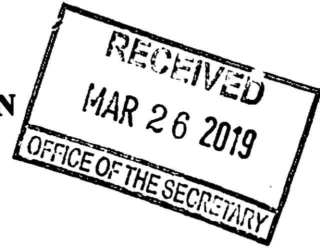
UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION



SECURITIES EXCHANGE ACT OF 1934
Release No. 85150/February 15, 2019

Admin. Proc. File No. 3-18811

In the Matter of

CEELOX, INC., TALON REAL ESTATE HOLDING CORP., VIRTUAL SOURCING, INC., AND WINDSTREAM TECHNOLOGIES, INC.

RESPONDENT TALON REAL ESTATE HOLDING CORP'S OPPOSITION TO THE DIVISION OF ENFORCEMENT'S MOTION FOR AN ORDER OF SUMMARY DISPOSITION

Respondent Talon Real Estate Holding Corp. ("Talon"), by and through its undersigned counsel, submits this Opposition to the Division of Enforcement's Motion for an Order of Summary Disposition, a copy of which is annexed hereto as Exhibit A.

PROCEDURAL BACKGROUND

On September 20, 2018, the Securities and Exchange Commission ("the SEC") issued an Order Instituting Administrative Proceeding and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 (the "OIP") to determine whether it is necessary or appropriate for the protection of investors to suspend (for a period not exceeding twelve months) or revoke the registration of each class of Talon's securities registered pursuant to Section 12 of the Exchange Act. On September 28, 2018, Talon served an Answer to the OIP. On March 1, 2019, the SEC served the Motion for an Order of Summary Disposition.

PRELIMINARY STATEMENT

Pursuant to 17 CFR 201.250(c), "a party may make a motion for summary judgment on one or more claims or defenses, asserting that the undisputed pleaded facts, declarations, affidavits, deposition transcripts, documentary evidence or facts officially noted pursuant to § 201.323 show that there is no genuine issue with regard to any material fact and that the movant is entitled to summary disposition as a matter of law."

Here, in support of its motion, the SEC alleges as follows:

> TALR failed to make at least eighteen required Commission filings over a period approaching five years: eight periodic reports, five Forms 12b-25, and at least five proxy and/or information statements. Exhibit A at fn. 5.

The SEC further alleges as follows:

> In its resignation letter, [Talon's accounting firm] noted that it had advised management and members [sic] TALR's audit committee of: (1) material weaknesses in its internal controls related to its ability to execute a timely and accurate close of its 2016 financial statements; and (2) its failure to follow policies and procedures concerning material contracts, indebtedness, commitments, contingencies, and related party transactions. Exhibit A at 3 (citation to the record omitted).

The SEC still further alleges as follows:

> On August 16, 2018, TALR's attorney sent an email to Corporation Finance stating that he had been "brought on with the new auditor to update the filings given the Chief Financial Officer's failing health and capabilities." Exhibit A at 4 (citation to the record omitted).

In opposing a motion for summary disposition, "a respondent may present genuine issues with respect to facts that could mitigate his or her misconduct." *Seghers v. SEC*, 548 F.3d 129, 134 (D.C. Cir. 2008) (citation omitted). Here, Talon submits the Declaration of Joshua D. Brinen, annexed hereto as Exhibit B, for the sole and express purpose of responding to the SEC's allegations.

TALON'S OPPOSITION

Talon is working systematically to remedy its delinquencies.

The complete list of Talon's delinquent filings, and the exact status of each, is as follows:

Filing	Status
Form 10K 2016	Prepared, Clearing Final Comments and completing PCAOB Requirements
Form 10Q March 2017	Prepared, under Review
Form 10Q June 2017	Prepared, under Review
Form 10Q September 2017	Prepared, under Review
Form 10K 2017	Prepared, under Review
Form 10Q March 2018	Drafted
Form 10Q June 2018	Drafted
Form 10Q September 2018	Drafted

See Exhibit B, ¶ 4.

Talon has developed and implemented the internal controls necessary for regulatory compliance.

Mindful of the need for regulatory compliance, Talon has developed and implemented internal controls as follows:

First, Talon has removed the former Chief Financial Officer from active management due to his severe medical issues. *See*, Exhibit C, Affidavit of Chief Executive Officer.

Second, Talon has stopped Director Agar from participating beyond his traditional role in the filing process. *See*, Exhibit C.

Third, Talon has hired a part-time Chief Financial Officer to organize the preparation and filing of the financial statements and notes. *See*, Exhibit C.

Fourth, Talon has obtained sufficient funding to pay the prior auditors to release the prior workpapers and fund the compliance requirements.

The Chief Executive Officer, Mr. Kaminski, has endeavored to resolve each issue. To that end the company has:

a.e Negotiated a settlement with the PCAOB accountant to obtain its release ofe the prior workpapers and to assist in the transition to the new auditors, Turnere Stone & Co who were hired in 2018;e

b.e Removed the Chief Financial Officer;e

c.e Secured that Director Agar from his prior obstructionist actions;e

d.e Hired a Part-time Chief Financial Officer to compile the financial statementse and notes;e

e.e Hired an outside accounting firm to assist in the compilation of the financiale statements and notes; ande

f.e Hired a securities attorney to manage the process of becoming current ande maintaining current status.e

The company acknowledges that it has not been able to file the necessary reports. It has not been able to file such reports due to the following reasons:

a.e Director Agar's obstructionist actions prevented the original filing of the Forme 10K for fiscal year 2016;e

b.e Director Agar's harassing tactics toward the former auditors and formere counsel prevented the original filing of the Form 10K for fiscal year 2016;e

c.e The former Chief Financial Officer's medical issues prevented him frome completing his duties, managing Director Agar's obstructionism ande terminating Director Agar's harassment.e

d.e The prior auditors would not transition the audit workpaper file to the newe auditors;e

e.e The company had to obtain the necessary funding to accomplish these tasks. e

Talon did not fail to appreciate the consequences or the seriousness of failing to make such reports. To that end, the company has done the following:

a.e Negotiated a settlement and a payment with the PCAOB accountant to obtaine its release of the prior workpapers and to assist in the transition to the newe auditors.e

b.e Engaged with a new auditor, Turner Stone, who at the time of this submission,e prepared to sign-off on the December 31, 2015 audit.e

c.e Engaged a comptroller consultant to assist in the preparation of the financiale statements for audit by the new auditor Turner Stone.e

d.e Engaged a new attorney to assist in preparation of the Securities ande Exchange Commission filings.e

The new attorney, auditor, and comptroller consultant have set a schedule to remediate the open issues. To further that end, the company has committed to the schedule attached to this filing as Exhibit D.

The company, new attorney, auditor, and comptroller consultant have all agreed that the company can and will maintain its quarterly filing once caught up.

See Exhibit B, ¶ 5.

Talon is committed to ongoing regulatory compliance.

Talon has retained its undersigned counsel to ensure regulatory compliance going forward. The status of Talon's progress to that end is as follows:

Filing	Status
Form 10K 2016	Prepared, Clearing Final Comments and completing PCAOB Requirements
Form 10Q March 2017	Prepared, under Review
Form 10Q June 2017	Prepared, under Review
Form 10Q September 2017	Prepared, under Review
Form 10K 2017	Prepared, under Review
Form 10Q March 2018	Drafted
Form 10Q June 2018	Drafted
Form 10Q September 2018	Drafted

See Exhibit B, ¶ 6.

CONCLUSION

Talon's hiring of the undersigned counsel's firm to oversee the completion and filing of all overdue reports and to ensure that, going forward, all reports are completed and filed in accordance with applicable rules and regulations is evidence of a genuine commitment to fulfilling its corporate responsibilities as they relate to the within action.

Wherefore, it is requested that the Motion for an Order of Summary Disposition be denied.

DATED: New York, New York
March 25, 2019

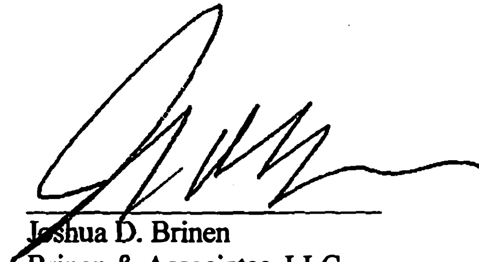


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Exhibit A

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-18811

In the Matter of
Ceelox, Inc., *et al.*,
Respondents.

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION AS TO TALON REAL ESTATE HOLDING, INC. AND BRIEF IN SUPPORT

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DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION

The Division of Enforcement ("Division"), by undersigned counsel, pursuant to Commission Rules of Practice 154 and 250, hereby moves for an order revoking the registration of each class of securities of Talon Real Estate Holdings, Inc. ("TALR" or "Respondent") registered pursuant to Securities and Exchange Act of 1934 ("Exchange Act") Section 12. As discussed below, summary disposition is appropriate here because there is no genuine issue concerning any material fact. Pursuant to Exchange Act Section 12(j), the Division, as a matter of law, is entitled to an order revoking the registration of each class of securities of TALR registered pursuant to Exchange Act Section 12.

BRIEF IN SUPPORT

I. Statement of Facts

A. TALR and Its Delinquent Filings

TALR (CIK No. 1426011) is a delinquent Utah corporation located in Minneapolis, Minnesota with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g). Order Instituting Proceedings ("OIP"), ¶ II.A.4; Frye Decl. Exs. 1 and 2.[1] As of September 14, 2018, the common stock of TALR was quoted on OTC Link (formerly "Pink Sheets"), operated by OTC Markets Inc., had seven market makers, and was eligible for the

[1]From the Declaration of David S. Frye in Support of the Division of Enforcement's Motion for Summary Disposition and Brief in Support ("Frye Decl.") and accompanying exhibits, submitted herewith. The Division asks, pursuant to Rule of Practice 323, that the Court take official notice of Ex. 1 and all other information and filings on EDGAR referred to in this brief and/or filed as exhibits with the accompanying Frye Declaration. In order to reduce the volume of documents included in this submission, the Division has attached as exhibits excerpted copies of certain voluminous documents with just the cover page and relevant pages included. The Division will provide complete copies of any of these documents if requested by the Commission or the respondent.

"piggyback" exception of Exchange Act Rule 15c2-11(f)(3). Frye Decl. Ex. 3. TALR is delinquent in its periodic filings with the Commission, having failed to file any periodic reports since it filed a Form 10-Q for the period ended September 30, 2016. Frye Decl. Exs. 4 and 5.

On March 31, 2017, TALR filed a Notification of Late Filing on Exchange Act Form 12b-25 ("Form 12b-25") for its Exchange Act Form 10-K for the period ended December 31, 2016. In this form, the company gave the following explanation of the reasons for its failure to file its Form 10-K and its plan to do so:

> The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Annual Report on Form 10-K in time to allow completion of the report within the prescribed time period.e The Company expects to be in a position to file the Form 10-K within 15 dayse after March 31, 2017.e

Frye Decl. Ex. 6. Exhibit 6 was signed by M.G. Kaminski, ("Kaminski") the CEO of TALR. *Id.* Despite its stated intention to file its December 31, 2016 Form 10-K within fifteen days, to this day TALR has not filed that form. Frye Decl. Exs. 4 and 5.

TALR's next required periodic filing was a Form 10-Q for the period ended March 31, 2017. TALR did not make that filing. Instead, on May 16, 2017, TALR filed another Form 12b-25. In that notice of late filing, TALR stated its intentions to comply with the Exchange Act:

> The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Report in time to allow completion of the report within the prescribed time period. The Company expects to be in a position to file the Form 10-Q within 5 days after May 15, 2017.

Frye Decl. Ex. 7. Exhibit 7 was signed by Kaminski. *Id.* Despite its stated intention to file its March 31, 2017 Form 10-Q within five days of its due dateeTALR failed to do so. As of the date of this filing, TALR has not filed that form. Frye Decl. Exs. 4 and 5.

TALR's next required periodic filing was a Form 10-Q for the period ended June 30,

2017, due on August 14, 2017. Again, instead of making the required filing, TALR filed another Form 12b-25. In that form, TALR again stated its intentions to comply with the Exchange Act:

> The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Report in time to allow completion of the report within the prescribed time period. The Company expects to be in a position to file the Form 10-Q within 5 days after August 14, 2017.

Frye Decl. Ex. 8. Exhibit 8 was signed by Kaminski. *Id.* Despite its stated intention to file its June 30, 2017 Form 10-Q within five days of its due date, TALR did not do so. As of the date of this filing, TALR has not filed that form. Frye Decl. Exs. 4 and 5.

On November 20, 2017, the accounting firm of Baker, Tilly, Virchow, Krause, LLP ("Baker") resigned as TALR's independent auditor. Frye Decl. Ex. 9 (consisting of a Form 8-K filed on November 28, 2017 and the attached resignation letter). This firm had served as TALR's independent auditor since June 7, 2013, when current management took control of the company. Frye Decl. Ex. 10. In its resignation letter, Baker noted that it had advised management and members TALR's audit committee of: (1) material weaknesses in its internal controls related to its ability to execute a timely and accurate close of its 2016 financial statements; and (2) its failure to follow policies and procedures concerning material contracts, indebtedness, commitments, contingencies, and related party transactions. Frye Decl. Ex. 9.

Ultimately, TALR failed to file its Form 10-Q for the period ended September 30, 2017 and also failed to file a Form 12b-25, both of which were due on November 14, 2017. Frye Decl. Exs. 4 and 5.

B. The November 30, 2017 Delinquency Letter to TALR

Thereafter, on November 30, 2017, the Division of Corporation Finance ("Corporation Finance") sent a letter to TALR advising it of its delinquency. The letter further stated that, if TALR failed to make its missing filings, it could be subject, without further notice, to a trading

suspension pursuant to Exchange Act Section 12(k) and/or an administrative proceeding under Exchange Act Section 12(j) to revoke or suspend its securities registration under Exchange Act Section 12g. Frye Decl. Ex. 11. A signed return receipt shows that TALR received the letter on December 4, 2017. Frye Decl. Ex. 12.

In response to the delinquency letter, on December 21, 2017, Corporation Finance received an email from Keith Gruebele, then the CFO of TALR, acknowledging receipt of the delinquency letter. Frye Decl. Ex. 13. The email reported that the Board of Directors had met concerning TALR's need to make its filings, met with a prospective audit firm, and that TALR would provide a "meaningful letter of intention with date certain of being in full compliance to you by mid-January." On January 22, 2018, TALR sent an email to Corporation Finance giving a date certain of August 14, 2018 to be in full compliance with all its Securities and Exchange Commission filings. Frye Decl. Ex. 14.

During 2018, TALR filed no periodic reports or Forms 12b-25. Its self-defined deadline of August 14, 2018 came and went without TALR making a single periodic filing. On August 16, 2018, TALR's attorney sent an email to Corporation Finance stating that he had been "brought on with the new auditor to update the filings given the Chief Financial Officer's failing health and capabilities." Frye Decl. Ex. 15.

On September 20, 2018, the Commission instituted this proceeding against TALR and three unrelated respondents. *Ceelox, Inc., et al.,* Admin. Proc. No. 3-18811, Exchange Act Rel. No. 84234 (September 20, 2018).

Simultaneously with the institution of this proceeding, the Commission issued an order suspending trading in the securities of TALR for ten business days. *Ceelox, Inc., et al.,* Exchange Act Rel. No. 84244, Commission File No. 500-1 (September 20, 2018).

After institution of this proceeding, TALR failed to file a Form 10-Q for the period ended September 30, 2018 or a Form 12b-25 for that filing. Frye Decl. Exs. 4 and 5.

II. Argument in Support of Summary Disposition

A. Standards Applicable to the Division's Summary Disposition Motion

Rule of Practice 250(a) permits a party to move "for summary disposition of any or all allegations of the order instituting proceedings" before hearing, with leave of the hearing officer. Rule of Practice 250(b) provides that a hearing officer may grant a motion for summary disposition if there is no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law. *See Michael Puorro*, Initial Decision Rel. No. 253, 2004 SEC LEXIS 1348, at *3 (June 28, 2004) citing Rule of Practice 250; *Garcis, U.S.A.*, Securities Exchange Act of 1934 Rel. No. 38495, 1997 SEC LEXIS 838 (April 10, 1997) (granting motion for summary disposition). As one Administrative Law Judge explained:

> By analogy to Rule 56 of the Federal Rules of Civil Procedure, a factual dispute between the parties will not defeat a motion for summary disposition unless it is both genuine and material. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). Once the moving party has carried its burden, 'its opponent must do more than simply show that there is some metaphysical doubt as to the material facts.' *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). The opposing party must set forth specific facts showing a genuine issue for a hearing and may not rest upon the mere allegations or denials of its pleadings. At the summary disposition stage, the hearing officer's function is not to weigh the evidence and determine the truth of the matter, but rather to determine whether there is a genuine issue for resolution at a hearing. *See Anderson*, 477 U.S. at 249.

Edward Becker, Initial Decision Rel. No. 252, 2004 SEC LEXIS 1135, at *5 (June 3, 2004).

The Commission instituted this administrative proceeding under Exchange Act Section 12(j). Section 12(j) empowers the Commission, where it deems it "necessary and appropriate for the protection of investors" to either suspend (for a period not exceeding twelve months) or

permanently revoke a security's registration "if the Commission finds, on the record after notice and opportunity for hearing, that the issuer of such security has failed to comply with any provision of this title or the rules and regulations thereunder." It is appropriate to grant summary disposition and revoke an issuer's registration in a Section 12(j) proceeding where, as here, there is no dispute that the registrant has failed to comply with Exchange Act Section 13(a).[2]

B.2 The Division is Entitled to Summary Disposition Against2 TALR for its Failures to Comply with Exchange Act2 Section 13(a) and Rules 13a-1 and 13a-13 Thereunder2

Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Section 13(a) is a cornerstone of the2 Exchange Act, establishing a system of periodically reporting invaluable information about2 issuers of securities. The Commission has stated:2

> Failure to file periodic reports violates a central provision of the Exchange Act. The purpose of the periodic filing requirements is to supply investors with current and accurate financial information about an issuer so that they may make sound decisions. Those requirements are "the primary tool[s] which Congress has fashioned for the protection of investors from negligent, careless, and deliberate misrepresentations in the sale of stock and securities." Proceedings initiated under Exchange Act Section 12(j) are an important remedy to address the problem of publicly traded companies that are delinquent in the filing of their Exchange Act reports, and thereby deprive investors of accurate, complete, and timely information upon which to make informed investment decisions.

