrying value of debt    | <u>\$ 2,897,609</u>  |                                      | <u>\$ 3,506,404</u>  |                                      |

### Contractual Obligations

The following table summarizes the material aspects of the Company's future obligations for consolidated entities as of December 31, 2017, assuming the obligations remain outstanding through maturities noted below (in thousands):

|                                 | 2018              | 2019 - 2020         | 2021 - 2022       | Thereafter          | Total               |
|---------------------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| Long-term debt (1)              | \$ 25,412         | \$ 1,014,365        | \$ 453,494        | \$ 1,424,165        | \$ 2,917,436        |
| Interest payments (2)           | 127,536           | 230,099             | 166,776           | 102,067             | 626,478             |
| Distributions (3)               | 4,309             | —                   | —                 | —                   | 4,309               |
| Ground rent (4)                 | 509               | 1,018               | 1,027             | 20,460              | 23,014              |
| Purchase/tenant obligations (5) | 79,862            | 2,608               | 2,382             | 2,205               | 87,057              |
| Total                           | <u>\$ 237,628</u> | <u>\$ 1,248,090</u> | <u>\$ 623,679</u> | <u>\$ 1,548,897</u> | <u>\$ 3,658,294</u> |

<sup>(1)</sup>Represents principal maturities only and therefore excludes net fair value adjustments of \$8,338, debt issuance costs of \$(17,079) and bond discount of \$(11,086) as of December 31, 2017. In addition, the principal maturities reflect any available extension options within the control of the Company.

<sup>(2)</sup>Variable rate interest payments are estimated based on the LIBOR rate at December 31, 2017.

<sup>(3)</sup>Since there is no required redemption, distributions on the Series H Preferred Shares/Units, Series I Preferred Shares/Units and Series I-1 Preferred Units may be paid in perpetuity; for purposes of this table, such distributions were included through the optional redemption dates of August 10, 2017, March 27, 2018 and March 27, 2018, respectively, or upon declaration by the Board if subsequent to the optional redemption dates.

<sup>(4)</sup>Represents minimum future lease payments due through the end of the initial lease term.

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

The following table summarizes the material aspects of the Company's proportionate share of future obligations for unconsolidated entities as of December 31, 2017, assuming the obligations remain outstanding through initial maturities (in thousands):

|                                 | 2018             | 2019 - 2020      | 2021 - 2022       | Thereafter        | Total               |
|---------------------------------|------------------|------------------|-------------------|-------------------|---------------------|
| Long-term debt (1)              | \$ 3,080         | \$ 32,965        | \$ 59,035         | \$ 541,299        | \$ 636,379          |
| Interest payments               | 26,511           | 53,684           | 45,858            | 65,731            | 191,784             |
| Ground rent (2)                 | 3,615            | 7,695            | 7,700             | 171,136           | 190,146             |
| Purchase/tenant obligations (3) | 13,474           | 11               | 4                 | —                 | 13,489              |
| <b>Total</b>                    | <b>\$ 46,680</b> | <b>\$ 94,355</b> | <b>\$ 112,597</b> | <b>\$ 778,166</b> | <b>\$ 1,031,798</b> |

<sup>(1)</sup>Represents principal maturities only and therefore excludes net fair value adjustments of \$6,770 and debt issuance costs of \$(2,871) as of December 31, 2017. In addition, the principal maturities reflect any available extension options.

<sup>(2)</sup>Represents minimum future lease payments due through the end of the initial lease term.

<sup>(3)</sup>Includes amounts due under executed leases and commitments to vendors for development and other matters.

### Off-Balance Sheet Arrangements

Off-balance sheet arrangements consist primarily of investments in joint ventures which are common in the real estate industry. Joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint venture debt is secured by a first mortgage, is without recourse to the joint venture partners, and does not represent a liability of the partners, except to the extent the partners or their affiliates expressly guarantee the joint venture debt. As of December 31, 2017, there were no guarantees of joint venture related mortgage indebtedness. In addition to obligations under mortgage indebtedness, our joint ventures have obligations under ground leases and purchase/tenant obligations. Our share of obligations under joint venture debt, ground leases and purchase/tenant obligations is quantified in the unconsolidated entities table within "Contractual Obligations" above. WPG may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not required contractually or otherwise.

### Equity Activity

During the year ended December 31, 2017, the Company increased the number of authorized shares of WPG Inc.'s common shares, par value \$0.0001 per share, from 300.0 million to 350.0 million.

### The Merger

Related to the Merger completed on January 15, 2015, WPG Inc. issued 29,942,877 common shares, 4,700,000 Series G Preferred Shares, 4,000,000 Series H Preferred Shares and 3,800,000 Series I Preferred Shares, and WPG L.P. issued to WPG Inc. a like number of common and preferred units as consideration for the common and preferred shares issued. Additionally, WPG L.P. issued to limited partners 1,621,695 common units and 130,592 WPG L.P. Series I-1 Preferred Units. The preferred shares and units were issued as consideration for similarly-named preferred interests of GRT that were outstanding at the Merger date.

On April 15, 2015, WPG Inc. redeemed all of the 4,700,000 issued and outstanding Series G Preferred Shares, resulting in WPG L.P. redeeming a like number of preferred units under terms identical to those of the Series G Preferred Shares described below. The Series G Preferred Shares were redeemed at a redemption price of \$25.00 per share, plus accumulated and unpaid distributions up to, but excluding, the redemption date, in an amount equal to \$0.5868 per share, for a total payment of \$25.5868 per share. This redemption amount includes the first quarter dividend of \$0.5078 per share that was declared on February 24, 2015 to holders of record of such Series G Preferred Shares on March 31, 2015. Because the redemption of the Series G Preferred Shares was a redemption in full, trading of the Series G Preferred Shares on the NYSE ceased after the redemption date. The aggregate amount paid to effect the redemptions of the Series G Preferred Shares was approximately \$120.3 million, which was funded with cash on hand.

## ***Exchange Rights***

Subject to the terms of the limited partnership agreement of WPG L.P., limited partners in WPG L.P. have, at their option, the right to exchange all or any portion of their units for shares of WPG Inc. common stock on a one-for-one basis or cash, as determined by WPG Inc. Therefore, the common units held by limited partners are considered by WPG Inc. to be share equivalents and classified as noncontrolling interests within permanent equity, and classified by WPG L.P. as permanent equity. The amount of cash to be paid if the exchange right is exercised and the cash option is selected will be based on the market value of WPG Inc.'s common stock as determined pursuant to the terms of the WPG L.P. Partnership Agreement. During the year ended December 31, 2017, WPG Inc. issued 314,577 shares of common stock to a limited partner of WPG L.P. in exchange for an equal number of units pursuant to the WPG L.P. Partnership Agreement. This transaction increased WPG Inc.'s ownership interest in WPG L.P. At December 31, 2017, WPG Inc. had reserved 34,760,026 shares of common stock for possible issuance upon the exchange of units held by limited partners.

The holders of the Series I-1 Preferred Units have, at their option, the right to have their units purchased by WPG L.P. subject to the satisfaction of certain conditions. Therefore, these preferred units are classified as redeemable noncontrolling interests outside of permanent equity.

## ***Share Based Compensation***

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

## ***Long Term Incentive Awards***

### ***Time Vested LTIP Awards***

The Company has issued time-vested LTIP units ("Inducement LTIP Units") to certain executive officers and employees under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients. These awards will vest and the related fair value will be expensed over a four-year vesting period. During the years ended December 31, 2017 and 2016, the Company did not grant any Inducement LTIP Units.

During the years ended December 31, 2015 and 2014, the Company awarded 203,215 and 283,610 Inducement LTIP Units, respectively, to certain executive officers and employees of the Company under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients.

The fair value of the Inducement LTIP Units of \$8.4 million is being recognized as expense over the applicable vesting period. As of December 31, 2017, the estimated future compensation expense for Inducement LTIP Units was \$0.4 million. The weighted average period over which the compensation expense will be recorded for the Inducement LTIP Units is approximately 1.1 years.

### ***Performance Based Awards***

#### **2015 Awards**

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

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



## **2014 Awards**

During 2014, the Company awarded Performance LTIP Units subject to performance conditions described below to certain executive officers and employees of the Company in the maximum total amount of 451,017 units to be earned and related fair value expensed over the applicable performance periods, except in certain instances that could result in accelerated vesting due to severance arrangements.

The Performance LTIP Units that were issued during the year ended December 31, 2014 are market based awards with a service condition. Recipients may earn between 0% - 100% of the award based on the Company's achievement of absolute and relative (versus the MSCI REIT Index) total shareholder return ("TSR") goals, with 40% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of absolute TSR goals, and 60% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of relative TSR goals. The Performance LTIP Units issued during 2014 relate to the following performance periods: from the beginning of the service period to (i) December 31, 2015 ("2014-First Special PP"), (ii) December 31, 2016 ("2014-Second Special PP"), and (iii) December 31, 2017 ("2014-Third Special PP"). There was no award for the 2014-First Special PP, 2014-Second Special PP, or 2014-Third Special PP since our TSR was below the threshold level during 2015, 2016, and 2017, respectively.

## **Vesting**

The Performance LTIP awards that are earned, if any, will then be subject to a service-based vesting period. Awards earned under the 2015-Third Special PP would vest immediately upon the conclusion of the performance period and would require no subsequent service.

## ***Annual Long-Term Incentive Awards***

On February 21, 2017 (the "Adoption Date"), the Company approved the terms and conditions of the 2017 annual award ("2017 Annual Long-Term Incentive Awards") for certain executive officers and employees of the Company. Under the terms of the 2017 Annual Long-Term Incentive Awards program, each participant is provided the opportunity to receive (i) time-based RSUs and (ii) performance-based stock units ("PSUs"). RSUs represent a contingent right to receive one WPG Inc. common share for each vested RSU. During the year ended December 31, 2017, the Company issued 358,198 time-based RSUs, with a grant date fair value of \$3.4 million, which will vest in one-third installments on each of February 21, 2018, 2019, and 2020, subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants. During the service period, dividend equivalents will be paid with respect to the RSUs corresponding to the amount of any dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates. Compensation expense is recognized on a straight-line basis over the three year vesting term. During the year ended December 31, 2017, the Company allocated 358,198 PSUs, with a grant date fair value of \$2.8 million. Actual PSUs earned may range from 0%-150% of the PSUs allocated to the award recipient, based on the Company's TSR compared to a peer group based on companies with similar assets and revenue over a three-year performance period that commenced on the Adoption Date. During the performance period, dividend equivalents corresponding to the amount of any regular cash dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates will accrue and be deemed reinvested in additional PSUs, which will be settled in common shares at the same time and only to the extent that the underlying PSU is earned and settled in common shares. Payout of the PSUs is also subject to the participant's continued employment with the Company through the end of the performance period.

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

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

### ***WPG Restricted Share Awards***

As part of the Merger, unvested restricted shares held by certain GRT executive employees, which had an original vesting period of five years, were converted into 1,039,785 WPG restricted common shares (the "WPG Restricted Shares"). The WPG Restricted Shares will be amortized over the remaining life of the applicable vesting period, except for the portion of the awards applicable to pre-Merger service, which was included as equity consideration issued in the Merger.

The amount of compensation expense related to unvested restricted shares that we expect to recognize in future periods is \$0.2 million over a weighted average period of 1.2 years. During the year ended December 31, 2017, the aggregate intrinsic value of shares that vested was \$1.0 million. As of December 31, 2017, 30,535 WPG Restricted Shares were outstanding.

### ***WPG Restricted Stock Unit Awards***

The Company issues RSUs to certain executive officers, employees, and non-employee directors of the Board of Directors (see "Board of Directors Compensation" for discussion regarding RSUs issued to non-employee directors). The RSUs are service-based awards and the related fair value is expensed over the applicable service periods, except in instances that result in accelerated vesting due to severance arrangements. During the year ended December 31, 2017, the Company issued 747,435 RSUs under the Plan with a fair value of \$6.1 million, of which 682,435 RSUs with a fair value of \$5.6 million relates to the annual long-term incentive award issuances that occurred in February 2017 (see "Annual Long-Term Incentive Awards" section above). As of December 31, 2017, 1,061,576 unvested RSUs were outstanding. The amount of compensation related to the unvested RSUs that we expect to recognize in future periods is \$8.0 million.

### ***Board of Directors Compensation***

On May 18, 2017, the Board approved annual compensation for the period of May 29, 2017 through May 28, 2018 for the non-employee members of the Board. Each non-employee director's (other than the Board Chairman) annual compensation totaled \$230,000 based on a combination of cash and RSUs granted under the Plan. During 2017, the six non-employee directors were each granted RSUs for 16,000 shares with an aggregate grant date fair value of \$720,000, which is being recognized as expense over the vesting period ending on May 29, 2018.

During 2016, we modified certain components of our director compensation program. From January 1, 2016 to June 20, 2016 (the "Period"), our non-employee members of the Board received as annual compensation for their services an \$80,000 stipend paid in cash and \$120,000 in equity awards in the form of RSU grants (the "Director Retainer Package"). Also, a former director, pursuant to a transition and consulting agreement, dated May 31, 2015, as amended, received a stipend of \$350,000 per year during the consulting period (the "Consulting Fee"), the Director Retainer Package post-employment and a stipend of \$100,000 per year (the "Chairman Fee") for serving as the non-executive Chairman of the Board during the Period, and was granted 5,332 RSUs, which vested on May 28, 2016. During the Period, the then non-employee directors were each granted 12,060 RSUs with an aggregate grant date fair value of \$720,000, which is being recognized as an expense over the vesting period ending on May 28, 2017.

On June 20, 2016, the Board modified Board compensation and approved an increase in the cash component of the Director Retainer Package from \$80,000 to \$110,000 with no changes to the equity portion of the package. Additional RSU grants of 11,331 were made on June 20, 2016 to each of the two new directors that joined the Board on that date. These grants had an aggregate grant date fair value of \$240,000 which is being recognized as expense over the vesting period ending May 28, 2017. Another RSU grant of 8,727 was issued to another new director elected to the Board on August 30, 2016. This grant had an aggregate grant date fair value of \$120,000 which is also being recognized as expense over the vesting period ending May 28, 2017.

In connection with the election of two new directors on June 20, 2016, the non-executive Chairman resigned from the position of non-executive Chairman and payment of the Consulting Fee and Chairman Fee to him for serving in that position was discontinued. In connection with the resignation, the Board elected an incumbent director to serve as Chairman of the Board, and the Governance and Nominating Committee approved an annual stipend of \$330,000 for the new Chairman to serve in that capacity in addition to the equity portion of the Director Retainer Package.

In August 2016, an additional director retired from the Board and the Compensation Committee approved the acceleration of the vesting date of certain RSUs that were awarded in May 2016 from May 17, 2017 to August 30, 2016. In connection with the resignation of an additional director on June 20, 2016, the Compensation Committee also accelerated the vesting date of the RSUs that were received in May 2016 as part of the Director Retainer Package from May 17, 2017 to June 20, 2016. Additionally, Mr. Conforti became our Interim CEO on June 20, 2016 and at that time became ineligible to receive the Director Retainer Package as an employee director. Mr. Conforti forfeited the RSUs he received in May 2016 after being appointed Interim CEO. Lastly, the Board formed a special ad hoc committee of five nonemployee directors at the beginning of 2016 to review, assess, and evaluate certain strategic alternatives for the Company. That committee was instituted from January 2016 until August 2016. To compensate the special committee members for the additional time and work they assumed in serving on the committee during the course of 2016, special cash stipends were approved by the Nominating and Governance Committee for each of the special committee members. Two of the directors, including Mr. Conforti, received \$500,000 each and three of the directors received \$50,000 each.

### ***Stock Options***

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

During the year ended December 31, 2017, no stock options were granted from the Plan to employees, 2,739 stock options were exercised by employees and 180,823 stock options were canceled, forfeited or expired. As of December 31, 2017, there were 794,014 stock options outstanding.

### ***Share Award Related Compensation Expense***

During the years ended December 31, 2017, 2016 and 2015, the Company recorded share award related compensation expense pertaining to the award and option plans noted above within the consolidated statements of operations and comprehensive income (loss) as indicated below (amounts in millions):

|   | <b>For the Year Ended December 31,</b> |                |                |
|---|--|----------------|----------------|
|   | <b>2017</b>                            | <b>2016</b>    | <b>2015</b>    |
| Merger, restructuring and transaction costs       | \$ —                                   | \$ 9.5         | \$ 4.0         |
| General and administrative and property operating | 6.4                                    | 4.6            | 10.1           |
| <b>Total expense</b>                              | <b>\$ 6.4</b>                          | <b>\$ 14.1</b> | <b>\$ 14.1</b> |

### ***Distributions***

During each of the years ended December 31, 2017 and 2016, the Board declared common share/unit dividends of \$1.00 per common share/unit.

On February 20, 2018, the Board declared common share/unit dividends of \$0.25 per common share. The dividend is payable on March 15, 2018 to shareholders/unitholders of record on March 5, 2018.

### ***Acquisitions and Dispositions***

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

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

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

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

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

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

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

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

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

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

On February 21, 2017, we completed the sale of Gulf View Square and River Oaks Center to private real estate investors for an aggregate purchase price of \$42.0 million, which was classified as real estate held for sale on the consolidated balance sheet as of December 31, 2016. The net proceeds from the transaction were used to reduce corporate debt.

On January 10, 2017, we completed the sale of Virginia Center Commons to a private real estate investor for a purchase price of \$9.0 million, which was classified as real estate held for sale on the consolidated balance sheet as of December 31, 2016. The net proceeds from the transaction were used to reduce corporate debt.

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

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

On August 19, 2016, the Company completed the sale of Knoxville Center to a private real estate investor (the "Buyer") for a purchase price of \$10.1 million. The sales price consisted of \$3.9 million paid to the Company at closing and the issuance of a promissory note for \$6.2 million from the Buyer to the Company with an interest rate of 5.5% per annum. The note balance is due on April 1, 2018. As of December 31, 2017, the Buyer was current on their interest payments. The net proceeds from the transactions were used to reduce the balance outstanding under the Revolver.

On January 29, 2016, we completed the sale of Forest Mall and Northlake Mall to private real estate investors (the "Buyers") for an aggregate purchase price of \$30 million, which was classified as real estate held for sale on the accompanying consolidated balance sheet as of December 31, 2015. The sales price consisted of \$10 million paid to us at closing and the issuance of a promissory note for \$20 million from us to the Buyers with an interest rate of 6% per annum. On June 29, 2016, the Buyers repaid \$4.4 million of the promissory note balance and exercised a six-month extension option. The remaining \$15.6 million note balance was repaid in full on January 4, 2017. The proceeds from the transaction were used to reduce the balance outstanding under the Facility.

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

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

On December 29, 2016, June 9, 2016 and April 28, 2016, River Valley Mall, Merritt Square Mall and Chesapeake Square were transitioned to the lenders, respectively (see "Financing and Debt" above for further discussion). Upon the ownership transfers, we reduced our debt by \$160.1 million.



## Development Activity

***New Development, Expansions and Redevelopments.*** We routinely incur costs related to construction for significant redevelopment and expansion projects at our properties. We expect our share of development costs for calendar year 2018 related to these activities to be approximately \$125 to \$150 million. Our estimated stabilized return, or yield, on invested capital typically ranges between 8% and 11%.

During the fourth quarter of 2016 we held our grand opening of our new approximately 400,000 square foot shopping center in the Houston metropolitan area, Fairfield Town Center. The project features retailers such as H-E-B, Academy Sports, Marshall's, Party City, Old Navy, and Ulta Cosmetics. In addition, a number of dining options are at the center such as Chipotle, PeiWei, Whataburger, and Zoe's Kitchen. The project is performing very well with 95% of the space open as of December 31, 2017. During the third quarter of 2017, we approved the final phase of this new development for an additional investment of approximately \$28 million, which will add an additional 130,000 SF of new GLA to accommodate the strong tenant demand at the project. The new phase will include a theater, a value fashion apparel retailer as well as additional big box and small shop stores.

At Northwoods Mall in Peoria, Illinois, we have commenced our redevelopment of a former Macy's store that closed in March 2016. We purchased the store from Macy's in January 2017. The redevelopment is anchored by a 56,000 square foot Round 1 Entertainment, the first to the market, which opened in November 2017. Round 1 provides bowling entertainment as well as food and adult beverages. The upper level of the former Macy's store will be occupied by The Room Place, a 62,000 square foot regional home furnishing store. In addition to Round 1 and The Room Place, we anticipate adding dining options and new retail stores. The expected investment in this redevelopment is approximately \$22 million with an anticipated yield of 8% - 9%. We anticipate completion of this project in 2018.

At Classen Curve in Oklahoma City, Oklahoma, two new multi-tenant buildings will be added at the open-air center to bring new retailers to the fully leased center. The project will feature first-to-market Athleta, Evereve and Soft Surroundings, as well as Board Room Salon for Men and Francesca's. Other recent openings at the project include COS Bar and The Float Spa, and a new Bassett Furniture store is under construction. Our pro-rata share of the investment is expected to be between \$5.1 million and \$6.6 million with additional openings in 2018. The yield on this project is expected to be 10% - 12%.

At The Outlet Collection® | Seattle, in Auburn, Washington, we added a new Dave & Buster's, which opened in November 2017, to replace a Marshall's store that closed in the first quarter of 2017. The investment in the anchor box replacement is expected to be between \$4.5 million and \$5.5 million and the yield is expected to be approximately 9% - 11%.

At Pearlridge Center in Aiea, Hawaii ("Pearlridge"), we have commenced a \$33 million, 18-month renovation project. The project entails a refresh of the "Downtown" section of the center, with some new tenants including a new 9,100 square foot Lindbergh men's apparel store, an expanded and remodeled food court, new finishes and entrances. Architecturally, the contemporary design will reflect the history of the area and take advantage of the natural lighting. In 2016, Hawaii Pacific Health commenced construction of a state of the art cancer treatment center that opened in the fourth quarter of 2017. The funding for the development will be shared pro-rata with our joint venture partner, resulting in our share of the investment of approximately \$17 million and the expected yield on the project is 6% - 8%. The redevelopment will come on line at various times beginning in late 2017 and throughout 2018.

In addition at Pearlridge, we have also commenced construction of a new stand-alone 10,000 square foot Down To Earth natural foods-and-products store, restaurant offerings including Pieology, which opened during the fourth quarter of 2017, Five Guys Burger and Fries, which opened in January of 2018, and destination local restaurateurs, Uncle's Fish House and Gen Korean Barbeque, as well as a new Bank of Hawaii branch, which opened in January 2018.

At Scottsdale Quarter in Scottsdale, Arizona, our most recent redevelopment effort involves the final phase of the significant expansion of our initial development of the project. The first part of the expansion has been completed and consists of buildings on the north and south parcels with tenancy including American Girl and Design Within Reach, as well as luxury apartment homes and office space. The final component of the expansion will be comprised of approximately 300 new luxury apartment homes and 35,000 square feet of new street-level retail. The street-level retail and luxury apartment homes will have substantial amenities, such as new on-site parking and roof-top terraces overlooking Scottsdale Quarter and the McDowell Mountains. Tenants will begin opening in this final component in 2018.

At Great Lakes Mall in Mentor, Ohio, we have commenced redevelopment of a former Dillard's Men's Store. Dillard's made the decision earlier in 2017 to consolidate its department stores at Great Lakes Mall into a single renovated anchor space. The redevelopment will be anchored by Round 1 Entertainment (see description above), as well as additional dining options and new retailers at the property. We will invest approximately \$15 million in this redevelopment with an expected yield of 7% - 9%.

At Markland Mall in Kokomo, Indiana, we have commenced work on our redevelopment of a former Sears department store whose lease expired in July 2017. We will invest between \$16 and \$18 million in the project with an expected yield of 8% - 10%. The redevelopment includes both the former Sears space as well as a former MC Sports store. We will be adding tenants that further enhance the mix of offerings at the property with the addition of ALDI, Party City, PetSmart and Ross Dress for Less, as well as additional small shop and outparcels. The project is expected to be completed in 2018.

At Cottonwood Mall in Albuquerque, New Mexico, we acquired the former Macy's store for a planned redevelopment at the property. We plan to replace the former department store with a mix of home furnishings and other big box retail. We will invest between \$20 million and \$22 million in this redevelopment with an expected yield of 6% - 7%.

At Grand Central Mall in Parkersburg, West Virginia, we have plans to replace an Elder-Beerman with a new, first to market H&M store. The remaining square footage will have exterior-only entrances and will likely be redeveloped for non-retail use that will help densify the property and bring additional traffic to the center.

***Capital Expenditures***

The following table summarizes total consolidated capital expenditures on a cash basis for the year ended December 31, 2017 (in thousands):

|                                  | <b>2017</b>       |
|----------------------------------|-------------------|
| New developments                 | \$ 5,596          |
| Redevelopments and expansions    | 66,325            |
| Tenant allowances                | 26,919            |
| Operational capital expenditures | 35,377            |
| Total (1)                        | <u>\$ 134,217</u> |

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



## Forward-Looking Statements

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

## Non-GAAP Financial Measures

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

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

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

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

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

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

The following schedule reconciles total FFO to net income (loss) for the years ended December 31, 2017, 2016 and 2015 (in thousands, except share/unit and per share/unit amounts):

|  | <b>For the Year Ended December 31,</b> |                    |                    |
|--|--|--------------------|--------------------|
|  | <b>2017</b>                            | <b>2016</b>        | <b>2015</b>        |
| <b>Net income (loss)</b>   | \$ 231,593                             | \$ 77,416          | \$ (104,122)       |
| Less: Preferred dividends and distributions on preferred operating partnership units   | (14,272)                               | (14,272)           | (16,217)           |
| <b>Adjustments to Arrive at FFO:</b>   |  |                    |                    |
| Real estate depreciation and amortization, including joint venture impact  | 292,748                                | 311,038            | 352,000            |
| (Gain) loss on disposition of interests in properties, net including impairment loss   | (57,846)                               | 24,066             | 143,817            |
| Net (income) loss attributable to noncontrolling interest holders in properties  | (68)                                   | (10)               | 18                 |
| Noncontrolling interests portion of depreciation and amortization  | (27)                                   | (147)              | (225)              |
| <b>FFO of the Operating Partnership (1)</b>  | <u>452,128</u>                         | <u>398,091</u>     | <u>375,271</u>     |
| FFO allocable to limited partners  | 70,837                                 | 61,865             | 58,844             |
| FFO allocable to common shareholders/unitholders   | <u>\$ 381,291</u>                      | <u>\$ 336,226</u>  | <u>\$ 316,427</u>  |
| <b>Diluted earnings (loss) per share/unit</b>  | \$ 0.98                                | \$ 0.29            | \$ (0.55)          |
| <b>Adjustments to arrive at FFO per share/unit:</b>  |  |                    |                    |
| Depreciation and amortization from consolidated properties and our share of real estate depreciation and amortization from unconsolidated properties | 1.32                                   | 1.41               | 1.61               |
| Impairment loss, including loss (gain) on the sale of interests in properties and other  | (0.26)                                 | 0.10               | 0.65               |
| <b>Diluted FFO per share/unit</b>  | <u>\$ 2.04</u>                         | <u>\$ 1.80</u>     | <u>\$ 1.71</u>     |
| Weighted average shares outstanding - basic  | 186,829,385                            | 185,633,582        | 184,195,769        |
| Weighted average limited partnership units outstanding   | 34,808,890                             | 34,304,109         | 34,303,804         |
| Weighted average additional dilutive securities outstanding (2)  | 337,508                                | 803,805            | 537,483            |
| Weighted average shares/units outstanding - diluted  | <u>221,975,783</u>                     | <u>220,741,496</u> | <u>219,037,056</u> |

- (1) FFO of the operating partnership increased \$54.0 million for the year ended December 31, 2017 when compared to the year ended December 31, 2016. During the year ended December 31, 2016, we incurred \$29.6 million in merger and acquisition expenses that were attributable to the management transition and exploration of strategic alternatives. We did not incur similar expenses during the year ended December 31, 2017. Additionally, we recorded \$56.0 million more on the gain on extinguishment of debt net when comparing the year ended December 31, 2017 to the same period ended 2016. Gain on extinguishment of debt, net recognized for the year ended December 31, 2017 consisted of the three following transactions: \$21.2 million gain related to the discounted payoff of the \$87.3 million mortgage loan secured by Mesa Mall, a \$41.6 million gain related to the discounted payoff of the \$99.7 million mortgage loan secured by Southern Hills Mall; and a \$27.8 million gain related to the transition of Valle Vista Mall to the mortgage lender pursuant to the terms of a deed-in-lieu of foreclosure agreement entered into by an affiliate of WPG Inc. and the mortgage lender concerning the \$40.0 million mortgage loan. During 2016 we recorded a \$34.6 million gain on the extinguishment of debt, net associated with the transitions of Chesapeake Square, Merritt Square Mall and River Valley Mall. Offsetting these increases to FFO, was a \$15.1 million decrease in FFO directly attributable to properties that were sold during 2016 and 2017. Additionally, we experienced \$9.9 million less in FFO in 2017 directly related to the properties that were part of the O'Connor Joint Venture II.
- (2) The weighted average additional dilutive securities for the year ended December 31, 2015 are excluded for purposes of calculating diluted earnings (loss) per share/unit because their effect would have been anti-dilutive.