Gateway International Holdings, Inc., Exchange Act Rel. No. 53907, 2006 SEC LEXIS 1288, at *26 (May 31, 2006) ("*Gateway*") (quoting *SEC v. Beisinger Indus. Corp.*, 552 F.2d 15, 18 (1st

[2] *See AIC International, Inc.*, Initial Decision Rel. No. 324, 2006 SEC LEXIS 2996 (December 27, 2006); *Bilogic, Inc.*, Initial Decision Rel. No. 322, 2006 SEC LEXIS 2596, at *12 (November 9, 2006); *iBiz Technology Corp.*, Initial Decision Rel. No. 312, 2006 SEC2 LEXIS 1406, at *11 (June 16, 2006); *St. George Metals, Inc.*, Initial Decision Rel. No. 298, 20052 SEC LEXIS 2465, at *12 (September 29, 2005); *Investco, Inc.*, Initial Decision Rel. No. 240,2 2003 SEC LEXIS 2792, at *7 (November 24, 2003); *Nano World Projects Corp.*, Initial2 Decision Rel. No. 228, 2003 SEC LEXIS 1968, at *3 (May 20, 2003)2

Cir. 1977)).

"Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Rule 13a-1 requires issuers to submit annual reports, and Exchange Act Rule 13a-13 requires issuers to submit quarterly reports. No showing of scienter is necessary to establish a violation of Section 13(a) or the rules thereunder." *Telestone Technologies Corp.*, Initial Decision Rel. No. 1078 at 2, 2016 SEC LEXIS 4185, at *4 (November 9, 2016); *accord Gateway*, 2006 SEC LEXIS 1288, at *18, 22 n.28; *Stansbury Holdings Corp.*, Initial Decision Rel. No. 232, 2003 SEC LEXIS 1639, at *15 (July 14, 2003); *WSF Corp.*, Initial Decision Rel. No. 204, 2002 SEC LEXIS 1242, at *14 (May 8, 2002). There is no dispute that TALR failed to comply with Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 thereunder. *See also* TALR's Answer at 3.

Moreover, it is wholly appropriate to revoke TALR's registration on a motion for summary disposition where, as here, the Section 12 issuer has failed to comply with Section 13(a).[3] There is no dispute that TALR had failed to file seven consecutive periodic reports when this proceeding was instituted. Given the central importance of the reporting requirements imposed by Section 13(a) and the rules thereunder, Administrative Law Judges have found delinquencies of a far less duration to warrant revocation.[4]

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[3] *See AIC International, Inc.*, 2006 SEC LEXIS 2996 (summary disposition granted in Section 12(j) action); *Bilogic, Inc.*, 2006 SEC LEXIS 2596, at *12 (same); *Investco, Inc.*, Initial Decision Rel. No. 312, 2003 SEC LEXIS 2792, at *7 (November 24, 2003); *Nano World Projects Corp.*, Initial Decision Rel. No. 228, 2003 SEC LEXIS 1968, at *3 (May 20, 2003) (summary disposition in Exchange Act Section 12(j) action granted where certifications on filings and respondent's admission established failure to file annual or quarterly reports).

[4] *iBIZ Technology Corp.*, Initial Decision Rel. No. 312 at 1 (June 16, 2006) (revocation granted due to the delinquency of one Form 10-K and two Forms 10-Q); *WSF Corp.*, 2002 SEC LEXIS 1242, at *14 (revocation granted due to the delinquency of one Form 10-K and three Forms 10-Q); *Freedom Golf Corp.*, Initial Decision

C. Revocation is the Appropriate Sanction for TALR's Serial Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder

Exchange Act Section 12(j) provides that the Commission may revoke or suspend the Exchange Act Section 12 registration of an issuer's securities where it is "necessary or appropriate for the protection of investors." The Commission's determination of which sanction is appropriate "turns on the effect on the investing public, including both current and prospective investors, of the issuer's violations, on the one hand, and the Section 12(j) sanctions on the other hand." *Gateway*, 2006 SEC LEXIS 1288, at *19-20. In making this determination, the Commission has said it will consider, among other things:

(1) the seriousness of the issuer's violations;e
(2) the isolated or recurrent nature of the violations;e
(3)e the degree of culpability involved;e
(4)e the extent of the issuer's efforts to remedy its paste violations and ensure future compliance; ande
(5)e the credibility of the issuer's assurances, if any, against future violations.e

Id.; see also Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979) (setting forth the public interest factors that informed the Commission's *Gateway* decision). Although no one factor is controlling, *Stansbury*, 2003 SEC LEXIS 1639, at *14-15 and *WSF Corp.*, 2002 SEC LEXIS 1242, at *5, *18, the Commission has recently reaffirmed that " 'recurrent failure to file periodic reports' is 'so serious that only a strongly compelling showing with respect to the other factors we consider would justify a lesser sanction than revocation.'" *Absolute Potential, Inc. (f/k/a Absolute Waste Services, Inc.)*, Exchange Act Rel. No. 71866, 2014 SEC LEXIS 1193, at *24 (April 4, 2014) (*"Absolute") (quoting Impax Laboratories, Inc.*, Securities Exchange Act of 1934

Release No. 227, 2003 SEC LEXIS 1178, at *5 (May 15, 2003) (revocation granted due to the delinquency of one Form 10-K and one Form 10-Q).

Rel. No. 57864, 2008 SEC LEXIS 1197, at *27 (May 23, 2008)).[5]

1. TALR's violations of Section 13(a) are serious and egregious

As established by the record in this proceeding, the violative conduct of TALR is serious and egregious. At the time this proceeding was instituted, TALR had failed to file seven consecutive periodic reports, including two Forms 10-K and five Forms 10-Q. Frye Decl. Exs. 4 and 5. When a company, such as TALR, has failed to file seven periodic filings, it has undoubtedly committed serious and egregious violations of Section 13(a).

In response, TALR now pledges that it will make all of its missing reports and will comply with the reporting requirements in the future. Even assuming that TALR manages to make all of its delinquent reports, such actions would not remove the need for revocation. In fact, the Commission has given little credit to registrants that fail to comply with the filing requirements and then make filings during the pendency of a Commission administrative proceeding. As the Commission has noted in upholding revocation of the securities registration of an issuer that made some of its delinquent filings during the pendency of the proceeding:

> Dismissal [in this case] would reward those issuers who fail to file required periodic reports when due over an extended period of time, become the subject of Exchange Act Section 12(j) revocation proceedings, and then, on the eve of

[5] TALR's scattershot answer fails to portend the strongly compelling showing required by *Absolute Potential* and *Impax* to avoid revocation. TALR cites everything from the Constitution to the preposterous notion that its delinquencies were "isolated and not recurrent." Answer at 5. As to the latter point, as shown herein, TALR failed to make at least eighteen required Commission filings over a period approaching five years: eight periodic reports, five Forms 12b-25, and at least five proxy and/or information statements. As to the former, an apparent reference to last year's Supreme Court decision invalidating the prior means of appointing Administrative Law Judges to preside over Commission administrative proceedings, the Commission assigned the resolution of this matter to itself, which the Court explicitly held was proper. *Lucia v. SEC*, 138 S. Ct. 2044, 2049 (2018). If TALR has some other Constitutional argument, it failed to enlighten us in its answer. The Commission will have to see TALRs subsequent pleadings to make a final determination on the merits of its case but the early signs are, to put it mildly, not promising.

> hearings before the law judge or, in this case, oral argument on appeal, make last-minute filings in an effort to bring themselves current with their reporting obligations, while prolonging indefinitely the period during which public investors would be without accurate, complete, and timely reports (that comply with the requirements of the Exchange Act and its rules and regulations) to make informed investment decisions.

Nature's Sunshine Products, Inc., Securities Exchange Act of 1934 Rel. No. 59268, 2009 SEC LEXIS 81, at *34 (January 21, 2009)

Absolute, supra, underscores how seriously the Commission takes the periodic reporting requirements. In *Absolute,* the issuer made all of its delinquent filings and became current in its filings during the pendency of the administrative proceeding. Notwithstanding this fact, the Commission revoked its registration because, among other things, its "unpersuasive explanations for those delinquencies and the absence of concrete remedial changes to ensure compliance demonstrate that [it] is likely to violate the reporting requirements in the future." *Absolute,* 2014 SEC LEXIS 1193, at *21. In another case of an issuer that became current after institution, Judge Foelak noted that "dismissal or a lesser sanction [than revocation] would reward issuers who fail to file required periodic reports over an extended period and become current only after enforcement proceedings are brought against them, essentially providing an automatic lengthy postponement of the prescribed filing dates for such issuers to the detriment of the public interest and investors" *Law Enforcement Associates Corp., et al. [as to Sonnen Corp.],* Initial Decisiono Rel. No. 487, 2013 SEC LEXIS 1436, at *12-13 (May 15, 2013). *See also Tamir Biotechnology, Inc.,* Initial Decision Rel. No. 488, 2013 SEC LEXIS 1489, at *3-4 (May 22, 2013) (Elliot, ALJ)o (issuer's registration revoked where it was less than two year's delinquent and brought itself o current after institution).o

TALR's justifications are even less convincing than the above because it has yet to file *any* of its delinquent reports. As an ALJ noted in an initial decision "[w]hile the effort to file all

outstanding reports may not be sufficient to avoid revocation, it is surely an effort that is necessary in order to avoid that result." *Advanced Life Sciences Holdings, Inc.*, Initial Decision Rel. No. 1065, 2016, 2016 SEC LEXIS 3852 at *23 n.7 (internal citations omitted) (October 12, 2016) (*revocation upheld on appeal*, Exchange Act Rel. No. 81253 (July 28, 2017)).

2.e TALR's Violations of Exchange Act Section 13(a)e have been not just recurrent, but continuouse

TALR's violations have not been unique and singular, but numerous, continuous, and ongoing. Moreover, TALR filed a Form 12b-25 seeking an extension of time to file for only one of its eight missing reports. Frye Decl. Exs. 4 and 5. *See Investco, Inc.*, 2003 SEC LEXIS 2792, at *6 (delinquent issuer's actions were found to be egregious and recurrent where there was no evidence that any extensions to make the filings were sought).

3.e TALR's degree of culpability, includes its failure to file requirede Forms 12b-25 and proxy and/or information forms under Exchangee Act Sections 14(a) and/or 14(c) and rules thereunder.[6]

In *Gateway*, the Commission stated that, in determining the appropriate sanction in connection with an Exchange Act Section 12(j) proceeding, one of the factors it will consider is "the degree of culpability involved." The Commission found that the delinquent issuer in *Gateway* "evidenced a high degree of culpability," because it "knew of its reporting obligations,

[6] Although the OIP did not allege these matters, the Commission may consider them ine determining an appropriate sanction. The Commission has applied the same principle in other contexts. *Robert Bruce Lohmann*, 80 SEC Docket 1790, 2003 SEC LEXIS 1521, at *17 n.20 (June 26, 2003) (ALJ may properly consider lies told to staff during investigation in assessing sanctions, though they were not charged in the OIP); *Stephen Stout*, 73 SEC Docket 1441, 2000 SEC LEXIS 2119, at *57 & n.64. (October 4, 2000) (respondent's subsequent conduct ine creation of arbitration scheme, which was not charged in OIP, found to be relevant ine determining whether bar was appropriate); *Joseph P. Barbato*, Securities Exchange Act of 1934e Rel. No. 41034, 1999 SEC LEXIS 276, at *49-50 (February 10, 1999) (respondent's conduct ine contacting former customers identified as Division witnesses found to be indicative of e respondent's potential for committing future violations). *See also S.E.C. v. Falstaff Brewing Corp.*, 629 F.2d 62, 78 (D.C. Cir. 1980).e

yet failed to file" twenty periodic reports and only filed two Forms 12b-25. *Gateway*, 2006 SEC LEXIS 1288, at *21. Similarly, TALR failed to file Forms 12b-25 seeking extensions of time to file its periodic reports and, equally important, failed to explain the reasons for those failures for five of its eight missing reports. Frye Decl. Exs. 4-5. TALR knew of its reporting obligations and nevertheless failed to file timely periodic reports, and also failed to update the Commission and investors as to why it was unable to make its filings. *Calais Resources, Inc.*, 2012 SEC LEXIS 2023 *at* *16-17. (noting failures to file Forms 12b-25 as supporting revocation order.) Thus, TALR has shown more than sufficient culpability to warrant the Division's requested sanction of revocation.

TALR's Exchange Act disclosure obligations also flow from its annual election of directors. Consistent with Utah law, TALR's by-laws require the election of at least one director every year. Frye Decl. Ex. 16. Utah Code. Title 16, Chapter 10a, §§805, 806 If TALR solicited proxies from shareholders for any matter, it was required to file a proxy statement with the Commission pursuant to Exchange Act Section 14(a) and Rule 14a-3 thereunder. If TALR instead obtained the consent of shareholders for any matter, it was required to file an information statement with the Commission pursuant to Exchange Act Section 14(c) and Rule 14c-2 thereunder. Since current management assumed control of the company in 2013, TALR has not filed a single proxy or information statement. Frye Decl. Exs. 4 and 5. Thus, it is either in violation of Utah law and its by-laws in its election of directors (by not holding such elections) or of the Exchange Act (by not filing required forms relating to their election).

4.e TALR has made inadequate efforts to remedy its past violations ande ensure future compliancee

Thus far, TALR's "efforts" to remedy its past violations have been sorely lacking. To begin with, the company failed to meet every target date it set for itself to make its missing

filings. As noted, *supra*, for its first three missed filings it stated, in Forms 12b-25 signed by its CEO, that it would make its filings within fifteen days (for the Form 10-K) or five days (for the first two missed Forms 10-Q). Thereafter, on January 22, 2018, the company's CFO committed to making all of its missing filings by August 14, 2018. TALR failed to meet any of these deadlines. Frye Decl. Exs. 4-8. Not only did TALR fail to make that deadline, it also failed to file three periodic reports that came due during the seven months TALR allowed itself to make its missing filings. *Id.* It is clear that TALR has yet to demonstrate that it is capable of meeting its obligations as an Exchange Act Section 12 registrant.

5. TALR's assurances against future violations are not credible or are too little too late

TALR's history of delinquencies leads to a reasonable inference that the Court cannot rely on any assurances it may offer against future violations. TALR has yet to make any of its eight missing filings, thus far offering only promises as a basis for avoiding sanction. TALR's promises are simply not credible. The likelihood of future violations can be inferred from a single past violation, including the very violation that led to the enforcement action. *See KPMG Peat Marwick LLP*, Securities Exchange Act of 1934 Rel. No. 44050, 2001 SEC LEXIS 422, at *21-22 (March 8, 2001) (some risk of future violation "need not be very great to warrant issuinge a cease-and-desist order and [ ] in the ordinary case and absent evidence to the contrary, a finding of past violation raises a sufficient risk of future violation.").

In TALR's case, the company has now failed to file not one, but eight consecutive periodic reports. TALR cannot even attempt to rely on the oft-heard excuse that incumbent management is new on the scene. M.G. Kaminski has been CEO of TALR ever since it became a Commission registrant on June 7, 2013. Frye Decl. Ex. 17. Having signed numerous Commission filings for TALR, including Forms 12b-25 for three of the delinquent periodic

reports at issue here, Mr. Kaminski was well aware of TALR's filing obligations. Frye Decl. Exs. 7, 8, and 9. Moreover, TALR's failure to file annual proxy or information statements began when current management assumed control of the company in 2013.

As for the August 16, 2018 email from counsel advising of their retention along with a new auditor, Frye Decl. Ex. 15, it is notable that this email is dated *two days after* TALR's fourth self-defined deadline for making some or all of its missing filings. Frye Decl. Ex. 14. Now, six months after counsel's email, TALR has missed another periodic filing, and failed to make any of the seven periodic filings missing at the outset of this proceeding.[7] Ultimately, it is undisputed that TALR is a repeated violator of the filing requirements of the Commission. The excuses it now offers are unconvincing and without merit.

[7] TALR's answer alludes to the conduct of unnamed "prior bad actors," suggesting that they were somehow responsible for TALR's failures to file. The Commission has repeatedly rejected similar arguments. *Eagletech Communications, Inc.*, Exchange Act Rel. No. 54095, 2006 SEC LEXIS 1534 *at* *6 (July 5, 2006) (third party criminal activity); *Advanced Life Sciences Holdings, Inc.* Admin. Proc. File No. 3-17293, Exchange Act Rel. No. 81253, 2017 SEC LEXIS 2297 at *12 (July 28, 2017) (difficulties in retaining staff and finding part-time legal and accounting professionals to help with filings no excuse for failing to file periodic reports).

III. Conclusion

For the reasons set forth above, the Division respectfully requests that the Commission grant the Division's Motion for Summary Disposition and revoke the registrations of each class of TALR's Exchange Act Section 12 registered securities.

Dated: March 1, 2019

Respectfully submitted,

James A. Carlson (202) 551-3711
David S. Frye (202) 551-4728
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7553

COUNSEL FOR
DIVISION OF ENFORCEMENT

CERTIFICATE OF SERVICE

I hereby certify that I caused true copies of the Division of Enforcement's Motion for Summary Disposition as to Talon Real Estate Holding, Inc., Brief in Support, Declaration of David S. Frye in Support thereof, and accompanying Exhibits, to be served on the following on this 1st day of March 2019, in the manner indicated below:

By Overnigut Courier and Email:

Joshua D. Brinen, Esq.
333 Hambley Boulevard, Suite 2
Pikeville, KY 41501
jbrinen@brinenlaw.com

Attorney for Talon Resources Holding, Inc.

David S. Frye

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-18811

In the Matter of
Ceelox, Inc., *et al.*
Respondents.

DECLARATION OF DAVID S. FRYE IN SUPPORT OF
DIVISION OF ENFORCEMENT'S MOTION FOR
SUMMARY DISPOSITION AS TO TALON REAL ESTATE HOLDING, INC.

DAVID S. FRYE, pursuant to 28 U.S.C. § 1746, declares:

1.e I am a Senior Counsel with the Division of Enforcement ("Division") of e the Securities and Exchange Commission ("Commission"), and co-counsel for the Division in the above-captioned administrative proceeding. I submit this Declaration in support of the Division's Motion for Summary Disposition ("Motion") as to Talon Real Estate Holding, Inc. ("TALR").

2.e Attached hereto as Division Exhibit 1 is a true copy of the cover pagee from a Form 10-12G for TALR's predecessor registrant, Guide Holdings, Inc. filed with the Commission on March 26, 2010.[1]e

3.e Attached hereto as Division Exhibit 2 is a true copy of a printout from thee Utah Department of Commerce's website showing TALR corporate status and history

[1] In order to reduce the volume of paper submitted with these pleadings, the Division has provided excerpts of certain of SLTA's EDGAR filings. The full version of each of these documents may be downloaded without charge from the Commission's public EDGAR website at http://www.sec.gov/edgar/searchedgar/companysearch.html. The Division will provide full copies of any of these filings to the Court or the respondent on request.

with the Utah Secretary of State as of February 12, 2019. Division Exhibit 2 also confirms that TALR's former business name is Guide Holdings, Inc.

4.o Attached hereto as Division Exhibit 3 is a true copy of a printout fromo www.otcdealer.com showing the identity of the market makers for TALR's common stock as of September 14, 2018. The lack of a "u" by a market maker's ID ("MMID") (e.g. the first MMID is shown as "cWDCO" rather than "cWDCOu") indicates that the bid and asked prices published by that market maker are solicited, which the market maker can only do if the security is eligible for the "piggyback" exception of Exchange Act Rule 15c2-11(f)(3).

5.o Attached hereto as Division Exhibit 4 is a true copy of a list of all filingso made by TALR (CIK No. 1018336) in the Commission's EDGAR database through August 9, 2016. The list has been reformatted for ease of reference. Periodic filings are in bold italics for easy identification. Forms 13D and amendments have been removed because they are not filed by the issuer. The list is in reverse chronological order by filing date. The first column indicates the form type. The second column indicates the Commission file number. The third column indicates the filing date. The fourth column indicates the period end to which the filing relates (if any). The fifth column provides the unique document control number for the filing.

6.o Attached hereto as Division Exhibit 5 is a table prepared by the Divisiono of Enforcement setting forth certain information concerning the missing periodic reports. The filings appear in reverse chronological order. The first column shows the type of periodic report in question. The second column gives the period end to which the report relates. The third column gives the due date of the report. The fourth column gives the

actual filing date of the report or indicates it was not filed. The fifth column shows the number of months by which the periodic filing is delinquent. The sixth column states whether or not a Form 12b-25 was filed for the report in question and, if so, the date on which it was filed.

7.o Attached hereto as Division Exhibit 6 is a true copy of a Notification ofo Late Filing on Form 12b-25 for TALR's Exchange Act Form 10-K for the period ended December 31, 2016, filed with the Commission on March 31, 2017.

8.o Attached hereto as Division Exhibit 7 is a true copy of a Notification ofo Late Filing on Form 12b-25 for TALR's Exchange Act Form 10-Q for the period ended March 31, 2017, filed with the Commission on May 16, 2017.

9.o Attached hereto as Division Exhibit 8 is a true copy of TALRso Notification of Late Filing on Form 12b-25 for TALR's Exchange Act Form 10-Q for the period ended June 30, 2017, filed with the Commission on August 14, 2017.

10.o Attached hereto as Division Exhibit 9 is a true copy of TALRs Form 8-K,o and the exhibit thereto, filed with the Commission on November 28, 2017.

11.o Attached hereto as Division Exhibit 10 is a true copy of excerpts fromo TALRs Form 8-K, filed with the Commission on June 7, 2013.

12.o Attached hereto as Division Exhibit 11 is a true copy of a delinquencyo letter sent to TALR by the Division of Corporation Finance ("Corporation Finance") on November 30, 2017.

13.o Attached hereto as Division Exhibit 12 is a true copy of the signed returno receipt card for Exhibit 11.

14.o Attached hereto as Division Exhibit 13 is a true copy of an email sent too Corporation Finance by Keith Gruebele on December 21, 2017.

15. Attached hereto as Division Exhibit 14 is a true copy of an email sent to Corporation Finance by Keith Gruebele on January 22, 2018.

16.o Attached hereto as Division Exhibit 15 is a true copy of an email sent too Corporation Finance by TALRs counsel, dated August 16, 2018.

17.o Attached hereto as Division Exhibit 16 is a true copy of TALR'so Amended By-Laws, which were attached as Exhibit 3.2 by TALR's predecessor registrant, Guide Holdings, Inc., to its Form 10-K for the period ended December 31, 2010, and filed with the Commission on March 11, 2011.

18.o Attached hereto as Division Exhibit 17 are true copies of excerpts fromo TALR's Form 10-K for the period ended December 31, 2015, filed with the Commission on March 11, 2016.

I declare under penalty of perjury that the foregoing is true and correct.

Executed: March 1, 2019.

David S. Frye

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES

Pursuant Section 12(b) or (g) of the Securities Exchange Act of 1934

GUIDE HOLDINGS, INC.
(Exact Name of Registrant as specified in its charter)

Utah
(State or other jurisdiction of incorporation)

26-1771717
(I.R.S. Employer I.D. No.)

2988 Oakwood Drive
Bountiful, UT 84010 (Address of Principal Executive Office)

Registrant's Telephone Number, including Area Code: (800) 678-1500

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of Class
$0.001 par value Common Stock

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

[ ] Large Accelerated Filer [ ] Accelerated Filer

[ ] Non-Accelerated Filer [X] Smaller Reporting Company

(Do not check if a smaller reporting company)

The Exhibit Index is located on page 30.

Division Exhibit 1

BUSINESS SEARCH

TALON REAL ESTATE HOLDING CORP.

Update this Business

Entity Number: 6802476-0142
Company Type: Corporation - Domestic - Profit
Address: 6600 WAYZATA BLVD STE 1070 MINNEAPOLIS, MN 55416
State of Origin:
Registered Agent: CT CORPORATION SYSTEM
Registered Agent Address:
1108 E SOUTH UNION AVE
Midvale, UT 84047

View Management Team

Status: Delinquent

Purchase Certificate of Existence

Status: Delinquent *as of 12/13/2018*
Status Description: Failure to File Renewal
Employment Verification: Not Registered with Verify Utah

History

View Filed Documents

Registration Date: 11/01/2007
Last Renewed: 01/03/2018

Additional Information

NAICS Code: 5313 **NAICS Title:** 5313-Activities Related to Real Estate

Former Business Names

GUIDE HOLDINGS, INC.

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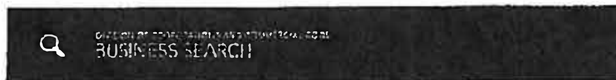
Business Name:



Registered Principals

Name	Type	City	Status
TALON REAL ESTATE HOLDING CORP.	Corporation	MINNEAPOLIS	Delinquent

Position	Name	Address	
Registered Agent	CT CORPORATION SYSTEM	1108 E SOUTH UNION AVE	Midvale UT 84047
Director	NO DIRECTOR PER STATUTE UCA SECT16-10A-732		NA
Officer	KEITH GRUEBELE	17249 LIBERTY BEACH COURT	LAKEVILLE MN 55044
Officer	MATTHEW KAMINSKI	PO BOX 232	WAYZATA MN 55391

If you believe there may be more principals, click here to View Filed Documents

Search by: Business Name | Number | Executive Name | Search Hints

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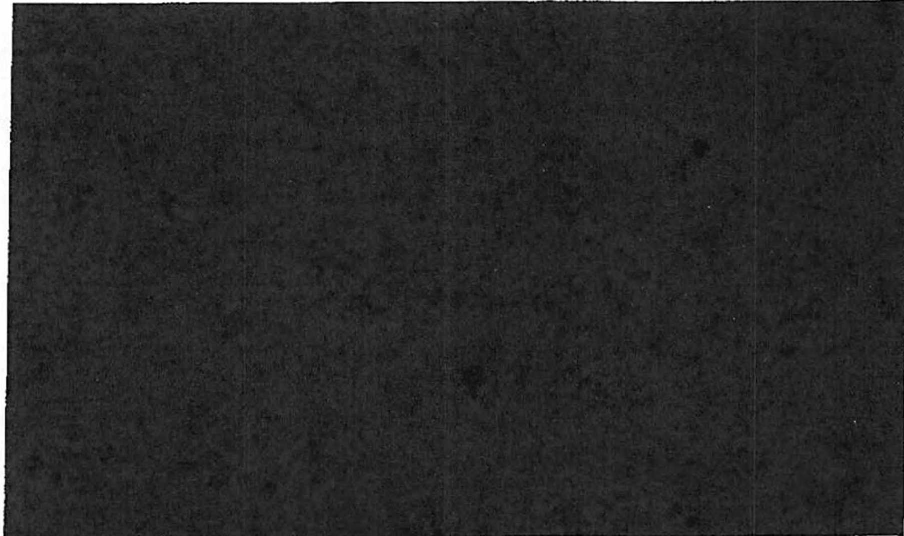

OTC Dealer

MMID: SEC UserID: DFRYE Name: Dave Frye
Phone1: 202 551 5455 Phone2: Fax: Email: fryed@sec.gov

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Security Quote History from 09/14/2018 to 09/14/2018

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TALR -- Talon Real Estate Holding Corp.
CUSIP: 87484L105 OTC ID:131653 Security Type:CS

Exclude: Updates Inserts Deletes

Action Date	Last Updated Date	Action	Price	Update: MMID	Update: User	Reason for Inside
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09/14/2018	08/07/20180 10:36:27.830	Start	0.03000 / 0.15000 (10000 x 5000)	cWDCO		
09/14/2018	09/13/2018 16:00:05.323	Start	U / U(0 x 0)	cETRF		
09/14/2018	09/13/20180 07:35:02.992	Start	0.00100 / 200.00000 (10000 x 1)	cMAXM		

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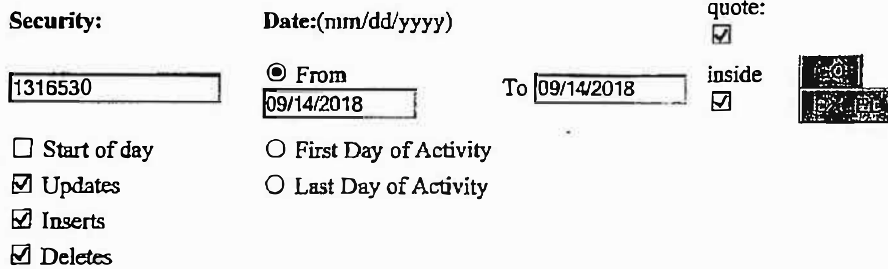
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Talon Real Estate Holding, Inc. Through Noon, EST, on 3/1/2019
CIK No. 1428011
EDGAR Filings

Form Type	File No.	Filing date	Period end or event date	DCN
8-K	0-53917	9/12/2018	8/31/2018	181065683
8-K	0-53917	7/2/2018	6/27/2018	18932468
8-K	0-53917	11/28/2017	11/21/2017	171226198
NT 10-Q	0-53917	8/14/2017	6/30/2017	171031179
8-K	0-53917	6/30/2017	6/21/2017	17943135
NT 10-Q	0-53917	5/16/2017	3/31/2017	17846342
NT 10-K	0-53917	3/31/2017	12/31/2016	17731544
8-K	0-53917	2/6/2017	1/27/2017	17575891
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NT 10-Q	0-53917	11/14/2016	9/30/2016	161995697
8-K	0-53917	11/4/2016	11/1/2016	161975497
8-K	0-53917	9/22/2016	9/16/2016	161897733
8-K	0-53917	9/13/2016	9/7/2016	161883448
8-K9	0-53917	8/19/2016	8/18/2016	161843696
10-Q	*0-53917*	*8/15/2016*	*6/30/2016*	*161831591*
10-Q	*0-53917*	*5/13/2016*	*3/31/2016*	*161648968*
10-K	*0-53917*	*4/7/2016*	*12/31/2015*	*161558431*
NT 10-K	0-53917	3/31/2016	12/31/20159	161541312
S-8	33-209381	2/4/2016	N/A	161387327
8-K	0-53917	2/1/2016	1/28/2016	161374653
8-K	0-53917	1/15/2016	1/11/2016	161346265
10-Q	*0-53917*	*11/13/2015*	*9/30/2015*	*151228930*
8-K	0-53917	11/10/2015	11/5/2015	151217842
8-K	0-53917	8/26/2015	8/24/2015	151075072
10-Q	*0-53917*	*8/14/2015*	*6/30/2015*	*151055360*
8-K	0-53917	5/19/2015	5/18/2015	15876917
10-Q	*0-53917*	*5/15/2015*	*3/31/2015*	*15867955*
8-K	0-53917	4/17/2015	4/9/2015	15777759
S-8	333-203301	4/9/2015	N/A	15760431
10-K	*0-53917*	*3/31/2015*	*12/31/2014*	*15740046*
D	21-234266	2/18/2015	N/A	15627737
8-K	0-53917	2/13/2015	2/10/2015	15611331
8-K9	0-53917	1/29/2015	1/23/2015	15557797
10-Q	*0-53917*	*11/14/2014*	*9/30/2014*	*141223303*
8-K	0-539179	10/2/2014	9/30/2014	141134051
8-K/A	0-539179	9/17/2014	7/2/2014	141107929
8-K/A	0-539179	9/16/2014	7/2/2014	141104395
8-K/A	0-539179	8/14/2014	5/29/2014	141044414
10-Q	*0-53917*	*8/14/2014*	*6/30/2014*	*141043701*
8-K	0-53917	7/9/2014	7/2/2014	14966642
8-K	0-53917	6/3/2014	5/29/2014	14888546
10-Q	*0-53917*	*5/13/2014*	*3/31/2014*	*14838147*
10-K	*0-53917*	*3/31/2014*	*12/31/2013*	*14739737*
8-K	0-53917	3/26/2014	3/25/2014	14717042
D	21-2092929	1/6/2014	N/A	14508429
8-K/A	0-539179	12/30/2013	12/30/2013	131303638
8-K	0-539179	12/30/2013	12/30/2013	131303056
10-Q	*0-53917*	*11/14/2013*	*9/30/2013*	*131218110*

Talon Real Estate Holding, Inc. Through Noon, EST, on 3/1/2019
CIK No. 1426011
EDGAR Filings

Form Type	File No.	Filing date	Period end or event date	DCN
D	21-202182	8/30/2013	N/A	131072951
8-K	0-53917	8/20/2013	8/20/2013	131051138
10-Q	0-53917	8/14/2013	6/30/2013	131034115
S-8	33-190618	8/14/2013	N/A	131038211
D	21-198142	6/17/2013	N/A	13917398
8-K	0-53917	6/7/2013	6/7/2013	13900938
10-Q	0-53917	4/24/2013	3/31/2013	13778854
10-K	0-53917	2/15/2013	12/31/2012	13618722
10-Q	0-53917	11/13/2012	9/30/2012	121196365
10-Q	0-53917	8/10/2012	6/30/2012	121023726
10-Q	0-53917	5/11/2012	3/31/2012	12833533
10-K	0-53917	3/15/2012	12/31/2011	12693781
10-Q	0-53917	11/3/2011	9/30/2011	111176632
10-Q	0-53917	8/5/2011	6/30/2011	111012729
10-Q	0-53917	5/13/2011	3/31/2011	11840964
10-K	0-53917	3/11/2011	12/31/2010	11681131
8-K	0-53917	2/22/2011	2/22/2011	11627939
10-Q	0-53917	10/29/2010	9/30/2010	101150990
10-Q	0-53917	8/5/2010	6/30/2010	10993172
10-12G/A	0-53917	6/29/2010	N/A	10921980
10-12G/A	0-53917	5/24/2010	N/A	10853801
10-12G	0-53917	3/26/2010	N/A	10706[illegible]96
REGDEX	21-114319	2/1/2008	N/A	08024029

Talon Real Estate Holding, Inc.
Chart of Delinquent Filings

Filing	Period End	Due Date	Date Filed	Months late	12b-25 Filed?
10-K	12/31/16	03/31/17	Not filed	23	3/31/2017
10-Q	03/31/17	05/15/17	Not filed	21	5/16/2017
10-Q	06/30/17	08/14/17	Not filed	18	8/14/2017
10-Q	09/30/17	11/14/17	Not filed	15	Not filed
10-K	12/31/17	04/02/18	Not filed	10	Not filed
10-Q	03/31/18	05/15/18	Not filed	9	Not filed
10-Q	06/30/18	08/14/18	Not filed	6	Not filed
10-Q	09/30/18	11/14/18	Not filed	3	Not filed

Division Exhibit 5

SEC FILE NUMBER
001-08589
CUSIP NUMBER
30246C104

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 12b-25

NOTIFICATION OF LATE FILING

(Check One): ☒ Form 10-K ☐ Form 20-F ☐ Form 11-K ☐ Form 10-Q
☐ Form 10-D ☐ Form N-SAR ☐ Form N-CSR
For Period Ended: December 31, 2016
☐ Transition Report on Form 10-K
☐ Transition Report on Form 20-F
☐ Transition Report on Form 11-K
☐ Transition Report on Form 10-Q
☐ Transition Report on Form N-SAR
For the Transition Period Ended: ____________________

Read Instruction (on back page) Before Preparing Form. Please Print or Type.
Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.

If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

PART I – REGISTRANT INFORMATION

Talon Real Estate Holding Corp.
Full Name of Registrant

Former Name if Applicable

5500 Wayzata Boulevard, Suite 1070
Address of Principal Executive Office (*Street and Number*)

Minneapolis, MN 55416
City, State and Zip Code

PART II – RULES 12b-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate.)

☒

(a) The reason described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;

(b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K, Form N-SAR or Form N-CSR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q or subject distribution report on Form 10-D, or portion thereof, will be filed on or before the fifth calendar day following the prescribed due date; and

(c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III – NARRATIVE

Talon Real Estate Holding Corp. (the "Company") is unable to file its Annual Report on Form 10-K for the year ended December 31, 2016 (the "Annual Report") within the prescribed time period without unreasonable effort and expense.

The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Annual Report on Form 10-K in time to allow completion of the report within the prescribed time period. The Company expects to be in a position to file the Form 10-K within 15 days after March 31, 2017.

PART IV – OTHER INFORMATION

(1) Name and telephone number of person to contact in regard to this notification

MG Kaminski	(612)	604-4600
(Name)	(Area Code)	(Telephone Number)

(2) Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If the answer is no, identify report(s).

☒ Yes ☐ No

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

☐ Yes ☒ No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

This Form 12b-25 contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statement that is not of historical fact may be deemed "forward-looking". Words such as "expect", "believe", "project", "plan", "anticipate", "intend", "objective", "goal", "view", and similar expressions identify forward-looking statements. These statements are based on management's current views and assumptions of future events and financial performance and involve a number of risks and uncertainties, many outside of the Company's control that could cause actual results to materially differ from those expressed or implied. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein. These statements speak only as of the date made.

Talon Real Estate Holding Corp.
(Name of Registrant as Specified in Charter)

has caused this notification to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 31, 2017 By: /s/ *Keith Gruebele*
Keith Gruebele, Chief Financial Officer

ATTENTION
Intentional misstatements or omissions of fact constitute Federal Criminal Violations (See 18 U.S.C. 1001).

SEC FILE NUMBER
001-08589
CUSIP NUMBER
38246C104

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 12b-25

NOTIFICATION OF LATE FILING

(Check One): ☐ Form 10-K ☐ Form 20-F ☐ Form 11-K ☒ Form 10-Q ☐ Form 10-D ☐ Form N-SAR
☐ Form N-CSR

For Period Ended: **March 31, 2017**

☐ Transition Report on Form 10-K
☐ Transition Report on Form 20-F
☐ Transition Report on Form 11-K
☐ Transition Report on Form 10-Q
☐ Transition Report on Form N-SAR
For the Transition Period Ended: ______________________

Read Instruction (on back page) Before Preparing Form. Please Print or Type.
Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.

If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

PART I – REGISTRANT INFORMATION

Talon Real Estate Holding Corp.
Full Name of Registrant

Former Name if Applicable

5500 Wayzata Boulevard, Suite 1070
Address of Principal Executive Office (*Street and Number)*

Minneapolis, MN 55416
City, State and Zip Code

PART II – RULES 12b-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate.)