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

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

The following schedule reconciles comparable NOI to operating income and presents comparable NOI percent change for the years ended December 31, 2017 and 2016 (in thousands):

|  | <b>For the Year Ended December 31,</b> |                   |
|--|--|-------------------|
|  | <b>2017</b>                            | <b>2016</b>       |
| <b>Operating income</b>  | \$ 144,806                             | \$ 184,993        |
| Depreciation and amortization  | 258,740                                | 281,150           |
| General and administrative and merger, restructuring and transaction costs | 34,892                                 | 66,924            |
| Impairment loss  | 66,925                                 | 21,879            |
| Fee income   | (7,906)                                | (6,709)           |
| Management fee allocation  | 612                                    | 7,008             |
| Pro-rata share of unconsolidated joint ventures in comp NOI                | 60,908                                 | 36,418            |
| Property allocated corporate expense                                       | 13,300                                 | 13,231            |
| Non-comparable properties and other (1)                                    | (8,573)                                | (9,195)           |
| NOI from sold properties   | (2,636)                                | (27,313)          |
| Termination income and outparcel sales                                     | (3,783)                                | (2,761)           |
| Straight-line rents  | (2,122)                                | (928)             |
| Ground lease adjustments for straight-line and fair market value           | 65                                     | (15)              |
| Fair market value & inducement adjustments to base rents                   | (7,290)                                | (9,874)           |
| <b>Comparable NOI</b>  | <b>\$ 547,938</b>                      | <b>\$ 554,808</b> |
| <b>Comparable NOI percentage change</b>                                    | <b>(1.2)%</b>                          |                   |

- (1) Represents an adjustment to remove the NOI amounts from properties not owned and operated in all periods presented, certain non-recurring expenses (such as hurricane related expenses), as well as material insurance proceeds received in the periods presented. Furthermore, Southern Hills Mall is removed as the management and leasing of the property was transferred to the receiver during the fourth quarter of 2016. On October 17, 2017, and upon the discounted payoff of the mortgage loan, the Company resumed leasing and management of the property.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in interest rates, primarily LIBOR. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly effective cash flow hedges under GAAP guidance. As of December 31, 2017, \$302.7 million (net of \$3.8 million of debt issuance costs) of our aggregate consolidated indebtedness (10.4% of total consolidated indebtedness) was subject to variable interest rates, excluding amounts outstanding under variable rate loans that have been hedged to fixed interest rates.

If LIBOR rates of interest on our variable rate debt fluctuated, our future earnings and cash flows would be impacted, depending upon the current LIBOR rates and the existence of any derivative contracts currently in effect. Based upon our variable rate debt balance as of December 31, 2017, a 50 basis point increase in LIBOR rates would result in a decrease in earnings and cash flow of \$1.5 million annually and a 50 basis point decrease in LIBOR rates would result in an increase in earnings and cash flow of \$1.5 million annually. This assumes that the amount outstanding under our variable rate debt remains at \$302.7 million, the balance as of December 31, 2017.

## **Item 8. Financial Statements and Supplementary Data**

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

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

None.

## **Item 9A. Controls and Procedures**

### ***Controls and Procedures of Washington Prime Group Inc.***

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

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

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

As of December 31, 2017, management assessed the effectiveness of WPG Inc.'s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that, as of December 31, 2017, WPG Inc.'s internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

***Changes in Internal Control Over Financial Reporting.*** There have not been any other changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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

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

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

As of December 31, 2017, management assessed the effectiveness of WPG L.P.'s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management has concluded that, as of December 31, 2017, WPG L.P.'s internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

***Changes in Internal Control Over Financial Reporting.*** There have not been any other changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

### **Part III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2018 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

#### **Item 11. Executive Compensation**

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2018 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

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

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2018 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

#### **Item 13. Certain Relationships and Related Transactions and Director Independence**

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2018 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.

#### **Item 14. Principal Accounting Fees and Services**

The information required by this item is incorporated herein by reference to the definitive proxy statement for our 2018 annual meeting of stockholders to be filed with the Commission pursuant to Regulation 14A.



## **Part IV**

### **Item 15. Exhibits and Financial Statement Schedules**

#### **1. Financial Statements**

Included herein at pages F-1 through F-52.

#### **2. Financial Statement Schedules**

The following financial statement schedule is included herein at pages F-53 through F-57:

Schedule III—Real Estate and Accumulated Depreciation

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

### 3. Exhibits

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

| Exhibit Number | Exhibit Descriptions   |
|----------------|--|
| 2.1            | Separation and Distribution Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P., dated as of May 27, 2014 (incorporated by reference to Form 8-K filed on May 29, 2014).   |
| 2.2            | Purchase, Sale and Escrow Agreement, dated February 25, 2015, by and among WPG-OC Limited Partner, LLC, WPG-OC General Partner, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 8-K filed on February 26, 2015).  |
| 2.3            | Amendment No. 1 to Purchase, Sale and Escrow Agreement, dated May 29, 2015, by and among WPG-OC Limited Partner, LLC, WPG-OC General Partner, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 10-Q filed on August 5, 2015).  |
| 2.4            | Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company (incorporated by reference to Form 8-K filed on November 8, 2016).  |
| 2.5            | First Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, O'Connor Mall Partners, L.P. and Fidelity National Title Insurance Company, dated as of January 4, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017).   |
| 2.6            | Second Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, WPG Management Associates, Inc., WPG-OC Limited Partner II, LLC, O'Connor Mall Partners, L.P., O'Connor Mall Parallel Partners, L.P. and Fidelity National Title Insurance Company, dated as of April 26, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017). |
| 2.7            | Third Amendment to Purchase, Sale and Escrow Agreement, dated November 2, 2016, by and among WPG-OC New Limited Partner, LP, WPG-OC General Partner, LLC, WPG-OC General Partner II, LLC, WPG-OC General Partner III, LLC, WPG Management Associates, Inc., WPG-OC Limited Partner II, LLC, O'Connor Mall Partners, L.P., O'Connor Mall Parallel Partners, L.P. and Fidelity National Title Insurance Company, dated as of May 11, 2017 (incorporated by reference to Form 10-Q filed July 27, 2017).    |
| 3.1            | Amended and Restated Articles of Incorporation of Washington Prime Group Inc. (incorporated by reference to the Form S - 4 filed on October 28, 2014 (Commission File No. 333-199626)).  |
| 3.2            | Amended and Restated Articles of Incorporation of WP Glimcher Inc. (as amended effective August 11, 2015) (incorporated by reference to Form 8-K filed August 12, 2015).   |
| 3.3            | Amended and Restated Articles of Incorporation for the Registrant (incorporated by reference to Form 8-K filed on May 22, 2017).   |
| 3.4            | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company Relating to Name Change (incorporated by reference to Form 8-K filed on May 26, 2015).  |
| 3.5            | Articles of Amendment to the Amended and Restated Articles of Incorporation of Washington Prime Group Inc. relating to corporate name change (incorporated by reference to Form 8-K filed on September 2, 2016).   |
| 3.6            | Articles of Amendment to the Amended and Restated Articles of Incorporation of the Washington Prime Group Inc. (incorporated by reference to Form 8-K filed on May 22, 2017).  |
| 3.7            | Amended and Restated Bylaws of Washington Prime Group Inc. (incorporated by reference to Form 8-K filed on January 22, 2015).  |
| 3.8            | Amended and Restated Bylaws of WP Glimcher Inc. (n/k/a Washington Prime Group Inc.), effective August 19, 2016 (incorporated by reference to Form 8-K filed on August 19, 2016).   |
| 3.9            | Amended and Restated Bylaws of Washington Prime Group Inc., effective August 30, 2016 (incorporated by reference to Form 8-K filed on September 2, 2016).  |
| 3.10           | Amended and Restated Bylaws of Washington Prime Group Inc. (incorporated by reference to Form 10-Q filed August 5, 2015).  |
| 4.1            | Indenture, dated as of March 24, 2015, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K filed March 26, 2015).   |
| 4.2            | First Supplemental Indenture, dated as of March 24, 2015, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K filed March 26, 2015).  |
| 4.3            | Second Supplemental Indenture, dated as of August 4, 2017, between Washington Prime Group, L.P. and U.S. Bank National Association, as Trustee (incorporated by reference to Form 8-K August 4, 2017).   |

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| 4.4   | Registration Rights Agreement, dated as of March 24, 2015, by and among Washington Prime Group, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and RBS Securities Inc., as representatives of the initial purchasers named therein (incorporated by reference to Form 8-K filed March 26, 2015).   |
| 4.5   | * Glimcher Realty Trust Amended and Restated 2004 Incentive Compensation Plan (incorporated by reference to S-8 filed January 15, 2015).   |
| 4.6   | * Glimcher Realty Trust 2012 Incentive Compensation Plan (incorporated by reference to S-8 filed January 15, 2015).  |
| 4.7   | * Washington Prime Group, L.P. 2014 Stock Incentive Plan (incorporated by reference to Form 8-K filed May 29, 2014).   |
| 4.8   | Articles of Amendment of Washington Prime Group Inc. setting forth the Terms of Series H Cumulative Redeemable Preferred Stock (incorporated by reference to Form 8-A filed January 14, 2015).   |
| 4.9   | Articles of Amendment of Washington Prime Group Inc. setting forth the Terms of Series I Cumulative Redeemable Preferred Stock (incorporated by reference to Form 8-A filed January 14, 2015).   |
| 4.10  | Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. (incorporated by reference to Form 8-K filed May 29, 2014).   |
| 4.11  | Amendment No. 2 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series H Preferred Units (incorporated by reference to Form 10-K filed February 26, 2015).  |
| 4.12  | Amendment No. 3 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series I Preferred Units (incorporated by reference to Form 10-K filed February 26, 2015).  |
| 4.13  | Amendment No. 4 to Amended and Restated Limited Partnership Agreement of Washington Prime Group, L.P. dated as of January 14, 2015, setting forth the Terms of Series I-1 Preferred Units (incorporated by reference to Form 10-K filed February 26, 2015).  |
| 10.1  | Senior Secured Term Loan Agreement, dated as of June 8, 2016, by and among Washington Prime Group, L.P., WTM Glimcher, LLC, The Huntington National Bank, PNC Bank, National Association, U.S. Bank National Association, and several lenders from time to time (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016). |
| 10.2  | Term Loan Promissory Note, dated June 8, 2016 (The Huntington National Bank) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016).  |
| 10.3  | Term Loan Promissory Note, dated June 8, 2016 (U.S. Bank National Association) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016).  |
| 10.4  | Term Loan Promissory Note, dated June 8, 2016 (PNC Bank, National Association) (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016).  |
| 10.5  | Environmental Indemnity Agreement, dated June 8, 2016, by Washington Prime Group, L.P. and WTM Glimcher, LLC to and for benefit of The Huntington National Bank and other lenders under Senior Secured Term Loan Agreement (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016).                                      |
| 10.6  | Collateral Assignment of Membership Interest Agreement, dated June 8, 2016, by Weberstown Mall, LLC to The Huntington National Bank and other lenders under Senior Secured Term Loan Agreement (relates to mortgage loan for Weberstown Mall) (incorporated by reference to Form 10-Q filed on August 4, 2016).  |
| 10.7  | Purchase Agreement, dated as of March 17, 2015, by and between Washington Prime Group, L.P. and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and RBS Securities Inc., as representatives of the initial purchasers named therein, relating to 2.850% Senior Notes due 2020 (incorporated by reference to Form 8-K filed March 23, 2015).                            |
| 10.8  | Amended and Restated Revolving Credit and Term Loan Agreement, dated January 22, 2018 (incorporated by reference to Form 8-K January 22, 2018).  |
| 10.9  | Purchase and Sale Agreement, dated as of September 16, 2014, by and between Washington Prime Group, L.P. and Simon Property Group, L.P. (attached as Annex B to the proxy statement/prospectus included in the Form S-4 filed October 28, 2014 (Commission File No. 333-199626)).  |
| 10.10 | First Amendment to Purchase and Sale Agreement, dated as of January 15, 2015, by and between Washington Prime Group, L.P. and Simon Property Group, L.P. (incorporated by reference to Form 10-K filed February 26, 2015).   |
| 10.11 | Transition Services Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by reference to Form 8-K filed May 29, 2014).   |
| 10.12 | Tax Matters Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by reference to Form 8-K filed May 29, 2014).   |
| 10.13 | Employee Matters Agreement by and among Simon Property Group, Inc., Simon Property Group, L.P., Washington Prime Group Inc. and Washington Prime Group, L.P. dated May 28, 2014 (incorporated by reference to Form 8-K filed May 29, 2014).  |

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|-------|---|--|
| 10.14 |   | Form of Indemnification Agreement between Washington Prime Group Inc. and each of its executive officers and directors (incorporated by reference to Amendment No. 3 to Form 10 filed April 21, 2014).   |
| 10.15 | * | Separation Agreement and General Release by and between WP Glimcher Inc. and Michael P. Glimcher, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).  |
| 10.16 | * | Resignation and General Release by and between WP Glimcher Inc. and Niles C. Overly, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).   |
| 10.17 | * | Agreement by and between WP Glimcher Inc. and Louis G. Conforti, dated as of June 20, 2016 (incorporated by reference to Form 8-K filed on June 24, 2016).   |
| 10.18 | * | Employment Agreement, dated October 6, 2016, by and between Washington Prime Group Inc. and Louis G. Conforti (incorporated by reference to Form 8-K filed on October 11, 2016).   |
| 10.19 | * | Employee Restricted Stock Unit Award Agreement, dated October 6, 2016, among Washington Prime Group Inc., Washington Prime Group, L.P. and Louis G. Conforti (incorporated by reference to Form 8-K filed on October 11, 2016).  |
| 10.20 | * | Description of Terms of 2015 Annual LTIP Unit Awards (incorporated by reference to Form 10-Q filed on May 7, 2015).  |
| 10.21 | * | Terms and Conditions of the Grant of Special Performance LTIP Units to as it pertains to Mr. Mark E. Yale and Ms. Melissa A. Indest (incorporated by reference to Form 10-Q filed on May 7, 2015).   |
| 10.22 | * | Amended and Restated Employment Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Mark E. Yale (incorporated by reference to Form 8-K filed on February 2, 2017).  |
| 10.23 | * | Amended and Restated Employment Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Keric M. Knerr (incorporated by reference to Form 8-K filed on February 2, 2017).  |
| 10.24 | * | Amended and Restated Employment Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Robert P. Demchak (incorporated by reference to Form 8-K filed on February 2, 2017).   |
| 10.25 | * | Amended and Restated Severance Benefits Agreement, dated January 31, 2017, by and between Washington Prime Group Inc. and Lisa A. Indest (incorporated by reference to Form 8-K filed on February 2, 2017).  |
| 10.26 | * | Conditional Offer of Employment with Washington Prime Group Inc. by and between Washington Prime Group Inc. and Lisa A. Indest, dated as of January 9, 2015 (incorporated by reference to Form 8-K filed on January 22, 2015).   |
| 10.27 | * | General Release and Amendment to Employment Agreement, dated October 13, 2017, by and between Washington Prime Group Inc. and Keric M. Knerr (incorporated by reference to Form 8-K filed on October 16, 2017).  |
| 10.28 | * | Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Gregory E. Zimmerman (incorporated by reference to Form 8-K filed on November 8, 2017).   |
| 10.29 | * | Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Paul Ajdaharian (incorporated by reference to Form 8-K filed on November 8, 2017).  |
| 10.30 | * | Employment Agreement, dated November 2, 2017, by and between Washington Prime Group Inc. and Armand Mastropietro (incorporated by reference to Form 8-K filed on November 8, 2017).  |
| 10.31 | * | First Amendment to the Amended and Restated Employment Agreement between Washington Prime Group Inc. and Robert P. Demchak, dated February 21, 2017 (incorporated by reference to Form 10-Q filed on April 27, 2017).  |
| 10.32 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Michael P. Glimcher, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016).    |
| 10.33 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Mark E. Yale, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016).           |
| 10.34 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Mark S. Ordan dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016).           |
| 10.35 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Melissa A. Indest, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016).      |
| 10.36 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Keric M. "Butch" Knerr, dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016). |
| 10.37 | * | Series 2015B LTIP Unit Award Agreement by and among WP Glimcher Inc., Washington Prime Group, L.P., and Thomas J. Drought, Jr., dated as of February 25, 2016 (relates to LTIP Unit award for 2015 annual awards) (incorporated by reference to Form 10-Q filed on May 6, 2016). |
| 10.38 | * | Form of Certificate of Designation of Series 2015B LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 10-Q filed on May 6, 2016).   |

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|---------|----|---|
| 10.39   | *  | Form of Series 2014 Inducement LTIP Unit Award Agreement, dated as of June 25, 2014 (incorporated by reference to Form 8-K filed June 27, 2014).  |
| 10.40   | *  | Certificate of Designation of Series 2014 Inducement LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 8-K filed on June 27, 2014).   |
| 10.41   | *  | Certificate of Designation of Series 2014B LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 8-K filed on August 28, 2014).   |
| 10.42   | *  | Certificate of Designation of Series 2015A LTIP Units of Washington Prime Group, L.P. (incorporated by reference to Form 10-Q filed on May 7, 2015).  |
| 10.43   | *  | Form of Non-Employee Director Restricted Stock Unit Award Agreement (incorporated by reference to Form 8-K filed on August 8, 2014).  |
| 10.44   | *  | Form of Series 2014B LTIP Unit Award Agreements with Officers (incorporated by reference to Form 8-K filed on August 28, 2014).   |
| 10.45   | *  | Form of Series 2015A LTIP Unit Award Agreements with Executive Officers Other Than EVP, Legal & Compliance (incorporated by reference to Form 10-Q filed on May 7, 2015).   |
| 10.46   | *  | Form Employee Restricted Stock Unit Award Agreement 2017 (incorporated by reference to Form 10-Q filed on April 27, 2017).  |
| 10.47   | *  | Form Employee Restricted Stock Unit Award Agreement (Employee with Severance Agreement) (incorporated by reference to Form 10-Q filed on April 27, 2017).   |
| 10.48   | *  | Form Employee Restricted Stock Unit Award Agreement (Employee with Employment Agreement) (incorporated by reference to Form 10-Q filed on April 27, 2017).  |
| 10.49   | *  | Form Employee Performance Share Unit Award Agreement (Employee with Employment Agreement) (incorporated by reference to Form 10-Q filed on April 27, 2017).   |
| 10.50   | *  | Form Employee Performance Share Unit Award Agreement (Employee without Employment Agreement) (incorporated by reference to Form 10-Q filed on April 27, 2017).  |
| 12.1    | ** | Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Share Dividends for Washington Prime Group Inc.   |
| 12.2    | ** | Computation of Ratios of Earnings to Fixed Charges for Washington Prime Group, L.P.   |
| 21.1    | ** | List of Subsidiaries  |
| 23.1    | ** | Consent of Ernst & Young LLP for Washington Prime Group Inc.  |
| 23.2    | ** | Consent of Ernst & Young LLP for Washington Prime Group, L.P.   |
| 31.1    | ** | Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group Inc.  |
| 31.2    | ** | Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group Inc.  |
| 31.3    | ** | Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group, L.P. |
| 31.4    | ** | Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group, L.P. |
| 32.1    | ** | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group Inc.               |
| 32.2    | ** | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Washington Prime Group, L.P.              |
| 101.INS | ** | XBRL Instance Document  |
| 101.SCH | ** | XBRL Taxonomy Extension Schema Document   |
| 101.CAL | ** | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB | ** | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE | ** | XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF | ** | XBRL Taxonomy Extension Definition Linkbase Document  |
|         | *  | Compensatory plans or arrangements required to be filed pursuant to Item 15(b) of Form 10-K.  |
|         | ** | Filed electronically herewith.  |

## Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

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

By: /s/ LOUIS G. CONFORTI

Louis G. Conforti  
*Chief Executive Officer & Director*  
*(Principal Executive Officer)*

Dated: February 22, 2018

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

| <u>Signature</u>  | <u>Capacity</u>   | <u>Date</u>       |
|---|---|-------------------|
| <u>/s/ ROBERT J. LAIKIN</u><br>Robert J. Laikin           | Chairman of the Board of Directors  | February 22, 2018 |
| <u>/s/ LOUIS G. CONFORTI</u><br>Louis G. Conforti         | Chief Executive Officer and Director<br>(Principal Executive Officer)                         | February 22, 2018 |
| <u>/s/ J. TAGGART BIRGE</u><br>J. Taggart Birge           | Director  | February 22, 2018 |
| <u>/s/ JOHN J. DILLON III</u><br>John J. Dillon III       | Director  | February 22, 2018 |
| <u>/s/ JOHN F. LEVY</u><br>John F. Levy                   | Director  | February 22, 2018 |
| <u>/s/ JACQUELYN R. SOFFER</u><br>Jacquelyn R. Soffer     | Director  | February 22, 2018 |
| <u>/s/ SHERYL G. VON BLUCHER</u><br>Sheryl G. von Blucher | Director  | February 22, 2018 |
| <u>/s/ MARK E. YALE</u><br>Mark E. Yale                   | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer)         | February 22, 2018 |
| <u>/s/ MELISSA A. INDEST</u><br>Melissa A. Indest         | Senior Vice President, Finance and Chief Accounting Officer<br>(Principal Accounting Officer) | February 22, 2018 |



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

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## Report of Independent Registered Public Accounting Firm

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Washington Prime Group Inc. (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index to Financial Statements on Page F-1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 22, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2013.  
Indianapolis, Indiana  
February 22, 2018

## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on Internal Control over Financial Reporting**

We have audited Washington Prime Group Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control- Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Washington Prime Group Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated February 22, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

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

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

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

### **Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ Ernst & Young LLP

Indianapolis, Indiana  
February 22, 2018

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

|   | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> |
|---|------------------------------|------------------------------|
| <b>ASSETS:</b>  |                              |                              |
| Investment properties at cost   | \$ 5,807,760                 | \$ 6,294,628                 |
| Less: accumulated depreciation  | 2,139,620                    | 2,122,572                    |
|   | <u>3,668,140</u>             | <u>4,172,056</u>             |
| Cash and cash equivalents   | 52,019                       | 59,353                       |
| Tenant receivables and accrued revenue, net   | 90,314                       | 99,967                       |
| Real estate assets held-for-sale  | —                            | 50,642                       |
| Investment in and advances to unconsolidated entities, at equity  | 451,839                      | 458,892                      |
| Deferred costs and other assets   | 189,095                      | 266,556                      |
| <b>Total assets</b>   | <u>\$ 4,451,407</u>          | <u>\$ 5,107,466</u>          |
| <b>LIABILITIES:</b>   |                              |                              |
| Mortgage notes payable  | \$ 1,157,082                 | \$ 1,618,080                 |
| Notes payable   | 979,372                      | 247,637                      |
| Unsecured term loans  | 606,695                      | 1,334,522                    |
| Revolving credit facility   | 154,460                      | 306,165                      |
| Accounts payable, accrued expenses, intangibles, and deferred revenues  | 264,998                      | 309,178                      |
| Distributions payable   | 2,992                        | 2,992                        |
| Cash distributions and losses in unconsolidated entities, at equity   | 15,421                       | 15,421                       |
| <b>Total liabilities</b>  | <u>3,181,020</u>             | <u>3,833,995</u>             |
| Redeemable noncontrolling interests   | 3,265                        | 10,660                       |
| <b>EQUITY:</b>  |                              |                              |
| Stockholders' Equity:   |                              |                              |
| Series H Cumulative Redeemable Preferred Stock, \$0.0001 par value, 4,000,000 shares issued and outstanding as of December 31, 2017 and 2016  | 104,251                      | 104,251                      |
| Series I Cumulative Redeemable Preferred Stock, \$0.0001 par value, 3,800,000 shares issued and outstanding as of December 31, 2017 and 2016  | 98,325                       | 98,325                       |
| Common stock, \$0.0001 par value, 350,000,000 shares authorized, 185,791,421 issued and outstanding as of December 31, 2017 and 300,000,000 shares authorized, 185,427,411 issued and outstanding as of December 31, 2016 | 19                           | 19                           |
| Capital in excess of par value  | 1,240,483                    | 1,232,638                    |
| Accumulated deficit   | (350,594)                    | (346,706)                    |
| Accumulated other comprehensive income  | 6,920                        | 4,916                        |
| Total stockholders' equity  | <u>1,099,404</u>             | <u>1,093,443</u>             |
| Noncontrolling interests  | 167,718                      | 169,368                      |
| <b>Total equity</b>   | <u>1,267,122</u>             | <u>1,262,811</u>             |
| <b>Total liabilities, redeemable noncontrolling interests and equity</b>  | <u>\$ 4,451,407</u>          | <u>\$ 5,107,466</u>          |

The accompanying notes are an integral part of these statements.

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

|  | For the Year Ended December 31, |                  |                     |
|--|---------------------------------|------------------|---------------------|
|  | 2017                            | 2016             | 2015                |
| <b>REVENUE:</b>  |                                 |                  |                     |
| Minimum rent   | \$ 516,386                      | \$ 572,781       | \$ 623,113          |
| Overage rent   | 9,115                           | 12,882           | 14,040              |
| Tenant reimbursements  | 208,290                         | 236,510          | 259,774             |
| Other income   | 24,331                          | 21,302           | 24,429              |
| <b>Total revenues</b>  | <b>758,122</b>                  | <b>843,475</b>   | <b>921,356</b>      |
| <b>EXPENSES:</b>   |                                 |                  |                     |
| Property operating   | 146,529                         | 166,690          | 197,287             |
| Depreciation and amortization  | 258,740                         | 281,150          | 332,469             |
| Real estate taxes  | 89,617                          | 102,638          | 109,548             |
| Advertising and promotion  | 9,107                           | 10,375           | 11,635              |
| Provision for credit losses  | 5,068                           | 4,508            | 2,022               |
| General and administrative   | 34,892                          | 37,317           | 48,154              |
| Merger, restructuring and transaction costs  | —                               | 29,607           | 31,653              |
| Ground rent  | 2,438                           | 4,318            | 6,874               |
| Impairment loss  | 66,925                          | 21,879           | 147,979             |
| <b>Total operating expenses</b>  | <b>613,316</b>                  | <b>658,482</b>   | <b>887,621</b>      |
| <b>OPERATING INCOME</b>  | <b>144,806</b>                  | <b>184,993</b>   | <b>33,735</b>       |
| Interest expense, net  | (126,541)                       | (136,225)        | (139,923)           |
| Gain on extinguishment of debt, net  | 90,579                          | 34,612           | —                   |
| Income and other taxes   | (3,417)                         | (2,232)          | (849)               |
| Income (loss) from unconsolidated entities   | 1,395                           | (1,745)          | (1,247)             |
| <b>INCOME (LOSS) BEFORE GAIN (LOSS) ON DISPOSITION OF INTERESTS IN PROPERTIES, NET</b> | <b>106,822</b>                  | <b>79,403</b>    | <b>(108,284)</b>    |
| Gain (loss) on disposition of interests in properties, net                             | 124,771                         | (1,987)          | 4,162               |
| <b>NET INCOME (LOSS)</b>   | <b>231,593</b>                  | <b>77,416</b>    | <b>(104,122)</b>    |
| Net income (loss) attributable to noncontrolling interests                             | 34,530                          | 10,285           | (18,825)            |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>                                   | <b>197,063</b>                  | <b>67,131</b>    | <b>(85,297)</b>     |
| Less: Preferred share dividends  | (14,032)                        | (14,032)         | (15,989)            |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>                           | <b>\$ 183,031</b>               | <b>\$ 53,099</b> | <b>\$ (101,286)</b> |
| <b>EARNINGS (LOSS) PER COMMON SHARE, BASIC AND DILUTED</b>                             | <b>\$ 0.98</b>                  | <b>\$ 0.29</b>   | <b>\$ (0.55)</b>    |
| <b>COMPREHENSIVE INCOME (LOSS):</b>  |                                 |                  |                     |
| Net income (loss)  | \$ 231,593                      | \$ 77,416        | \$ (104,122)        |
| Unrealized income on interest rate derivative instruments                              | 2,401                           | 3,801            | 2,037               |
| Comprehensive income (loss)  | 233,994                         | 81,217           | (102,085)           |
| Comprehensive income (loss) attributable to noncontrolling interests                   | 34,927                          | 10,886           | (18,504)            |
| Comprehensive income (loss) attributable to common shareholders                        | <b>\$ 199,067</b>               | <b>\$ 70,331</b> | <b>\$ (83,581)</b>  |

The accompanying notes are an integral part of these statements.

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

|   | <b>For the Year Ended December 31,</b> |                  |                   |
|---|--|------------------|-------------------|
|   | <b>2017</b>                            | <b>2016</b>      | <b>2015</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                  |                   |
| <b>Net income (loss)</b>  | \$ 231,593                             | \$ 77,416        | \$ (104,122)      |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:  |  |                  |                   |
| Depreciation and amortization, including fair value rent, fair value debt, deferred financing costs and equity-based compensation | 260,908                                | 285,632          | 329,895           |
| Gain on extinguishment of debt, net   | (90,579)                               | (34,612)         | —                 |
| (Gain) loss on disposition of interests in properties and outparcels, net   | (125,063)                              | 1,987            | (4,162)           |
| Impairment loss   | 66,925                                 | 21,879           | 147,979           |
| Provision for credit losses   | 5,068                                  | 4,508            | 2,022             |
| (Income) loss from unconsolidated entities  | (1,395)                                | 1,745            | 1,247             |
| Distributions of income from unconsolidated entities  | 1,873                                  | 272              | 223               |
| <b>Changes in assets and liabilities:</b>   |  |                  |                   |
| Tenant receivables and accrued revenue, net   | 468                                    | (14,790)         | (1,576)           |
| Deferred costs and other assets   | (24,325)                               | (22,181)         | (23,846)          |
| Accounts payable, accrued expenses, deferred revenues and other liabilities   | 2,039                                  | (32,058)         | (36,897)          |
| <b>Net cash provided by operating activities</b>  | <b>327,512</b>                         | <b>289,798</b>   | <b>310,763</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |                  |                   |
| Acquisitions, net of cash acquired  | —                                      | —                | (963,144)         |
| Capital expenditures, net   | (147,329)                              | (173,593)        | (160,512)         |
| Restricted cash reserves for future capital expenditures, net   | 886                                    | (1,989)          | (2,845)           |
| Net proceeds from disposition of interest in properties and outparcels  | 224,357                                | 22,653           | 431,823           |
| Investments in unconsolidated entities  | (50,911)                               | (11,631)         | (15,401)          |
| Distributions of capital from unconsolidated entities   | 73,289                                 | 38,618           | 4,597             |
| <b>Net cash provided by (used in) investing activities</b>  | <b>100,292</b>                         | <b>(125,942)</b> | <b>(705,482)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |  |                  |                   |
| Distributions to noncontrolling interest holders in properties  | (114)                                  | —                | (8)               |
| Redemption of limited partner units/preferred shares  | (251)                                  | (6)              | (118,048)         |
| Change in lender-required restricted cash reserves on mortgage loans  | (3,373)                                | (3,021)          | (898)             |
| Net proceeds from issuance of common shares, including common stock plans   | 13                                     | 512              | 1,899             |
| Distributions to redeemable noncontrolling interest   | —                                      | (24)             | —                 |
| Purchase of redeemable noncontrolling interest  | (6,830)                                | (339)            | —                 |
| Distributions on common and preferred shares/units  | (236,152)                              | (235,092)        | (228,706)         |
| Proceeds from issuance of debt, net of transaction costs  | 1,293,322                              | 206,740          | 2,826,258         |
| Repayments of debt  | (1,481,753)                            | (189,526)        | (2,078,293)       |
| <b>Net cash (used in) provided by financing activities</b>  | <b>(435,138)</b>                       | <b>(220,756)</b> | <b>402,204</b>    |
| <b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(7,334)</b>                         | <b>(56,900)</b>  | <b>7,485</b>      |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>   | <b>59,353</b>                          | <b>116,253</b>   | <b>108,768</b>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>   | <b>\$ 52,019</b>                       | <b>\$ 59,353</b> | <b>\$ 116,253</b> |

The accompanying notes are an integral part of these statements.



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

|  | Preferred Series G | Preferred Series H | Preferred Series I | Common Stock | Capital in Excess of Par Value | Accumulated Earnings (Deficit) | Accumulated Other Comprehensive Income | Total Stockholders' Equity | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|--|--------------------|--------------------|--------------------|--------------|--------------------------------|--------------------------------|--|----------------------------|---------------------------|--------------|--------------------------------------|
| <b>Balance, December 31, 2014</b>  | \$ —               | \$ —               | \$ —               | \$ 16        | \$ 720,921                     | \$ 68,114                      | \$ —                                   | \$ 789,051                 | \$ 168,990                | \$ 958,041   | \$ —                                 |
| Issuance of shares and units in connection with the Merger                   | 117,384            | 104,251            | 98,325             | 3            | 535,029                        | —                              | —                                      | 854,992                    | 29,482                    | 884,474      | 6,148                                |
| Exercise of stock options  | —                  | —                  | —                  | —            | 2,311                          | —                              | —                                      | 2,311                      | —                         | 2,311        | —                                    |
| Redemption of limited partner units  | —                  | —                  | —                  | —            | —                              | —                              | —                                      | —                          | (664)                     | (664)        | —                                    |
| Noncontrolling interest in property  | —                  | —                  | —                  | —            | —                              | —                              | —                                      | —                          | (8)                       | (8)          | —                                    |
| Equity-based compensation  | —                  | —                  | —                  | —            | 4,772                          | —                              | —                                      | 4,772                      | 9,354                     | 14,126       | —                                    |
| Adjustments to noncontrolling interests                                      | —                  | —                  | —                  | —            | (37,107)                       | —                              | —                                      | (37,107)                   | 37,107                    | —            | —                                    |
| Distributions on common shares/units (\$1.00 per common share/unit)          | —                  | —                  | —                  | —            | —                              | (181,071)                      | —                                      | (181,071)                  | (34,165)                  | (215,236)    | —                                    |
| Distributions declared on preferred shares                                   | —                  | —                  | —                  | —            | —                              | (15,989)                       | —                                      | (15,989)                   | —                         | (15,989)     | —                                    |
| Redemption of preferred shares   | (117,384)          | —                  | —                  | —            | —                              | —                              | —                                      | (117,384)                  | —                         | (117,384)    | —                                    |
| Other comprehensive income   | —                  | —                  | —                  | —            | —                              | —                              | 1,716                                  | 1,716                      | 321                       | 2,037        | —                                    |
| Net loss, excluding \$229 of distributions to preferred unitholders          | —                  | —                  | —                  | —            | —                              | (85,297)                       | —                                      | (85,297)                   | (19,038)                  | (104,335)    | (16)                                 |
| <b>Balance, December 31, 2015</b>  | —                  | 104,251            | 98,325             | 19           | 1,225,926                      | (214,243)                      | 1,716                                  | 1,215,994                  | 191,379                   | 1,407,373    | 6,132                                |
| Exercise of stock options  | —                  | —                  | —                  | —            | 512                            | —                              | —                                      | 512                        | —                         | 512          | —                                    |
| Redemption of limited partner units  | —                  | —                  | —                  | —            | —                              | —                              | —                                      | —                          | (6)                       | (6)          | —                                    |
| Other  | —                  | —                  | —                  | —            | 151                            | —                              | —                                      | 151                        | —                         | 151          | (925)                                |
| Adjustment of redemption value for redeemable noncontrolling interest        | —                  | —                  | —                  | —            | (5,464)                        | —                              | —                                      | (5,464)                    | —                         | (5,464)      | 5,464                                |
| Equity-based compensation  | —                  | —                  | —                  | —            | 9,506                          | —                              | —                                      | 9,506                      | 4,603                     | 14,109       | —                                    |
| Adjustments to noncontrolling interests                                      | —                  | —                  | —                  | —            | 2,007                          | —                              | —                                      | 2,007                      | (2,007)                   | —            | —                                    |
| Distributions on common shares/units (\$1.00 per common share/unit)          | —                  | —                  | —                  | —            | —                              | (185,562)                      | —                                      | (185,562)                  | (35,258)                  | (220,820)    | —                                    |
| Distributions declared on preferred shares                                   | —                  | —                  | —                  | —            | —                              | (14,032)                       | —                                      | (14,032)                   | —                         | (14,032)     | —                                    |
| Other comprehensive income   | —                  | —                  | —                  | —            | —                              | —                              | 3,200                                  | 3,200                      | 601                       | 3,801        | —                                    |
| Net income (loss), excluding \$240 of distributions to preferred unitholders | —                  | —                  | —                  | —            | —                              | 67,131                         | —                                      | 67,131                     | 10,056                    | 77,187       | (11)                                 |
| <b>Balance, December 31, 2016</b>  | —                  | 104,251            | 98,325             | 19           | 1,232,638                      | (346,706)                      | 4,916                                  | 1,093,443                  | 169,368                   | 1,262,811    | 10,660                               |

The accompanying notes are an integral part of these statements.

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

|   | Preferred Series G | Preferred Series H | Preferred Series I | Common Stock | Capital in Excess of Par Value | Accumulated Earnings (Deficit) | Accumulated Other Comprehensive Income | Total Stockholders' Equity | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|---|--------------------|--------------------|--------------------|--------------|--------------------------------|--------------------------------|--|----------------------------|---------------------------|--------------|--------------------------------------|
| Exercise of stock options   | —                  | —                  | —                  | —            | 13                             | —                              | —                                      | 13                         | —                         | 13           | —                                    |
| Redemption of limited partner units                                   | —                  | —                  | —                  | —            | —                              | —                              | —                                      | —                          | (251)                     | (251)        | —                                    |
| Exchange of limited partner units                                     | —                  | —                  | —                  | —            | 2,463                          | —                              | —                                      | 2,463                      | (2,463)                   | —            | —                                    |
| Other   | —                  | —                  | —                  | —            | (146)                          | —                              | —                                      | (146)                      | —                         | (146)        | —                                    |
| Equity-based compensation   | —                  | —                  | —                  | —            | 5,280                          | —                              | —                                      | 5,280                      | 1,122                     | 6,402        | —                                    |
| Adjustments to noncontrolling interests                               | —                  | —                  | —                  | —            | (330)                          | —                              | —                                      | (330)                      | 330                       | —            | —                                    |
| Purchase of redeemable noncontrolling interest                        | —                  | —                  | —                  | —            | 565                            | —                              | —                                      | 565                        | —                         | 565          | (7,395)                              |
| Distributions on common shares/units (\$1.00 per common share/unit)   | —                  | —                  | —                  | —            | —                              | (186,919)                      | —                                      | (186,919)                  | (35,075)                  | (221,994)    | —                                    |
| Distributions declared on preferred shares                            | —                  | —                  | —                  | —            | —                              | (14,032)                       | —                                      | (14,032)                   | —                         | (14,032)     | —                                    |
| Other comprehensive income  | —                  | —                  | —                  | —            | —                              | —                              | 2,004                                  | 2,004                      | 397                       | 2,401        | —                                    |
| Net income, excluding \$240 of distributions to preferred unitholders | —                  | —                  | —                  | —            | —                              | 197,063                        | —                                      | 197,063                    | 34,290                    | 231,353      | —                                    |
| <b>Balance, December 31, 2017</b>                                     | \$ —               | \$ 104,251         | \$ 98,325          | \$ 19        | \$ 1,240,483                   | \$ (350,594)                   | \$ 6,920                               | \$ 1,099,404               | \$ 167,718                | \$ 1,267,122 | \$ 3,265                             |

The accompanying notes are an integral part of these statements.

## Report of Independent Registered Public Accounting Firm

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

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Washington Prime Group L.P. (the Partnership) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index to Financial Statements on Page F-1 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control- Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 22, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership’s auditor since 2015.  
Indianapolis, Indiana  
February 22, 2018

## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on Internal Control over Financial Reporting**

We have audited Washington Prime Group L.P.'s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control- Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Washington Prime Group L.P. (the "Partnership") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Partnership and our report dated February 22, 2018 expressed an unqualified opinion thereon.

### **Basis for Opinion**

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

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

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

### **Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ Ernst & Young LLP

Indianapolis, Indiana  
February 22, 2018

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

|   | <u>December 31,<br/>2017</u> | <u>December 31,<br/>2016</u> |
|---|------------------------------|------------------------------|
| <b>ASSETS:</b>  |                              |                              |
| Investment properties at cost   | \$ 5,807,760                 | \$ 6,294,628                 |
| Less: accumulated depreciation  | 2,139,620                    | 2,122,572                    |
|   | <u>3,668,140</u>             | <u>4,172,056</u>             |
| Cash and cash equivalents   | 52,019                       | 59,353                       |
| Tenant receivables and accrued revenue, net   | 90,314                       | 99,967                       |
| Real estate assets held-for-sale  | —                            | 50,642                       |
| Investment in and advances to unconsolidated entities, at equity  | 451,839                      | 458,892                      |
| Deferred costs and other assets   | 189,095                      | 266,556                      |
| <b>Total assets</b>   | <u>\$ 4,451,407</u>          | <u>\$ 5,107,466</u>          |
| <b>LIABILITIES:</b>   |                              |                              |
| Mortgage notes payable  | \$ 1,157,082                 | \$ 1,618,080                 |
| Notes payable   | 979,372                      | 247,637                      |
| Unsecured term loans  | 606,695                      | 1,334,522                    |
| Revolving credit facility   | 154,460                      | 306,165                      |
| Accounts payable, accrued expenses, intangibles, and deferred revenues  | 264,998                      | 309,178                      |
| Distributions payable   | 2,992                        | 2,992                        |
| Cash distributions and losses in unconsolidated entities, at equity   | 15,421                       | 15,421                       |
| <b>Total liabilities</b>  | <u>3,181,020</u>             | <u>3,833,995</u>             |
| Redeemable noncontrolling interests   | 3,265                        | 10,660                       |
| <b>EQUITY:</b>  |                              |                              |
| Partners' Equity:   |                              |                              |
| General partner   |                              |                              |
| Preferred equity, 7,800,000 units issued and outstanding as of December 31, 2017 and 2016                               | 202,576                      | 202,576                      |
| Common equity, 185,791,421 and 185,427,411 units issued and outstanding as of December 31, 2017 and 2016, respectively  | 896,828                      | 890,867                      |
| Total general partners' equity  | <u>1,099,404</u>             | <u>1,093,443</u>             |
| Limited partners, 34,760,026 and 35,127,735 units issued and outstanding as of December 31, 2017 and 2016, respectively | 166,660                      | 168,264                      |
| Total partners' equity  | <u>1,266,064</u>             | <u>1,261,707</u>             |
| Noncontrolling interests  | 1,058                        | 1,104                        |
| <b>Total equity</b>   | <u>1,267,122</u>             | <u>1,262,811</u>             |
| <b>Total liabilities, redeemable noncontrolling interests and equity</b>  | <u>\$ 4,451,407</u>          | <u>\$ 5,107,466</u>          |

The accompanying notes are an integral part of these statements.

**Washington Prime Group, L.P.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
(dollars in thousands, except per unit amounts)

|  | <b>For the Year Ended December 31,</b> |                  |                     |
|--|--|------------------|---------------------|
|  | <b>2017</b>                            | <b>2016</b>      | <b>2015</b>         |
| <b>REVENUE:</b>  |  |                  |                     |
| Minimum rent   | \$ 516,386                             | \$ 572,781       | \$ 623,113          |
| Overage rent   | 9,115                                  | 12,882           | 14,040              |
| Tenant reimbursements  | 208,290                                | 236,510          | 259,774             |
| Other income   | 24,331                                 | 21,302           | 24,429              |
| <b>Total revenues</b>  | <b>758,122</b>                         | <b>843,475</b>   | <b>921,356</b>      |
| <b>EXPENSES:</b>   |  |                  |                     |
| Property operating   | 146,529                                | 166,690          | 197,287             |
| Depreciation and amortization  | 258,740                                | 281,150          | 332,469             |
| Real estate taxes  | 89,617                                 | 102,638          | 109,548             |
| Advertising and promotion  | 9,107                                  | 10,375           | 11,635              |
| Provision for credit losses  | 5,068                                  | 4,508            | 2,022               |
| General and administrative   | 34,892                                 | 37,317           | 48,154              |
| Merger, restructuring and transaction costs  | —                                      | 29,607           | 31,653              |
| Ground rent  | 2,438                                  | 4,318            | 6,874               |
| Impairment loss  | 66,925                                 | 21,879           | 147,979             |
| <b>Total operating expenses</b>  | <b>613,316</b>                         | <b>658,482</b>   | <b>887,621</b>      |
| <b>OPERATING INCOME</b>  | <b>144,806</b>                         | <b>184,993</b>   | <b>33,735</b>       |
| Interest expense, net  | (126,541)                              | (136,225)        | (139,923)           |
| Gain on extinguishment of debt, net  | 90,579                                 | 34,612           | —                   |
| Income and other taxes   | (3,417)                                | (2,232)          | (849)               |
| Income (loss) from unconsolidated entities   | 1,395                                  | (1,745)          | (1,247)             |
| <b>INCOME (LOSS) BEFORE GAIN (LOSS) ON DISPOSITION OF INTERESTS IN PROPERTIES, NET</b> | <b>106,822</b>                         | <b>79,403</b>    | <b>(108,284)</b>    |
| Gain (loss) on disposition of interests in properties, net                             | 124,771                                | (1,987)          | 4,162               |
| <b>NET INCOME (LOSS)</b>   | <b>231,593</b>                         | <b>77,416</b>    | <b>(104,122)</b>    |
| Net income attributable to noncontrolling interests                                    | 68                                     | 11               | 286                 |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO UNITHOLDERS</b>                                   | <b>231,525</b>                         | <b>77,405</b>    | <b>(104,408)</b>    |
| Less: Preferred unit distributions   | (14,272)                               | (14,272)         | (16,218)            |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS</b>                            | <b>\$ 217,253</b>                      | <b>\$ 63,133</b> | <b>\$ (120,626)</b> |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO COMMON UNITHOLDERS:</b>                           |  |                  |                     |
| General partner  | \$ 183,031                             | \$ 53,099        | \$ (101,515)        |
| Limited partners   | 34,222                                 | 10,034           | (19,111)            |
| Net income (loss) attributable to common unitholders                                   | <b>\$ 217,253</b>                      | <b>\$ 63,133</b> | <b>\$ (120,626)</b> |
| <b>EARNINGS (LOSS) PER COMMON UNIT, BASIC AND DILUTED</b>                              | <b>\$ 0.98</b>                         | <b>\$ 0.29</b>   | <b>\$ (0.55)</b>    |
| <b>COMPREHENSIVE INCOME (LOSS):</b>  |  |                  |                     |
| Net income (loss)  | \$ 231,593                             | \$ 77,416        | \$ (104,122)        |
| Unrealized income on interest rate derivative instruments                              | 2,401                                  | 3,801            | 2,037               |
| Comprehensive income (loss)  | 233,994                                | 81,217           | (102,085)           |
| Comprehensive income attributable to noncontrolling interests                          | 68                                     | 11               | 286                 |
| Comprehensive income (loss) attributable to unitholders                                | <b>\$ 233,926</b>                      | <b>\$ 81,206</b> | <b>\$ (102,371)</b> |

The accompanying notes are an integral part of these statements.



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

|   | <b>For the Year Ended December 31,</b> |                  |                   |
|---|--|------------------|-------------------|
|   | <b>2017</b>                            | <b>2016</b>      | <b>2015</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                  |                   |
| <b>Net income (loss)</b>  | \$ 231,593                             | \$ 77,416        | \$ (104,122)      |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:  |  |                  |                   |
| Depreciation and amortization, including fair value rent, fair value debt, deferred financing costs and equity-based compensation | 260,908                                | 285,632          | 329,895           |
| Gain on extinguishment of debt, net   | (90,579)                               | (34,612)         | —                 |
| (Gain) loss on disposition of interests in properties and outparcels, net   | (125,063)                              | 1,987            | (4,162)           |
| Impairment loss   | 66,925                                 | 21,879           | 147,979           |
| Provision for credit losses   | 5,068                                  | 4,508            | 2,022             |
| (Income) loss from unconsolidated entities  | (1,395)                                | 1,745            | 1,247             |
| Distributions of income from unconsolidated entities  | 1,873                                  | 272              | 223               |
| <b>Changes in assets and liabilities:</b>   |  |                  |                   |
| Tenant receivables and accrued revenue, net   | 468                                    | (14,790)         | (1,576)           |
| Deferred costs and other assets   | (24,325)                               | (22,181)         | (23,846)          |
| Accounts payable, accrued expenses, deferred revenues and other liabilities   | 2,039                                  | (32,058)         | (36,897)          |
| <b>Net cash provided by operating activities</b>  | <b>327,512</b>                         | <b>289,798</b>   | <b>310,763</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |                  |                   |
| Acquisitions, net of cash acquired  | —                                      | —                | (963,144)         |
| Capital expenditures, net   | (147,329)                              | (173,593)        | (160,512)         |
| Restricted cash reserves for future capital expenditures, net   | 886                                    | (1,989)          | (2,845)           |
| Net proceeds from disposition of interest in properties and outparcels  | 224,357                                | 22,653           | 431,823           |
| Investments in unconsolidated entities  | (50,911)                               | (11,631)         | (15,401)          |
| Distributions of capital from unconsolidated entities   | 73,289                                 | 38,618           | 4,597             |
| <b>Net cash provided by (used in) investing activities</b>  | <b>100,292</b>                         | <b>(125,942)</b> | <b>(705,482)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |  |                  |                   |
| Distributions to noncontrolling interest holders in properties  | (114)                                  | —                | (8)               |
| Redemption of limited partner/preferred units   | (251)                                  | (6)              | (118,048)         |
| Change in lender-required restricted cash reserves on mortgage loans  | (3,373)                                | (3,021)          | (898)             |
| Net proceeds from issuance of common units, including equity-based compensation plans   | 13                                     | 512              | 1,899             |
| Distributions to redeemable noncontrolling interest   | —                                      | (24)             | —                 |
| Purchase of redeemable noncontrolling interest  | (6,830)                                | (339)            | —                 |
| Distributions to unitholders, net   | (236,152)                              | (235,092)        | (228,706)         |
| Proceeds from issuance of debt, net of transaction costs  | 1,293,322                              | 206,740          | 2,826,258         |
| Repayments of debt  | (1,481,753)                            | (189,526)        | (2,078,293)       |
| <b>Net cash (used in) provided by financing activities</b>  | <b>(435,138)</b>                       | <b>(220,756)</b> | <b>402,204</b>    |
| <b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>(7,334)</b>                         | <b>(56,900)</b>  | <b>7,485</b>      |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>   | <b>59,353</b>                          | <b>116,253</b>   | <b>108,768</b>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>   | <b>\$ 52,019</b>                       | <b>\$ 59,353</b> | <b>\$ 116,253</b> |

The accompanying notes are an integral part of these statements.

**Washington Prime Group, L.P.**  
**Consolidated Statements of Equity**  
(dollars in thousands, except per unit amounts)

**General Partner**

|   | Preferred | Common     | Total      | Limited Partners | Total Partners' Equity | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|---|-----------|------------|------------|------------------|------------------------|---------------------------|--------------|--------------------------------------|
| <b>Balance, December 31, 2014</b>                                     | \$ —      | \$ 789,051 | \$ 789,051 | \$ 167,973       | \$ 957,024             | \$ 1,017                  | \$ 958,041   | \$ —                                 |
| Issuance of units in connection with the Merger                       | 319,960   | 535,032    | 854,992    | 29,482           | 884,474                | —                         | 884,474      | 6,148                                |
| Exercise of stock options   | —         | 2,311      | 2,311      | —                | 2,311                  | —                         | 2,311        | —                                    |
| Redemption of limited partner units                                   | —         | —          | —          | (664)            | (664)                  | —                         | (664)        | —                                    |
| Noncontrolling interest in property                                   | —         | —          | —          | —                | —                      | (8)                       | (8)          | —                                    |
| Equity-based compensation   | —         | 4,772      | 4,772      | 9,354            | 14,126                 | —                         | 14,126       | —                                    |
| Adjustments to limited partners' interests                            | —         | (37,107)   | (37,107)   | 37,107           | —                      | —                         | —            | —                                    |
| Distributions to common unitholders, net                              | —         | (181,071)  | (181,071)  | (34,165)         | (215,236)              | —                         | (215,236)    | —                                    |
| Distributions declared on preferred units                             | (15,989)  | —          | (15,989)   | —                | (15,989)               | —                         | (15,989)     | (229)                                |
| Redemption of preferred units   | (117,384) | —          | (117,384)  | —                | (117,384)              | —                         | (117,384)    | —                                    |
| Other comprehensive income  | —         | 1,716      | 1,716      | 321              | 2,037                  | —                         | 2,037        | —                                    |
| Net income (loss)   | 15,989    | (101,286)  | (85,297)   | (19,111)         | (104,408)              | 73                        | (104,335)    | 213                                  |
| <b>Balance, December 31, 2015</b>                                     | 202,576   | 1,013,418  | 1,215,994  | 190,297          | 1,406,291              | 1,082                     | 1,407,373    | 6,132                                |
| Exercise of stock options   | —         | 512        | 512        | —                | 512                    | —                         | 512          | —                                    |
| Redemption of limited partner units                                   | —         | —          | —          | (6)              | (6)                    | —                         | (6)          | —                                    |
| Other   | —         | 151        | 151        | —                | 151                    | —                         | 151          | (925)                                |
| Adjustment of redemption value for redeemable noncontrolling interest | —         | (5,464)    | (5,464)    | —                | (5,464)                | —                         | (5,464)      | 5,464                                |
| Equity-based compensation   | —         | 9,506      | 9,506      | 4,603            | 14,109                 | —                         | 14,109       | —                                    |
| Adjustments to limited partners' interests                            | —         | 2,007      | 2,007      | (2,007)          | —                      | —                         | —            | —                                    |
| Distributions to common unitholders, net                              | —         | (185,562)  | (185,562)  | (35,258)         | (220,820)              | —                         | (220,820)    | —                                    |
| Distributions declared on preferred units                             | (14,032)  | —          | (14,032)   | —                | (14,032)               | —                         | (14,032)     | (240)                                |
| Other comprehensive income  | —         | 3,200      | 3,200      | 601              | 3,801                  | —                         | 3,801        | —                                    |
| Net income  | 14,032    | 53,099     | 67,131     | 10,034           | 77,165                 | 22                        | 77,187       | 229                                  |
| <b>Balance, December 31, 2016</b>                                     | 202,576   | 890,867    | 1,093,443  | 168,264          | 1,261,707              | 1,104                     | 1,262,811    | 10,660                               |

The accompanying notes are an integral part of these statements.