☒

(a) The reason described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;

(b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K, Form N-SAR or Form N-CSR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q or subject distribution report on Form 10-D, or portion thereof, will be filed on or before the fifth calendar day following the prescribed due date; and

(c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III – NARRATIVE

Talon Real Estate Holding Corp. (the "Company") is unable to file its Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the "Report") within the prescribed time period without unreasonable effort and expense.

The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Report in time to allow completion of the report within the prescribed time period. The Company expects to be in a position to file the Form 10-Q within 5 days after May 15, 2017.

PART IV – OTHER INFORMATION

(1) Name and telephone number of person to contact in regard to this notification

MG Kaminski	(612)	604-4600
(Name)	(Area Code)	(Telephone Number)

(2) Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If the answer is no, identify report(s). **Form 10-K for the year ended December 31, 2016.**

☐ Yes ☒ No

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

☐ Yes ☒ No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

This Form 12b-25 contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statement that is not of historical fact may be deemed "forward-looking". Words such as "expect", "believe", "project", "plan", "anticipate", "intend", "objective", "goal", "view", and similar expressions identify forward-looking statements. These statements are based on management's current views and assumptions of future events and financial performance and involve a number of risks and uncertainties, many outside of the Company's control that could cause actual results to materially differ from those expressed or implied. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein. These statements speak only as of the date made.

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Talon Real Estate Holding Corp.
(Name of Registrant as Specified in Charter)

has caused this notification to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 15, 2017

By: */s/ MG Kaminski*
MG Kaminski, Chief Executive Officer

ATTENTION
Intentional misstatements or omissions of fact constitute Federal Criminal Violations (See 18 U.S.C. 1001).

SEC FILE NUMBER 001-08589
CUSIP NUMBER 30246C104

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 12b-25

NOTIFICATION OF LATE FILING

(Check One): ☐ Form 10-K ☐ Form 20-F ☐ Form 11-K ☒ Form 10-Q ☐ Form 10-D ☐ Form N-SAR ☐ Form N-CSR

For Period Ended: June 30, 2017

☐ Transition Report on Form 10-K
☐ Transition Report on Form 20-F
☐ Transition Report on Form 11-K
☐ Transition Report on Form 10-Q
☐ Transition Report on Form N-SAR
For the Transition Period Ended: ____________________

Read Instruction (on back page) Before Preparing Form. Please Print or Type.
Nothing in this form shall be construed to imply that the Commission has verified any information contained herein.

If the notification relates to a portion of the filing checked above, identify the Item(s) to which the notification relates:

PART I – REGISTRANT INFORMATION

Talon Real Estate Holding Corp.
Full Name of Registrant

Former Name if Applicable

5500 Wayzata Boulevard, Suite 1070
Address of Principal Executive Office (*Street and Number*)

Minneapolis, MN 55416
City, State and Zip Code

PART II – RULES 12b-25(b) AND (c)

If the subject report could not be filed without unreasonable effort or expense and the registrant seeks relief pursuant to Rule 12b-25(b), the following should be completed. (Check box if appropriate.)

☒

(a) The reason described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense;

(b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K, Form N-SAR or Form N-CSR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q or subject distribution report on Form 10-D, or portion thereof, will be filed on or before the fifth calendar day following the prescribed due date; and

(c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.

PART III – NARRATIVE

Talon Real Estate Holding Corp. (the "Company") is unable to file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (the "Report") within the prescribed time period without unreasonable effort and expense.

The Company could not finalize certain disclosures necessary for the completion of its financial statements and management's discussion and analysis of financial condition and results of operations to be included in the Report in time to allow completion of the report within the prescribed time period. The Company expects to be in a position to file the Form 10-Q within 5 days after August 14, 2017.

PART IV – *OTHER INFORMATION*

(1) Name and telephone number of person to contact in regard to this notification

MG Kaminski	(612)	604-4600
(Name)	(Area Code)	(Telephone Number)

(2) Have all other periodic reports required under Section 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 during the preceding 12 months or for such shorter period that the registrant was required to file such report(s) been filed? If the answer is no, identify report(s). **Form 10-K for the year ended December 31, 2016 and Form 10-Q for the period ended March 31, 2017.**

☐ Yes ☒ No

(3) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

☐ Yes ☒ No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

This Form 12b-25 contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that is not of historical fact may be deemed "forward-looking". Words such as "expect", "believe", "project", "plan", "anticipate", "intend", "objective", "goal", "view", and similar expressions identify forward-looking statements. These statements are based on management's current views and assumptions of future events and financial performance and involve a number of risks and uncertainties, many outside of the Company's control that could cause actual results to materially differ from those expressed or implied. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein. These statements speak only as of the date made.

https://www.otcmarkets.com/filing/html?id=12233997&guid=Sg5tUHoLhg0txh 2/6/2019

Tulsa Real Estate Holding Corp.
(Name of Registrant as Specified in Charter)

has caused this notification to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 14, 2017

By: /s/ MG Kaminski
MG Kaminski, Chief Executive Officer

ATTENTION
Intentional misstatements or omissions of fact constitute Federal Criminal Violations (See 18 U.S.C. 1001).

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 21, 2017

TALON REAL ESTATE HOLDING CORP.
(Exact name of registrant as specified in charter)

Utah	000-53917	26-1771717
(State or other Jurisdiction of Incorporation)	*(Commission File Number)*	*(IRS Employer Identification No.)*

5500 Wayzata Boulevard Suite 1070 Minneapolis, Minnesota	55416
Address of Principal Executive Offices	*(Zip Code)*

Registrant's telephone number, including area code: (612) 604-4600

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 4.01. Changes in Registrant's Certifying Accountant.

On November 21, 2017, Talon Real Estate Holding Corporation (the "Company"), received notice from Baker Tilly Virchow Krause, LLP ("BT") they resigned as the Company's independent registered public accounting firm effective November 20, 2017.

BT's accountants' reports for the years ended December 31, 2015 and 2014 did not contain an adverse opinion or disclaimer of opinion, however, those reports were modified as to uncertainty about the Company's ability to continue as a going concern.

During 3rd Quarter 2017 the Company, began a process to select a new independent registered public accounting firm as the Company's auditor, an action which was ratified by the Board of Directors.

During the fiscal years ended December 31, 2015 and 2014 and subsequent interim periods ending March 31, 2016, June 30, 2016 and September 30, 2016 preceding BT's resignation, there were no disagreements with BT on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures. BT have not completed any audits of annual periods or performed any reviews of interim or annual periods as of any date or for any periods subsequent to September 30, 2016.

Prior to the date of this filing, BT advised management and members of the audit committee of the Company of a material weakness in the Company's internal control over financial reporting related to the Company's ability to execute a timely and accurate close of its 2016 financial statements and a material weakness related to the Company's failure to follow policies and procedures related to timely communication, monitoring and approvals of material contracts and agreements, indebtedness, commitments and contingencies, and related party transactions for timely evaluation and disclosure in the Company's financial statements.

Due to the material weaknesses reported relating to the 2016 financial statements, management performed additional analysis and procedures to ensure that the Company's consolidated financial statements and schedules that will be included in 2016 Annual Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects the Company's financial position, results of operations and cash flows for the periods presented.

Item 9.01. Exhibits.

(d) Exhibits

16.1 Letter from Baker Tilly Virchow Krause, LLP

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TALON REAL ESTATE HOLDING CORP.

Date: November 28, 2017

By: */s/ Keith Gruebele*
Keith J. Gruebele, Chief Financial Officer

Exhibit 16.1

Baker Tilly Virchow Krause, LLP
225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
tel 612 876 4500
fax 612 238 8500
bakertilly.com

Mr. Marc Ager
Audit Committee Chairperson

Mr. M.G. Kaminski
Chief Executive Officer
Talon Real Estate Holding Corp.
5500 Wayzata Boulevard, Suite 1070
Minneapolis, MN 55416

Dear Messrs. Ager and Kaminski:

After careful consideration, we have decided that we will be unable to continue as your independent registered accountants. This termination is effective November 20, 2017.

In accordance with Regulation S-K 229.304, we confirm the following:

- We have resigned as your independent registered public accounting firm.
- Our accountants' reports for the years ended December 31, 2015 and 2014 did not contain an adverse opinion or disclaimer of opinion, however, those reports were modified as to uncertainty about the company's ability to continue as a going concern.
- During the fiscal years ended December 31, 2015 and 2014 and subsequent interim periods ending March 31, 2016, June 30, 2016 and September 30, 2016 preceding our resignation, there were no disagreements with you on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures. We have not completed any audits of annual periods or performed any reviews of interim or annual periods as of any date or for any periods subsequent to September 30, 2016.
- [illegible]

We appreciate your business over these several years and wish you success. Upon payment in full of our outstanding invoices, we will work with you and your successor registered accountants on transition matters.

Sincerely,

Baker Tilly Virchow Krause LLP

Baker Tilly Virchow Krause, LLP

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

June 7, 2013
Date of Report (Date of Earliest Event Reported)

TALON REAL ESTATE HOLDING CORP.

(Exact Name of Registrant as Specified in its Charter)

Utah	000-53917	26-1771717
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

5500 Wayzata Boulevard Suite 1070 Minneapolis, Minnesota	55416
(Address of Principal Executive Offices)	(Zip Code)

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

Guide Holdings, Inc.
2989 Oakwood Drive
Bountiful, UT 84010
(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
5130 Industrial Street, LLC
Maple Plain, Minnesota

We have audited the accompanying balance sheets of 5130 Industrial Street, LLC as of December 31, 2012 and 2011, and the related statements of operations and members' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 5130 Industrial Street, LLC as of December 31, 2012 and 2011 and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause LLP

Minneapolis, Minnesota
May 29, 2013

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Item 3.02 *Unregistered Sales of Equity Securities.*

Pursuant to the contribution agreements described in Item 1.01 and 2.01, on June 7, 2013 we issued:

- an aggregate of 209,190 shares of our common stock to The Kaminski Trust,
- an aggregate of 2,501,000 shares of our common stock to the members of 3130 LLC (excluding The Kaminski Trust as set forth above), and
- an aggregate of 10,830,000 shares of our common stock to the members of Talon RE (excluding The Kaminski Trust as set forth above).

In connection with the acquisition of Talon RE, we are partners to a contribution agreement pursuant to which upon closing we will issue an aggregate of 2,820,810 shares of our common stock to The Kaminski Trust.

We did so in reliance upon the exemption contained in Section 4(a)(2) of the Securities Act of 1933 as a transaction not involving a public offering and Rule 506 promulgated thereunder, in view of the absence of a general solicitation, the limited number of offerees and purchasers, and the representations and agreements of the contributors contained in the contribution agreements.

The disclosures set forth in Items 1.01 and 2.01 above are hereby incorporated by reference into this Item 3.02.

Item 4.01 **Change in Registrant's *Certifying Accountant.***

On June 7, 2013, in connection with the transactions described elsewhere in this report, *HJ & Associates, LLC* ("*HJ & Associates*"), the independent auditor of Guide Holdings, Inc. and its subsidiaries prior to the transactions described elsewhere in this report, was dismissed. HJ & Associate's report of each of the two most recently completed fiscal years of Guide Holdings contains a "going concern" modification noting that Guide Holdings has suffered recurring losses from operations that raise substantial doubt about our company's ability to continue as a going concern, and that Guide Holdings' financial statements audited by HJ & Associates do not include any adjustments that might result from the outcome of this uncertainty. Other than the foregoing, HJ & Associates' reports on the financial statements of Guide Holdings for each of the past two years do not contain an adverse opinion or a disclaimer of opinion, or were qualified as to, audit scope, or accounting principles.

We have appointed Baker Tilly Virchow Krause LLP ("Baker Tilly") as our new independent auditor. Our audit committee approved the change to have Baker Tilly serve as our independent auditor. Baker Tilly audited the financial statements of the properties acquired in connection the transactions described elsewhere in this report. Our board of directors formed an audit in connection the transactions described elsewhere in this report as described above.

During Guide Holdings' two most recent fiscal years and the subsequent interim period preceding the dismissal of HJ & Associates, there were no disagreements with HJ & Associates on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of HJ & Associates, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report.

During Guide Holdings' two most recent fiscal years and the subsequent interim period preceding the dismissal of HJ & Associates, HJ & Associates did not advise Guide Holdings (1) that the internal controls necessary for Guide Holdings to develop reliable financial statements did not exist; (2) that information has come to HJ & Associates' attention that has led it to no longer be able to rely on management's representations, or that has made it unwilling to be associated with the financial statements prepared by management; (3)(i) of the need to expand significantly the scope of its audit, or that information has come to HJ & Associates' attention during Guide Holdings' two most recent fiscal years and the subsequent interim period preceding the dismissal of HJ & Associates, that if further investigated may (a) materially impact the fairness or reliability of either: a previously issued audit report or the underlying financial statements or the financial statements issued or to be issued covering the fiscal period(s) subsequent to the date of the most recent financial statements covered by an audit report (including information that may prevent it from rendering an unqualified audit report on those financial statements), or (b) cause it to be unwilling to rely on management's representations or be associated with Guide Holdings' financial statements, and (ii) due to HJ & Associates' resignation (due to audit scope limitations or otherwise) or dismissal, or for any other reason, HJ & Associates did not so expand the scope of its audit or conduct such further investigation; or (4) that (i) information has come to HJ & Associates' attention that it has concluded materially impacts the fairness or reliability of either (a) a previously issued audit report or the underlying financial statements, or (b) the financial statements issued or to be issued covering the fiscal period (s) subsequent to the date of the most recent financial statements covered by an audit report (including information that, unless resolved to HJ & Associates' satisfaction, would prevent it from rendering an unqualified audit report on those financial statements), and (ii) due to HJ & Associates' dismissal, or for any other reason, the issue has not been resolved to HJ & Associates' satisfaction prior to its dismissal.

Baker Tilly is not expected to express reliance on any other independent accountant its audit report on our financial statements. During Guide Holdings' two most recent fiscal years and the subsequent interim period preceding the dismissal of HJ & Associates, neither Guide Holdings nor of its subsidiaries during that time consulted Baker Tilly regarding (1) either (a) the application of accounting principles to a specified transaction, either completed or proposed or (b) the type of audit opinion that might be rendered on our financial statements, and either a written report was provided to the registrant or oral advice was provided that Baker Tilly concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (2) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

We provided HJ & Associates a copy of this Item 4.01, and HJ & Associates has furnished us with a letter addressed to the SEC stating that it agrees with the statements made in this Item 4.01. A copy of this letter is attached as Exhibit 16.1 to this Form 8-K.

Item 5.01 **Changes in Control of Registrant.**

Upon completion of the Formation Transactions, MG Kaminski through The Kaminski Trust will hold 3,030,000 shares of our common stock and control approximately 16.5% of the eligible votes of our equity holders. MG Kaminski is also deemed to be beneficial owner of 7,000,000 shares of our common stock held by First Tracks, LLC which controls approximately 38.2% of the eligible votes of our equity holders. MG Kaminski disclaims beneficial ownership of the shares held by First Tracks, LLC. To our knowledge, there are no arrangements, the operation of which may, at a subsequent date, result in a further change in control of our company.

The disclosures set forth in Items 1.01, 2.01 and 5.02 are hereby incorporated by reference into this Item 5.01.

Item 5.02 **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On June 7, 2013, Kim McReynolds, Brenda Sundwall and Ronald G. McReynolds resigned as directors and officers of our company. Our board of directors appointed MG Kaminski, Neil Brown, Curtis Marks and Frank Elsenbast as directors effective as of June 7, 2013. With the exception of Mr. Kaminski, each of the new directors was appointed to the audit, compensation and governance and nominating committees of our board of directors.

On June 7, 2013, Mr. Kaminski was also appointed as our Chief Executive Officer (principal executive officer) and Ean Stowell as our Chief Financial Officer (principal financial and accounting officer).

The disclosures set forth in Item 2.01 above are hereby incorporated by reference into this Item 5.02.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Effective as of June 7, 2013, our board of directors amended and restated our articles of incorporation to reflect the change in our company's name. The text of the resulting amended and restated articles of incorporation of Talon Real Estate Holding Corp. is filed as Exhibit 3.1 to this current report on Form 8-K and is hereby incorporated by reference into this Item 5.03.

Effective as of June 7, 2013, our board of directors amended and restated our bylaws to reflect the change in our Company's name. The text of the resulting amended and restated bylaws is filed as Exhibit 3.2 to this current report on Form 8-K and is hereby incorporated by reference into this Item 5.03.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements

- 5130 Industrial Street, LLC Financial Statements for the fiscal years ended December 31, 2012 and 2011.
- 5130 Industrial Street, LLC Financial Statements for the fiscal quarters ended March 31, 2013 and March 31, 2012.
- Talon Real Estate, LLC Financial Statements for the fiscal quarter ended March 31, 2013.
- Unaudited pro forma condensed consolidated combined financial statements and notes.

(b) Exhibits

The Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

TALON REAL ESTATE HOLDING CORP.

Date: June 7, 2013

/s/ MG Kaminski
Matthew G. Kaminski
Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 30, 2017

CERTIFIED MAIL
TRACKING # 7015 3430 0000 9275 1582
RETURN RECEIPT REQUESTED

Keith J. Gruebele, CFO
Talon Real Estate Holding Corp.
5500 Wayzata Boulevard Suite 1070
Minneapolis, MN 55416

Re: Talon Real Estate Holding Corp.
File No. 0-53917

Dear Mr. Gruebele:

We are writing to address the reporting responsibilities under the Securities Exchange Act of 1934 of the referenced company. For ease of discussion in this letter, we will refer to the referenced company as the "Registrant."

It appears that the Registrant is not in compliance with its reporting requirements under Section 13(a) of the Securities Exchange Act of 1934. If the Registrant is in compliance with its reporting requirements, please contact us (through the contact person specified below) within fifteen days from the date of this letter so we can discuss the reasons why our records do not indicate that compliance. If the Registrant is not in compliance with its reporting requirements, it should file all required reports within fifteen days from the date of this letter.

If the Registrant has not filed all required reports within fifteen days from the date of this letter, please be aware that the Registrant may be subject, without further notice, to an administrative proceeding to revoke its registration under the Securities Exchange Act of 1934. This administrative proceeding would be brought by the Commission's Division of Enforcement pursuant to Section 12(j) of the Securities Exchange Act of 1934. If the Registrant's stock is trading, it also may be subject to a trading suspension by the Commission pursuant to Section 12(k) of the Securities Exchange Act of 1934.