**Washington Prime Group, L.P.**  
**Consolidated Statements of Equity**  
(dollars in thousands, except per unit amounts)

|  | General Partner   |                   |                     |                     |                              |                                  | Redeemable<br>Non-<br>Controlling<br>Interests |                 |
|--|-------------------|-------------------|---------------------|---------------------|------------------------------|----------------------------------|--|-----------------|
|  | Preferred         | Common            | Total               | Limited<br>Partners | Total<br>Partners'<br>Equity | Non-<br>Controlling<br>Interests |  | Total<br>Equity |
| Exercise of stock options                      | —                 | 13                | 13                  | —                   | 13                           | —                                | 13   | —               |
| Redemption of limited partner units            | —                 | —                 | —                   | (251)               | (251)                        | —                                | (251)  | —               |
| Exchange of limited partner units              | —                 | 2,463             | 2,463               | (2,463)             | —                            | —                                | —  | —               |
| Other  | —                 | (146)             | (146)               | —                   | (146)                        | —                                | (146)  | —               |
| Equity-based compensation                      | —                 | 5,280             | 5,280               | 1,122               | 6,402                        | —                                | 6,402  | —               |
| Adjustments to noncontrolling interests        | —                 | (330)             | (330)               | 330                 | —                            | —                                | —  | —               |
| Purchase of redeemable noncontrolling interest | —                 | 565               | 565                 | —                   | 565                          | —                                | 565  | (7,395)         |
| Distributions to common unitholders, net       | —                 | (186,919)         | (186,919)           | (34,961)            | (221,880)                    | (114)                            | (221,994)                                      | —               |
| Distributions declared on preferred units      | (14,032)          | —                 | (14,032)            | —                   | (14,032)                     | —                                | (14,032)                                       | (240)           |
| Other comprehensive income                     | —                 | 2,004             | 2,004               | 397                 | 2,401                        | —                                | 2,401  | —               |
| Net income                                     | 14,032            | 183,031           | 197,063             | 34,222              | 231,285                      | 68                               | 231,353  | 240             |
| <b>Balance, December 31, 2017</b>              | <b>\$ 202,576</b> | <b>\$ 896,828</b> | <b>\$ 1,099,404</b> | <b>\$ 166,660</b>   | <b>\$ 1,266,064</b>          | <b>\$ 1,058</b>                  | <b>\$ 1,267,122</b>                            | <b>\$ 3,265</b> |

The accompanying notes are an integral part of these statements.

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

## **1. Organization**

Washington Prime Group Inc. ("WPG Inc.") is an Indiana corporation that operates as a fully integrated, self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). WPG will generally qualify as a REIT for U.S. federal income tax purposes as long as it continues to distribute not less than 90% of REIT taxable income and satisfy certain other requirements. WPG 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. 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. As of December 31, 2017, 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 59 million square feet (unaudited) of gross leasable area ("GLA").

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

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

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

### ***The Merger***

On January 15, 2015, the Company acquired Glimcher Realty Trust ("GRT"), pursuant to a definitive agreement and plan of merger with GRT and certain affiliated parties of each dated September 16, 2014, (the "Merger Agreement"), in a stock and cash transaction valued at approximately \$4.2 billion, including the assumption of debt (the "Merger"). Prior to the Merger, GRT was a Maryland REIT engaged in the ownership, management, acquisition and development of retail properties, including mixed-use, open-air and enclosed regional retail properties as well as outlet centers. As of December 31, 2014, GRT owned material interests in and managed 25 properties with total GLA of approximately 17.2 million square feet (unaudited), including the two properties sold to Simon Property Group ("SPG") concurrent with the Merger noted below. Prior to the Merger, GRT's common shares were listed on the New York Stock Exchange ("NYSE") under the symbol "GRT."

In the Merger, GRT's common shareholders received, for each GRT common share, \$14.02 consisting of \$10.40 in cash and 0.1989 of a share of WPG Inc.'s common stock valued at \$3.62 per GRT common share, based on the closing price of WPG Inc.'s common stock on the Merger closing date. Approximately 29.9 million shares of WPG Inc.'s common stock were issued to GRT shareholders in the Merger, and WPG L.P. issued to WPG Inc. a like number of common units as consideration for the common shares issued. Additionally, included in the consideration were operating partnership units held by limited partners and preferred stock as noted below. In connection with the closing of the Merger, an indirect subsidiary of WPG L.P. was merged into GRT's operating partnership. In the Merger, we acquired 23 shopping centers comprised of approximately 15.8 million square feet (unaudited) of GLA and assumed additional mortgages on 14 properties with a fair value of approximately \$1.4 billion. Prior to the Merger, the Company was comprised of approximately 53 million square feet (unaudited) of GLA. The combined company was renamed WP Glimcher Inc. in May 2015 upon receiving shareholder approval.

In the Merger, the preferred stock of GRT was converted into preferred stock of WPG Inc., and WPG L.P. issued to WPG Inc. preferred units as consideration for the preferred shares issued. Additionally, each outstanding unit of GRT's operating partnership held by limited partners was converted into 0.7431 of a unit of WPG L.P. Further, each outstanding stock option in respect of GRT common stock was converted into a WPG Inc. option, and certain other GRT equity awards were assumed by WPG Inc. and converted into equity awards in respect of WPG Inc.'s common shares.

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
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Concurrent with the closing of the Merger, GRT completed a transaction with SPG under which affiliates of SPG acquired Jersey Gardens in Elizabeth, New Jersey, and University Park Village in Fort Worth, Texas, properties previously owned by affiliates of GRT, for an aggregate purchase price of \$1.09 billion, including SPG's assumption of approximately \$405.0 million of associated mortgage indebtedness (the "Property Sale").

The cash portion of the Merger consideration was funded by the Property Sale and draws under the Bridge Loan (see Note 6 - "Indebtedness"). During the year ended December 31, 2015, the Company incurred \$31.7 million of costs related to the Merger, which are included in merger, restructuring and transaction costs in the consolidated statements of operations and comprehensive income (loss).

***Leadership Changes and Corporate Name Change***

**2015 Activity**

On June 1, 2015, the Company announced a management transition plan through which Mr. Mark S. Ordan, the then Executive Chairman of the WPG Inc. Board of Directors (the "Board"), transitioned to serve as an active non-executive Chairman of the Board and provide consulting services to the Company under a Transition and Consulting Agreement, effective as of January 1, 2016 (see "2016 Activity" below for subsequent matters related to Mr. Ordan). Additionally, the Company reduced staff formerly located in its Bethesda, Maryland-based transition operations group led by Mr. C. Marc Richards, the Company's then Executive Vice President and Chief Administrative Officer, who departed the Company on January 15, 2016. Other senior executives from the Bethesda office who departed the Company at the end of 2015 were Mr. Michael J. Gaffney, then Executive Vice President, Head of Capital Markets (who served as a consultant to the Company through March 31, 2016), and Ms. Farinaz S. Tehrani, then Executive Vice President, Legal and Compliance. During the year ended December 31, 2015, the Company incurred \$8.6 million of related severance costs, consisting of \$4.6 million in cash severance and approximately \$4.0 million in non-cash stock compensation charges, which are included in the total merger, restructuring and transactions costs disclosed above. Finally, in addition to our headquarters in Columbus, Ohio, the Company opened a new leasing, management and operations office in Indianapolis, Indiana, in December 2015.

**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 a charge of \$29.6 million during the year ended December 31, 2016, of which \$25.5 million related to severance and restructuring-related costs, including \$9.5 million of non-cash stock compensation for accelerated vesting of equity incentive awards, and \$4.1 million related to fees and expenses incurred in connection with the Company's investigation of various strategic alternatives, which costs are included in merger, restructuring and transaction costs in the accompanying consolidated statements of operations and comprehensive income (loss). During WPG Inc.'s annual meeting of shareholders on August 30, 2016, the common shareholders approved a proposal to change WPG Inc.'s name back to Washington Prime Group Inc.

**2017 Activity**

On September 28, 2017, Mr. Kerik M. "Butch" Knerr, Executive Vice President and Chief Operating Officer, informed the Company of his resignation. Mr. Knerr's final day of employment was October 13, 2017. There were no severance payments or accelerated vesting of stock compensation benefits in connection with his resignation.

**2. Basis of Presentation and Principles of Consolidation and Combination**

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated balance sheets as of December 31, 2017 and 2016 include the accounts of WPG Inc. and WPG L.P., as well as their majority owned and controlled subsidiaries. The accompanying consolidated statements of operations include the consolidated accounts of the Company. All intercompany transactions have been eliminated in consolidation.

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
**(dollars in thousands, except share, unit, per share and per unit amounts and**  
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***General***

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

We consolidate a variable interest entity ("VIE") when we are determined to be the primary beneficiary. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our determination of the primary beneficiary of a VIE considers all relationships between us and the VIE, including management agreements and other contractual arrangements. As of December 31, 2017, we have two VIEs which consist of our interest in WPG L.P. and undeveloped land, respectively.

There have been no changes during the year ended December 31, 2017 to any of our previous conclusions about whether an entity qualifies as a VIE or whether we are the primary beneficiary of any previously identified VIE. During the year ended December 31, 2017, we did not provide financial or other support to a previously identified VIE that we were not previously contractually obligated to provide.

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

As of December 31, 2017, our assets consisted of material interests in 108 shopping centers. The consolidated financial statements as of that date reflect the consolidation of 91 wholly owned properties and four additional properties that are less than wholly owned, but which we control or for which we are the primary beneficiary. We account for our interests in the remaining 13 properties, or the joint venture properties, using the equity method of accounting. While we manage the day-to-day operations of the joint venture properties, we do not control the operations as we have determined that our partner or partners have substantive participating rights with respect to the assets and operations of these joint venture properties.

We allocate net operating results of WPG L.P. to third parties and to WPG Inc. based on the partners' respective weighted average ownership interests in WPG L.P. Net operating results of WPG L.P. attributable to third parties are reflected in net income attributable to noncontrolling interests. WPG Inc.'s weighted average ownership interest in WPG L.P. was 84.3%, 84.1% and 84.1% for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, WPG Inc.'s ownership interest in WPG L.P. was 84.3% and 84.1%, respectively. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in WPG L.P.

**3. Summary of Significant Accounting Policies**

***Cash and Cash Equivalents***

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



**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
**(dollars in thousands, except share, unit, per share and per unit amounts and**  
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***Investment Properties***

We record investment properties at fair value when acquired. Investment properties include costs of acquisitions; development, predevelopment, and construction (including allocable salaries and related benefits); tenant allowances and improvements; and interest and real estate taxes incurred during construction. We capitalize improvements and replacements from repair and maintenance when the repair and maintenance extends the useful life, increases capacity, or improves the efficiency of the asset. All other repair and maintenance items are expensed as incurred. We capitalize interest on projects during periods of construction until the projects are ready for their intended purpose based on interest rates in place during the construction period. Capitalized interest for the years ended December 31, 2017, 2016 and 2015 was \$1,521, \$2,640 and \$1,781, respectively.

We record depreciation on buildings and improvements utilizing the straight-line method over an estimated original useful life, which is generally five to 40 years. We review depreciable lives of investment properties periodically and we make adjustments when necessary to reflect a shorter economic life. We amortize tenant allowances and tenant improvements utilizing the straight-line method over the term of the related lease or occupancy term of the tenant, if shorter. We record depreciation on equipment and fixtures utilizing the straight-line method over three to ten years.

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

***Investments in Unconsolidated Entities***

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties, and diversify our risk in a particular property or portfolio of properties. We held material unconsolidated joint venture ownership interests in 13 properties and six properties as of December 31, 2017 and 2016, respectively (see Note 5 - "Investment in Unconsolidated Entities, at Equity").

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

***Fair Value Measurements***

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

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
**(dollars in thousands, except share, unit, per share and per unit amounts and**  
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The fair value hierarchy, as defined by Topic 820, contains three levels of inputs that may be used to measure fair value as follows:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves, that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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

Note 6 - "Indebtedness" includes a discussion of the fair value of debt measured using Level 1 and Level 2 inputs. Note 4 - "Investment in Real Estate" includes a discussion of the fair value inputs used in our impairment analyses, using Level 3 inputs, primarily. Level 3 inputs include our estimations of net operating results of the property, capitalization rates and discount rates.

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

#### ***Purchase Accounting Valuation***

We record the total consideration of acquisitions, including transaction costs as permitted under Accounting Standards Update ("ASU") 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," (see below for further discussion) and any excess investment in unconsolidated entities to the various components of the acquisition based upon the fair value of each component which may be derived from various Level 2 and Level 3 inputs. Level 3 inputs include our estimations of net operating results of the property, capitalization rates and discount rates. Also, we may utilize third party valuation specialists. These components typically include buildings, land and intangibles related to in-place leases and we estimate:

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

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

#### ***Use of Estimates***

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

#### ***Segment Disclosure***

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

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
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***New Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 revises 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. This new standard is effective for the Company as of January 1, 2018 and impacts revenue streams consisting 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. In 2017, these revenues were approximately 2.5% of consolidated revenue. Fee income earned from our joint ventures for management and development services and other ancillary property income will generally be recognized in a manner consistent with our current measurement and patterns of recognition whereas we will fully recognize leasing service fee revenue upon lease execution. We will adopt the standard effective January 1, 2018, using the modified retrospective approach, which will require an immaterial cumulative effect adjustment as of the date of adoption to the opening balance of retained earnings. We expect an immaterial impact to our net income on an ongoing basis due to the aforementioned changes in patterns of recognition.

In February 2017, the FASB issued guidance that clarified the scope of ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets," which was finalized in conjunction with ASU 2014-09. 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. The guidance is effective as of January 1, 2018. With respect to full disposals, the recognition pattern did not change from our current measurement and pattern of recognition. With respect to partial sales of real estate to joint ventures such as the O'Connor Joint Venture II, as defined below (see Note 5 - "Investment in Unconsolidated Entities, at Equity"), the new guidance requires us to recognize a full gain where an equity investment was retained, resulting in a basis difference as we are required to measure our retained equity interest at fair value, whereas the joint venture may measure the assets received at carryover basis. We will adopt the standard effective January 1, 2018, using the modified retrospective approach.

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 January 2018, the FASB issued a proposed amendment that would provide 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. From a lessee perspective, the Company currently has four material ground leases and two material office leases that, under the new guidance, will result in the recognition of a lease liability and corresponding right-of-use asset.

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 proposed amendment to ASU 2016-02 referred to above would also allow 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. If adopted, this practical expedient will allow 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. 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 year ended December 31, 2017, the Company deferred \$16.9 million of internal leasing costs. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)." ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. It is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted. Additionally, in November 2016, the Emerging Issues Task Force ("EITF") of the FASB issued EITF Issue 16-A "Restricted Cash," requiring 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. Therefore, amounts generally described as restricted cash would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is also effective for fiscal years beginning after December 15, 2017, including interim periods.

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These new standards require a retrospective transition approach. The Company has \$18.2 million and \$29.2 million of restricted cash on its consolidated balance sheets as of December 31, 2017 and 2016, respectively, whose cash flow statement classification will change to align with the new guidance upon adoption of the EITF. We adopted the standards effective January 1, 2018.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," that provides guidance to assist entities with evaluating when a set of transferred assets and activities (set) is a business. The new guidance requires an acquirer to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of assets; if so, the set of transferred assets and activities is not a business. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted and will be applied on a prospective basis for transactions that occur within the period of adoption. We adopted this standard early and applied it prospectively as of January 1, 2017, as permitted under the standard, and anticipate subsequent property acquisitions to be accounted for under asset acquisition accounting rather than business combination accounting, resulting in capitalization of transactions costs rather than expensing of said costs.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," to better align the results of hedge accounting with an entity's risk management activities. The new guidance aims to reduce complexity in fair 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. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with early adoption permitted in any interim period or fiscal year before the effective date. The updated presentation and disclosure guidance is required only on a prospective basis. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

***Deferred Costs and Other Assets***

Deferred costs and other assets include the following as of December 31, 2017 and 2016:

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| Deferred lease costs and corporate improvements, net | \$ 79,079         | \$ 90,922         |
| In-place lease intangibles, net                      | 46,627            | 70,907            |
| Acquired above market lease intangibles, net         | 24,254            | 34,337            |
| Mortgage and other escrow deposits                   | 18,182            | 29,160            |
| Prepays, notes receivable and other assets, net      | 20,953            | 41,230            |
|  | <u>\$ 189,095</u> | <u>\$ 266,556</u> |

On January 4, 2017, the Company received the remaining \$15.6 million outstanding on the promissory note receivable related to the January 29, 2016 sale of Forest Mall, located in Fond Du Lac, Wisconsin, and Northlake Mall, located in Atlanta Georgia (see Note 4 - "Investment in Real Estate" for details).

During the year ended December 31, 2017, the Company extended the maturity of the \$5.3 million outstanding on the promissory note receivable related to the August 19, 2016 sale of Knoxville Center, located in Knoxville, Tennessee (see Note 4 - "Investment in Real Estate" for details), to April 1, 2018. As of December 31, 2017, the Buyer was current on their principal and interest payments.

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**Notes to Consolidated Financial Statements (Continued)**  
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***Deferred Lease Costs and Corporate Improvements***

Our deferred lease costs consist of salaries and related benefits, including fees charged by SPG in conjunction with the 2014 spin-off (see Note 11- "Related Party Transactions" for further details), for salaries and related benefits incurred in connection with lease originations, and fees paid to third party brokers. We record amortization of deferred leasing costs on a straight-line basis over the terms of the related leases. Details of deferred lease costs and corporate improvements as of December 31, 2017 and 2016 are as follows:

|  | 2017             | 2016             |
|--|------------------|------------------|
| Deferred lease costs                                 | \$ 143,667       | \$ 149,208       |
| Corporate improvements                               | 5,324            | 4,085            |
| Accumulated amortization                             | (69,912)         | (62,371)         |
| Deferred lease costs and corporate improvements, net | <u>\$ 79,079</u> | <u>\$ 90,922</u> |

Amortization of deferred leasing costs is a component of depreciation and amortization expense. The accompanying consolidated statements of operations include amortization expense of \$24.8 million, \$25.0 million, and \$27.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

***Revenue Recognition***

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

A substantial portion of our leases require the tenant to reimburse us for a substantial portion of our operating expenses, including CAM, real estate taxes and insurance. This significantly reduces our exposure to increases in costs and operating expenses resulting from inflation. Such property operating expenses typically include utility, insurance, security, janitorial, landscaping, food court and other administrative expenses. As of December 31, 2017 the vast majority of our shopping center leases receive a fixed payment from the tenant for the CAM component which is recorded as revenue when earned. When not reimbursed by the fixed CAM component, CAM expense reimbursements are based on the tenant's proportionate share of the allocable operating expenses and CAM capital expenditures for the property. We accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred.

We also receive escrow payments for these reimbursements from substantially all our non-fixed CAM tenants and monthly fixed CAM payments throughout the year. We recognize differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material in any period presented. Our advertising and promotional costs are expensed as incurred.

***Allowance for Credit Losses***

We record a provision for credit losses based on our judgment of a tenant's creditworthiness, ability to pay and probability of collection. In addition, we also consider the retail sector in which the tenant operates and our historical collection experience in cases of bankruptcy, if applicable. Accounts are written off when they are deemed to be no longer collectible. The activity in the allowance for credit losses during the years ended December 31, 2017, 2016 and 2015 is as follows:

|   | For the Year Ended December 31, |                 |                 |
|---|---------------------------------|-----------------|-----------------|
|   | 2017                            | 2016            | 2015            |
| Balance, beginning of year  | \$ 8,578                        | \$ 4,222        | \$ 4,570        |
| Provision for credit losses                                       | 5,068                           | 4,508           | 2,022           |
| Accounts deconsolidated upon joint venture formation (see Note 5) | (1,271)                         | —               | (1,997)         |
| Accounts written off, net of recoveries, and other                | (4,508)                         | (152)           | (373)           |
| Balance, end of year  | <u>\$ 7,867</u>                 | <u>\$ 8,578</u> | <u>\$ 4,222</u> |



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***Income and Other Taxes***

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

We have also elected taxable REIT subsidiary ("TRS") status for some of WPG Inc.'s subsidiaries. This enables us to provide services that would otherwise be considered impermissible for REITs and participate in activities that do not qualify as "rents from real property." For the years ended December 31, 2017, 2016 and 2015, we recorded federal income tax (benefits) provisions of \$(87), \$227, and \$447, respectively, related to the taxable income generated by the TRS entities, which is included in income and other taxes in the accompanying consolidated statements of operations and comprehensive income (loss). For these entities, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates to be in effect when the temporary differences reverse. There was no deferred tax assets or liabilities for the year ended December 31, 2017 as a result of federal and state net operating loss carryovers. As of December 31, 2016, the TRS had a deferred tax asset before valuation allowances \$673 as a result of federal and state net operating loss carryovers.

A valuation allowance for deferred tax assets is provided if we believe all or some portion of the deferred tax asset may not be realized. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income. There was no valuation allowance as of December 31, 2017 as the TRS did not have any net operating loss carryovers. As of December 31, 2016, the TRS valuation allowance for federal and state net operating loss carryovers was \$367. As of December 31, 2017 and 2016, the TRS had a net deferred tax assets of \$0 and \$306, respectively, related to net operating loss carryovers.

We are also subject to certain other taxes, including state and local taxes and franchise taxes, which are included in income and other taxes in the accompanying consolidated statements of operations and comprehensive income (loss).

For federal income tax purposes, the cash distributions paid to WPG Inc.'s common and preferred shareholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. Tax law permits certain characterization of distributions which could result in differences between cash basis and tax basis distribution amounts.



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**Notes to Consolidated Financial Statements (Continued)**  
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The following characterizes distributions paid per common and preferred share on a tax basis for the years ended December 31, 2017, 2016 and 2015:

|                                      | 2017             |                | 2016             |                | 2015             |                |
|--------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                                      | \$               | %              | \$               | %              | \$               | %              |
| <b>Common shares</b>                 |                  |                |                  |                |                  |                |
| Ordinary income                      | \$ 0.4306        | 43.06%         | \$ 0.6128        | 61.28%         | \$ 1.0000        | 100.00%        |
| Capital gain                         | 0.5694           | 56.94%         | —                | —%             | —                | —%             |
| Non-dividend distributions           | —                | —%             | 0.3872           | 38.72%         | —                | —%             |
|                                      | <u>\$ 1.0000</u> | <u>100.00%</u> | <u>\$ 1.0000</u> | <u>100.00%</u> | <u>\$ 1.0000</u> | <u>100.00%</u> |
| <b>Series G Preferred Shares (1)</b> |                  |                |                  |                |                  |                |
| Ordinary income                      | \$ —             | N/A            | \$ —             | N/A            | \$ 0.5868        | 2.29%          |
| Non-dividend distributions (2)       | —                | N/A            | —                | N/A            | \$25.0000        | 97.71%         |
|                                      | <u>\$ —</u>      | <u>N/A</u>     | <u>\$ —</u>      | <u>N/A</u>     | <u>\$25.5868</u> | <u>100.00%</u> |
| <b>Series H Preferred Shares (1)</b> |                  |                |                  |                |                  |                |
| Ordinary income                      | \$ 1.0093        | 43.06%         | \$ 1.4064        | 100.00%        | \$ 1.8752        | 100.00%        |
| Capital gain                         | 1.3347           | 56.94%         | —                | —%             | —                | —%             |
|                                      | <u>\$ 2.3440</u> | <u>100.00%</u> | <u>\$ 1.4064</u> | <u>100.00%</u> | <u>\$ 1.8752</u> | <u>100.00%</u> |
| <b>Series I Preferred Shares (1)</b> |                  |                |                  |                |                  |                |
| Ordinary income                      | \$ 0.9251        | 43.06%         | \$ 1.2891        | 100.00%        | \$ 1.7188        | 100.00%        |
| Capital gain                         | 1.2234           | 56.94%         | —                | —%             | —                | —%             |
|                                      | <u>\$ 2.1485</u> | <u>100.00%</u> | <u>\$ 1.2891</u> | <u>100.00%</u> | <u>\$ 1.7188</u> | <u>100.00%</u> |

(1) Shares issued in conjunction with the Merger on January 15, 2015.

(2) Shares redeemed in full on April 15, 2015.

**Noncontrolling Interests for WPG Inc.**

Details of the carrying amount of WPG Inc.'s noncontrolling interests are as follows as of December 31, 2017 and 2016:

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| Limited partners' interests in WPG L.P. | \$ 166,660        | \$ 168,264        |
| Noncontrolling interests in properties  | 1,058             | 1,104             |
| Total noncontrolling interests          | <u>\$ 167,718</u> | <u>\$ 169,368</u> |

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

**Redeemable Noncontrolling Interests for WPG Inc.**

At December 31, 2016, redeemable noncontrolling interests represented the underlying equity held by unaffiliated third parties in the consolidated joint venture entity that owned Arbor Hills, located in Ann Arbor, Michigan (the "Arbor Hills Venture") and the consolidated joint venture the (the "Oklahoma City Properties Venture") that owned 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), as well as the outstanding WPG L.P. 7.3% Series I-1 Preferred Units (the "Series I-1 Preferred Units"). The unaffiliated third parties have, at their option, the right to have their equity purchased by the Company subject to the satisfaction of certain conditions.

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**Notes to Consolidated Financial Statements (Continued)**  
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During the year ended December 31, 2017, but prior to the completion of the O'Connor Joint Venture II transaction (see Note 5 - "Investment in Unconsolidated Entities, at Equity" for further details), the Company purchased all of the redeemable noncontrolling interest equity owned by the unaffiliated third parties in both the Arbor Hills Venture and the Oklahoma City Properties Venture. As of December 31, 2017, the only remaining redeemable noncontrolling interests relate to the outstanding Series I-1 Preferred Units.

**4. Investment in Real Estate**

*Summary*

Investment properties consisted of the following as of December 31, 2017 and 2016:

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| Land                                    | \$ 807,202          | \$ 905,960          |
| Buildings and improvements              | 4,908,794           | 5,299,427           |
| Total land, buildings and improvements  | 5,715,996           | 6,205,387           |
| Furniture, fixtures and equipment       | 91,764              | 89,241              |
| Investment properties at cost           | 5,807,760           | 6,294,628           |
| Less: accumulated depreciation          | 2,139,620           | 2,122,572           |
| Investment properties at cost, net      | <u>\$ 3,668,140</u> | <u>\$ 4,172,056</u> |
| Construction in progress included above | <u>\$ 46,046</u>    | <u>\$ 49,214</u>    |

***Real Estate Acquisitions and Dispositions***

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

No acquisition activity occurred during the years ended December 31, 2017 and 2016. Acquisition activity for the year ended December 31, 2015 (including the Merger) and disposition activity for the years ended December 31, 2017, 2016 and 2015 is highlighted as follows:

***2015 Acquisitions***

On January 13, 2015, we acquired Canyon View Marketplace, a shopping center located in Grand Junction, Colorado, for \$10.0 million including the assumption of an existing mortgage with a principal balance of \$5.5 million. The purchase price was substantially comprised of the fair value of the acquired investment property. The source of funding for the acquisition was cash on hand.

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On January 15, 2015, we acquired 23 properties in the Merger (see Note 1 - "Organization"). We reflected the assets and liabilities of the properties acquired in the Merger at the estimated fair value on the January 15, 2015 acquisition date. The following table summarizes the fair value allocation for the acquisition, which was finalized during the three months ended March 31, 2016 and did not result in any material change from the estimated fair values disclosed in the 2015 Form 10-K:

|   |                          |
|---|--------------------------|
| Investment properties   | \$ 3,091,410             |
| Cash and cash equivalents (1)   | 547,294                  |
| Tenant accounts receivable  | 14,311                   |
| Investment in and advances to unconsolidated real estate entities     | 21,994                   |
| Deferred costs and other assets (including intangibles)               | 370,079                  |
| Accounts payable, accrued expenses, intangibles, and deferred revenue | (289,551)                |
| Distributions payable   | (2,658)                  |
| Redeemable noncontrolling interests, including preferred units        | (5,795)                  |
| Total assets acquired and liabilities assumed                         | <u>3,747,084</u>         |
| Fair value of mortgage notes payable assumed                          | (1,356,389)              |
| Net assets acquired   | <u>2,390,695</u>         |
| Less: Common shares issued  | (535,490)                |
| Less: Preferred shares issued   | (319,960)                |
| Less: Common operating partnership units issued to limited partners   | (29,482)                 |
| Less: Cash and cash equivalents acquired                              | (547,294)                |
| Net cash paid for acquisition   | <u><u>\$ 958,469</u></u> |

- (1) Includes the proceeds from the Property Sale, net of the repayment of the \$155.0 million balance on the GRT credit facility.

### **2017 Dispositions**

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

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

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

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

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

On February 21, 2017, we completed the sale of Gulf View Square, located in Port Richey, Florida, and River Oaks Center, located in Chicago, Illinois, to unaffiliated private real estate investors for an aggregate purchase price of \$42.0 million, which was classified as real estate held for sale on the accompanying consolidated balance sheet as of December 31, 2016. The net proceeds from the transaction were used to reduce corporate debt.

On January 10, 2017, we completed the sale of Virginia Center Commons, located in Glen Allen, Virginia, to an unaffiliated private real estate investor for a purchase price of \$9.0 million, which was classified as real estate held for sale on the accompanying consolidated balance sheet as of December 31, 2016. The net proceeds from the transaction were used to reduce corporate debt.

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

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

**2016 Dispositions**

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

On August 19, 2016, the Company completed the sale of Knoxville Center to a private real estate investor (the "Buyer") for a purchase price of \$10.1 million. The sales price consisted of \$3.9 million paid to the Company at closing and the issuance of a promissory note for \$6.2 million from the Buyer to the Company with an interest rate of 5.5% per annum (see Note 3 - "Summary of Significant Accounting Policies" for further discussion). The net proceeds from the transaction were used to reduce the balance outstanding under the Facility (see Note 6 - "Indebtedness"). As of December 31, 2017, the Buyer was current on their principal and interest payments.

On January 29, 2016, we completed the sale of Forest Mall and Northlake Mall to private real estate investors (the "Buyers") for an aggregate purchase price of \$30 million. The sales price consisted of \$10 million paid to us at closing and the issuance of a promissory note for \$20 million from us to the Buyers with an interest rate of 6% per annum. On June 29, 2016, the Buyers repaid \$4.4 million of the promissory note balance and exercised a six-month extension option (see Note 3 - "Summary of Significant Accounting Policies" for further discussion). The remaining proceeds were paid in full on January 4, 2017. The net proceeds from the transaction were used to reduce the balance outstanding under the Facility (see Note 6 - "Indebtedness").

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

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

**2015 Dispositions**

On June 1, 2015, we completed the transaction with regard to the ownership and operation of five of our enclosed retail properties and certain related out-parcels (the "O'Connor Joint Venture I" as discussed in Note 5 - "Investment in Unconsolidated Entities, at Equity"). The Company recorded a gain of \$4.2 million, which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015.

**Intangible Assets and Liabilities Associated with Acquisitions**

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

The following table denotes the gross carrying values of the respective intangibles as of December 31, 2017 and 2016:

| Intangible Asset/Liability              | Balance as of     |                   |
|---|-------------------|-------------------|
|   | December 31, 2017 | December 31, 2016 |
| Above-market leases - Company is lessor | \$ 51,315         | \$ 56,192         |
| Below-market leases - Company is lessor | \$ 124,475        | \$ 145,064        |
| Above-market lease - Company is lessee  | \$ —              | \$ 2,536          |
| In-place leases                         | \$ 120,159        | \$ 134,516        |

The intangibles related to above and below-market leases in which the Company is the lessor are amortized to minimum rents on a straight-line basis over the estimated life of the lease, with amortization as a net increase to minimum rents in the amounts of \$7,323, \$9,930, and \$17,863 for the years ended December 31, 2017, 2016 and 2015, respectively.

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The above-market lease in which the Company is the lessee is amortized to ground rent expense over the life of the non-cancelable lease term, with amortization as a decrease in the amount of \$35, \$78, and \$75 for the years ended December 31, 2017, 2016 and 2015, respectively. In-place leases are amortized to depreciation and amortization expense over the life of the leases to which they pertain, with such amortization of \$18,457, \$24,269, and \$43,941 for the years ended December 31, 2017, 2016 and 2015, respectively.

The table below identifies the types of intangible assets and liabilities, their location on the consolidated balance sheets, their weighted average amortization period, and their book value, which is net of accumulated amortization, as of December 31, 2017 and 2016:

| Intangible Asset/Liability              | Location on the Consolidated Balance Sheets                           | Weighted Average Remaining Amortization (in years) | Balance as of     |                   |
|---|---|--|-------------------|-------------------|
|   |   |  | December 31, 2017 | December 31, 2016 |
| Above-market leases - Company is lessor | Deferred costs and other assets                                       | 7.4  | \$ 24,254         | \$ 34,337         |
| Below-market leases - Company is lessor | Accounts payable, accrued expenses, intangibles and deferred revenues | 13.7   | \$ 77,870         | \$ 104,540        |
| Above-market lease - Company is lessee  | Accounts payable, accrued expenses, intangibles and deferred revenues | —  | \$ —              | \$ 2,383          |
| In-place leases                         | Deferred costs and other assets                                       | 10.6   | \$ 46,627         | \$ 70,907         |

The future net amortization of intangibles as an increase (decrease) to net income as of December 31, 2017 is as follows:

|            | Above/Below-Market Leases-Lessor | In-place Leases | Total Net Intangible Amortization |
|------------|----------------------------------|-----------------|-----------------------------------|
| 2018       | \$ 3,902                         | \$ (10,324)     | \$ (6,422)                        |
| 2019       | 4,237                            | (8,662)         | (4,425)                           |
| 2020       | 4,454                            | (6,611)         | (2,157)                           |
| 2021       | 4,559                            | (3,183)         | 1,376                             |
| 2022       | 4,054                            | (2,487)         | 1,567                             |
| Thereafter | 32,410                           | (15,360)        | 17,050                            |
|            | \$ 53,616                        | \$ (46,627)     | \$ 6,989                          |

### **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 (loss) for the year ended December 31, 2017.

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

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

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

During the year ended December 31, 2015, we took an impairment charge of approximately \$138.0 million primarily related to the noncore properties noted above, in addition to Forest Mall and Northlake Mall, which were both sold on January 29, 2016, and Knoxville Center, which was sold on August 19, 2016. The impairment charge resulted from the change in facts and circumstances when we decided to hold the assets for a shorter period which resulted in the carrying value not being recoverable from the projected cash flows.

During the third quarter of 2015, a major anchor tenant of Chesapeake Square 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 quarter ended September 30, 2015. We compared the fair value to the related carrying value, which resulted in the recording of an impairment charge of approximately \$9.9 million in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015. Furthermore, we transferred ownership of this property to the mortgage lender on April 28, 2016 (see Note 6 - "Indebtedness").

***Condensed Pro Forma Financial Information (Unaudited)***

The results of operations of acquired properties are included in the consolidated statements of operations beginning on their respective acquisition dates. The following unaudited condensed pro forma financial information is presented as if the Merger and the Property Sale described in Note 1 - "Organization," which were completed on January 15, 2015, had been consummated on January 1, 2015. The unaudited condensed pro forma financial information assumes the O'Connor Joint Venture transaction completed on June 1, 2015 (see Note 5 - "Investment in Unconsolidated Entities, at Equity") also occurred on January 1, 2015. Additionally, adjustments have been made to reflect the following transactions as if they occurred on January 1, 2015: the issuance of the Notes Payable on March 24, 2015 (see Note 6 - "Indebtedness"), the redemption of all 4,700,000 outstanding 8.125% Series G Cumulative Redeemable Preferred Stock on April 15, 2015 (see Note 9 - "Equity"), the refinancings of property mortgages on May 21, 2015 (see Note 6 - "Indebtedness"), the receipt of funds from the June 2015 Term Loan on June 4, 2015 (see Note 6 - "Indebtedness") and the receipt of funds from the December 2015 Term Loan on December 10, 2015 (see Note 6 - "Indebtedness"). The unaudited condensed pro forma financial information is for comparative purposes only and not necessarily indicative of what actual results of operations of the Company would have been had the Merger and other transactions noted above been consummated on January 1, 2015, nor does it purport to represent the results of operations for future periods.

***WPG Inc. Condensed Pro Forma Financial Information (Unaudited)***

The table below contains information related to the unaudited condensed pro forma financial information of WPG Inc. for the year ended December 31, 2015 as follows:

|  | <b>Year Ended December 31,</b> |          |
|--|--------------------------------|----------|
|  | <b>2015</b>                    |          |
| Total revenues   | \$                             | 874,338  |
| Net loss attributable to the Company                       | \$                             | (60,876) |
| Net loss attributable to common shareholders               | \$                             | (75,024) |
| Loss per common share-basic and diluted                    | \$                             | (0.40)   |
| Weighted average shares outstanding-basic (in thousands)   |                                | 185,342  |
| Weighted average shares outstanding-diluted (in thousands) |                                | 219,708  |



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*WPG L.P. Condensed Pro Forma Financial Information (Unaudited)*

The table below contains information related to the unaudited condensed pro forma financial information of WPG L.P. for the year ended December 31, 2015 as follows:

|   | <u>Year Ended December 31,</u><br><u>2015</u> |
|---|---|
| Total revenues  | \$ 874,338                                    |
| Net loss attributable to unitholders                      | \$ (74,734)                                   |
| Net loss attributable to common unitholders               | \$ (88,882)                                   |
| Loss per common unit-basic and diluted                    | \$ (0.40)                                     |
| Weighted average units outstanding-basic (in thousands)   | 219,708                                       |
| Weighted average units outstanding-diluted (in thousands) | 219,708                                       |

**5. Investment in Unconsolidated Entities, at Equity**

The Company's investment activity in unconsolidated real estate entities for the years ended December 31, 2017 and 2016 consisted of investments in the following joint ventures:

- **The O'Connor Joint Venture I**

On June 1, 2015, we completed a joint venture transaction with O'Connor Mall Partners L.P. ("O'Connor"), an unaffiliated third party, with respect to the ownership and operation of five of the Company's enclosed retail properties and certain related out-parcels acquired in the Merger, consisting of the following: The Mall at Johnson City located in Johnson City, Tennessee; Pearlridge Center located in Aiea, Hawaii; Polaris Fashion Place® located in Columbus, Ohio; 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 (the "O'Connor Joint Venture I"). The O'Connor Joint Venture I was valued at approximately \$1.625 billion, and we retained a 51% non-controlling interest. The transaction generated net proceeds, after taking into consideration the assumption of debt and costs associated with the transaction, of approximately \$432 million (including \$28.7 million for the partial reimbursement of the Scottsdale Quarter development costs), which was used to repay a portion of the Bridge Loan (see Note 6 - "Indebtedness"). We deconsolidated the properties and recorded a gain in connection with this sale of \$4.2 million, which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015. We retained day to day management, leasing, and development responsibilities for the O'Connor Joint Venture I.

During the year ended December 31, 2016, the O'Connor Joint Venture I sold its 25% indirect ownership interest in Crescent-SDQ III Venture, LLC to unaffiliated third parties. The Company received a cash distribution from the joint venture at closing of \$4.4 million and recorded \$0.3 million as our share of the joint venture's gain, based on our pro-rata ownership interest in the O'Connor Joint Venture I, which is recorded in income (loss) from unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income (loss).

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

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

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

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- **The O'Connor Joint Venture II**

During the year ended December 31, 2017, we completed an additional joint venture transaction with O'Connor with respect to the ownership and operation of seven of the Company's retail properties and certain related outparcels, consisting of the following: The Arboretum, located in Austin, Texas; Arbor Hills; the Oklahoma City Properties; Gateway Centers, located in Austin, Texas; Malibu Lumber Yard, 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 Note 6 - "Indebtedness" for net proceeds to the Company from the new mortgage loans), which we used to reduce the Company's debt as well as for general corporate purposes. We deconsolidated the properties included in the O'Connor Joint Venture II and recorded a gain in connection with this partial sale of \$126.1 million, which is included in gain (loss) on disposition of interests in properties, net in the accompanying consolidated statements of operations and comprehensive income (loss). 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 retained management and leasing responsibilities for the properties included in the O'Connor Joint Venture II, though our partner's substantive participating rights over certain decisions most important to the operations of the O'Connor Joint Venture II preclude our control and consolidation of this venture.

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.

- **The Seminole Joint Venture**

This investment consists of a 45% non-controlling interest held by the Company in Seminole Towne Center, an approximate 1.1 million square foot (unaudited) enclosed regional retail property located in the Orlando, Florida area. The Company's effective financial interest in this property (after preferences) was approximately 22% for the year ended December 31, 2017. We retained day to day management, leasing, and development responsibilities for the Seminole Joint Venture. During the year ended December 31, 2017, the Company received cash of \$0.7 million (after preferences) related to our share of the proceeds from the sale of two outparcels, which was recorded in income (loss) from unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income (loss).

- **Other Joint Venture**

The Company also holds an indirect 12.5% ownership interest in certain real estate through a joint venture with an unaffiliated third party. We do not have management, leasing and development responsibilities for this joint venture.

Individual agreements specify which services the Company is to provide to each joint venture. The Company, through its affiliates, may provide management, development, construction, leasing and legal services for a fee to the joint ventures described above for which we've retained the right to provide such services. Related to performing these services, we recorded management fees of \$7.9 million, \$6.7 million and \$3.9 million for the years ended December 31, 2017, 2016 and 2015, respectively, which are included in other income in the accompanying consolidated statements of operations and comprehensive income (loss). Advances to the O'Connor Joint Venture I and O'Connor Joint Venture II totaled \$4.3 million as of December 31, 2017 and, with respect to the O'Connor Joint Venture I only, \$2.5 million as of December 31, 2016, which is included in investment in and advances to unconsolidated entities, at equity in the accompanying consolidated balance sheets. Management deems this balance to be collectible and anticipates repayment within one year.

The results for the O'Connor Joint Venture I are included below for the years ended December 31, 2017 and 2016 and for the period from June 1, 2015 through December 31, 2015. The results for the O'Connor Joint Venture II are included below from May 12, 2017 (the closing date of the venture), and in the case of Malibu Lumber Yard from June 13, 2017 (the date the property was contributed to the venture), through December 31, 2017. The results for the Seminole Joint Venture are included below for all periods presented. The results for the Company's indirect 12.5% ownership interest in another real estate project are included for the years ended December 31, 2017 and 2016 and for the period from January 15, 2015 through December 31, 2015.

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The following table presents the combined statements of operations for the unconsolidated joint venture properties for the periods indicated above during which the Company accounted for these investments as unconsolidated entities for the years ended December 31, 2017, 2016 and 2015:

|   | For the Year Ended December 31, |                   |                   |
|---|---------------------------------|-------------------|-------------------|
|   | 2017                            | 2016              | 2015              |
| Total revenues  | \$ 236,415                      | \$ 191,831        | \$ 127,263        |
| Operating expenses  | 95,603                          | 78,685            | 53,204            |
| Depreciation and amortization   | 89,397                          | 78,972            | 48,876            |
| Operating income  | 51,415                          | 34,174            | 25,183            |
| Gain on sale of interests in property and unconsolidated entities, net            | 1,585                           | 1,014             | —                 |
| Interest expense, taxes, and other, net   | (45,906)                        | (32,754)          | (20,135)          |
| Net income from the Company's unconsolidated real estate entities                 | <u>\$ 7,094</u>                 | <u>\$ 2,434</u>   | <u>\$ 5,048</u>   |
| Our share of income (loss) from the Company's unconsolidated real estate entities | <u>\$ 1,395</u>                 | <u>\$ (1,745)</u> | <u>\$ (1,247)</u> |

The following table presents the combined balance sheets for the unconsolidated joint venture properties for the periods indicated above during which the Company accounted for these investments as unconsolidated entities as of December 31, 2017 and 2016:

|   | December 31,        |                     |
|---|---------------------|---------------------|
|   | 2017                | 2016                |
| Assets:   |                     |                     |
| Investment properties at cost, net  | \$ 1,972,208        | \$ 1,641,170        |
| Construction in progress  | 44,817              | 21,084              |
| Cash and cash equivalents   | 40,955              | 20,657              |
| Tenant receivables and accrued revenue, net   | 30,866              | 19,056              |
| Deferred costs and other assets <sup>(1)</sup>  | 174,665             | 135,313             |
| Total assets  | <u>\$ 2,263,511</u> | <u>\$ 1,837,280</u> |
| Liabilities and Members' Equity:  |                     |                     |
| Mortgage notes payable  | \$ 1,302,143        | \$ 875,811          |
| Accounts payable, accrued expenses, intangibles, and deferred revenues <sup>(2)</sup> | 148,273             | 116,870             |
| Total liabilities   | 1,450,416           | 992,681             |
| Members' equity   | 813,095             | 844,599             |
| Total liabilities and members' equity   | <u>\$ 2,263,511</u> | <u>\$ 1,837,280</u> |
| Our share of members' equity, net   | <u>\$ 414,245</u>   | <u>\$ 429,792</u>   |

(1) Includes value of acquired in-place leases and acquired above-market leases with a net book value of \$107,869 and \$93,634 as of December 31, 2017 and 2016, respectively.

(2) Includes the net book value of below market leases of \$69,269 and \$69,886 as of December 31, 2017 and 2016, respectively.

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The following table presents the investment in and advances to (cash distributions and losses in) unconsolidated entities for the periods indicated above during which the Company accounted for these investments as unconsolidated entities as of December 31, 2017 and 2016:

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2017              | 2016              |
| Our share of members' equity, net   | \$ 414,245        | \$ 429,792        |
| Advances and excess investment  | 22,173            | 13,679            |
| Net investment in and advances to unconsolidated entities, at equity <sup>(1)</sup> | <u>\$ 436,418</u> | <u>\$ 443,471</u> |

(1) Includes \$451,839 and \$458,892 of investment in and advances to unconsolidated entities, at equity as of December 31, 2017 and 2016, respectively, and \$15,421 and \$15,421 of cash distributions and losses in unconsolidated entities, at equity as of December 31, 2017 and 2016, respectively.

## 6. Indebtedness

### *Mortgage Debt*

Total mortgage indebtedness at December 31, 2017 and 2016 was as follows:

|                                  | 2017                | 2016                |
|----------------------------------|---------------------|---------------------|
| Face amount of mortgage loans    | \$ 1,152,436        | \$ 1,610,429        |
| Fair value adjustments, net      | 8,338               | 12,661              |
| Debt issuance cost, net          | (3,692)             | (5,010)             |
| Carrying value of mortgage loans | <u>\$ 1,157,082</u> | <u>\$ 1,618,080</u> |

The mortgage debt had weighted average interest and maturity of 4.77% and 4.0 years at December 31, 2017 and 4.98% and 4.0 years at December 31, 2016.

A roll forward of mortgage indebtedness from December 31, 2016 to December 31, 2017 is summarized as follows:

|  |                     |
|--|---------------------|
| Balance at December 31, 2016   | \$ 1,618,080        |
| Debt amortization payments   | (19,455)            |
| Repayment of debt  | (229,298)           |
| Debt issuances, net of debt issuance costs   | 213,574             |
| Debt canceled upon partial paydown   | (68,931)            |
| Debt canceled upon lender foreclosures   | (40,000)            |
| Debt transferred to unconsolidated entities, net of debt issuance costs and fair value adjustments | (314,595)           |
| Amortization of fair value and other adjustments   | (3,475)             |
| Amortization of debt issuance costs  | 1,182               |
| Balance at December 31, 2017   | <u>\$ 1,157,082</u> |

### **2017 Activity**

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

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

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

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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 Note 5 - "Investment in Unconsolidated Entities, at Equity" for further details), the Company closed on non-recourse mortgage loans encumbering The Arboretum, Gateway Centers, and Oklahoma City Properties. The following table summarizes the key terms of each mortgage loan:

| Property                 | Principal         | Debt<br>issuance<br>costs | Net debt<br>issuance | Interest<br>Rate | Maturity<br>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                    | <u>\$ 215,179</u> | <u>\$ (1,588)</u>         | <u>\$ 213,591</u>    |                  |                  |

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

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

**2016 Activity**

On December 29, 2016, the mortgage on River Valley Mall was canceled upon a deed-in-lieu of foreclosure agreement (see "Covenants" section below for additional details).

On October 1, 2016, the Company exercised the last option to extend the maturity date of the principal amount of the mortgage loan on WestShore Plaza for one year to October 1, 2017.

On June 9, 2016, the mortgage on Merritt Square Mall was canceled upon the lender foreclosure (see "Covenants" section below for additional details).

On June 8, 2016, the Company borrowed \$65.0 million under a term loan secured by ownership interests in Weberstown Mall, located in Stockton, California (the "June 2016 Secured Loan"). The June 2016 Secured Loan bears interest at one-month LIBOR plus 1.75% and will initially mature on June 8, 2018, subject to three 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 interest rate on the June 2016 Secured Loan may vary in the future based on the Company's credit rating. The Company used the proceeds from the June 2016 Secured Loan to repay the \$60.0 million mortgage loan secured by Weberstown Mall and for other general corporate purposes. As of December 31, 2017, the balance was \$64.7 million, net of \$0.3 million of debt issuance costs, and the applicable interest rate was 3.31%.

On April 28, 2016, the mortgage on Chesapeake Square was canceled upon the lender foreclosure (see "Covenants" section below for additional details).

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**Unsecured Debt**

The following table identifies our total unsecured debt outstanding at December 31, 2017 and December 31, 2016:

|   | December 31,<br>2017 | December 31,<br>2016 |
|---|----------------------|----------------------|
| <b>Notes payable:</b>   |                      |                      |
| Face amount - 3.850% Notes due 2020 (the "Exchange Notes") <sup>(1)</sup> | \$ 250,000           | \$ 250,000           |
| Face amount - 5.950% Notes due 2024 <sup>(2)</sup>                        | 750,000              | —                    |
| Debt discount, net  | (11,086)             | (47)                 |
| Debt issuance costs, net  | (9,542)              | (2,316)              |
| Total carrying value of notes payable                                     | <u>\$ 979,372</u>    | <u>\$ 247,637</u>    |
| <b>Unsecured term loans:</b> <sup>(8)</sup>                               |                      |                      |
| Face amount - Term Loan <sup>(3)(4)</sup>                                 | \$ —                 | \$ 500,000           |
| Face amount - December 2015 Term Loan <sup>(5)</sup>                      | 340,000              | 340,000              |
| Face amount - June 2015 Term Loan <sup>(6)</sup>                          | 270,000              | 500,000              |
| Debt issuance costs, net  | (3,305)              | (5,478)              |
| Total carrying value of unsecured term loans                              | <u>\$ 606,695</u>    | <u>\$ 1,334,522</u>  |
| <b>Revolving credit facility:</b> <sup>(3)(7)</sup>                       |                      |                      |
| Face amount   | \$ 155,000           | \$ 308,000           |
| Debt issuance costs, net  | (540)                | (1,835)              |
| Total carrying value of revolving credit facility                         | <u>\$ 154,460</u>    | <u>\$ 306,165</u>    |

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

<sup>(2)</sup> On August 4, 2017, WPG L.P. completed the issuance of \$750.0 million of unsecured notes. The notes were issued at a 1.533% discount, with an interest rate of 5.950% per annum, and mature on August 15, 2024. Proceeds from the unsecured notes offering were used to pay down the Term Loan (defined below) and for partial repayment of the June 2015 Term Loan as discussed below. The interest rate could vary in the future based upon changes to the Company's credit ratings.

<sup>(3)</sup> The unsecured revolving credit facility, or "Revolver" and unsecured term loan, or "Term Loan" are collectively known as the "Facility." On January 22, 2018, the Company amended and restated \$1.0 billion of the existing Facility (see Note 13 - "Subsequent Events").

<sup>(4)</sup> The Term Loan bore interest at one-month LIBOR plus 1.45% per annum. We had interest rate swap agreements totaling \$200.0 million, which effectively fixed the interest rate on a portion of the Term Loan at 2.04% per annum. During the year ended December 31, 2017, the Term Loan was repaid in full and the Company wrote off \$0.2 million of debt issuance costs. On January 22, 2018, the Company borrowed \$350.0 million under the Term Loan feature of the amended and restated Facility (see Note 13 - "Subsequent Events").

<sup>(5)</sup> The December 2015 Term Loan bears interest at one-month LIBOR plus 1.80% per annum and will mature on January 10, 2023. We have interest rate swap agreements totaling \$340.0 million, which effectively fix the interest rate at 3.51% per annum through maturity.

<sup>(6)</sup> The June 2015 Term Loan bears interest at one-month LIBOR plus 1.45% per annum and will mature on March 2, 2020. We have interest rate swap agreements totaling \$270.0 million, which effectively fix the interest rate at 2.56% per annum through June 30, 2018. During the year ended December 31, 2017, the Company repaid \$230.0 million of the June 2015 Term Loan and wrote off \$0.9 million of debt issuance costs. On January 22, 2018, the Company repaid the \$270.0 million outstanding with proceeds from the amended and restated Facility (see Note 13 - "Subsequent Events").

<sup>(7)</sup> The Revolver provides borrowings on a revolving basis up to \$900.0 million, bears interest at one-month LIBOR plus 1.25%, and will initially mature on May 30, 2018, subject to two six-month extensions available at our option subject to compliance with terms of the Facility and payment of a customary extension fee. At December 31, 2017, we had an aggregate available borrowing capacity of \$744.8 million under the Revolver, net of \$0.2 million reserved for outstanding letters of credit. At December 31, 2017, the applicable interest rate on the Revolver was one-month LIBOR plus 1.25%, or 2.81%. On January 22, 2018, the Company amended the Revolver under the amended and restated Facility (see Note 13 - "Subsequent Events").

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



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The following table presents the borrowings and paydowns on the Revolver during the years ended December 31, 2017 and December 31, 2016:

|                   | 2017              | 2016              |
|-------------------|-------------------|-------------------|
| Beginning Balance | \$ 308,000        | \$ 278,750        |
| Borrowings        | 350,000           | 142,250           |
| Paydowns          | (503,000)         | (113,000)         |
| Ending Balance    | <u>\$ 155,000</u> | <u>\$ 308,000</u> |

During 2017, borrowings under the Revolver were primarily used for general corporate purposes. Paydowns of outstanding borrowings were funded using proceeds from property dispositions (see Note 4 - "Investment in Real Estate"), the O'Connor Joint Venture II transaction (see Note 5 - "Investment in Unconsolidated Entities, at Equity"), including certain mortgage notes executed prior to the deconsolidation, and cash flow from operations.

During 2016, borrowings under the Revolver were used primarily used for general corporate purposes. Paydowns of outstanding borrowings were funded using proceeds from property dispositions (see Note 4 - "Investment in Real Estate") and cash flow from operations.

***Bridge Loan***

On September 16, 2014, in connection with the execution of the Merger Agreement, WPG entered into a debt commitment letter, which was amended and restated on September 23, 2014 pursuant to which parties agreed to provide up to \$1.25 billion in a senior unsecured bridge loan facility (the "Bridge Loan"). The Bridge Loan had a maturity date of January 14, 2016, the date that was 364 days following the closing date of the Merger.

On January 15, 2015, the Company borrowed \$1.19 billion under the Bridge Loan in connection with the closing of the Merger, which was repaid in full during 2015.

The Company incurred \$10.4 million of Bridge Loan commitment, structuring and funding fees. Upon the full repayment of the Bridge Loan, the Company accelerated amortization of the deferred loan costs, resulting in total amortization of \$10.4 million included in interest expense in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2015.

***Covenants***

Our unsecured debt agreements contain financial and other covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of December 31, 2017, management believes the Company is in compliance with all covenants of its unsecured debt.

The total balance of mortgages was approximately \$1.2 billion as of December 31, 2017. At December 31, 2017, certain of our consolidated subsidiaries were the borrowers under 23 non-recourse loans, one full-recourse loan and one partial-recourse loan secured by mortgages encumbering 28 properties, including one separate pool of cross-defaulted and cross-collateralized mortgages encumbering a total of four properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. Our existing non-recourse mortgage loans generally prohibit our subsidiaries that are borrowers thereunder from incurring additional indebtedness, subject to certain customary and limited exceptions. In addition, certain of these instruments limit the ability of the applicable borrower's parent entity from incurring mezzanine indebtedness unless certain conditions are satisfied, including compliance with maximum loan to value ratio and minimum debt service coverage ratio tests. Further, under certain of these existing agreements, if certain cash flow levels in respect of the applicable mortgaged property (as described in the applicable agreement) are not maintained for at least two consecutive quarters, the lender could accelerate the debt and enforce its right against its collateral. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral.