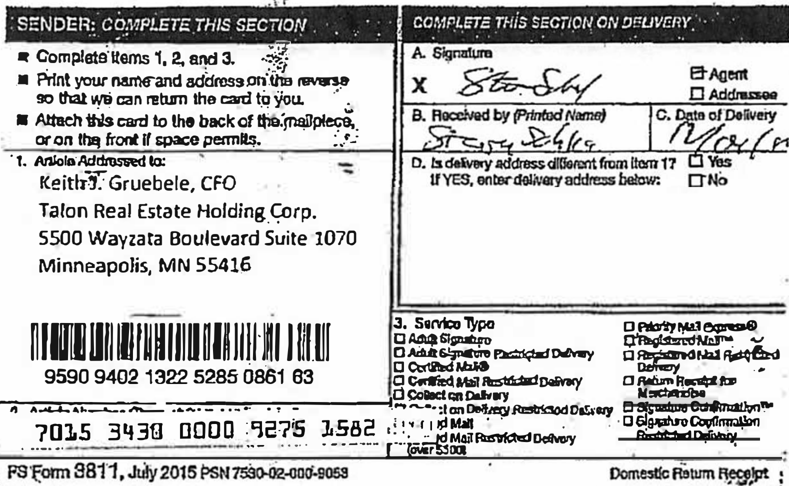
Finally, please consider whether the Registrant is eligible to terminate its registration under the Securities Exchange Act of 1934. If the Registrant is eligible to terminate its registration, it would do so by filing a Form 15 with the Commission. While the filing of a Form 15 may cease the Registrant's on-going requirement to file periodic and current reports, it would not remove the Registrant's obligation to file all reports required under Section 13(a) of the Securities Exchange Act of 1934 that were due on or before the date the Registrant filed its Form 15. Again, if the Registrant is eligible to terminate its registration under the Securities Exchange Act of 1934, please note that the filing of a Form 15 would not remove the Registrant's requirement to file delinquent Securities Exchange Act of 1934 reports – the Registrant would still be required to file with the Commission all periodic reports due on or before the date on which the Registrant filed a Form 15.

If you should have a particular question in regard to this letter, please contact the undersigned at (202) 551-3245 or by email at OEL_DFP@sec.gov.

Sincerely,

/s/ Marva D. Simpson

Marva D. Simpson
Special Counsel
Office of Enforcement Liaison
Division of Corporation Finance



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Keith J. Gruebele, CFO
Talon Real Estate Holding Corp.
5500 Wayzata Boulevard Suite 1070
Minneapolis, MN 55416

9590 9402 1322 5285 0861 63

2. Article Number

7015 3430 0000 9275 1582

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☒ Agent ☐ Addressee

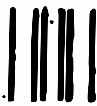
B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☐ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Insured Mail
☐ Insured Mail Restricted Delivery (over $500)
☐ Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Return Receipt for Merchandise
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt



First-Class Mail
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United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box•

U.S. Securities & Exchange Commission
100 F Street, NE
Suite 6011
Washington, DC 20549

From: OEL_DFP
To: Frye, David
Subject: FW: Update on Talon Real Estate Holding Corp. File No. 0-53917n
Date: Thursday, February 07, 2019 2:18:32 PM

From: kgruebele [mailto:kgruebele@talonreit.com]
Sent: Thursday, December 21, 2017 5:22 PM
To: OEL_DFP
Subject: Update on Talon Real Estate Holding Corp. File No. 0-53917

Please see the update below on the work that Talon Real Estate Holding Corp. has done and is scheduled to do. All of which is being done in preparation of getting to you a meaningful letter with date certain of being in full compliance with our filings.

- n Since our last conversion, the Board of Directors has met and is outlining what it would then take to be in full compliance and the timing required.n
- n We had an additional Board meeting, which included meeting with new prospective auditn firm.n
- n We plan to have a meaningful letter of intention with date certain of being in full compliancen to you by mid-January.n

Best Regards,

Keith Gruebele CPA (inactive)
Chief Financial Officer
Talon Real Estate Holding Corp.
Direct: 952-449-3634
Main: 612-604-4800
Fax: 952-449-3636
Kgruebele@talonreit.com

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From: OEL_DFP
To: Frye, David
Subject: FW: Update on Talon Real Estate Holding Corp. File No. 0-53917
Date: Thursday, February 07, 2019 2:18:44 PM

From: kgruebele [mailto:kgruebele@talonreit.com]
Sent: Monday, January 22, 2018 3:09 PM
To: OEL_DFP
Subject: Update on Talon Real Estate Holding Corp. File No. 0-53917

Please accept this email as Talon Real Estate Holding Corp. meaningful letter of intention with date certain of being in full compliance with all its filings.

Talon Real Estate Holding Corp. in this meaningful letter of intention with date certain of August 14, 2018 to be in full compliance will all its Securities and Exchange Commission filings.

Best Regards,

Keith Gruebele CPA (inactive)
Chief Financial Officer
Talon Real Estate Holding Corp.
Direct: 952-449-3634
Main: 612-604-4600
Fax: 952-449-3636
Kgruebele@talonreit.com

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From:	Simpson, Marva D.
To:	Frye, David
Subject:	FW: Talon Real Estate Holding Corp. File No. 0-53917
Date:	Thursday, February 07, 2019 2:20:47 PM

From: OEL_DFP
Sent: Thursday, August 16, 2018 9:59 AM
To: Simpson, Marva D.
Subject: FW: Talon Real Estate Holding Corp. File No. 0-53917

From: Joshua D. Brinen [mailto:jbrinen@brinenlaw.com]
Sent: Thursday, August 16, 2018 9:54 AM
To: OEL_DFP
Subject: Talon Real Estate Holding Corp. File No. 0-53917

Ms. Simpson:

I have been brought on with the new auditor to update the filings given the Chief Financial Officer's failing health and capacities.

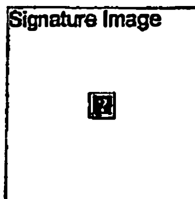
When's a good time to touch base?

Should you have any questions, please do not hesitate to contact me at the below number or via electronic mail at jbrinen@brinenlaw.com.

Yours truly,

Joshua D. Brinen

Signature Image

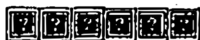


Joshua D. Brinen Principal Attorney

Brinen & Associates, LLC

90 Broad Street, Second Floor, New York, New York 10004

- t: (212) 330-8151
- f: (212) 227-0201
- w: https://brinenlaw.com
- e: jbrinen@brinenlaw.com



Division Exhibit 15

AMENDED
BYLAWS
OF
GUIDE HOLDINGS, INC.

ARTICLE I
OFFICES

Section 1.01 Location of Offices. The corporation may maintain such offices within or without the State of Utah as the Board of Directors may from time to time designate or require.

Section 1.02 Principal Office. The address of the principal office of the corporation shall be at the address of the registered office of the corporation as so designated in the office of the Lieutenant Governor/Secretary of State of the state of incorporation, or at such other address as the Board of Directors shall from time to time determine.

ARTICLE II
SHAREHOLDERS

Section 2.01 Annual Meeting. The annual meeting of the shareholders shall be held in May of each year or at such other time designated by the Board of Directors and as is provided for in the notice of the meeting, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors shall not be held on the day designated for the annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as may be convenient.

Section 2.02 Special Meetings. Special meetings of the shareholders may be called at any time by the chairman of the board, the president, or by the Board of Directors, or in their absence or disability, by any vice president, and shall be called by the president or, in his or her absence or disability, by a vice president or by the secretary on the written request of the holders of not less than one-tenth of all the shares entitled to vote at the meeting, such written request to state the purpose or purposes of the meeting and to be delivered to the president, each vice-president, or secretary. In case of failure to call such meeting within 60 days after such request, such shareholder or shareholders may call the same.

Section 2.03 Place of Meetings. The Board of Directors may designate any place, either within or without the state of incorporation, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the state of incorporation, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be at the principal office of the corporation.

Section 2.04 Notice of Meetings. The secretary or assistant secretary, if any, shall cause notice of the time, place, and purpose or purposes of all meetings of the shareholders (whether annual or special), to be mailed at least ten days, but not more than 60 days, prior to the meeting, to each shareholder of record entitled to vote.

Section 2.05 Waiver of Notice. Any shareholder may waive notice of any meeting of shareholders (however called or noticed, whether or not called or noticed and whether before, during, or after the meeting), by signing a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof. Attendance at a meeting, in person or by proxy, shall constitute waiver of all defects of call or notice regardless of whether waiver, consent, or approval is signed or any objections are made. All such waivers, consents, or approvals shall be made a part of the minutes of the meeting.(

Section 2.06 Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any annual meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the corporation may provide that the share transfer books shall be closed, for the purpose of determining shareholders entitled to notice of or to vote at such meeting, but not for a period exceeding seventy (70) days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at such meeting, such books shall be closed for at least ten (10) days immediately preceding such meeting.

In lieu of closing the share transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the share transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting or to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof. Failure to comply with this Section shall not affect the validity of any action taken at a meeting of shareholders.

Section 2.07 Voting Lists. The officer or agent of the corporation having charge of the share transfer books for shares of the corporation shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of, and the number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the corporation and ~~shall be subject to inspection by any~~ shareholder during the whole time of the meeting. The original share transfer book shall be *prima facie* evidence as to the shareholders who are entitled to examine such list or transfer books, or to vote at any meeting of shareholders.

Section 2.08 Quorum. One-half of the total voting power of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders. If a quorum is present, the affirmative vote of the majority of the voting power represented by shares at the meeting and entitled to vote on the subject shall constitute action by the shareholders, unless the vote of a greater number or voting by classes is required by the laws of the state of incorporation of the corporation or the Articles of Incorporation. If less than one-half of the outstanding voting power is represented at a meeting, a majority of the voting power represented by shares so present may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 2.09 Voting of Shares. Each outstanding share of the corporation entitled to vote shall be entitled to one vote on each matter submitted to vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or series of stock are determined and specified as greater or lesser than one vote per share in the manner provided by the Articles of Incorporation.

Section 2.10 Proxies. At each meeting of the shareholders, each shareholder entitled to vote shall be entitled to vote in person or by proxy; provided, however, that the right to vote by proxy shall exist only in case the instrument authorizing such proxy to act shall have been executed in writing by the registered holder or holders of such shares, as the case may be, as shown on the share transfer of the corporation or by his or her or her attorney thereunto duly authorized in writing. Such instrument authorizing a proxy to act shall be delivered at the beginning of such meeting to the secretary of the corporation or to such other officer or person who may, in the absence of the secretary, be acting as secretary of the meeting. In the event that any such instrument shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or if only one be present, that one shall (unless the instrument shall otherwise provide) have all of the powers conferred by the instrument on all persons so designated. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held and the persons whose shares are pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the corporation he or she shall have expressly empowered the pledgee to vote thereon, in which case the pledgee, or his or her or her proxy, may represent such shares and vote thereon.

Section 2.11 Written Consent to Action by Shareholders. Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if one or more consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted.

ARTICLE III
DIRECTORS

Section 3.01 General Powers. The property, affairs, and business of the corporation shall be managed by its Board of Directors. The Board of Directors may exercise all the powers of the corporation whether derived from law or the Articles of Incorporation, except such powers as are by statute, by the Articles of Incorporation or by these Bylaws, vested solely in the shareholders of the corporation.

Section 3.02 Number, Term, and Qualifications. The Board of Directors shall consist of three to nine persons. Increases or decreases to said number may be made, within the numbers authorized by the Articles of Incorporation, as the Board of Directors shall from time to time determine by amendment to these Bylaws. An increase or a decrease in the number of the members of the Board of Directors may also be had upon amendment to these Bylaws by a majority vote of all of the shareholders, and the number of directors to be so increased or decreased shall be fixed upon a majority vote of all of the shareholders of the corporation. Each director shall hold office until the next annual meeting of shareholders of the corporation and until his or her successor shall have been elected and shall have qualified. Directors need not be residents of the state of incorporation or shareholders of the corporation.

Section 3.03 Classification of Directors. In lieu of electing the entire number of directors annually, the Board of Directors may provide that the directors be divided into either two (2) or three (3) classes, each class to be as nearly equal in number as possible, the term of office of the directors of the first class to expire at the first annual meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election, and that of the third class, if any, to expire at the third annual meeting after their election. At each annual meeting after such classification, the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the second succeeding annual meeting, if there be two (2) classes, or until the third succeeding annual meeting, if there be three (3) classes.

Section 3.04 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately following, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide by resolution the time and place, either within or without the state of incorporation, for the holding of additional regular meetings without other notice than such resolution.

Section 3.05 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the president, vice president, or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the state of incorporation, as the place for holding any special meeting of the Board of Directors called by them.

Section 3.06 <u>Meetings by Telephone Conference Call</u>. Members of the Board of Directors may participate in a meeting of the Board of Directors or a committee of the Board of Directors by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

Section 3.07 <u>Notice</u>. Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each director at his or her regular business address or residence, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting solely for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.08 <u>Quorum</u>. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than a majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 3.09 <u>Manner of Acting</u>. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, and the individual directors shall have no power as such.

Section 3.10 <u>Vacancies and Newly Created Directorship</u>. If any vacancies shall occur in the Board of Directors by reason of death, resignation or otherwise, or if the number of directors shall be increased, the directors then in office shall continue to act and such vacancies or newly created directorships shall be filled by a vote of the directors then in office, though less than a quorum, in any way approved by the meeting. Any directorship to be filled by reason of removal of one or more directors by the shareholders may be filled by election by the shareholders at the meeting at which the director or directors are removed.

Section 3.11 <u>Compensation</u>. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 3.12 <u>Presumption of Assent</u>. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her or her dissent shall be entered in the minutes of the meeting, unless he or she shall file his or her or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered or certified mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.13 Resignations. A director may resign at any time by delivering a written resignation to either the president, a vice president, the secretary, or assistant secretary, if any. The resignation shall become effective on its acceptance by the Board of Directors; provided, that if the board has not acted thereon within ten days from the date presented, the resignation shall be deemed accepted.

Section 3.14 Written Consent to Action by Directors. Any action required to be taken at a meeting of the directors of the corporation or any other action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same legal effect as a unanimous vote of all the directors or members of the committee.

Section 3.15 Removal. At a meeting expressly called for that purpose, one or more directors may be removed by a vote of a majority of the shares of outstanding stock of the corporation entitled to vote at an election of directors.

ARTICLE IV
OFFICERS

Section 4.01 Number. The officers of the corporation shall be a president, one or more vice-presidents, as shall be determined by resolution of the Board of Directors, a secretary, a treasurer, and such other officers as may be appointed by the Board of Directors. The Board of Directors may elect, but shall not be required to elect, a chairman of the board and the Board of Directors may appoint a general manager.

Section 4.02 Election, Term of Office, and Qualifications. The officers shall be chosen by the Board of Directors annually at its annual meeting. In the event of failure to choose officers at an annual meeting of the Board of Directors, officers may be chosen at any regular or special meeting of the Board of Directors. Each such officer (whether chosen at an annual meeting of the Board of Directors to fill a vacancy or otherwise) shall hold his or her office until the next ensuing annual meeting of the Board of Directors and until his or her successor shall have been chosen and qualified, or until his or her death, or until his or her resignation or removal in the manner provided in these Bylaws. Any one person may hold any two or more of such offices, except that the president shall not also be the secretary. No person holding two or more offices shall act in or execute any instrument in the capacity of more than one office. The chairman of the board, if any, shall be and remain a director of the corporation during the term of his or her office. No other officer need be a director.

Section 4.03 Subordinate Officers, Etc. The Board of Directors from time to time may appoint such other officers or agents as it may deem advisable, each of whom shall have such title, hold office for such period, have such authority, and perform such duties as the Board of Directors from time to time may determine. The Board of Directors from time to time may delegate to any officer or agent the power to appoint any such subordinate officer or agents and to prescribe their respective titles, terms of office, authorities, and duties. Subordinate officers need not be shareholders or directors.

Section 4.04 Resignations. Any officer may resign at any time by delivering a written resignation to the Board of Directors, the president, or the secretary. Unless otherwise specified therein, such resignation shall take effect on delivery.

Section 4.05 Removal. Any officer may be removed from office at any special meeting of the Board of Directors called for that purpose or at a regular meeting, by vote of a majority of the directors, with or without cause. Any officer or agent appointed in accordance with the provisions of Section 4.03 hereof may also be removed, either with or without cause, by any officer on whom such power of removal shall have been conferred by the Board of Directors.

Section 4.06 Vacancies and Newly Created Offices. If any vacancy shall occur in any office by reason of death, resignation, removal, disqualification, or any other cause, or if a new office shall be created, then such vacancies or new created offices may be filled by the Board of Directors at any regular or special meeting.

Section 4.07 The Chairman of the Board. The Chairman of the Board, if there be such an officer, shall have the following powers and duties.

(a) He or she shall preside at all shareholders' meetings;

(b) He or she shall preside at all meetings of the Board of Directors; and

(c) He or she shall be a member of the executive committee, if any.

Section 4.08 The President. The president shall have the following powers and duties:

(a) If no general manager has been appointed, he or she shall be the chief executive officer of the corporation, and, subject to the direction of the Board of Directors, shall have general charge of the business, affairs, and property of the corporation and general supervision over its officers, employees, and agents;

(b) If no chairman of the board has been chosen, or if such officer is absent or disabled, he or she shall preside at meetings of the shareholders and Board of Directors;

(c) He or she shall be a member of the executive committee, if any;

(d) He or she shall be empowered to sign certificates representing shares of the corporation, the issuance of which shall have been authorized by the Board of Directors; and

(e) He or she shall have all power and shall perform all duties normally incident to the office of a president of a corporation, and shall exercise such other powers and perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 4.09 The Vice Presidents. The Board of Directors may, from time to time, designate and elect one or more vice presidents, one of whom may be designated to serve as executive vice president. Each vice president shall have such powers and perform such duties as from time to time may be assigned to him or her by the Board of Directors or the president. At the request or in the absence or disability of the president, the executive vice president or, in the absence or disability of the executive vice president, the vice president designated by the Board of Directors or (in the absence of such designation by the Board of Directors) by the president, the senior vice president, may perform all the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president.

Section 4.10 The Secretary. The secretary shall have the following powers and duties:

(a) He or she shall keep or cause to be kept a record of all of the proceedings of the meetings of the shareholders and of the board of directors in books provided for that purpose;

(b) He or she shall cause all notices to be duly given in accordance with the provisions of these Bylaws and as required by statute;

(c) He or she shall be the custodian of the records and of the seal of the corporation, and shall cause such seal (or a facsimile thereof) to be affixed to all certificates representing shares of the corporation prior to the issuance thereof and to all instruments, the execution of which on behalf of the corporation under its seal shall have been duly authorized in accordance with these Bylaws, and when so affixed, he or she may attest the same;

(d) He or she shall assure that the books, reports, statements, certificates, and other documents and records required by statute are properly kept and filed;

(e) He or she shall have charge of the share books of the corporation and cause the share transfer books to be kept in such manner as to show at any time the amount of the shares of the corporation of each class issued and outstanding, the manner in which and the time when such stock was paid for, the names alphabetically arranged and the addresses of the holders of record thereof, the number of shares held by each holder and time when each became such holder of record; and he or she shall exhibit at all reasonable times to any director, upon application, the original or duplicate share register. He or she shall cause the share book referred to in Section 6.04 hereof to be kept and exhibited at the principal office of the corporation, or at such other place as the Board of Directors shall determine, in the manner and for the purposes provided in such Section;

(f) He or she shall be empowered to sign certificates representing shares of the corporation, the issuance of which shall have been authorized by the Board of Directors; and

(g) He or she shall perform in general all duties incident to the office of secretary and such other duties as are given to him or her by these Bylaws or as from time to time may be assigned to him or her by the Board of Directors or the president.