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

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

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

On August 8, 2016, we received a notice of default letter, dated August 4, 2016, from the special servicer to the borrower concerning the \$44.9 million mortgage loan secured by River Valley Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its January 11, 2016 maturity date. On December 29, 2016, we transferred title of the property to the mortgage lender pursuant to the terms of a deed-in-lieu of foreclosure agreement entered into by the Company's affiliate and the mortgage lender.

On October 8, 2015, we received a notice of default letter, dated October 5, 2015, from the special servicer to the borrower of the \$52.9 million mortgage loan secured by Merritt Square Mall. The letter was sent because the borrower, a consolidated subsidiary of the Company, did not repay the loan in full by its September 1, 2015 maturity date. On May 25, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure sale of Merritt Square Mall, in which the Company's affiliate previously held a 100% ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on June 9, 2016. The Company managed the property through and including July 31, 2016.

On October 30, 2015, we received a notice of default letter, dated that same date, from the special servicer to the borrower concerning the \$62.4 million mortgage loan that matures on February 1, 2017 and was secured by Chesapeake Square. The default resulted from an operating cash flow shortfall at the property in October 2015 that the borrower, a consolidated subsidiary of the Company, did not cure. On April 21, 2016, the trustee on behalf of the mortgage lender conducted a non-judicial foreclosure of Chesapeake Square, in which the Company's affiliate previously held majority ownership interest. The mortgage lender was the successful bidder at the sale and ownership transferred on April 28, 2016.

Upon the discounted payoff of the mortgage note payable secured by Southern Hills Mall, ownership transfer of Valle Vista Mall, and discounted payoff of the mortgage note payable secured by Mesa Mall, the Company recognized a net gain of \$90.6 million based on the cancellation of the remaining outstanding mortgage debt of \$108.9 million, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2017. During the year ended December 31, 2016, the Company recognized a net gain of \$34.6 million related to the \$160.1 million mortgage debt cancellation and ownership transfers of River Valley Mall, Merritt Square Mall, and Chesapeake Square, which is included in gain on extinguishment of debt, net in the consolidated statements of operations and comprehensive income (loss) for the year then ended.

At December 31, 2017, management believes the applicable borrowers under our other non-recourse mortgage loans were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows.

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***Debt Maturity and Cash Paid for Interest***

Scheduled principal repayments on indebtedness (including extension options) as of December 31, 2017 are as follows:

|  |                     |
|--|---------------------|
| 2018                                       | \$ 25,412           |
| 2019                                       | 313,281             |
| 2020                                       | 701,084             |
| 2021                                       | 321,639             |
| 2022                                       | 131,855             |
| Thereafter                                 | 1,424,165           |
| Total principal maturities                 | 2,917,436           |
| Bond Discount                              | (11,086)            |
| Fair value adjustments, net                | 8,338               |
| Debt issuance costs, net                   | (17,079)            |
| Total mortgages and unsecured indebtedness | <u>\$ 2,897,609</u> |

Cash paid for interest for the years ended December 31, 2017, 2016 and 2015 was \$107,609, \$125,999 and \$124,646, respectively.

***Fair Value of Debt***

The carrying values of our variable-rate loans approximate their fair values. We estimate the fair values of fixed-rate mortgages and fixed-rate unsecured debt (including variable-rate unsecured debt swapped to fixed-rate) using cash flows discounted at current borrowing rates. We estimate the fair values of consolidated fixed-rate unsecured notes payable using quoted market prices, or, if no quoted market prices are available, we use quoted market prices for securities with similar terms and maturities. The book value and fair value of these financial instruments along with the related discount rate assumptions as of December 31, 2017 and 2016 are summarized as follows:

|  | 2017        | 2016        |
|--|-------------|-------------|
| Book value of fixed- rate mortgages <sup>(1)</sup>   | \$1,000,936 | \$1,359,329 |
| Fair value of fixed-rate mortgages   | \$1,024,890 | \$1,403,103 |
| Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages      | 4.19%       | 3.79%       |
| Book value of fixed-rate unsecured debt <sup>(1)</sup>   | \$1,610,000 | \$1,290,000 |
| Fair value of fixed-rate unsecured debt  | \$1,616,810 | \$1,261,858 |
| Weighted average discount rates assumed in calculation of fair value for fixed-rate unsecured debt | 4.27%       | 2.86%       |

(1) Excludes deferred financing fees and applicable debt discounts.

**7. Derivative Financial Instruments**

***Risk Management Objective of Using Derivatives***

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash payments related to the Company's borrowings.

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**Cash Flow Hedges of Interest Rate Risk**

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives the Company primarily uses interest rate swaps or caps as part of its interest rate risk management strategy. Interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company may also enter into forward starting swaps or treasury lock agreements to set the effective interest rate on a planned fixed-rate financing. In a forward starting swap or treasury lock agreement that the Company cash settles in anticipation of a fixed rate financing or refinancing, the Company will receive or pay an amount equal to the present value of future cash flow payments based on the difference between the contract rate and market rate on the settlement date.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in other comprehensive income ("OCI") or other comprehensive loss ("OCL") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Net realized gains or losses resulting from derivatives that were settled in conjunction with planned fixed-rate financings or refinancings continue to be included in accumulated other comprehensive income ("AOCI") during the term of the hedged debt transaction. Any ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company recognized \$295, \$288 and \$193 of hedge ineffectiveness as increases to earnings during the years ended December 31, 2017, 2016 and 2015, respectively.

Amounts reported in AOCI relate to derivatives that will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Realized gains or losses on settled derivative instruments included in AOCI are recognized as an adjustment to income over the term of the hedged debt transaction. During the next twelve months, the Company estimates that an additional \$2.1 million will be reclassified as a decrease to interest expense.

On August 4, 2017, the Company terminated six interest rate derivatives and partially terminated one interest rate derivative with an aggregate notional amount of \$430,000, upon the repayment of the Term Loan and partial repayment of the June 2015 Term Loan, receiving cash proceeds of approximately \$2.0 million upon settlement. As of December 31, 2017, the Company had 8 outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk with a notional value of \$610,000.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheet as of December 31, 2017 and 2016:

| <b>Derivatives designated as hedging instruments:</b> |                       | <b>Balance Sheet Location</b>   | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---|-----------------------|---|--------------------------|--------------------------|
| Interest rate products                                | Asset Derivatives     | Deferred costs and other assets                                       | \$ 7,413                 | \$ 5,754                 |
| Interest rate products                                | Liability Derivatives | Accounts payable, accrued expenses, intangibles and deferred revenues | \$ —                     | \$ 2                     |

The asset derivative instruments were reported at their fair value of \$7,413 and \$5,754 in deferred costs and other assets at December 31, 2017 and 2016, respectively, with a corresponding adjustment to OCI for the unrealized gains and losses (net of noncontrolling interest allocation). The liability derivative instruments were reported at their fair value of \$0 and \$2 in accounts payable, accrued expenses, intangibles, and deferred revenues at December 31, 2017 and 2016, respectively, with a corresponding adjustment to OCL for the unrealized gains and losses (net of noncontrolling interest allocation). Over time, the unrealized gains and losses held in AOCI will be reclassified to earnings. This reclassification will correlate with the recognition of the hedged interest payments in earnings.

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2017, 2016 and 2015:

| <b>Derivatives in Cash Flow Hedging Relationships (Interest rate products)</b>   | <b>Location of Gain or (Loss) Recognized in Income on Derivatives</b> | <b>For the Year Ended December 31,</b> |             |             |
|--|---|--|-------------|-------------|
|  |   | <b>2017</b>                            | <b>2016</b> | <b>2015</b> |
| Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)   |   | \$ 1,256                               | \$ (3,580)  | \$ (429)    |
| Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)  | Interest expense  | \$ 1,145                               | \$ 7,381    | \$ 2,466    |
| Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | Interest expense  | \$ 295                                 | \$ 288      | \$ 193      |

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***Credit Risk-Related Contingent Features***

The Company has agreements with each of its derivative counterparties that contain a provision that if the Company either defaults or is capable of being declared in default on any of its consolidated indebtedness, then the Company could also be declared in default on its derivative obligations.

The Company has agreements with its derivative counterparties that incorporate the loan covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of December 31, 2017, the Company did not have any derivative instruments that contain credit-risk related contingent features that are in a net liability position.

***Fair Value Considerations***

Currently, the Company uses interest rate swaps and caps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. Based on these inputs the Company has determined that its interest rate swap and cap valuations are classified within Level 2 of the fair value hierarchy.

To comply with the provisions of Topic 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2017 and 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The tables below presents the Company's net assets and liabilities measured at fair value as of December 31, 2017 and 2016 aggregated by the level in the fair value hierarchy within which those measurements fall:

|                             | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Liabilities<br/>(Level 1)</b> | <b>Significant Other<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable Inputs<br/>(Level 3)</b> | <b>Balance at December<br/>31, 2017</b> |
|-----------------------------|--|--|--|---|
| Derivative instruments, net | \$ —   | \$ 7,413   | \$ —   | \$ 7,413                                |

|                             | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Liabilities<br/>(Level 1)</b> | <b>Significant Other<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable Inputs<br/>(Level 3)</b> | <b>Balance at December<br/>31, 2016</b> |
|-----------------------------|--|--|--|---|
| Derivative instruments, net | \$ —   | \$ 5,752   | \$ —   | \$ 5,752                                |

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**8. Rentals under Operating Leases**

Future minimum rentals to be received under non-cancelable operating leases for each of the next five years and thereafter, excluding tenant reimbursements of operating expenses and percentage rent based on tenant sales volume, as of December 31, 2017 are as follows:

|            |                     |
|------------|---------------------|
| 2018       | \$ 431,410          |
| 2019       | 360,917             |
| 2020       | 296,662             |
| 2021       | 236,100             |
| 2022       | 190,575             |
| Thereafter | 496,839             |
|            | <u>\$ 2,012,503</u> |

**9. Equity**

***The Merger***

Related to the Merger completed on January 15, 2015, WPG Inc. issued 29,942,877 common shares, 4,700,000 shares of 8.125% Series G Cumulative Redeemable Preferred Stock (the "Series G Preferred Shares"), 4,000,000 shares of 7.5% Series H Cumulative Redeemable Preferred Stock (the "Series H Preferred Shares") and 3,800,000 shares of 6.875% Series I Cumulative Redeemable Preferred Stock (the "Series I Preferred Shares"), and WPG L.P. issued to WPG Inc. a like number of common and preferred units as consideration for the common and preferred shares issued. Additionally, WPG L.P. issued to limited partners 1,621,695 common units and 130,592 Series I-1 Preferred Units. The preferred shares and units were issued as consideration for similarly-named preferred interests of GRT that were outstanding at the Merger date.

On April 15, 2015, WPG Inc. redeemed all of the outstanding Series G Preferred Shares, resulting in WPG L.P. redeeming a like number of preferred units under terms identical to those of the Series G Preferred Shares described below. The Series G Preferred Shares were redeemed at a redemption price of \$25.00 per share, plus accumulated and unpaid distributions up to, but excluding, the redemption date, in an amount equal to \$0.5868 per share, for a total payment of \$25.5868 per share. This redemption amount included the first quarter dividend of \$0.5078 per share that was declared on February 24, 2015 to holders of record of such Series G Preferred Shares on March 31, 2015. Because the redemption of the Series G Preferred Shares was a redemption in full, trading of the Series G Preferred Shares on the NYSE ceased after the redemption date. The aggregate amount paid to effect the redemptions of the Series G Preferred Shares was approximately \$120.3 million, which was funded with cash on hand.

***Exchange Rights***

Subject to the terms of the limited partnership agreement of WPG L.P., limited partners in WPG L.P. have, at their option, the right to exchange all or any portion of their units for shares of WPG Inc. common stock on a one-for-one basis or cash, as determined by WPG Inc. Therefore, the common units held by limited partners are considered by WPG Inc. to be share equivalents and classified as noncontrolling interests within permanent equity, and classified by WPG L.P. as permanent equity. The amount of cash to be paid if the exchange right is exercised and the cash option is selected will be based on the market value of WPG Inc.'s common stock as determined pursuant to the terms of the WPG L.P. Partnership Agreement. During the year ended December 31, 2017, WPG Inc. issued 314,577 shares of common stock to a limited partner of WPG L.P. in exchange for an equal number of units pursuant to the WPG L.P. Partnership Agreement. This transaction increased WPG Inc.'s ownership interest in WPG L.P. At December 31, 2017, WPG Inc. had reserved 34,760,026 shares of common stock for possible issuance upon the exchange of units held by limited partners.

The holders of the Series I-1 Preferred Units have, at their option, the right to have their units purchased by WPG L.P. subject to the satisfaction of certain conditions. Therefore, the Series I-1 Preferred Units are classified as redeemable noncontrolling interests outside of permanent equity.



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***Share Based Compensation***

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

***Long Term Incentive Awards***

***Time Vested LTIP Awards***

The Company has issued time-vested LTIP units ("Inducement LTIP Units") to certain executive officers and employees under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients. These awards will vest and the related fair value will be expensed over a four-year vesting period. During the years ended December 31, 2017 and 2016, the Company did not grant any Inducement LTIP Units.

During the years ended December 31, 2015 and 2014, the Company awarded 203,215 and 283,610 Inducement LTIP Units, respectively, to certain executive officers and employees of the Company under the Plan, pursuant to LTIP Unit Award Agreements between the Company and each of the grant recipients.

The Inducement LTIP Units vest and the related fair value will be expensed over a four-year vesting period, subject to each respective grant recipient's continued employment on each such vesting date, except in certain instances that result in accelerated vesting due to severance arrangements. The fair value of the Inducement LTIP Units of \$8.4 million is being recognized as expense over the applicable vesting period. As of December 31, 2017, the estimated future compensation expense for Inducement LTIP Units was \$0.4 million. The weighted average period over which the compensation expense will be recorded for the Inducement LTIP Units is approximately 1.1 years.

A summary of the Inducement LTIP Units and changes during the year ended December 31, 2017 is listed below:

|   | <b>Activity for the Year Ended<br/>December 31,</b> |   |
|---|---|---|
|   | <b>2017</b>   |   |
|   | <b>Inducement<br/>LTIP Units</b>                    | <b>Weighted<br/>Average Grant<br/>Date<br/>Fair Value</b> |
| Outstanding unvested at beginning of year | 75,053  | \$ 18.16  |
| Units granted                             | —   | \$ —  |
| Units vested                              | (29,685)  | \$ 18.33  |
| Units forfeited                           | (7,500)   | \$ 19.23  |
| Outstanding unvested at end of year       | <u>37,868</u>                                       | <u>\$ 17.82</u>   |

During the year ended December 31, 2016, 189,755 LTIP Units, with a weighted average grant date fair value per share of \$18.07, vested. During the year ended December 31, 2015, 222,017 LTIP Units, with a weighted average grant date fair value per share of \$16.16, vested.

***Performance Based Awards***

**2015 Awards**

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

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The Performance LTIP Units that were allocated during the year ended December 31, 2015 are market based awards with a service condition. Recipients may earn between 0% - 100% of the award based on the Company's achievement of absolute and relative (versus the MSCI REIT Index) total shareholder return ("TSR") goals, with 40% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of absolute TSR goals, and 60% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of relative TSR goals.

The Performance LTIP Units issued during 2015 relate to the following performance periods: from the beginning of the service period to (i) December 31, 2016 ("2015-First Special PP"), (ii) December 31, 2017 ("2015-Second Special PP"), and (iii) December 31, 2018 ("2015-Third Special PP"). There was no award for the 2015-First Special PP or 2015-Second Special PP since our TSR was below the threshold level during 2016 and 2017, respectively.

**2014 Awards**

During 2014, the Company awarded Performance LTIP Units subject to performance conditions described below to certain executive officers and employees of the Company in the maximum total amount of 451,017 units to be earned and related fair value expensed over the applicable performance periods, except in certain instances that result in accelerated vesting due to severance arrangements.

The Performance LTIP Units that were issued during the year ended December 31, 2014 are market based awards with a service condition. Recipients may earn between 0% - 100% of the award based on the Company's achievement of absolute and relative (versus the MSCI REIT Index) TSR goals, with 40% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of absolute TSR goals, and 60% of the Performance LTIP Units available to be earned with respect to each performance period based on achievement of relative TSR goals.

The Performance LTIP Units issued during 2014 relate to the following performance periods: from the beginning of the service period to (i) December 31, 2015 ("2014-First Special PP"), (ii) December 31, 2016 ("2014-Second Special PP"), and (iii) December 31, 2017 ("2014-Third Special PP"). There was no award for the 2014-First Special PP, 2014-Second Special PP, or 2014-Third Special PP since our TSR was below the threshold level during 2015, 2016, and 2017, respectively.

**Vesting**

The Performance LTIP awards that are earned, if any, will then be subject to a service-based vesting period. Awards earned under the 2015-Third Special PP would vest immediately upon the conclusion of the performance period and would require no subsequent service.

The fair value of the Performance LTIP Unit awards was estimated using a Monte Carlo simulation model and compensation is being recognized ratably from the beginning of the service period through the end of the final performance period.

The total amount of compensation to be recognized over the performance period, and the assumptions used to value the grants is provided below:

|   | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|
| Fair value per share of Performance LTIP Units            | \$ 7.28     | \$ 9.27     |
| Total amount to be recognized over the performance period | \$ 2,218    | \$ 4,182    |
| Risk free rate  | 1.04%       | 1.11%       |
| Volatility  | 25.96%      | 28.88%      |
| Dividend yield  | 6.43%       | 5.20%       |

As of December 31, 2017, the estimated future compensation expense for Performance LTIP Units was \$46. The weighted average period over which the compensation expense will be recorded for the Performance LTIP Units is approximately 1.0 years.

***Annual Long-Term Incentive Awards***

On February 21, 2017 (the "Adoption Date"), the Company approved the terms and conditions of the 2017 annual award ("2017 Annual Long-Term Incentive Awards") for certain executive officers and employees of the Company. Under the terms of the 2017 Annual Long-Term Incentive Awards program, each participant is provided the opportunity to receive (i) time-based RSUs and (ii) performance-based stock units ("PSUs"). RSUs represent a contingent right to receive one WPG Inc. common share for each vested RSU.

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During the year ended December 31, 2017, the Company issued 358,198 time-based RSUs, with a grant date fair value of \$3.4 million, which will vest in one-third installments on each of February 21, 2018, 2019, and 2020, subject to the participant's continued employment with the Company through each vesting date and the participant's continued compliance with certain applicable covenants. During the service period, dividend equivalents will be paid with respect to the RSUs corresponding to the amount of any dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates. Compensation expense is recognized on a straight-line basis over the three year vesting term. During the year ended December 31, 2017, the Company allocated 358,198 PSUs, at target, with a grant date fair value of \$2.8 million. Actual PSUs earned may range from 0%-150% of the PSUs allocated to the award recipient, based on the Company's TSR compared to a peer group based on companies with similar assets and revenue over a three-year performance period that commenced on the Adoption Date. During the performance period, dividend equivalents corresponding to the amount of any regular cash dividends paid by the Company to the Company's common shareholders for the applicable dividend payment dates will accrue and be deemed reinvested in additional PSUs, which will be settled in common shares at the same time and only to the extent that the underlying PSU is earned and settled in common shares. Payout of the PSUs is also subject to the participant's continued employment with the Company through the end of the performance period.

The PSUs were valued using a Monte Carlo simulation model. The total amount of compensation to be recognized over the three-year performance period, and the assumptions used to value the PSUs are provided below:

|   | 2017     |
|---|----------|
| Fair value per share of PSUs                              | \$ 7.72  |
| Total amount to be recognized over the performance period | \$ 2,765 |
| Risk free rate  | 1.49%    |
| Volatility  | 20.52%   |
| Dividend yield  | 10.44%   |

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

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

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
(dollars in thousands, except share, unit, per share and per unit amounts and  
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The 2016 and 2015 Annual Long-Term Incentive Awards that are based upon TSR were calculated using a Monte Carlo simulation model. The total amount of compensation to be recognized over the performance period, and the assumptions used to value the 2016 and 2015 Annual Long-Term Incentive Awards are provided below:

|   | 2016     | 2015     |
|---|----------|----------|
| Fair value per share of Allocated RSUs/Units              | \$ 3.81  | \$ 7.07  |
| Total amount to be recognized over the performance period | \$ 2,516 | \$ 4,656 |
| Risk free rate  | 0.44%    | 0.20%    |
| Volatility  | 31.40%   | 22.66%   |
| Dividend yield  | 10.05%   | 6.03%    |

***WPG Restricted Share Awards***

As part of the Merger, unvested restricted shares held by certain GRT executive employees, which had an original vesting period of five years, were converted into 1,039,785 WPG restricted common shares (the "WPG Restricted Shares"). The WPG Restricted Shares will be amortized over the remaining life of the applicable vesting period, except for the portion of the awards applicable to pre-Merger service, which was included as equity consideration issued in the Merger.

The amount of compensation expense related to unvested restricted shares that we expect to recognize in future periods is \$0.2 million over a weighted average period of 1.2 years. During the year ended December 31, 2017 the aggregate intrinsic value of shares that vested was \$1.0 million.

A summary of the status of the WPG Restricted Shares at December 31, 2017 and changes during the year are presented below:

|                                  | Activity for the Year Ended<br>December 31, |   |
|----------------------------------|---|---|
|                                  | 2017  |   |
|                                  | Restricted<br>Shares                        | Weighted<br>Average Grant<br>Date<br>Fair Value |
| Outstanding at beginning of year | 150,579                                     | \$ 18.18  |
| Shares granted                   | —   | \$ —  |
| Shares vested/forfeited          | (120,044)                                   | \$ 18.18  |
| Outstanding at end of year       | <u>30,535</u>                               | <u>\$ 18.18</u>                                 |

There were no restricted shares granted during the years ended December 31, 2017 and 2016. The weighted average grant date fair value per share of restricted shares granted during the years ended December 31, 2015 was \$18.18. The total fair value of the restricted shares vested during the years ended December 31, 2017, 2016 and 2015 was \$2,182, \$14,115, and \$2,051, respectively.

***WPG Restricted Stock Unit Awards***

The Company issues RSUs to certain executive officers, employees, and non-employee directors of the Board. During the years ended December 31, 2017, 2016 and 2015, the Company issued 843,435, 518,112 and 82,203 RSUs, respectively. Of the 843,435 RSUs issued in 2017, 682,435 RSUs with a fair value of \$5.6 million relates to the annual long-term incentive award issuances that occurred in February 2017 (see "Annual Long-Term Incentive Awards" section above). Of the 518,112 RSUs issued in 2016, 284,483 RSUs with a fair value of \$3.3 million relates to Mr. Louis G. Conforti's appointment as the Company's CEO in October 2016. The RSUs are service-based awards and the related fair value is expensed over the applicable service periods, except in instances that result in accelerated vesting due to severance arrangements.

The amount of compensation related to the unvested RSUs that we expect to recognize in future periods is \$8.3 million over a weighted average period of 2.0 years.

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

A summary of the status of the WPG RSUs at December 31, 2017 and changes during the year are presented below:

|   | Activity for the Year Ended<br>December 31, |   |
|---|---|---|
|   | 2017  |   |
|   | RSUs  | Weighted<br>Average Grant<br>Date<br>Fair Value |
| Outstanding unvested at beginning of year | 504,842                                     | \$ 11.80  |
| RSUs granted                              | 843,435                                     | \$ 8.07   |
| RSUs vested/forfeited                     | (190,701)                                   | \$ 9.86   |
| Outstanding unvested at end of year       | <u>1,157,576</u>                            | <u>\$ 9.40</u>                                  |

The weighted average grant date fair value per share of RSUs granted during the years ended December 31, 2017, 2016 and 2015 was \$8.07, \$11.48, and \$13.62, respectively. The total fair value of the RSUs vested during the years ended December 31, 2017, 2016 and 2015 was \$1,128, \$1,082, and \$628, respectively.

**Stock Options**

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

During the year ended December 31, 2016, the Company granted 247,500 options to employees. The weighted average grant date fair value was \$0.62. As part of the Merger, outstanding stock options held by certain former GRT employees and one former GRT board member who joined the WPG Inc. Board of Directors were converted into 1,125,014 WPG stock options. Due to provisions within the option agreements, all of these options immediately vested. Additionally the Company granted 393,000 options to employees during the year ended December 31, 2015. The weighted average grant date fair value of the options converted and granted during the year ended December 31, 2015 was \$2.63.

A summary of the status of the Company's option plans at December 31, 2017 and changes during the year are listed below:

|                                  | Activity for the Year Ended<br>December 31, |   |
|----------------------------------|---|---|
|                                  | 2017  |   |
|                                  | Stock Options                               | Weighted<br>Average<br>Grant Date<br>Fair Value |
| Outstanding at beginning of year | 977,576                                     | \$ 2.24   |
| Options granted                  | —   | \$ —  |
| Options exercised                | (2,739)                                     | \$ 11.37  |
| Options forfeited/expired        | (180,823)                                   | \$ 1.98   |
| Outstanding at end of year       | <u>794,014</u>                              | <u>\$ 2.26</u>                                  |

The fair value of each option grant was the date of the grant using the Black-Scholes options pricing mode. The weighted average per share value of options granted as well as the assumptions used to value the grants is listed below:

|   | 2016    | 2015    |
|---|---------|---------|
| Weighted average per share value of options granted/converted | \$ 0.62 | \$ 2.63 |
| Weighted average risk free rates                              | 1.4%    | 1.0%    |
| Expected average lives in years                               | 6.0     | 3.8     |
| Annual dividend rates   | \$ 1.00 | \$ 1.00 |
| Weighted average volatility                                   | 28.3%   | 22.1%   |
| Forfeiture rate   | 10%     | 10%     |

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

The following table summarizes information regarding the options outstanding at December 31, 2017:

| Range of Exercise Prices | Options Outstanding                     |   |                                 | Options Exercisable                     |   |                                 |
|--------------------------|---|---|---------------------------------|---|---|---------------------------------|
|                          | Number Outstanding at December 31, 2017 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2017 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| \$13.96                  | 23,296                                  | 0.2   | \$13.96                         | 23,296                                  | 0.2   | \$13.96                         |
| \$1.79                   | 4,934                                   | 1.2   | \$1.79                          | 4,934                                   | 1.2   | \$1.79                          |
| \$5.76                   | 25,183                                  | 2.2   | \$5.76                          | 25,183                                  | 2.2   | \$5.76                          |
| \$11.97                  | 45,672                                  | 3.3   | \$11.97                         | 45,672                                  | 3.3   | \$11.97                         |
| \$12.67                  | 65,606                                  | 4.4   | \$12.67                         | 65,606                                  | 4.4   | \$12.67                         |
| \$16.56                  | 115,568                                 | 5.4   | \$16.56                         | 115,568                                 | 5.4   | \$16.56                         |
| \$13.10                  | 82,255                                  | 6.3   | \$13.10                         | 82,255                                  | 6.3   | \$13.10                         |
| \$14.28                  | 239,000                                 | 7.4   | \$14.28                         | 159,334                                 | 7.4   | \$14.28                         |
| \$9.95                   | 192,500                                 | 8.4   | \$9.95                          | 64,171                                  | 8.4   | \$9.95                          |
|                          | <u>794,014</u>                          | 6.3   | \$12.82                         | <u>586,019</u>                          | 5.7   | \$13.25                         |

The following table summarizes the aggregate intrinsic value of options that are: outstanding, exercisable and exercised. It also depicts the fair value of options that have vested.

|  | <b>For the Year Ended<br/>December 31,<br/>2017</b> |
|--|---|
| Aggregate intrinsic value of options outstanding | \$ 61   |
| Aggregate intrinsic value of options exercisable | \$ 61   |
| Aggregate intrinsic value of options exercised   | \$ 12   |
| Aggregate fair value of options vested           | \$ 187  |

The aggregate intrinsic value of options that exercised and the aggregate fair value of options that vested during the year ended December 31, 2016 was \$163 and \$191, respectively. The aggregate intrinsic value of options that exercised and the aggregate fair value of options that vested during the year ended December 31, 2015 was \$982 and \$3,380, respectively.

**Share Award Related Compensation Expense**

During the years ended December 31, 2017, 2016 and 2015, the Company recorded share award related compensation expense pertaining to the award and option plans noted above within the consolidated statements of operations and comprehensive income (loss) as indicated below (amounts in millions):

|   | <b>For the Year Ended December 31,</b> |                |                |
|---|--|----------------|----------------|
|   | <b>2017</b>                            | <b>2016</b>    | <b>2015</b>    |
| Merger, restructuring and transaction costs       | \$ —                                   | \$ 9.5         | \$ 4.0         |
| General and administrative and property operating | 6.4                                    | 4.6            | 10.1           |
| Total expense                                     | <u>\$ 6.4</u>                          | <u>\$ 14.1</u> | <u>\$ 14.1</u> |

**Distributions**

During the years ended December 31, 2017 and 2016, the Board declared common share/unit dividends of \$1.00 per common share/unit, respectively.



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

**10. Commitments and Contingencies**

***Litigation***

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

***Lease Commitments***

As of December 31, 2017, a total of four consolidated properties are subject to ground leases. The termination dates of these ground leases range from 2026 to 2076. These ground leases generally require us to make fixed annual rental payments, or a fixed annual rental plus a percentage rent component based upon the revenues or total sales of the property. Some of these leases also include escalation clauses and renewal options. We incurred ground lease expense, which is included in ground rent in the accompanying consolidated statements of operations and comprehensive income (loss), for the years ended December 31, 2017, 2016 and 2015 of \$2,438, \$4,318 and \$6,874, respectively.

Future minimum lease payments due under these ground leases for each of the next five years and thereafter, excluding applicable extension options, as of December 31, 2017 are as follows:

|            |                  |
|------------|------------------|
| 2018       | \$ 509           |
| 2019       | 509              |
| 2020       | 509              |
| 2021       | 509              |
| 2022       | 518              |
| Thereafter | 20,460           |
|            | <u>\$ 23,014</u> |

***Concentration of Credit Risk***

Our properties rely heavily upon anchor or major tenants to attract customers; however, these retailers do not constitute a material portion of our financial results. Additionally, many anchor retailers in the enclosed retail properties own their spaces further reducing their contribution to our operating results. All operations are within the United States and no customer or tenant accounts for 5% or more of our consolidated revenues.

**11. Related Party Transactions**

***Transactions with SPG***

The Company was formed in 2014 through a spin-off of certain properties from SPG. SPG managed the day-to-day operations of our legacy SPG enclosed retail properties through February 29, 2016 in accordance with property management agreements that expired as of May 31, 2016. Additionally, WPG and SPG entered into a transition services agreement pursuant to which SPG provided to WPG, on an interim, transitional basis after May 28, 2014 through May 31, 2016, the date on which it was terminated, various services including administrative support for the open air properties through December 31, 2015, information technology, property management, accounts payable and other financial functions, as well as engineering support, quality assurance support and other administrative services for the enclosed retail properties until March 1, 2016. Under the transition services agreement that terminated on May 31, 2016, SPG charged WPG, based upon SPG's allocation of certain shared costs such as insurance premiums, advertising and promotional programs, leasing and development fees. Amounts charged to expense for property management and common costs, services, and other as well as insurance premiums are included in property operating expenses in the consolidated statements of operations and comprehensive (loss) income. Additionally, leasing and development fees charged by SPG were capitalized by the property. WPG terminated the transition services agreement, all applicable property management agreements with SPG, and the property development agreement effective May 31, 2016.

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

We did not incur any charges pertaining to the transition services agreements for the year ended December 31, 2017. Charges for properties which are consolidated for the years ended December 31, 2016 and 2015 are as follows:

|  | For the Year Ended December 31, |                | For the Year Ended December 31, |                |
|--|---------------------------------|----------------|---------------------------------|----------------|
|  | 2016                            |                | 2015                            |                |
|  | Consolidated                    | Unconsolidated | Consolidated                    | Unconsolidated |
| Property management and common costs, services and other | \$ 8,791                        | \$ 196         | \$ 23,302                       | \$ 816         |
| Insurance premiums                                       | \$ —                            | \$ —           | \$ 9,076                        | \$ 12          |
| Advertising and promotional programs                     | \$ 102                          | \$ 6           | \$ 812                          | \$ 46          |
| Capitalized leasing and development fees                 | \$ 3,166                        | \$ 23          | \$ 9,841                        | \$ 55          |

**Consulting Agreement with Mark S. Ordan**

Mr. Mark S. Ordan served as a member of the Board until May 18, 2017 at which time his term on the Board expired and he retired from service. During 2017, Mr. Ordan and the Company were parties to a Consulting Agreement in which Mr. Ordan provided consulting services to the Company for a fee. The Consulting Agreement was terminated on May 28, 2017. During 2017, the Company paid Mr. Ordan approximately \$0.2 million in fees under the Consulting Agreement. The Company has no further payment obligations under the Consulting Agreement.

**12. Earnings (Loss) Per Common Share/Unit**

**WPG Inc. Earnings (Loss) Per Common Share**

We determine WPG Inc.'s basic earnings (loss) per common share based on the weighted average number of shares of common stock outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine WPG Inc.'s diluted earnings (loss) per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all potentially dilutive securities were converted into common shares at the earliest date possible.

The following table sets forth the computation of WPG Inc.'s basic and diluted earnings (loss) per common share:

|   | For the Year Ended December 31, |                |                  |
|---|---------------------------------|----------------|------------------|
|   | 2017                            | 2016           | 2015             |
| <b>Earnings (Loss) Per Common Share, Basic:</b>                 |                                 |                |                  |
| Net income (loss) attributable to common shareholders - basic   | \$ 183,031                      | \$ 53,099      | \$ (101,286)     |
| Weighted average shares outstanding - basic                     | 186,829,385                     | 185,633,582    | 184,195,769      |
| <b>Earnings (Loss) per common share, basic</b>                  | <b>\$ 0.98</b>                  | <b>\$ 0.29</b> | <b>\$ (0.55)</b> |
| <b>Earnings (Loss) Per Common Share, Diluted:</b>               |                                 |                |                  |
| Net income (loss) attributable to common shareholders - basic   | \$ 183,031                      | \$ 53,099      | \$ (101,286)     |
| Net income (loss) attributable to common unitholders            | 34,222                          | 10,034         | (19,340)         |
| Net income (loss) attributable to common shareholders - diluted | \$ 217,253                      | \$ 63,133      | \$ (120,626)     |
| Weighted average common shares outstanding - basic              | 186,829,385                     | 185,633,582    | 184,195,769      |
| Weighted average operating partnership units outstanding        | 34,808,890                      | 34,304,109     | 34,303,804       |
| Weighted average additional dilutive securities outstanding     | 337,508                         | 803,805        | —                |
| Weighted average common shares outstanding - diluted            | 221,975,783                     | 220,741,496    | 218,499,573      |
| <b>Earnings (loss) per common share, diluted</b>                | <b>\$ 0.98</b>                  | <b>\$ 0.29</b> | <b>\$ (0.55)</b> |

For the years ended December 31, 2017, 2016 and 2015, additional potentially dilutive securities include contingently-issuable outstanding stock options and performance based components of annual awards. For the year ended December 31, 2015, diluted shares exclude the impact of any such securities because their effect would be anti-dilutive. We accrue distributions when they are declared.

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Consolidated Financial Statements (Continued)**  
(dollars in thousands, except share, unit, per share and per unit amounts and  
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**WPG L.P. Earnings (Loss) Per Common Unit**

We determine WPG L.P.'s basic earnings (loss) per common unit based on the weighted average number of common units outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine WPG L.P.'s diluted earnings (loss) per unit based on the weighted average number of common units outstanding combined with the incremental weighted average units that would have been outstanding assuming all potentially dilutive securities were converted into common units at the earliest date possible.

The following table sets forth the computation of WPG L.P.'s basic and diluted earnings (loss) per common unit:

|  | <b>For the Year Ended December 31,</b> |                |                  |
|--|--|----------------|------------------|
|  | <b>2017</b>                            | <b>2016</b>    | <b>2015</b>      |
| <b>Earnings (loss) Per Common Unit, Basic and Diluted:</b>               |  |                |                  |
| Net income (loss) attributable to common unitholders - basic and diluted | \$ 217,253                             | \$ 63,133      | \$ (120,626)     |
| Weighted average common units outstanding - basic                        | 221,638,275                            | 219,937,691    | 218,499,573      |
| Weighted average additional dilutive securities outstanding              | 337,508                                | 803,805        | —                |
| Weighted average shares outstanding - diluted                            | 221,975,783                            | 220,741,496    | 218,499,573      |
| <b>Earnings (loss) per common unit, basic and diluted</b>                | <b>\$ 0.98</b>                         | <b>\$ 0.29</b> | <b>\$ (0.55)</b> |

For the years ended December 31, 2017, 2016 and 2015, additional potentially dilutive securities include contingently-issuable units related to WPG Inc.'s outstanding stock options, WPG Inc.'s performance based components of annual awards and WPG L.P.'s annual LTIP unit awards. For the year ended December 31, 2015, diluted shares exclude the impact of any such securities because their effect would be anti-dilutive. We accrue distributions when they are declared.

**13. Subsequent Events**

On December 22, 2017 the Company executed a purchase agreement to acquire Southgate Mall in Missoula, Montana for \$58.0 million. Due diligence was completed on February 21, 2018 and the purchase is expected to be completed on or about April 20, 2018. The purchase will be funded by a combination of proceeds from the Four Corners transaction (as discussed below), the Revolver and issuance of operating partnership units.

On January 12, 2018, we completed the sale of the first tranche 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 first tranche consisted of 10 restaurant outparcels, with an allocated purchase price of approximately \$13.7 million. The net proceeds of approximately \$13.5 million were used to fund future acquisitions and development and for general corporate purposes. Additionally, the Company expects to close on the second tranche during the second half of 2018, subject to due diligence and closing conditions.

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

On January 22, 2018, WPG L.P. amended and restated \$1.0 billion of the existing Facility. The newly recast Facility can be increased to \$1.5 billion through currently uncommitted facility commitments. Excluding the accordion feature, the newly recast Facility includes a \$650.0 million Revolver and \$350.0 million Term Loan. The interest rates for the Revolver and Term Loan are substantially consistent with the existing terms. When considering extension options, the Facility will mature on December 31, 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.

On February 20, 2018, the Board declared common share/unit dividends of \$0.25 per common share. The dividend is payable on March 15, 2018 to shareholders/unitholders of record on March 5, 2018.

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

**14. Quarterly Financial Data (Unaudited)**

Quarterly 2017 and 2016 data is summarized in the table below. Quarterly amounts may not sum to annual amounts due to rounding.

|   | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|---|------------------|-------------------|------------------|-------------------|
| <b>2017</b>   |                  |                   |                  |                   |
| Total revenue   | \$ 202,394       | \$ 189,171        | \$ 179,320       | \$ 187,237        |
| Operating income                                      | \$ 49,531        | \$ 49,869         | \$ 24,293        | \$ 21,113         |
| Net income (loss)                                     | \$ 14,624        | \$ 164,500        | \$ (10,664)      | \$ 63,133         |
| <b><i>Washington Prime Group Inc.:</i></b>            |                  |                   |                  |                   |
| Net income (loss) attributable to the Company         | \$ 12,810        | \$ 138,975        | \$ (8,395)       | \$ 53,673         |
| Net income (loss) attributable to common shareholders | \$ 9,302         | \$ 135,467        | \$ (11,903)      | \$ 50,165         |
| Earnings (loss) per common share—basic                | \$ 0.05          | \$ 0.73           | \$ (0.06)        | \$ 0.27           |
| Earnings (loss) per common share—diluted              | \$ 0.05          | \$ 0.72           | \$ (0.06)        | \$ 0.27           |
| <b><i>Washington Prime Group, L.P.:</i></b>           |                  |                   |                  |                   |
| Net income (loss) attributable to unitholders         | \$ 14,624        | \$ 164,500        | \$ (10,664)      | \$ 63,133         |
| Net income (loss) attributable to common unitholders  | \$ 11,056        | \$ 160,932        | \$ (14,232)      | \$ 59,497         |
| Earnings (loss) per common unit—basic                 | \$ 0.05          | \$ 0.73           | \$ (0.06)        | \$ 0.27           |
| Earnings (loss) per common unit—diluted               | \$ 0.05          | \$ 0.72           | \$ (0.06)        | \$ 0.27           |
| <b>2016</b>   |                  |                   |                  |                   |
| Total revenue   | \$ 210,031       | \$ 205,738        | \$ 209,922       | \$ 217,784        |
| Operating income                                      | \$ 55,378        | \$ 25,835         | \$ 38,425        | \$ 65,355         |
| Net income  | \$ 13,681        | \$ 24,737         | \$ 5,183         | \$ 33,815         |
| <b><i>Washington Prime Group Inc.:</i></b>            |                  |                   |                  |                   |
| Net income attributable to the Company                | \$ 12,022        | \$ 21,315         | \$ 4,870         | \$ 28,924         |
| Net income attributable to common shareholders        | \$ 8,514         | \$ 17,807         | \$ 1,362         | \$ 25,416         |
| Earnings per common share—basic and diluted           | \$ 0.05          | \$ 0.10           | \$ 0.01          | \$ 0.13           |
| <b><i>Washington Prime Group, L.P.:</i></b>           |                  |                   |                  |                   |
| Net income attributable to unitholders                | \$ 13,687        | \$ 24,745         | \$ 5,187         | \$ 33,786         |
| Net income attributable to common unitholders         | \$ 10,119        | \$ 21,177         | \$ 1,619         | \$ 30,218         |
| Earnings per common unit—basic and diluted            | \$ 0.05          | \$ 0.10           | \$ 0.01          | \$ 0.13           |

SCHEDULE III

Washington Prime Group Inc. and Washington Prime Group, L.P.  
 Real Estate and Accumulated Depreciation  
 December 31, 2017  
 (dollars in thousands)

| Name                              | Location                        | Encumbrances<br>(3) | Initial Cost |                               | Cost Capitalized<br>Subsequent to<br>Construction<br>or Acquisition |                               | Gross Amounts At<br>Which Carried<br>at Close of Period |                               | Total(1)  | Accumulated<br>Depreciation(2) | Date of<br>Construction or<br>Acquisition |
|-----------------------------------|---------------------------------|---------------------|--------------|-------------------------------|---|-------------------------------|---|-------------------------------|-----------|--------------------------------|---|
|                                   |                                 |                     | Land         | Buildings and<br>Improvements | Land  | Buildings and<br>Improvements | Land  | Buildings and<br>Improvements |           |                                |   |
| <b>Enclosed Retail Properties</b> |                                 |                     |              |                               |   |                               |   |                               |           |                                |   |
| Anderson Mall                     | Anderson, SC                    | \$ 18,449           | \$ 1,712     | \$ 15,227                     | \$ 851  | \$ 19,997                     | \$ 2,563  | \$ 35,224                     | \$ 37,787 | \$ 21,978                      | 1972                                      |
| Ashland Town Center               | Ashland, KY                     | 37,652              | 13,462       | 68,367                        | —   | 2,416                         | 13,462  | 70,783                        | 84,245    | 9,405                          | 2015                                      |
| Bowie Town Center                 | Bowie (Wash, D.C.), MD          | —                   | 2,479        | 60,322                        | 235   | 9,143                         | 2,714   | 69,465                        | 72,179    | 37,347                         | 2001                                      |
| Boynton Beach Mall                | Boynton Beach (Miami), FL       | —                   | 22,240       | 78,804                        | 4,666   | 29,782                        | 26,906  | 108,586                       | 135,492   | 69,329                         | 1996                                      |
| Brunswick Square                  | East Brunswick (New York), NJ   | 72,504              | 8,436        | 55,838                        | —   | 35,331                        | 8,436   | 91,169                        | 99,605    | 55,093                         | 1996                                      |
| Charlottesville Fashion Square    | Charlottesville, VA             | 47,009              | —            | 54,738                        | —   | 18,941                        | —   | 73,679                        | 73,679    | 41,448                         | 1997                                      |
| Chautauqua Mall                   | Lakewood, NY                    | —                   | 3,116        | 9,641                         | —   | 19,172                        | 3,116   | 28,813                        | 31,929    | 16,706                         | 1996                                      |
| Chesapeake Square Theater         | Chesapeake (VA Beach), VA       | —                   | 628          | 9,536                         | —   | (738)                         | 628   | 8,798                         | 9,426     | 1,858                          | 1996                                      |
| Clay Terrace                      | Carmel (Indianapolis), IN       | —                   | 39,030       | 115,207                       | —   | 6,169                         | 39,030  | 121,376                       | 160,406   | 17,320                         | 2014                                      |
| Cottonwood Mall                   | Albuquerque, NM                 | 99,031              | 10,122       | 69,958                        | —   | 9,045                         | 10,122  | 79,003                        | 89,125    | 47,444                         | 1996                                      |
| Dayton Mall                       | Dayton, OH                      | 81,689              | 10,899       | 160,723                       | —   | 3,009                         | 10,899  | 163,732                       | 174,631   | 16,992                         | 2015                                      |
| Edison Mall                       | Fort Myers, FL                  | —                   | 11,529       | 107,350                       | —   | 30,233                        | 11,529  | 137,583                       | 149,112   | 76,201                         | 1997                                      |
| Grand Central Mall                | Parkersburg, WV                 | 40,397              | 18,956       | 89,736                        | —   | 3,894                         | 18,956  | 93,630                        | 112,586   | 15,536                         | 2015                                      |
| Great Lakes Mall                  | Mentor (Cleveland), OH          | —                   | 12,302       | 100,362                       | —   | 39,382                        | 12,302  | 139,744                       | 152,046   | 75,772                         | 1996                                      |
| Indian Mound Mall                 | Newark, OH                      | —                   | 7,109        | 19,205                        | (252)   | 1,656                         | 6,857   | 20,861                        | 27,718    | 3,475                          | 2015                                      |
| Irving Mall                       | Irving (Dallas), TX             | —                   | 6,737        | 17,479                        | 2,533   | 44,122                        | 9,270   | 61,601                        | 70,871    | 41,437                         | 1971                                      |
| Jefferson Valley Mall             | Yorktown Heights (New York), NY | —                   | 4,868        | 30,304                        | —   | 66,941                        | 4,868   | 97,245                        | 102,113   | 46,485                         | 1983                                      |
| Lima Mall                         | Lima, OH                        | —                   | 7,659        | 35,338                        | —   | 15,444                        | 7,659   | 50,782                        | 58,441    | 31,174                         | 1996                                      |
| Lincolnwood Town Center           | Lincolnwood (Chicago), IL       | 49,668              | 7,834        | 63,480                        | —   | 7,628                         | 7,834   | 71,108                        | 78,942    | 54,520                         | 1990                                      |
| Lindale Mall                      | Cedar Rapids, IA                | —                   | 14,106       | 58,286                        | —   | 13,713                        | 14,106  | 71,999                        | 86,105    | 19,817                         | 1998                                      |
| Longview Mall                     | Longview, TX                    | —                   | 259          | 3,567                         | 124   | 24,497                        | 383   | 28,064                        | 28,447    | 8,777                          | 1978                                      |
| Mall at Fairfield Commons,<br>The | Beavercreek, OH                 | —                   | 18,194       | 175,426                       | —   | 21,493                        | 18,194  | 196,919                       | 215,113   | 23,304                         | 2015                                      |
| Maplewood Mall                    | St. Paul (Minneapolis), MN      | —                   | 17,119       | 80,758                        | —   | 25,577                        | 17,119  | 106,335                       | 123,454   | 49,412                         | 2002                                      |
| Markland Mall                     | Kokomo, IN                      | —                   | —            | 7,568                         | 3,073   | 18,615                        | 3,073   | 26,183                        | 29,256    | 15,678                         | 1968                                      |
| Melbourne Square                  | Melbourne, FL                   | —                   | 15,762       | 55,891                        | 4,160   | 40,337                        | 19,922  | 96,228                        | 116,150   | 51,310                         | 1996                                      |
| Mesa Mall                         | Grand Junction, CO              | —                   | 12,784       | 80,639                        | —   | 3,768                         | 12,784  | 84,407                        | 97,191    | 25,368                         | 1998                                      |
| Morgantown Mall                   | Morgantown, WV                  | —                   | 10,219       | 77,599                        | —   | 2,505                         | 10,219  | 80,104                        | 90,323    | 10,820                         | 2015                                      |

**Cost Capitalized Subsequent to Construction or Acquisition**

**Gross Amounts At Which Carried at Close of Period**

**Initial Cost**

| Name                              | Location                           | Encumbrances (\$) |                            | Initial Cost |                            | Cost Capitalized Subsequent to Construction or Acquisition |                            | Gross Amounts At Which Carried at Close of Period |                             | Date of Construction or Acquisition |
|-----------------------------------|------------------------------------|-------------------|----------------------------|--------------|----------------------------|--|----------------------------|---|-----------------------------|-------------------------------------|
|                                   |                                    | Land              | Buildings and Improvements | Land         | Buildings and Improvements | Land   | Buildings and Improvements | Total(1)  | Accumulated Depreciation(2) |                                     |
| Muncie Mall                       | Muncie, IN                         | 172               | 5,776                      | 52           | 29,247                     | 224  | 35,023                     | 35,247  | 23,484                      | 1970                                |
| New Towne Mall                    | New Philadelphia, OH               | 3,172             | 33,112                     | —            | 7,694                      | 3,172  | 40,806                     | 43,978  | 6,061                       | 2015                                |
| Northtown Mall                    | Blaine, MN                         | 18,603            | 57,341                     | —            | 5,967                      | 18,603   | 63,308                     | 81,911  | 9,915                       | 2015                                |
| Northwoods Mall                   | Peoria, IL                         | 1,185             | 12,779                     | 2,428        | 43,039                     | 3,613  | 55,818                     | 59,431  | 37,340                      | 1983                                |
| Oak Court Mall                    | Memphis, TN                        | 15,673            | 57,304                     | —            | 10,007                     | 15,673   | 67,311                     | 82,984  | 50,576                      | 1997                                |
| Orange Park Mall                  | Orange Park (Jacksonville), FL     | 12,998            | 65,121                     | —            | 46,976                     | 12,998   | 112,097                    | 125,095   | 68,270                      | 1994                                |
| Outlet Collection®   Seattle, The | Auburn (Seattle), WA               | 38,751            | 107,094                    | —            | 9,441                      | 38,751   | 116,535                    | 155,286   | 16,303                      | 2015                                |
| Paddock Mall                      | Ocala, FL                          | 11,198            | 39,727                     | —            | 23,198                     | 11,198   | 62,925                     | 74,123  | 34,381                      | 1996                                |
| Port Charlotte Town Center        | Port Charlotte, FL                 | 5,471             | 58,570                     | —            | 17,981                     | 5,471  | 76,551                     | 82,022  | 49,169                      | 1996                                |
| Rolling Oaks Mall                 | San Antonio, TX                    | 1,929             | 38,609                     | —            | 16,832                     | 1,929  | 55,441                     | 57,370  | 37,230                      | 1988                                |
| Rushmore Mall                     | Rapid City, SD                     | 18,839            | 67,364                     | (11,974)     | (10,665)                   | 6,865  | 56,699                     | 63,564  | 27,388                      | 1998                                |
| Southern Hills Mall               | Sioux City, IA                     | 15,025            | 75,984                     | —            | 2,041                      | 15,025   | 78,025                     | 93,050  | 23,835                      | 1998                                |
| Southern Park Mall                | Youngstown, OH                     | 16,982            | 77,767                     | 97           | 33,830                     | 17,079   | 111,597                    | 128,676   | 65,967                      | 1996                                |
| Sunland Park Mall                 | El Paso, TX                        | 2,896             | 28,900                     | —            | 7,901                      | 2,896  | 36,801                     | 39,697  | 28,073                      | 1988                                |
| Town Center at Aurora             | Aurora (Denver), CO                | 9,959             | 56,832                     | (12)         | 57,327                     | 9,947  | 114,159                    | 124,106   | 76,922                      | 1998                                |
| Towne West Square                 | Wichita, KS                        | 972               | 21,203                     | 22           | 13,113                     | 994  | 34,316                     | 35,310  | 25,455                      | 1980                                |
| Waterford Lakes Town Center       | Orlando, FL                        | 8,679             | 72,836                     | —            | 24,892                     | 8,679  | 97,728                     | 106,407   | 56,864                      | 1999                                |
| Weberstown Mall                   | Stockton, CA                       | 9,909             | 92,589                     | —            | 4,915                      | 9,909  | 97,504                     | 107,413   | 10,990                      | 2015                                |
| West Ridge Mall                   | Topeka, KS                         | 5,453             | 34,148                     | (788)        | 22,436                     | 4,665  | 56,584                     | 61,249  | 38,070                      | 1988                                |
| Westminster Mall                  | Westminster (Los Angeles), CA      | 43,464            | 84,709                     | —            | 37,946                     | 43,464   | 122,655                    | 166,119   | 64,756                      | 1998                                |
| WestShore Plaza                   | Tampa, FL                          | 53,904            | 120,191                    | —            | 4,373                      | 53,904   | 124,564                    | 178,468   | 13,510                      | 2015                                |
| <b>Open Air Properties</b>        |                                    |                   |                            |              |                            |  |                            |   |                             |                                     |
| Bloomington Court                 | Bloomington (Chicago), IL          | 8,422             | 26,184                     | —            | 18,375                     | 8,422  | 44,559                     | 52,981  | 28,241                      | 1987                                |
| Bowie Town Center Strip           | Bowie (Wash, D.C.), MD             | 231               | 4,597                      | —            | 762                        | 231  | 5,359                      | 5,590   | 2,535                       | 2001                                |
| Canyon View Marketplace           | Grand Junction, CO                 | 1,370             | 9,570                      | —            | 159                        | 1,370  | 9,729                      | 11,099  | 1,290                       | 2015                                |
| Charles Towne Square              | Charleston, SC                     | —                 | 1,768                      | 370          | 10,890                     | 370  | 12,658                     | 13,028  | 11,927                      | 1976                                |
| Chesapeake Center                 | Chesapeake (Virginia Beach), VA    | 4,410             | 11,241                     | —            | 1,196                      | 4,410  | 12,437                     | 16,847  | 9,734                       | 1996                                |
| Concord Mills Marketplace         | Concord (Charlotte), NC            | 8,036             | 21,167                     | —            | 889                        | 8,036  | 22,056                     | 30,092  | 4,911                       | 2007                                |
| Countryside Plaza                 | Countryside (Chicago), IL          | 332               | 8,507                      | 2,554        | 11,802                     | 2,886  | 20,309                     | 23,195  | 12,583                      | 1977                                |
| Dare Centre                       | Kill Devil Hills, NC               | —                 | 5,702                      | —            | 2,181                      | —  | 7,883                      | 7,883   | 3,838                       | 2004                                |
| DeKalb Plaza                      | King of Prussia (Philadelphia), PA | 1,955             | 3,405                      | —            | 1,036                      | 1,955  | 4,441                      | 6,396   | 2,622                       | 2003                                |
| Empire East                       | Sioux Falls, SD                    | 3,350             | 10,552                     | —            | 2,738                      | 3,350  | 13,290                     | 16,640  | 3,157                       | 1998                                |
| Fairfax Court                     | Fairfax (Wash, D.C.), VA           | 8,078             | 34,997                     | —            | 1,103                      | 8,078  | 36,100                     | 44,178  | 4,958                       | 2014                                |
| Fairfield Town Center             | Houston, TX                        | 4,745             | 5,044                      | 168          | 37,778                     | 4,913  | 42,822                     | 47,735  | 1,833                       | 2014                                |