Section 4.11 The Treasurer. The treasurer shall have the following powers and duties:

(a) He or she shall have charge and supervision over and be responsible for the monies, securities, receipts, and disbursements of the corporation;

(b) He or she shall cause the monies and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such banks or trust companies or with such banks or other depositories as shall be selected in accordance with Section 5.03 hereof;

(c) He or she shall cause the monies of the corporation to be disbursed by checks or drafts (signed as provided in Section 5.04 hereof) drawn on the authorized depositories of the corporation, and cause to be taken and preserved property vouchers for all monies disbursed;

(d) He or she shall render to the Board of Directors or the president, whenever requested, a statement of the financial condition of the corporation and of all of his transactions as treasurer, and render a full financial report at the annual meeting of the shareholders, if called upon to do so;

(e) He or she shall cause to be kept correct books of account of all the business and transactions of the corporation and exhibit such books to any director on request during business hours;

(f) He or she shall be empowered from time to time to require from all officers or agents of the corporation reports or statements given such information as he or she may desire with respect to any and all financial transactions of the corporation; and

(g) He or she shall perform in general all duties incident to the office of treasurer and such other duties as are given to him or her by these Bylaws or as from time to time may be assigned to him or her by the Board of Directors or the president.

Section 4.12 General Manager. The Board of Directors may employ and appoint a general manager who may, or may not, be one of the officers or directors of the corporation. The general manager, if any shall have the following powers and duties:

(a) He or she shall be the chief executive officer of the corporation and, subject to the directions of the Board of Directors, shall have general charge of the business affairs and property of the corporation and general supervision over its officers, employees, and agents;

(b) He or she shall be charged with the exclusive management of the business of the corporation and of all of its dealings, but at all times subject to the control of the Board of Directors;

(c) Subject to the approval of the Board of Directors or the executive committee, if any, he or she shall employ all employees of the corporation, or delegate such employment to subordinate officers, and shall have authority to discharge any person so employed; and

(d) He or she shall make a report to the president and directors as often as required, setting forth the results of the operations under his or her charge, together with suggestions looking toward improvement and betterment of the condition of the corporation, and shall perform such other duties as the Board of Directors may require.

Section 4.13 Salaries. The salaries and other compensation of the officers of the corporation shall be fixed from time to time by the Board of Directors, except that the Board of Directors may delegate to any person or group of persons the power to fix the salaries or other compensation of any subordinate officers or agents appointed in accordance with the provisions of Section 4.03 hereof. No officer shall be prevented from receiving any such salary or compensation by reason of the fact that he or she is also a director of the corporation.

Section 4.14 Surety Bonds. In case the Board of Directors shall so require, any officer or agent of the corporation shall execute to the corporation a bond in such sums and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his or her duties to the corporation, including responsibility for negligence and for the accounting of all property, monies, or securities of the corporation which may come into his or her hands.

ARTICLE V
EXECUTION OF INSTRUMENTS, BORROWING OF MONEY, AND DEPOSIT OF CORPORATE FUNDS

Section 5.01 Execution of Instruments. Subject to any limitation contained in the Articles of Incorporation or these Bylaws, the president or any vice president or the general manager, if any, may, in the name and on behalf of the corporation, execute and deliver any contract or other instrument authorized in writing by the Board of Directors. The Board of Directors may, subject to any limitation contained in the Articles of Incorporation or in these Bylaws, authorize in writing any officer or agent to execute and delivery any contract or other instrument in the name and on behalf of the corporation; any such authorization may be general or confined to specific instances.

Section 5.02 Loans. No loans or advances shall be contracted on behalf of the corporation, no negotiable paper or other evidence of its obligation under any loan or advance shall be issued in its name, and no property of the corporation shall be mortgaged, pledged, hypothecated, transferred, or conveyed as security for the payment of any loan, advance, indebtedness, or liability of the corporation, unless and except as authorized by the Board of Directors. Any such authorization may be general or confined to specific instances.

Section 5.03 Deposits. All monies of the corporation not otherwise employed shall be deposited from time to time to its credit in such banks and or trust companies or with such bankers or other depositories as the Board of Directors may select, or as from time to time may be selected by any officer or agent authorized to do so by the Board of Directors.

Section 5.04 Checks, Drafts, Etc. All notes, drafts, acceptances, checks, endorsements, and, subject to the provisions of these Bylaws, evidences of indebtedness of the corporation, shall be signed by such officer or officers or such agent or agents of the corporation and in such manner as the Board of Directors from time to time may determine. Endorsements for deposit to the credit of the corporation in any of its duly authorized depositories shall be in such manner as the Board of Directors from time to time may determine.

Section 5.05 Bonds and Debentures. Every bond or debenture issued by the corporation shall be evidenced by an appropriate instrument which shall be signed by the president or a vice president and by the secretary and sealed with the seal of the corporation. The seal may be a facsimile, engraved or printed. Where such bond or debenture is authenticated with the manual signature of an authorized officer of the corporation or other trustee designated by the indenture of trust or other agreement under which such security is issued, the signature of any of the corporation's officers named thereon may be a facsimile. In case any officer who signed, or whose facsimile signature has been used on any such bond or debenture, should cease to be an officer of the corporation for any reason before the same has been delivered by the corporation, such bond or debenture may nevertheless be adopted by the corporation and issued and delivered as though the person who signed it or whose facsimile signature has been used thereon had not ceased to be such officer.

Section 5.06 Sale, Transfer, Etc. of Securities. Sales, transfers, endorsements, and assignments of stocks, bonds, and other securities owned by or standing in the name of the corporation, and the execution and delivery on behalf of the corporation of any and all instruments in writing incident to any such sale, transfer, endorsement, or assignment, shall be effected by the president, or by any vice president, together with the secretary, or by any officer or agent thereunto authorized by the Board of Directors.

Section 5.07 Proxies. Proxies to vote with respect to shares of other corporations owned by or standing in the name of the corporation shall be executed and delivered on behalf of the corporation by the president or any vice president and the secretary or assistant secretary of the corporation, or by any officer or agent thereunder authorized by the Board of Directors.

ARTICLE VI
CAPITAL SHARES

Section 6.01 Share Certificates. Every holder of shares in the corporation shall be entitled to have a certificate, signed by the president or any vice president and the secretary or assistant secretary, and sealed with the seal (which may be a facsimile, engraved or printed) of the corporation, certifying the number and kind, class or series of shares owned by him or her in the corporation; provided, however, that where such a certificate is countersigned by (a) a transfer agent or an assistant transfer agent, or (b) registered by a registrar, the signature of any such president, vice president, secretary, or assistant secretary may be a facsimile. In case any officer who shall have signed, or whose facsimile signature or signatures shall have been used on any such certificate, shall cease to be such officer of the corporation, for any reason, before the delivery of such certificate by the corporation, such certificate may nevertheless be adopted by the corporation and be issued and delivered as though the person who signed it, or whose facsimile signature or signatures shall have been used thereon, has not ceased to be such officer. Certificates representing shares of the corporation shall be in such form as provided by the statutes of the state of incorporation. There shall be entered on the share books of the corporation at the time of issuance of each share, the number of the certificate issued, the name and address of the person owning the shares represented thereby, the number and kind, class or series of such shares, and the date of issuance thereof. Every certificate exchanged or returned to the corporation shall be marked "Canceled" with the date of cancellation.

Section 6.02 Transfer of Shares. Transfers of shares of the corporation shall be made on the books of the corporation by the holder of record thereof, or by his or her attorney thereunto duly authorized by a power of attorney duly executed in writing and filed with the secretary of the corporation or any of its transfer agents, and on surrender of the certificate or certificates, properly endorsed or accompanied by proper instruments of transfer, representing such shares. Except as provided by law, the corporation and transfer agents and registrars, if any, shall be entitled to treat the holder of record of any stock as the absolute owner thereof for all purposes, and accordingly, shall not be bound to recognize any legal, equitable, or other claim to or interest in such shares on the part of any other person whether or not it or they shall have express or other notice thereof.

Section 6.03 Regulations. Subject to the provisions of this Article VI and of the Articles of Incorporation, the Board of Directors may make such rules and regulations as they may deem expedient concerning the issuance, transfer, redemption, and registration of certificates for shares of the corporation.

Section 6.04 Maintenance of Stock Ledger at Principal Place of Business. A share book (or books where more than one kind, class, or series of stock is outstanding) shall be kept at the principal place of business of the corporation, or at such other place as the Board of Directors shall determine, containing the names, alphabetically arranged, of original shareholders of the corporation, their addresses, their interest, the amount paid on their shares, and all transfers thereof and the number and class of shares held by each. Such share books shall at all reasonable hours be subject to inspection by persons entitled by law to inspect the same.

Section 6.05 Transfer Agents and Registrars. The Board of Directors may appoint one or more transfer agents and one or more registrars with respect to the certificates representing shares of the corporation, and may require all such certificates to bear the signature of either or both. The Board of Directors may from time to time define the respective duties of such transfer agents and registrars. No certificate for shares shall be valid until countersigned by a transfer agent, if at the date appearing thereon the corporation had a transfer agent for such shares, and until registered by a registrar, if at such date the corporation had a registrar for such shares.

Section 6.06 Closing of Transfer Books and Fixing of Record Date.

(a) The Board of Directors shall have power to close the share books of the corporation for a period of not to exceed 70 days preceding the date of any meeting of shareholders, or the date for payment of any dividend, or the date for the allotment of rights, or capital shares shall go into effect, or a date in connection with obtaining the consent of shareholders for any purpose.

(b) In lieu of closing the share transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding 70 days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital shares shall go into effect, or a date in connection with obtaining any such consent, as a record date for the determination of the shareholders entitled to a notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent.

(c) If the share transfer books shall be closed or a record date set for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for, or such record date shall be, at least ten (10) days immediately preceding such meeting.

Section 6.07 Lost or Destroyed Certificates. The corporation may issue a new certificate for shares of the corporation in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate or his or her legal representatives, to give the corporation a bond in such form and amount as the Board of Directors may direct, and with such surety or sureties as may be satisfactory to the board, to indemnify the corporation and its transfer agents and registrars, if any, against any claims that may be made against it or any such transfer agent or registrar on account of the issuance of such new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the Board of Directors, it is proper to do so.

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Section 6.08 <u>No Limitation on Voting Rights; Limitation on Dissenters' Rights</u>. To the extent permissible under the applicable law of any jurisdiction to which the corporation may become subject by reason of the conduct of business, the ownership of assets, the residence of shareholders, the location of offices or facilities, or any other item, the corporation elects not to be governed by the provisions of any statute that (i) limits, restricts, modifies, suspends, terminates, or otherwise affects the rights of any shareholder to cast one vote for each share of common stock registered in the name of such shareholder on the books of the corporation, without regard to whether such shares were acquired directly from the corporation or from any other person and without regard to whether such shareholder has the power to exercise or direct the exercise of voting power over any specific fraction of the shares of common stock of the corporation issued and outstanding or (ii) grants to any shareholder the right to have his or her stock redeemed or purchased by the corporation or any other shareholder on the acquisition by any person or group of persons of shares of the corporation. In particular, to the extent permitted under the laws of the state of incorporation, the corporation elects not to be governed by any such provision, including the provisions of the Utah Control Shares Acquisitions Act, Section 61-6-1 <u>et seq.</u>, of the Utah Code Annotated, as amended, or any statute of similar effect or tenor.

ARTICLE VII
EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 7.01 <u>How Constituted</u>. The Board of Directors may designate an executive committee and such other committees as the Board of Directors may deem appropriate, each of which committees shall consist of two or more directors. Members of the executive committee and of any such other committees shall be designated annually at the annual meeting of the Board of Directors; <u>provided</u>, however, that at any time the Board of Directors may abolish or reconstitute the executive committee or any other committee. Each member of the executive committee and of any other committee shall hold office until his or her successor shall have been designated or until his or her resignation or removal in the manner provided in these Bylaws.

Section 7.02 <u>Powers</u>. During the intervals between meetings of the Board of Directors, the executive committee shall have and may exercise all powers of the Board of Directors in the management of the business and affairs of the corporation, except for the power to fill vacancies in the Board of Directors or to amend these Bylaws, and except for such powers as by law may not be delegated by the Board of Directors to an executive committee.

Section 7.03 <u>Proceedings</u>. The executive committee, and such other committees as may be designated hereunder by the Board of Directors, may fix its own presiding and recording officer or officers, and may meet at such place or places, at such time or times and on such notice (or without notice) as it shall determine from time to time. It will keep a record of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors next following.

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Section 7.04 Quorum and Manner of Acting. At all meeting of the executive committee, and of such other committees as may be designated hereunder by the Board of Directors, the presence of members constituting a majority of the total authorized membership of the committee shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of such committee. The members of the executive committee, and of such other committees as may be designated hereunder by the Board of Directors, shall act only as a committee and the individual members thereof shall have no powers as such.

Section 7.05 Resignations. Any member of the executive committee, and of such other committees as may be designated hereunder by the Board of Directors, may resign at any time by delivering a written resignation to either the president, the secretary, or assistant secretary, or to the presiding officer of the committee of which he or she is a member, if any shall have been appointed and shall be in office. Unless otherwise specified herein, such resignation shall take effect on delivery.

Section 7.06 Removal. The Board of Directors may at any time remove any member of the executive committee or of any other committee designated by it hereunder either for or without cause.

Section 7.07 Vacancies. If any vacancies shall occur in the executive committee or of any other committee designated by the Board of Directors hereunder, by reason of disqualification, death, resignation, removal, or otherwise, the remaining members shall, until the filling of such vacancy, constitute the then total authorized membership of the committee and, provided that two or more members are remaining, continue to act. Such vacancy may be filled at any meeting of the Board of Directors.

Section 7.08 Compensation. The Board of Directors may allow a fixed sum and expenses of attendance to any member of the executive committee, or of any other committee designated by it hereunder, who is not an active salaried employee of the corporation for attendance at each meeting of said committee.

ARTICLE VIII
INDEMNIFICATION, INSURANCE, AND
OFFICER AND DIRECTOR CONTRACTS

Section 8.01 Indemnification: Third Party Actions. The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with any such action,

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suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he or she had reasonable cause to believe that his or her conduct was unlawful.

Section 8.02 Indemnification: Corporate Actions. The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such a person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine on application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 8.03 Determination. To the extent that a director, officer, employee, or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 8.01 and 8.02 hereof, or in defense of any claim, issue, or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith. Any other indemnification under Sections 8.01 and 8.02 hereof, shall be made by the corporation upon a determination that indemnification of the officer, director, employee, or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 8.01 and 8.02 hereof. Such determination shall be made either (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding; or (ii) by independent legal counsel on a written opinion; or (iii) by the shareholders by a majority vote of a quorum of shareholders at any meeting duly called for such purpose.

Section 8.04 General Indemnification. The indemnification provided by this Section shall not be deemed exclusive of any other indemnification granted under any provision of any statute, in the corporation's Articles of Incorporation, these Bylaws, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent, and shall inure to the benefit of the heirs and legal representatives of such a person.

Section 8.05 Advances. Expenses incurred in defending a civil or criminal action, suit, or proceeding as contemplated in this Section may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding upon a majority vote of a quorum of the Board of Directors and upon receipt of an undertaking by or on behalf of the director, officers, employee, or agent to repay such amount or amounts unless if it is ultimately determined that he or she is to indemnified by the corporation as authorized by this Section.

Section 8.06 Scope of Indemnification. The indemnification authorized by this Section shall apply to all present and future directors, officers, employees, and agents of the corporation and shall continue as to such persons who ceases to be directors, officers, employees, or agents of the corporation, and shall inure to the benefit of the heirs, executors, and administrators of all such persons and shall be in addition to all other indemnification permitted by law.

8.07. Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against any such liability and under the laws of the state of incorporation, as the same may hereafter be amended or modified.

ARTICLE IX
FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE X
DIVIDENDS

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and on the terms and conditions provided by the Articles of Incorporation and these Bylaws.

ARTICLE XI
AMENDMENTS

All Bylaws of the corporation, whether adopted by the Board of Directors or the shareholders, shall be subject to amendment, alteration, or repeal by the Board of Directors, and new Bylaws may be made, except that:

(a) No Bylaws adopted or amended by the shareholders shall be altered or repealed by the Board of Directors.

(b) No Bylaws shall be adopted by the Board of Directors which shall require more than a majority of the voting shares for a quorum at a meeting of shareholders, or more than a majority of the votes cast to constitute action by the shareholders, except where higher percentages are required by law; provided, however that (i) if any Bylaw regulating an impending election of directors is adopted or amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors, the Bylaws so adopted or amended or repealed, together with a concise statement of the changes made; and (ii) no amendment, alteration or repeal of this Article XI shall be made except by the shareholders.

CERTIFICATE OF SECRETARY

The undersigned does hereby certify that he or she is the secretary of GUIDE HOLDINGS, INC., a corporation duly organized and existing under and by virtue of the laws of the State of Utah; that the above and foregoing Amended Bylaws of said corporation were duly by unanimous written consent of the Board of Directors of the corporation on the 11th day of March, 2011, and that the above and foregoing Amended Bylaws are now in full force and effect.

DATED this 11th day of March, 2011.

/s/ Brenda Sundwall
Secretary

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

August 31, 2018
Date of Report (Date of Earliest Event Reported)

TALON REAL ESTATE HOLDING CORP.
Exact Name of Registrant as Specified in its Charter)

Utah	000-53917	26-1771717
(State of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard Suite 1070 Minneapolis, Minnesota	55416
(Address of Principal Executive Offices)	*(Zip Code)*

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into Material Definitive Agreements.

Antigua

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Antigua Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of the FC-OP's interests in and to Goat Head Hill and Dutchman's Bay, Island of Antigua (the "Antigua Project"), including, without limitation, that certain Memorandum of Agreement dated July 28, 2015 between Brown McLaren, the FC-OP and the government of Antigua and Barbuda regarding the development of hotels on the properties known as Dutchman's Bay and Goat Head Hill on Antigua and the FC-OP's 100% ownership interest in Goat Head Hill Resort Development Ltd and Dutchman's Bay, an Antigua and Barbuda Corporation.

Pursuant to the Antigua Contribution Agreement, the FC-OP agreed to transfer all of its interests in the Antigua Project to Talon-OP. In consideration for such transfer Talon-OP will issue to the FC-OP $30.0 million in units of its limited partnership interests ("LP Units"), or 12,000,000 LP Units based on a valuation of $2.50 per LP Unit. The LP Units will be payable in three installments over a two year period. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Company.