**Cost Capitalized Subsequent to Construction or Acquisition**

**Gross Amounts At Which Carried at Close of Period**

**Initial Cost**

| Name                          | Location                           | Encumbrances (3) |                            | Initial Cost |                            | Cost Capitalized Subsequent to Construction or Acquisition |                            | Gross Amounts At Which Carried at Close of Period |                              | Date of Construction or Acquisition |      |
|-------------------------------|------------------------------------|------------------|----------------------------|--------------|----------------------------|--|----------------------------|---|------------------------------|-------------------------------------|------|
|                               |                                    | Land             | Buildings and Improvements | Land         | Buildings and Improvements | Land   | Buildings and Improvements | Total (1)   | Accumulated Depreciation (2) |                                     |      |
| Forest Plaza                  | Rockford, IL                       | 16,084           | 4,132                      | 16,818       | 453                        | 15,441   | 4,585                      | 32,259  | 36,844                       | 19,602                              | 1985 |
| Gaitway Plaza                 | Ocala, FL                          | —                | 5,445                      | 26,687       | —                          | 2,052  | 5,445                      | 28,739  | 34,184                       | 4,990                               | 2014 |
| Greenwood Plus                | Greenwood (Indianapolis), IN       | —                | 1,129                      | 1,792        | —                          | 4,836  | 1,129                      | 6,628   | 7,757                        | 4,449                               | 1979 |
| Henderson Square              | King of Prussia (Philadelphia), PA | —                | 4,223                      | 15,124       | —                          | 841  | 4,223                      | 15,965  | 20,188                       | 6,696                               | 2003 |
| Keystone Shoppes              | Indianapolis, IN                   | —                | —                          | 4,232        | 2,118                      | 4,923  | 2,118                      | 9,155   | 11,273                       | 3,915                               | 1997 |
| Lake Plaza                    | Waukegan (Chicago), IL             | —                | 2,487                      | 6,420        | —                          | 2,398  | 2,487                      | 8,818   | 11,305                       | 5,538                               | 1986 |
| Lake View Plaza               | Orland Park (Chicago), IL          | —                | 4,702                      | 17,543       | —                          | 18,027   | 4,702                      | 35,570  | 40,272                       | 22,146                              | 1986 |
| Lakeline Plaza                | Cedar Park (Austin), TX            | 15,068           | 5,822                      | 30,875       | —                          | 13,610   | 5,822                      | 44,485  | 50,307                       | 23,691                              | 1998 |
| Lima Center                   | Lima, OH                           | —                | 1,781                      | 5,151        | —                          | 9,852  | 1,781                      | 15,003  | 16,784                       | 9,546                               | 1996 |
| Lincoln Crossing              | O'Fallon (St. Louis), IL           | —                | 674                        | 2,192        | —                          | 9,428  | 674                        | 11,620  | 12,294                       | 2,865                               | 1990 |
| MacGregor Village             | Cary, NC                           | —                | 502                        | 8,891        | —                          | 2,340  | 502                        | 11,231  | 11,733                       | 3,936                               | 2004 |
| Mall of Georgia Crossing      | Buford (Atlanta), GA               | 22,713           | 9,506                      | 32,892       | —                          | 2,316  | 9,506                      | 35,208  | 44,714                       | 20,017                              | 1999 |
| Markland Plaza                | Kokomo, IN                         | —                | 206                        | 738          | —                          | 7,913  | 206                        | 8,651   | 8,857                        | 4,630                               | 1974 |
| Martinsville Plaza            | Martinsville, VA                   | —                | —                          | 584          | —                          | 30   | —                          | 614   | 614                          | 455                                 | 1967 |
| Matteson Plaza                | Matteson (Chicago), IL             | —                | 1,771                      | 9,737        | —                          | (123)  | 1,771                      | 9,614   | 11,385                       | 9,372                               | 1988 |
| Muncie Towne Plaza            | Muncie, IN                         | 6,264            | 267                        | 10,509       | 87                         | 3,604  | 354                        | 14,113  | 14,467                       | 7,914                               | 1998 |
| North Ridge Shopping Center   | Raleigh, NC                        | 12,018           | 385                        | 12,826       | —                          | 6,082  | 385                        | 18,908  | 19,293                       | 6,220                               | 2004 |
| Northwood Plaza               | Fort Wayne, IN                     | —                | 148                        | 1,414        | —                          | 3,225  | 148                        | 4,639   | 4,787                        | 2,986                               | 1974 |
| Plaza at Buckland Hills, The  | Manchester, CT                     | —                | 17,355                     | 43,900       | —                          | 2,011  | 17,355                     | 45,911  | 63,266                       | 5,350                               | 2014 |
| Richardson Square             | Richardson (Dallas), TX            | —                | 6,285                      | —            | 990                        | 15,014   | 7,275                      | 15,014  | 22,289                       | 5,511                               | 1996 |
| Rockaway Commons              | Rockaway (New York), NJ            | —                | 5,149                      | 26,435       | —                          | 15,896   | 5,149                      | 42,331  | 47,480                       | 18,250                              | 1998 |
| Rockaway Town Plaza           | Rockaway (New York), NJ            | —                | —                          | 18,698       | 2,227                      | 5,133  | 2,227                      | 23,831  | 26,058                       | 9,280                               | 2004 |
| Royal Eagle Plaza             | Coral Springs (Miami), FL          | —                | 2,153                      | 24,216       | —                          | 2,807  | 2,153                      | 27,023  | 29,176                       | 5,020                               | 2014 |
| Shops at North East Mall, The | Hurst (Dallas), TX                 | —                | 12,541                     | 28,177       | 402                        | 6,643  | 12,943                     | 34,820  | 47,763                       | 23,650                              | 1999 |
| St. Charles Towne Plaza       | Waldorf (Wash, D.C.), MD           | —                | 8,216                      | 18,993       | —                          | 9,744  | 8,216                      | 28,737  | 36,953                       | 16,712                              | 1987 |
| Tippecanoe Plaza              | Lafayette, IN                      | —                | —                          | 745          | 234                        | 5,902  | 234                        | 6,647   | 6,881                        | 4,121                               | 1974 |
| University Center             | Mishawaka, IN                      | —                | 2,119                      | 8,365        | —                          | 4,422  | 2,119                      | 12,787  | 14,906                       | 10,203                              | 1996 |
| University Town Plaza         | Pensacola, FL                      | —                | 6,009                      | 26,945       | (397)                      | 3,549  | 5,612                      | 30,494  | 36,106                       | 8,836                               | 2013 |
| Village Park Plaza            | Carmel (Indianapolis), IN          | —                | 19,565                     | 51,873       | —                          | 934  | 19,565                     | 52,807  | 72,372                       | 10,568                              | 2014 |
| Washington Plaza              | Indianapolis, IN                   | —                | 263                        | 1,833        | —                          | 2,864  | 263                        | 4,697   | 4,960                        | 4,092                               | 1996 |
| West Ridge Plaza              | Topeka, KS                         | 10,174           | 1,376                      | 4,560        | 1,958                      | 8,490  | 3,334                      | 13,050  | 16,384                       | 6,277                               | 1988 |
| West Town Corners             | Altamonte Springs (Orlando), FL    | —                | 6,821                      | 24,603       | —                          | 4,459  | 6,821                      | 29,062  | 35,883                       | 4,484                               | 2014 |
| Westland Park Plaza           | Orange Park (Jacksonville), FL     | —                | 5,576                      | 8,775        | —                          | (188)  | 5,576                      | 8,587   | 14,163                       | 1,518                               | 2014 |
| White Oaks Plaza              | Springfield, IL                    | 12,528           | 3,169                      | 14,267       | 292                        | 9,558  | 3,461                      | 23,825  | 27,286                       | 12,978                              | 1986 |
| Whitehall Mall                | Whitehall, PA                      | 8,750            | 8,500                      | 28,512       | —                          | 4,369  | 8,500                      | 32,881  | 41,381                       | 5,761                               | 2014 |

| Name                            | Location                | Encumbrances (3) |            | Initial Cost |                            | Cost Capitalized Subsequent to Construction or Acquisition |                            |              | Gross Amounts At Which Carried at Close of Period |              |                             | Date of Construction or Acquisition |
|---------------------------------|-------------------------|------------------|------------|--------------|----------------------------|--|----------------------------|--------------|---|--------------|-----------------------------|-------------------------------------|
|                                 |                         |                  |            | Land         | Buildings and Improvements | Land   | Buildings and Improvements | Land         | Buildings and Improvements                        | Total(1)     | Accumulated Depreciation(2) |                                     |
| Wolf Ranch                      | Georgetown (Austin), TX | —                | —          | 21,999       | 51,547                     | (185)  | 13,684                     | 21,814       | 65,231  | 87,045       | 29,175                      | 2005                                |
| <b>Developments In Progress</b> |                         |                  |            |              |                            |  |                            |              |   |              |                             |                                     |
| Cottonwood Mall                 | Albuquerque, NM         | —                | —          | —            | —                          | —  | —                          | —            | 6,936   | 6,936        | —                           |                                     |
| Fairfield Town Center           | Houston, TX             | —                | —          | —            | —                          | —  | —                          | 3,053        | 853   | 3,906        | —                           |                                     |
| Great Lakes Mall                | Mentor (Cleveland), OH  | —                | —          | —            | —                          | —  | —                          | —            | 6,540   | 6,540        | —                           |                                     |
| Northwoods Mall                 | Peoria, IL              | —                | —          | —            | —                          | —  | —                          | —            | 5,117   | 5,117        | —                           |                                     |
| Other Developments              |                         | —                | —          | —            | —                          | —  | —                          | 3,663        | 18,882  | 22,545       | —                           |                                     |
|                                 |                         | \$ 1,152,436     | \$ 784,000 | \$ 3,638,908 | \$ 16,486                  | \$ 1,231,558   | \$ 807,202                 | \$ 4,908,794 | \$ 5,715,996                                      | \$ 2,076,948 |                             |                                     |

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**Notes to Schedule III**  
**December 31, 2017**  
**(dollars in thousands)**

**(1) Reconciliation of Real Estate Properties:**

The changes in real estate assets (which excludes furniture, fixtures and equipment) for the years ended December 31, 2017, 2016 and 2015 are as follows:

|                            | 2017                | 2016                | 2015                |
|----------------------------|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 6,205,387        | \$ 6,699,789        | \$ 5,227,466        |
| Acquisitions               | 14,366              | 297                 | 3,113,240           |
| Improvements               | 135,713             | 157,561             | 153,536             |
| Held for sale reclasses    | —                   | (215,244)           | (166,742)           |
| Disposals*                 | (639,470)           | (437,016)           | (1,627,711)         |
| Balance, end of year       | <u>\$ 5,715,996</u> | <u>\$ 6,205,387</u> | <u>\$ 6,699,789</u> |

\*Primarily represents properties that have been deconsolidated upon sale of controlling interest, sold properties and fully depreciated assets which have been disposed. Further, includes impairment charges of \$66,925, \$21,879, and \$147,979 for the years ended December 31, 2017, 2016 and 2015, respectively.

The following reconciles investment properties at cost per the consolidated balance sheet to the balance per Schedule III as of December 31, 2017:

|   | 2017                |
|---|---------------------|
| Investment properties at cost           | \$ 5,807,760        |
| Less: furniture, fixtures and equipment | (91,764)            |
| Total cost per Schedule III             | <u>\$ 5,715,996</u> |

The unaudited aggregate cost for federal income tax purposes of real estate assets presented was \$5,307,967 as of December 31, 2017.

**(2) Reconciliation of Accumulated Depreciation:**

The changes in accumulated depreciation and amortization for the years ended December 31, 2017, 2016 and 2015 are as follows:

|                            | 2017                | 2016                | 2015                |
|----------------------------|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,063,107        | \$ 2,261,593        | \$ 2,058,061        |
| Depreciation expense       | 205,078             | 222,861             | 232,735             |
| Disposals                  | (191,237)           | (421,347)           | (29,203)            |
| Balance, end of year       | <u>\$ 2,076,948</u> | <u>\$ 2,063,107</u> | <u>\$ 2,261,593</u> |

The following reconciles accumulated depreciation per the consolidated balance sheet to the balance per Schedule III as of December 31, 2017:

|   | 2017                |
|---|---------------------|
| Accumulated depreciation                        | \$ 2,139,620        |
| Less: furniture, fixtures and equipment         | (62,672)            |
| Total accumulated depreciation per Schedule III | <u>\$ 2,076,948</u> |

Depreciation of our investment in buildings and improvements reflected in the consolidated statements of operations is generally calculated over the estimated original lives of the assets as noted below:

- Buildings and Improvements—typically 10-40 years for the structure, 15 years for landscaping and parking lot, and 10 years for HVAC equipment.
- Tenant Allowances and Improvements—shorter of lease term or useful life.

**(3) Encumbrances represent face amount of mortgage debt and exclude any fair value adjustments and debt issuance costs.**

**Washington Prime Group Inc.**  
**Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Share Dividends**  
**(in thousands)**

|   | Year Ended December 31, |                   |                   |                   |                   |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2017                    | 2016              | 2015              | 2014              | 2013              |
| <b>Earnings before fixed charges:</b>                                   |                         |                   |                   |                   |                   |
| Net income (loss) from continuing operations                            | \$ 231,593              | \$ 77,416         | \$ (104,122)      | \$ 205,455        | \$ 187,334        |
| Income tax expense  | 3,417                   | 2,232             | 849               | 1,215             | 196               |
| (Income) loss from unconsolidated entities                              | (1,395)                 | 1,745             | 1,247             | (973)             | (1,416)           |
| Remeasurement gains from unconsolidated entities                        | —                       | —                 | —                 | (99,375)          | —                 |
| Distributions from unconsolidated entities                              | 1,873                   | 272               | 223               | 1,004             | 2,110             |
| Fixed charges   | 128,173                 | 139,027           | 141,965           | 82,816            | 56,219            |
| Capitalized interest  | (1,521)                 | (2,640)           | (1,781)           | (283)             | (1,019)           |
| <b>Earnings before fixed charges</b>                                    | <b>\$ 362,140</b>       | <b>\$ 218,052</b> | <b>\$ 38,381</b>  | <b>\$ 189,859</b> | <b>\$ 243,424</b> |
| <b>Fixed charges and preferred share dividends:</b>                     |                         |                   |                   |                   |                   |
| Interest expense (1)  | \$ 126,541              | \$ 136,225        | \$ 139,923        | \$ 82,428         | \$ 55,058         |
| Capitalized interest  | 1,521                   | 2,640             | 1,781             | 283               | 1,019             |
| Portion of rents representative of the interest factor                  | 111                     | 162               | 261               | 105               | 142               |
| <b>Total fixed charges</b>  | <b>128,173</b>          | <b>139,027</b>    | <b>141,965</b>    | <b>82,816</b>     | <b>56,219</b>     |
| <b>Preferred share dividends</b>  | <b>14,032</b>           | <b>14,032</b>     | <b>15,989</b>     | <b>—</b>          | <b>—</b>          |
| <b>Total fixed charges and preferred share dividends</b>                | <b>\$ 142,205</b>       | <b>\$ 153,059</b> | <b>\$ 157,954</b> | <b>\$ 82,816</b>  | <b>\$ 56,219</b>  |
| <b>Ratio of earnings to fixed charges and preferred share dividends</b> | <b>2.55</b>             | <b>1.42</b>       | <b>0.24 (2)</b>   | <b>2.29</b>       | <b>4.33</b>       |

(1) Does not include the impact of the approximate \$1 billion of debt incurred related to the spin-off from Simon Property Group for all periods prior to May 28, 2014.

(2) The shortfall of earnings to fixed charges and preferred share dividends for the year ended December 31, 2015 was \$119,573. This shortfall resulted from the \$31,653 of merger and transaction costs and \$147,979 of impairment loss that we incurred during the year ended December 31, 2015.

**Washington Prime Group, L.P.**  
**Computation of Ratios of Earnings to Fixed Charges**  
**(in thousands)**

|  | <b>Year Ended December 31,</b> |                   |                   |                   |                   |
|--|--------------------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>2017</b>                    | <b>2016</b>       | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       |
| <b>Earnings before fixed charges:</b>                  |                                |                   |                   |                   |                   |
| Net income (loss) from continuing operations           | \$ 231,593                     | \$ 77,416         | \$ (104,122)      | \$ 205,455        | \$ 187,334        |
| Income tax expense                                     | 3,417                          | 2,232             | 849               | 1,215             | 196               |
| (Income) loss from unconsolidated entities             | (1,395)                        | 1,745             | 1,247             | (973)             | (1,416)           |
| Remeasurement gains from unconsolidated entities       | —                              | —                 | —                 | (99,375)          | —                 |
| Distributions from unconsolidated entities             | 1,873                          | 272               | 223               | 1,004             | 2,110             |
| Fixed charges  | 128,173                        | 139,027           | 141,965           | 82,816            | 56,219            |
| Capitalized interest                                   | (1,521)                        | (2,640)           | (1,781)           | (283)             | (1,019)           |
| <b>Earnings before fixed charges</b>                   | <b>\$ 362,140</b>              | <b>\$ 218,052</b> | <b>\$ 38,381</b>  | <b>\$ 189,859</b> | <b>\$ 243,424</b> |
| <b>Fixed charges:</b>                                  |                                |                   |                   |                   |                   |
| Interest expense (1)                                   | \$ 126,541                     | \$ 136,225        | \$ 139,923        | \$ 82,428         | \$ 55,058         |
| Capitalized interest                                   | 1,521                          | 2,640             | 1,781             | 283               | 1,019             |
| Portion of rents representative of the interest factor | 111                            | 162               | 261               | 105               | 142               |
| <b>Total fixed charges</b>                             | <b>\$ 128,173</b>              | <b>\$ 139,027</b> | <b>\$ 141,965</b> | <b>\$ 82,816</b>  | <b>\$ 56,219</b>  |
| <b>Ratio of earnings to fixed charges</b>              | <b>2.83</b>                    | <b>1.57</b>       | <b>0.27 (2)</b>   | <b>2.29</b>       | <b>4.33</b>       |

(1) Does not include the impact of the approximate \$1 billion of debt incurred related to the spin-off from Simon Property Group for all periods prior to May 28, 2014.

(2) The shortfall of earnings to fixed charges for the year ended December 31, 2015 was \$103,584. This shortfall resulted from the \$31,653 of merger and transaction costs and \$147,979 of impairment loss that we incurred during the year ended December 31, 2015.

**Washington Prime Group Inc. and Washington Prime Group, L.P.**  
**List of Subsidiaries\***  
**As of December 31, 2017**

|   | <b>Jurisdiction</b> |
|---|---------------------|
| <b>Washington Prime Group Inc. has the following subsidiaries:</b>      |                     |
| Washington Prime Group, L.P.  | Indiana             |
| <b>Washington Prime Group, L.P. has the following subsidiaries:</b>     |                     |
| Masterventure Limited Partnership                                       | Indiana             |
| Washington Prime Acquisition, LLC                                       | Indiana             |
| Washington Prime Management Associates, LLC                             | Indiana             |
| WPG Management Associates, Inc.   | Indiana             |
| WPG Subsidiary Holdings I, LLC  | Maryland            |
| WPG-OC General Partner, LLC   | Delaware            |
| WPG-OC Limited Partner, LLC   | Delaware            |
| WPG-OC New Limited Partner, L.P.  | Delaware            |
| <b>Washington Prime Properties LLC has the following subsidiaries:</b>  |                     |
| Washington Prime Property Limited Partnership                           | Delaware            |
| <b>WPG Management Associates, Inc. has the following subsidiaries:</b>  |                     |
| WPG-OC General Partner II, LLC  | Delaware            |
| WPG-OC JV II, L.P.  | Delaware            |
| WPG-OC JV III, L.P.   | Delaware            |
| WPG-OC JV V, L.P.   | Delaware            |
| WPG-OC Limited Partner II, LLC  | Delaware            |
| <b>WPG Subsidiary Holdings I, LLC has the following subsidiaries:</b>   |                     |
| Washington Prime Properties, LLC  | Delaware            |
| Washington Prime Property Limited Partnership                           | Delaware            |
| <b>WPG-OC General Partner II, LLC has the following subsidiaries:</b>   |                     |
| WPG-OC JV IV, L.P.  | Delaware            |
| WPG-OC JV VI, L.P.  | Delaware            |
| <b>WPG-OC General Partner III, LLC has the following subsidiaries:</b>  |                     |
| WPG-OC JV IV, L.P.  | Delaware            |
| WPG-OC JV VI, L.P.  | Delaware            |
| <b>WPG-OC General Partner, LLC has the following subsidiaries:</b>      |                     |
| WPG-OC JV, L.P.   | Delaware            |
| WPG-OC New Limited Partner, L.P.  | Delaware            |
| <b>WPG-OC New Limited Partner, L.P. has the following subsidiaries:</b> |                     |
| WPG-OC General Partner III, LLC   | Delaware            |

\*Omits name and subsidiaries that as of December 31, 2017 were not, in the aggregate, “significant subsidiaries.”



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- Registration statement (Form S-3ASR No. 333-206500) of Washington Prime Group Inc.,
- Registration statement (Form S-8 No. 333-201531) pertaining to Glimcher Realty Trust Amended and Restated 2004 Incentive Compensation Plan and Glimcher Realty Trust 2012 Incentive Compensation Plan
- Registration statement (Form S-8 No. 333-197000) pertaining to Washington Prime Group, L.P. 2014 Stock Incentive Plan.

of our reports dated February 22, 2018, with respect to the consolidated financial statements and schedule of Washington Prime Group Inc. and the effectiveness of internal control over financial reporting of Washington Prime Group Inc. included in this Annual Report (Form 10-K) of Washington Prime Group Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Indianapolis, Indiana  
February 22, 2018

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-3ASR No. 333-206500) of Washington Prime Group L.P. and in the related Prospectus of our reports dated February 22, 2018, with respect to the consolidated financial statements and schedule of Washington Prime Group L.P. and the effectiveness of internal control over financial reporting of Washington Prime L.P. included in this Annual Report (Form 10-K) of Washington Prime Group, L.P. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Indianapolis, Indiana  
February 22, 2018

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Louis G. Conforti, certify that:

1. I have reviewed this Annual Report on Form 10-K of Washington Prime Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Louis G. Conforti

Louis G. Conforti  
*Chief Executive Officer and Director*

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark E. Yale, certify that:

1. I have reviewed this Annual Report on Form 10-K of Washington Prime Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Mark E. Yale

Mark E. Yale

*Executive Vice President and Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Louis G. Conforti, certify that:

1. I have reviewed this Annual Report on Form 10-K of Washington Prime Group, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Louis G. Conforti

Louis G. Conforti

*Chief Executive Officer and Director of Washington Prime Group Inc.,  
general partner of Washington Prime Group, L.P.*

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark E. Yale, certify that:

1. I have reviewed this Annual Report on Form 10-K of Washington Prime Group, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Mark E. Yale

Mark E. Yale  
*Executive Vice President and Chief Financial Officer of Washington  
Prime Group Inc., general partner of Washington Prime Group, L.P.*



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT of 2002**

In connection with the Annual Report of Washington Prime Group Inc. (the “Company”) on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2018

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/s/ Louis G. Conforti

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Louis G. Conforti  
*Chief Executive Officer and Director*

Date: February 22, 2018

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/s/ Mark E. Yale

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Mark E. Yale  
*Executive Vice President and Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT of 2002**

In connection with the Annual Report of Washington Prime Group, L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 22, 2018

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/s/ Louis G. Conforti

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Louis G. Conforti  
*Chief Executive Officer and Director of Washington Prime Group Inc., general partner of Washington Prime Group, L.P.*

Date: February 22, 2018

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/s/ Mark E. Yale

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Mark E. Yale  
*Executive Vice President and Chief Financial Officer of Washington Prime Group Inc., general partner of Washington Prime Group, L.P.*

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## MARKET INFORMATION

Washington Prime Group Inc.'s common shares are listed and traded on the New York Stock Exchange ("NYSE") under the symbol "WPG." On December 31, 2017, the last reported sales price of WPG common shares on the NYSE was \$7.12. The following table shows the high and low sales prices for WPG common shares on the NYSE for the 2017 quarterly periods indicated as reported by the New York Stock Exchange Composite Tape and the cash distributions per common share declared by the company with respect to each such period.

| 2017           | High    | Low    | Distributions Declared Per Common Share <sup>(1)</sup> |
|----------------|---------|--------|--|
| First Quarter  | \$10.97 | \$7.90 | \$0.25   |
| Second Quarter | \$9.49  | \$7.31 | \$0.25   |
| Third Quarter  | \$9.79  | \$8.00 | \$0.25   |
| Fourth Quarter | \$8.87  | \$6.62 | \$0.25   |

(1) Distributions on WPG common shares are currently declared and paid on a quarterly basis.

## EMPLOYEES

At February 21, 2018, the company had a total of 787 employees, of which 79 were part-time.

## DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Computershare Trust Company, N.A., an affiliate of the company's transfer agent, sponsors and administers a Direct Stock Purchase and Dividend Reinvestment Plan that allows interested persons to purchase WPG common shares and/or to reinvest distributions on WPG common shares.

## HOLDERS

The number of holders of record of the common shares was 1,381 on February 21, 2018.

## TRANSFER AGENT AND REGISTRAR

Computershare Inc.

### Regular Mail:

PO BOX 505000  
Louisville, KY 40233-5000

### Overnight Delivery:

462 South 4th Street Suite 1600  
Louisville, KY 40202  
1.866.239.2277

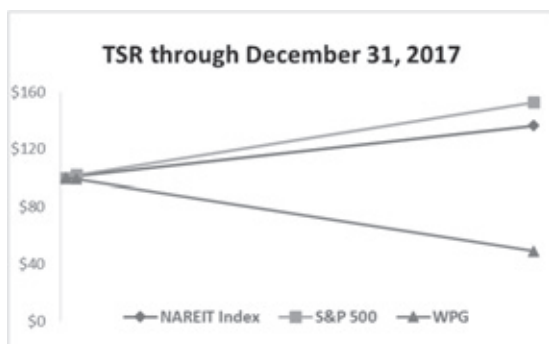
## STOCK EXCHANGE LISTINGS

At February 21, 2018, the company had two series of outstanding shares of preferred stock, all of which are also traded on the NYSE under the following symbols:

- 7.50% Series H Cumulative Redeemable Preferred Stock: "WPGPRH."
- 6.875% Series I Cumulative Redeemable Preferred Stock: "WPGPRI."

## COMMON SHARE PERFORMANCE

The following graph compares the cumulative total shareholder return (TSR) on WPG common shares for the period May 14, 2014 (the date that WPG commenced trading) through December 31, 2017 with the cumulative total return on the Standard & Poor's 500 Stock Index ("S&P 500") and the NAREIT All Equity REITs Index ("NAREIT Index")<sup>1</sup> for the same period. Each cumulative total return was calculated assuming the investment of \$100 in each of the S&P 500, the NAREIT Index, and WPG common shares on May 14, 2014 and assuming reinvestment of dividends. The information set forth below is not necessarily indicative of future performance.



(1) The Financial Times Stock Exchange Group (FTSE) NAREIT All Equity REITs Index (consisting of 167 constituents with a total equity market cap of \$1.02 trillion is calculated by FTSE, as of December 31, 2017.

**ANNUAL REPORT ON FORM 10-K**

The company's Annual Report on Form 10-K for the year ended December 31, 2017 is attached and is also available to shareholders without charge at [www.investor.washingtonprime.com](http://www.investor.washingtonprime.com) or upon written request addressed to the company's investor relations department at the address of the corporate office.

**INDEPENDENT ACCOUNTANTS**

Ernst & Young LLP  
Indianapolis, IN

**ANNUAL MEETING OF SHAREHOLDERS**

The annual meeting of shareholders will be held on Thursday, May 17, 2018 at 9:00 a.m., local time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, New York, 10174.

**CORPORATE OFFICE**

180 East Broad Street  
Columbus, OH 43215  
614.621.9000

**WEBSITE AND E-MAIL**

[www.washingtonprime.com](http://www.washingtonprime.com)  
[wpginfo@washingtonprime.com](mailto:wpginfo@washingtonprime.com)

**FORWARD-LOOKING STATEMENTS**

This report, together with other statements and information publicly disseminated by WPG, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy. Future events and actual results may differ from the events discussed in the forward-looking statements. Risks and other factors that might cause differences, some of which could be material, include, but are not limited to, economic and market conditions, competition, employment litigation, transaction delays, the failure of WPG to qualify as a real estate investment trust, loss of key personnel, the failure to achieve earnings/funds from operations targets or estimates, as well as other risks listed from time to time in our Form 10-K and other reports and statements filed by WPG with the Securities and Exchange Commission.





**WASHINGTON  
PRIME GROUP**

WASHINGTONPRIME.COM