Pursuant to the terms of the Antigua Contribution Agreement, Talon-OP's obligation to close upon the acquisition is subject to customary conditions to closing. There can be no assurance that a transaction will be consummated.

The foregoing description of the Antigua Contribution Agreement is a summary only and is qualified in its entirety by reference to the complete text of the Antigua Contribution Agreement, which is attached as Exhibit 10.1 to this Current Report on Form 8-K.

Hotels

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Hotels Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of seven entities, as described in the Hotels Contribution Agreement. In consideration for such transfer Talon-OP will issue to the FC-OP $14,796,765.00 in units of its limited partnership interests ("LP Units"), or 5,918,706 LP Units based on a valuation of $2.50 per LP Unit. The aggregate value of the Companies/Hotels is $40,790,000 and a credit for existing indebtedness ("Existing Indebtedness") of $25,993,235.00. The Existing Indebtedness is set forth on Exhibit B attached hereto. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Talon-OP.

Pursuant to the terms of the Hotels Contribution Agreement, Talon-OP's obligation to close upon the acquisition is subject to customary conditions to closing. There can be no assurance that a transaction will be consummated.

The foregoing description of the Hotels Contribution Agreement is a summary only and is qualified in its entirety by reference to the complete text of the Hotels Contribution Agreement, which is attached as Exhibit 10.2 to this Current Report on Form 8-K.

As previously reported, Talon-OP and Contributor and/or FC-OP previously entered into a contribution agreement for the acquisition by the Contributor and/or FC-OP of Talon-OP's interest in Talon First Trust, LLC, a Delaware limited liability company. Other than the foregoing and as set forth in this Current Report on Form 8-K, there are no material relationships between Talon-OP and the Contributor or FC-OP.

Item 4.01. Changes in Registrant's Certifying Accountant.

On September 10, 2018, Talon-OP engaged Turner, Stone & Company, L.L.P. ("Turner Stone") as its new independent registered public accounting firm. The decision to appoint Turner Stone was approved by the independent directors of the board of directors of the Company (the "Board").

During the fiscal years ended December 31, 2016 and December 31, 2017 and the subsequent interim period through September 10, 2018, neither Talon-OP nor anyone acting on behalf of Talon-OP consulted Turner Stone regarding any of the matters or events set forth in Item 304(a)(2) of Regulation S-K.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit	Description
10.1	[illegible] Contribution Agreement [illegible], 2018 [illegible] Contributor
10.2	[illegible] Contribution Agreement [illegible] of August [illegible], 2018 [illegible] and the Contributor

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TALON REAL ESTATE HOLDING CORP.

Date: September 11, 2018

By: /s/ MG Kaminski
Matthew G. Kaminski
Chief Executive Officer

Index to Exhibits

Exhibit No.	Description	Manner of Filing
10.1	[illegible] Contribution Agreement [illegible] as of August 31, 2018 by and among Talon OP and the Contributor	Filed Electronically
10.2	Hotels Contribution Agreement dated as of August 31, 2018 by and among Talon OP and the Contributor	Filed Electronically

Exhibit B

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85150/February 15, 2019

Admin. Proc. File No. 3-18811

In the Matter of

CEELOX, INC., TALON REAL ESTATE HOLDING CORP., VIRTUAL SOURCING, INC., AND WINDSTREAM TECHNOLOGIES, INC.

DECLARATION OF JOSHUA D. BRINEN IN SUPPORT OF RESPONDENT TALON REAL ESTATE HOLDING CORP'S OPPOSITION TO THE DIVISION OF ENFORCEMENT'S MOTION FOR AN ORDER OF SUMMARY DISPOSITION

Joshua D. Brinen declares the following under the penalties of perjury.

1.e I am principal of Brinen & Associates, LLC, attorneys for Respondent Talon Reale Estate Holding Corp. ("Talon").

2.e I make this declaration based on my personal knowledge of the facts stated herein.e

3.e I submit this declaration in support of Talon's Opposition to the Division of e Enforcement's Motion for an Order of Summary Disposition.

4.e The complete list of Talon's delinquent filings, and the exact status of each, is ase follows:

Filing	Status
Form 10K 2016	Prepared, Clearing Final Comments and completing PCAOB Requirements
Form 10Q March 2017	Prepared, under Review
Form 10Q June 2017	Prepared, under Review

Form 10Q September 2017	Prepared, under Review
Form 10K 2017	Prepared, under Review
Form 10Q March 2018	Drafted
Form 10Q June 2018	Drafted
Form 10Q September 2018	Drafted

5. In order to ensure regulatory compliance, Talon has developed and implemented the following internal controls:

First, Talon has removed the former Chief Financial Officer from active management due to his severe medical issues. *See*, Exhibit C, Affidavit of Chief Executive Officer.

Second, Talon has stopped Director Agar from participating beyond his traditional role in the filing process. *See*, Exhibit C.

Third, Talon has hired a part-time Chief Financial Officer to organize the preparation and filing of the financial statements and notes. *See*, Exhibit C.

Fourth, Talon has obtained sufficient funding to pay the prior auditors to release the prior workpapers and fund the compliance requirements.

6. Talon has hired my firm for the sole and express purpose of ensuring regulatory compliance. The status of Talon's progress to that end is as follows:

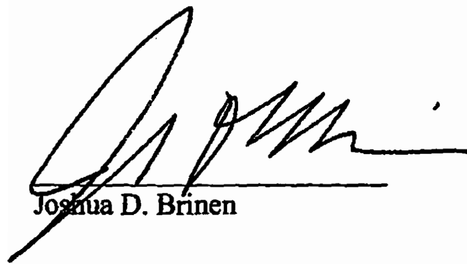
a. Negotiated a settlement and a payment with the PCAOB accountant to obtain PCAOB's release of the prior workpapers and to assist in the transition to the new auditors.

b. Engaged with a new auditor, Turner Stone, who at the time of this submission, prepared to sign-off on the December 31, 2016 audit.

c. Engaged a comptroller consultant to assist in the preparation of the financial statements for audit by the new auditor Turner Stone.

d. Engaged a new attorney to assist in preparation of the Securities and Exchange Commission filings.

DATED: New York, New York
March 25, 2019



Joshua D. Brinen

Exhibit C

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 85150/February 15, 2019

Admin. Proc. File No. 3-18811

In the Matter of :

CEELOX, INC., TALON REAL ESTATE HOLDING CORP., VIRTUAL SOURCING, INC., AND WINDSTREAM TECHNOLOGIES, INC. :

DECLARATION OF MG KAMINSKI IN SUPPORT OF RESPONDENT TALON REAL ESTATE HOLDING CORP'S OPPOSITION TO THE DIVISION OF ENFORCEMENT'S MOTION FOR AN ORDER OF SUMMARY DISPOSITION

I, MG Kaminski, affirm the following to be true under penalties of perjury:

I.e My name is MG Kaminski.e

2.e I am the Chief Executive Officer of the named as a corporate defendant in thee within action, Talon Real Estate Holdings Corp. ("Talon").

3.e I affirm these facts based upon my own personal knowledge of them.e

4.e I have served as Director and Chief Executive Officer of Talon during the timee period in question.

5. The company was created from a reverse merger with Guide Holdings in Junee 2013.

6.e After three (3) years, Talon changed its Board of Directors.e

7.e At that time, all filings and reports were filed on time.e

8.e At that time we had Faegre Baker Daniels as Securities and Exchangee Commission counsel and Baker Tilly as audit firm.

9.e Upon changing of board members in 2016, Marc Agar ("Agar") became a boarde member.

10.e At the same time, Keith Gruebele ("Gruebele") was appointed Chief Financiale Officer.

11.e During the summer of 2016, I noticed that Gruebele was having some ████ ████.

12.e I suggested he go to Mayo Clinic in Rochester, Minnesota.e

13.e For about six months, Gruebele traveled to the Mayo Clinic weekly in hope ofe having the ████████.

14.e Finally, Gruebele was █████ with a ██████ that ████████████ ████████████████████████████████████.

15.e During Gruebele's ████, Agar, as a first time public board member, becamee increasingly micro managerial of accounting and management.

16.e Agar made numerous daily calls to management and the audit firm of Baker Tilly.e

17.e Our attorney at the time at Faegre also mentioned that Agar was becoming a "lot."e

18.e Both the auditors and attorneys resigned due to Agar's attempt at micro managinge and harassing all of the service providers.

19.e Both the auditors and attorneys resigned immediately prior to the filing of thee Form 2016 10K in mid 2017.

20.e Both the auditors and attorneys resigned causing significant damage to Talon.e

21.e New counsel and auditors were engaged in early 2018.e

22.e Talon has hired Turner, Stone & Company LLPe

23.. Turner, Stone & Company LLP is a certified public accounting firm.e

24.e Turner, Stone & Company LLP is certified as a Public Company Accountinge Oversight Board (PCAOB) audit firm.

25.e Talon has hired Brinen & Associates, LLC to act as attorneys for the corporation.e

26.e Talon has been using Clifton Larson Allen LLP to do interim work to help get alle the filings ready for audit.

27.e Recently Talon has a new part time Chief Financial Officer.e

28.e During the ensuing period I have been Chief Executive Officer of the company, Ie have endeavored to resolve each issue.

29.e The company acknowledges that it has not been able to file the necessary reports.e

30.e It has not been able to do so for the following reasons:e

a.e The prior audit firm had prevented the new management from obtaininge access to the necessary books and records to move forward with thee preparation of the required filings;e

b.e The Director Agar has blocked current auditors from moving forward with thee preparation of the required filings;e

c.e The company had to obtain the necessary funding to accomplish these tasks.e

31.e To that end, the company has done the following:e

a.e Engaged with a new auditor, Turner Stone, who at the time of this submission,e prepared to sign-off on the December 31, 2016 audit.e

b.e Engaged a comptroller consultant, Clifton Larson Allen LLP, to assist in thee preparation of the financial statements for audit by the new auditor Turnere Stone.e

c.e Engaged a new attorney to assist in preparation of the Securities ande Exchange Commission filings.e

32.e The new attorney, auditor, and the comptroller consultant have set a schedule toe remediate the open issues. To date, the company has accomplished the following:

a.e Talon is prepared to file the December 31, 2016 10K Annual Report. A copye of that filing is attached as Exhibit 1;e

b.e Talon has prepared the March 31, 2016 10Q Quarterly Report, but has note filed the 10Q at the time of this submission. A copy of that filing is attachede as Exhibit 2;e

c.e Talon has prepared the June 30, 2016 10Q Quarterly Report, but has not filede the 10Q at the time of this submission. A copy of that filing is attached ase Exhibit 3;e

d.e Talon has prepared the September 30, 2016 10Q Quarterly Report, but has note filed the 10Q at the time of this submission. A copy of that filing is attachede as Exhibit 4;e

e.e Talon has prepared the December 31, 2017 10K Annual Report, but has note filed the 10K at the time of this submission. A copy of that filing is attachede as Exhibit 5;e

f. Talon has drafted the March 31, 2017 10Q Quarterly Report, but has not filed the 10Q at the time of this submission. A copy of that filing is attached as Exhibit 6;

g. Talon has drafted the June 30, 2017 10Q Quarterly Report, but has not filed the 10Q at the time of this submission. A copy of that filing is attached as Exhibit 7;

h. Talon has drafted the September 30, 2017 10Q Quarterly Report, but has not filed the 10Q at the time of this submission. A copy of that filing is attached as Exhibit 8;

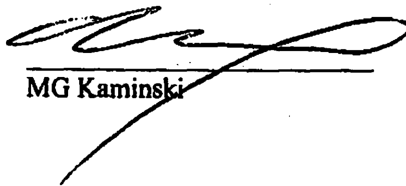
i. Talon has drafted the December 31, 2017 10K Annual Report, but has not filed the 10K at the time of this submission. A copy of that filing is attached as Exhibit 9.

33. The company, the new attorney, auditor, and the comptroller consultant have all agreed that the company can and will maintain its quarterly filing once caught up.

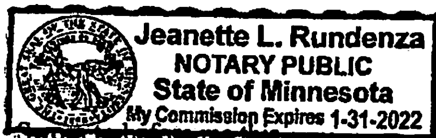
34. I am prepared to give testimony to the fact affied in this Affidavit.

35. Further the deponent sayeth naught.

Dated: Minneapolis, Minnesota
March 21, 2019



MG Kaminski



Sworn to before me this

21 day of March

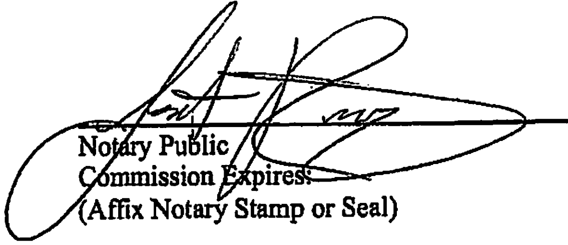

Notary Public
Commission Expires:
(Affix Notary Stamp or Seal)

Exhibit D

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85150/February 15, 2019

Admin. Proc. File No. 3-18811

In the Matter of	:
	:
CEELOX, INC., TALON REAL ESTATE HOLDING CORP., VIRTUAL SOURCING, INC., AND WINDSTREAM TECHNOLOGIES, INC.	:

DECLARATION OF CHERYL GORE IN SUPPORT OF RESPONDENT TALON REAL ESTATE HOLDING CORP'S OPPOSITION TO THE DIVISION OF ENFORCEMENT'S MOTION FOR AN ORDER OF SUMMARY DISPOSITION

I, Cheryl Gore, being duly sworn, affirm the following under the penalties of perjury:

1.e I have personal knowledge of the facts affirmed herein.e

2.e I am a partner in the accounting firm of Turner, Stone & Company LLP.e

3.e Turner, Stone & Company LLP is a certified public accounting firm.e

4.e Turner, Stone & Company LLP is certified public accounting firm that is ae registered firm with the Public Company Accounting Oversight Board (PCAOB.

5. Turner, Stone & Company LLP is the auditor of record for Respondent Talone Real Estate Holding Corp. ("Respondent") and I, Cheryl Gore, am the engagement partner.

6.e I have reviewed the draft of the December 31, 2016 Form 10-K Annual Reporte but have not approved this document for filing at the time of this submission. A copy of that filing is attached as Exhibit 1.

7.e I have reviewed the initial draft of the March 31, 2017 Form 10-Q Quarterlye Report but have not approved this document for filing at the time of this submission. A copy of that filing is attached as Exhibit 2.

8.e I have reviewed the initial draft of the June 30, 2017 Form 10-Q Quarterly Reporte but have not approved this document for filing at the time of this submission. A copy of that filing is attached as Exhibit 3.

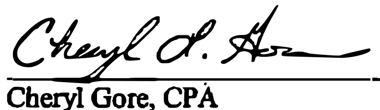
9.e I have reviewed the initial draft of the September 30, 2017 Form 10-Q Quarterlye Report but have not approved this document for filing at the time of this submission. A copy of that filing is attached as Exhibit 4.

10.e I have reviewed the initial draft of the December 31, 2017 Form 10-K Annuale Report but have not approved this document for filing at the time of this submission. A copy of that filing is attached as Exhibit 5.

11.e I am prepared to give testimony to the fact affied in this Affidavit.e

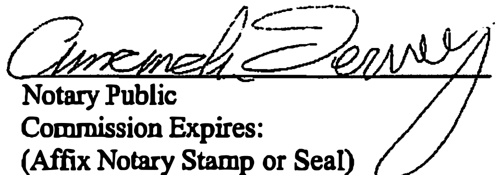
12.e Further the deponent sayeth naught.e

Dated: Dallas, Texas
March 25, 2019



Cheryl Gore, CPA

Sworn to before me this
25th day of March 2019



Notary Public
Commission Expires:
(Affix Notary Stamp or Seal)

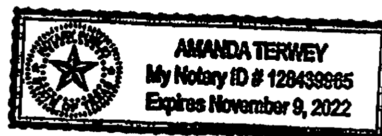


Exhibit 1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended: December 31, 2016

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

For the Transition Period from _____ to _____

Commission file number 000-53917

TALON REAL ESTATE HOLDING CORP.
(Exact Name of Registrant as Specified in its Charter)

Utah	**26-1771717**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard, Suite 1070, Minneapolis, MN 55416
(Address of Principal Executive Offices, Including Zip Code)

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.001 per share
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
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. 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was requirede to submit and post such files). 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 definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging growth Company	☒

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

Indicate by check mark whether the registrant is an "emerging growth company" (as defined in Section 2(a)(19) of the Securities Act). Yes ☒ No ☐

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 7(a)(2)(B) of the Securities Act. Yes ☐ No ☒

As of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of shares of the registrant's common stock held by non-affiliates of the registrant (based upon the price of $1.00 at which our common stock last traded on the Over the Counter Bulletin Board prior to such date) was approximately $17,607,680.

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding as of March 17, 2017 was 17,265,981 shares.

TALON REAL ESTATE HOLDING CORP.
ANNUAL REPORT ON FORM 10-K
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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described under the heading *"Risk Factors"* included in this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission that advise interested parties of the risks and factors that may affect our business.

JUMPSTART OUR BUSINESS STARTUPS ACT DISCLOSURE

Our Company qualifies as an "emerging growth company," as defined in Section 2(a) (19) of the Securities Act of 1933, as amended (the "Securities Act"), as amended by the Jumpstart Our Business Startups Act (the "JOBS Act"). An issuer qualifies as an "emerging growth company" if it has total annual gross revenues of less than $1.0 billion during its most recently completed fiscal year, and will continue to be deemed an emerging growth company until the earliest of:

- e the last day of the fiscal year of the issuer during which it had total annual gross revenues of $1.0 billione or more;e
- e the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale ofe common equity securities of the issuer pursuant to an effective registration statement;e
- e the date on which the issuer has, during the previous three-year period, issued more than $1.0 billion ine non-convertible debt; ore
- e the date on which the issuer is deemed to be a "large accelerated filer," as defined in Section 240.12b-2e of the Securities Exchange Act of 1934 (the "Exchange Act").e

As an emerging growth company, we are exempt from various reporting requirements. Specifically, we are exempt from the following provisions:

- e Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires evaluations and reporting related to ane issuer's internal controls;e
- e Section 14A(a) of the Exchange Act, which requires an issuer to seek shareholder approval of thee compensation of its executives not less frequently than once every three years; ande
- Section 14A(b) of the Exchange Act, which requires an issuer to seek shareholder approval of its so-called "golden parachute" compensation, or compensation upon termination of an employee'se employment.e

Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

PART I

Item 1. Business

Overview

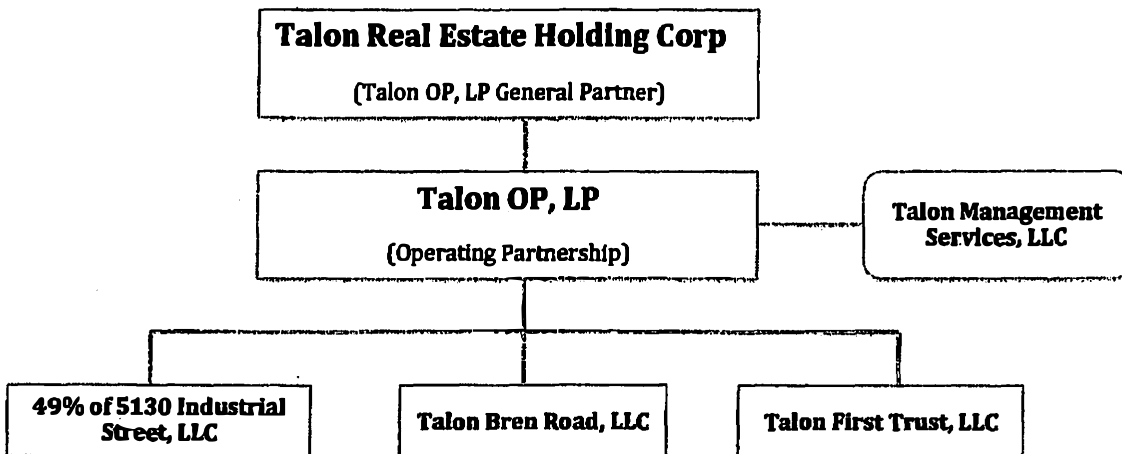
We are a real estate investment company focused on investing in office, industrial, hospitality, and retail properties located in the Midwest and South Central regions of the United States. We target properties located in the area bounded by Minnesota to the north and Texas to the south, and by Illinois to the east and Colorado to the west (our "Target Area"), although we will consider properties outside this target area if we identify attractive opportunities. We believe these markets are currently under served in financing and market transaction options for which we can provide advantageous solutions. We believe the size and location of opportunities in this region will be a desirable fit for our real estate portfolio and can be pursued at attractive yields.

Corporate Information and History

We were incorporated in the State of Utah on November 1, 2007, for the sole purpose of becoming the holding company of Guidebook, which converted from a Utah limited liability company to a Utah corporation on November 1, 2007. Guidebook was organized in the State of Utah as a limited liability company on June 16, 2003 and was focused on providing "do-it-yourself" instructional manuals for residential electrical, plumbing, and remodeling applications. On June 7, 2013, we entered into contribution agreements with members of 5130 Industrial Street, LLC ("5130 LLC"), and TalonRE, and with Talon OP, L.P. ("Talon OP"), collectively referred to as the "Formation Transactions" and changed our name to Talon Real Estate Holding Corp. On June 7, 2013, we sold all of the outstanding shares of Guidebook to Kim McReynolds, divesting ourselves of our historic "do-it-yourself" instructional manual business. The purchase price for the divestiture primarily consisted of the buyer's agreement for Guidebook to indemnify and hold our company harmless from certain liabilities arising from the sale.

Substantially all of our assets are held by, and our operations are conducted through, Talon OP, which we refer to as our "Operating Partnership". We are the sole general partner of the Operating Partnership, and, as such, we generally have the exclusive power to manage and conduct the business and affairs of the Operating Partnership, subject to certain limited approval and voting rights of the limited partners, that are described more fully herein. As of December 31, 2016, we owned 65% of the common units of the Operating Partnership that holds our portfolio of commercial properties.

Organizational Structure in 2016



Organizational Structure in 2019

[MG WILL PROVIDE]

We intend to elect to be taxed as a REIT no sooner than the calendar year in which we qualify to be taxed as such under the Revenue Code, and it is advantageous to our shareholders for the Company to do so. Because we plan to conduct substantially all of our operations through our Operating Partnership, we intend to utilize an Umbrella Partnership Real Estate Investment Trust structure, or UPREIT, although we are currently not a REIT. This structure is designed to provide tax deferral benefits to property owners who contribute their property to our company. We believe using an UPREIT structure will give us an advantage in acquiring properties from persons who may not otherwise sell their properties because of unfavorable tax consequences or it may make our offer more competitive than the pure cash buyer. The UPREIT structure allows deferral of gain recognition by an owner of appreciated real estate if that owner contributes the real estate to the Operating Partnership in exchange for partnership interest. The contributor's gain is deferred until the partnership interest is exchanged for our holding company's common stock.

Our principal executive offices were located at 100 South First Street, #583357, Minneapolis, Minnesota, 55458-3357. Our telephone number is 612-604-4600. Our web address is www.talonreit.com. The information on, or otherwise accessible through, our website does not constitute a part of this report or any other report or document we file with or furnish to the Securities and Exchange Commission.

Distribution Policy

We intend to make quarterly distributions to our common shareholders when available. Upon electing REIT status, U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income, including capital gains.

To the extent that in respect of any calendar year after we have elected to become a REIT, cash available for distribution is less than our taxable income, we could be required to sell assets to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We generally will not be required to make distributions with respect to activities conducted through any Taxable REIT Subsidiary ("TRS").

Dividends and other distributions will be authorized by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including actual results of operations, restrictions under the law of our state of organization, our financial condition, our need to meet the distribution requirements of a REIT when elected, and other factors described below. We cannot assure you that our distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our assets, our operating expenses, interest expense and unanticipated expenditures. For more

information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors."

We anticipate that our distributions generally will be taxable as ordinary income to our shareholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain, or may constitute a return of capital. We will furnish annually to each of our shareholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain.**Our Strategy**

Commercial real estate trends have been positive for an extended period of time. We believe there may be many potential sellers that are seeking an exit strategy now or in the near future and we may be able to offer these sellers some advantages that make us a more competitive buyer. Our objective is to accumulate quality properties at attractive yields primarily in our Target Areas.

We believe there is significant opportunity to acquire quality property by providing liquidity to the market. We believe that our structure will provide investors more liquid equity with diversified real estate exposure. In turn, we anticipate that we will encourage real property owners to sell their properties to us increasing the size of our company and providing us with more diversified real estate holdings. We provide advantageous solutions for property owners due to our tax structure, which is similar to an UPREIT. This structure may be advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted on a one for one basis for Talon Real Estate Holding Corp. common stock under the ticker "TALR" and/or Talon OP preferred units which provide rights to certain distributions and can later be redeemed for the liquidation preference and any accrued and unpaid distributions. We are currently not a REIT.

Our strategy is to offer these tax deferred solutions to real estate owners as part of diversifying our shareholder base, creating liquidity and shareholder value. We currently believe hospitality, retail and student housing properties offer the most attractive return on equity metrics.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide competitive returns in our sectors.

We seek to provide investors the opportunity to have liquidity with real estate exposure in a geographically diversified portfolio with tactical asset allocation. Our strategy is to expand our property holdings to seek diversification by focusing on the following key elements:

- We will target office, industrial, hospitality and retail properties in our Target Area, ranging in size from 10,000 to 500,000 square feet although we may acquire properties outside of these parameters.
- The target market value for our properties is expected to be in the range of $1.0 million to $50 million, although we might acquire larger or smaller properties depending on the opportunities available to us and our access to capital or ability to issue equity interests as consideration.
- Our target properties ideally will be strategically situated in metropolitan areas not traditionally explored by institutional investors. These may include secondary and tertiary markets in our geographic territory.
- We plan to invest in both core income-producing properties requiring relatively small improvements or enhancements and value-added properties that will require more significant investments of capital or management attention (including, but not limited to, leasing vacant space or extending expiring leases) that we expect to provide current income as well as the increased potential for higher long-term value to our company. Our long-term plan is to invest in value-added properties while maintaining a significant part of our portfolio in core properties. Our investment allocation between these two types of properties may significantly fluctuate in the short term as we seek the best opportunities.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other property owners and will enable us to capitalize on the economic conditions in our target real estate markets as we seek to expand our portfolio:

•s *Experienced Management Team with Extensive Experience and Network.* Our management team, leds by MG Kaminski, our Chief Executive Officer has extensive experience in the real estate industry ands has cultivated an extensive network of contacts that we expect to tap to identify acquisitions opportunities. Mr. Kaminski has over 25 years of experience in purchasing, selling, managing, leasing,s and constructing commercial real estate where he owned over 2.6 million square feet. This squares footage represented 32 buildings in office, industrial and retail space. His further experience includess financing and structuring real estate deals through traditional banking institutions and brokerage firms.s This diverse and extensive experience in all aspects of commercial real estate creates unique insight ins the day-to-day operations as well as strategic portfolio level management of commercial properties. Hes is well prepared to respond to all manners of tenant, property, financing and market issues, and he hass significant knowledge and an extensive network of contacts in the Minneapolis/St. Paul metropolitans area and other similar markets in the Midwest to drive the acquisition and financing pipeline. He alsos has significant asset management experience, serving as President of Wayzata Capital Management,s LLC from August 1996 to December 2012.s

•s *Committed and Incentivized Management Team.* Our management team is committed to our operationss and growth. As of December 31, 2016, our management team owned approximately 35% of ours common stock thereby aligning management's interests with those of our shareholders. We expects management will continue to hold a significant ownership interest in our company in the foreseeables future including if we become subject to the ownership requirements under the Internal Revenue Codes of 1986 (the "Code") for qualification as a REIT. To comply with these requirements, not more thans 50% of the value of the outstanding shares of our stock (after taking into account options to acquires shares of stock) may be owned, directly, indirectly or through attribution, by five or fewer individualss at any time during the last half of a taxable year (other than the first year for which an election to be as REIT has been made). Our board of directors has significant experience in leadership roles for boths private and public companies and we expect that they will be an invaluable source of leadership for ours company.s

•s *Disciplined Approach to Underwriting and Due Diligence.* Before acquiring a property, our team of s real estate investment professionals, led by Mr. Kaminski, applies a disciplined underwriting and dues diligence process. The due diligence process focuses on identifying properties in our target market thats are located in metropolitan areas with historically strong, stable economies and stable or growings populations, with an emphasis on areas of growth within these metropolitan areas. We also focus ons identifying properties that can be acquired at prices we believe represent a strong value.s

•s *UPREIT Structure.* Because we intend to conduct our operations through the Operating Partnership,s our organizational structure will be considered an Umbrella Partnership Real Estate Investment Trust,s referred to in our industry as an UPREIT. This structure is designed to provide tax deferral benefits tos property owners who contribute their property to our company. We believe using an UPREIT structures will give us an advantage in acquiring properties from persons who may not otherwise sell theirs properties because of unfavorable tax results. Generally, a sale or contribution of property directly to as REIT is a taxable transaction to the selling property owner. In an UPREIT structure, a seller of as property who desires to defer taxable gain on the sale of property may contribute the property to thes Operating Partnership in exchange for (i) common units in the partnership and defer taxation of gains until the seller later elects to require the Operating Partnership to redeem all (but not less than all) of s their common units for cash equal to the then-current value of an equal number of shares of ours common stock (determined in accordance with and subject to adjustment under the partnerships agreement of our Operating Partnership), or, at our election, as the sole general partner, on behalf of s the Operating Partnership, to exchange their common units for shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stocks or the Operating Partnership sells the property and/or (ii) Talon OP preferred units which provides rights to certain distributions and can later be redeemed for the liquidation preference and any accrueds and unpaid distributions. This ability to offer tax-deferred purchase terms could make us a mores

attractive buyer to some property sellers. We are not currently qualified as a REIT and do not expect to qualify as a REIT during the current calendar year.

Competition

We believe that the competition for leasing the properties we own and for completing acquisition opportunities we may target is highly fragmented. We compete with REITs, institutional investors, public and private real estate companies, as well as other commercial real estate operators and developers who have properties in our vicinity and the areas where we target acquisitions. We believe that the following competitive factors influence our ability to attract tenants to our current properties: location, price and terms, the appearance of properties and the speed at which we can execute leases.

As leases at the properties we own and at any future properties we may acquire expire, we may encounter significant competition to renew or re-lease space. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends may be adversely affected.

We believe that the following competitive factors will influence our ability to acquire additional properties and grow our business: offer price, access to capital and ability to quickly identify and consummate transactions. Competition may have the effect of reducing the number of suitable acquisition opportunities available to us and increase the price required to consummate an acquisition opportunity. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from any sale we might seek to make or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Acquisition Pipeline

We are continually engaging in internal research as well as informal discussions with various parties regarding our potential interest for acquisition opportunities in different states throughout our primary geographic region. There is no assurance that any currently available properties will remain available, or that we will pursue or complete any of these potential acquisitions, at prices acceptable to us or at all.

Talon RE, a wholly owned subsidiary of our Operating Partnership, has entered into a contribution agreement to acquire a 51% interest in 5130 LLC, subject to receiving consent to the transfer from the entity's lender. 5130 LLC owns an industrial complex consisting of two properties with approximately 171,639 rentable square feet located in Maple Plain, MN.

Our Current Property Interests

We currently own four properties located in and around the Minneapolis-St. Paul metropolitan area of Minnesota.

On June 7, 2013, we acquired a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. The buildings currently have a combined occupancy of 85%. We entered into a contribution agreement to acquire the remaining interest in this entity which closed at the end of 2018. In March of 2019 we entered into a purchase and sale agreement to sell this asset.

On May 29, 2014, we completed the acquisition of a 227,000 square foot building situated on 20 acres of land in Minnetonka, MN that is currently 92% leased by over 100 tenants who are wholesale distributors.

On July 2, 2014, we completed the acquisition of a thirteen story office tower located in downtown St. Paul, MN totaling 856,223 total building square feet.that was 62% occupied at time of acquisition and is currently about 60% occupied by corporate and government tenants. In April 2015, we executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. On January 27, 2017 we executed a second amendment to the lease which amended the original lease to a seven-year term with a commencement date of January 1, 2018. We exchanged this asset for Operating Units of First Capital Reit in June of 2018.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Antigua Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through Firsts Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of thes FC-OP's interests in and to Goat Head Hill and Dutchman's Bay, Island of Antigua (the "Antigua Project"),s including, without limitation, that certain Memorandum of Agreement dated July 28, 2015 between Browns McLennon, the FC-OP and the government of Antigua and Barbuda regarding the development of hotels on thes properties known as Dutchman's Bay and Goat Head Hill on Antigua and the FC-OP's 100% ownership interest ins Goat Head Hill Resort Development Ltd and Dutchman's Bay, an Antigua and Barbuda Corporation.s

Pursuant to the Antigua Contribution Agreement, the FC-OP agreed to transfer all of its interests in the Antigua Project to Talon-OP. In consideration for such transfer Talon-OP will issue to the FC-OP $30.0 million in units of its limited partnership interests ("LP Units"), or 12,000,000 LP Units based on a valuation of $2.50 per LP Unit. The LP Units will be payable in three installments over a two year period. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Company.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Hotels Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of seven entities, as described in the Hotels Contribution Agreement. In consideration for such transfer Talon-OP will issue to the FC-OP $14,796,765.00 in units of its limited partnership interests ("LP Units"), or 5,918,706 LP Units based on a valuation of $2.50 per LP Unit. The aggregate value of the Companies/Hotels is $40,790,000 and a credit for existing indebtedness ("Existing Indebtedness") of $25,993,235.00. The Existing Indebtedness is set forth on Exhibit B attached hereto. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Talon-OP.

Pursuant to the terms of the Hotels Contribution Agreement, Talon-OP's obligation to close upon the acquisition is subject to customary conditions to closing. This series of transactions closed in Winter 2018/2019.

The following table sets forth information regarding our 5 largest tenants as of December 31, 2016.

Property Location[1]	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company's Rentable Square Feet	Base Rent for the Year Ended December 31, 2016	Percentage of Company's Total Base Rent for the Year Ended December 31, 2016
180 E 5th Street, St. Paul, MN[4]	Health Care	Office	4/30/2023[3]	119,490	12%	$ 1,829,284	23%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$ 1,410,843	19%
180 E 5th Street, St. Paul, MN[2]	Retail	Office	3/31/2020	102,577	10%	$ 1,274,453	16%
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	59,500	6%	$ 225,628	3%

1350 Budd Ave, Maple Plain, MN	Construction	Industrial	2/28/2018	29,903	3%	$	106,517	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 5% of the Company's total base rent revenues for the year ended December 31, 2016. The property located in Minnetonka, MN leases approximately 16% of the Company's rentable space and accounts for approximately 18% of the Company's total base rent revenues for the year ended December 31, 2016. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul, MN leases approximately 41% of the Company's rentable space and accounts for approximately 77% of the Company's total base rent revenues for the year ended December 31, 2016.
(2) On March 7, 2017, tenant filed for Chapter 11 bankruptcy protection from its creditors.
(3) Five-year lease extension signed in January 2017.
(4) In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

The future square feet expiring for the current leases in place as of December 31, 2016 are as follows:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2017	17,841	29,203	-	25,049	72,793
2018	-	-	-	20,981	20,981
2019	-	-	164,472	-	164,472
2020	-	-	-	-	0
2021	59,500	-	-	-	59,500
Thereafter	-	-	-	-	0
	77,341	29,903	164,472	46,030	317,746

Management may periodically sell certain properties including core income-producing and value-added properties for various reasons based on individual circumstances and opportunities. Proceeds from the sale of such properties may be used to repay related property debt, pay transaction expenses, acquire or invest in other properties and for general corporate purposes including satisfying existing liabilities.

Financing and Leverage Policy

We anticipate using a number of different sources to finance our acquisitions and operations, including cash flows from operations, issuance of debt securities or equity securities (which might be shares of our common or preferred stock or limited partnership units in the Operating Partnership that are redeemable for our common stock or provide rights to certain distributions), private financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also might consider joint venture or other partnering opportunities as they arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate purposes. We expect to use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including prudent assumptions regarding future cash flow, the creditworthiness of tenants and future rental rates. Our articles of incorporation and bylaws do not limit the amount of debt that we may incur. As of December 31, 2016, our ratio of notes payable to total assets (net of accumulated depreciation) was approximately 86% based on the net depreciated cost of our properties.

Our board of directors will consider a number of factors in evaluating the amount of debt that we may incur. Our board of directors may from time to time modify its views regarding the appropriate amount of debt

financing in light of then-current economic conditions, relative costs of debt and equity capital, market value of our portfolio, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our shareholders.

Regulation

Properties in which we plan to invest are subject to various covenants, laws, ordinances and regulations, including environmental regulations and regulations relating to common areas and fire and safety requirements.

Americans with Disabilities Act

Properties in which we plan to invest are subject to Title III of Americans with Disabilities Act, or the "ADA", to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable.

Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under, or migrating from such property or properties, including costs to investigate, clean up such contamination and liability for natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at any properties we own or acquire may expose us to third-party liability for costs of remediation and/or personal or property damage or may materially adversely affect our ability to sell, lease or develop the properties or to borrow using such property or properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on any properties we own or acquire, environmental laws may impose restrictions on the manner in which the property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

The properties we own, and any properties we acquire in the future, may contain, have contained, or be adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, any properties we own or acquire might have been used in the past for commercial or industrial purposes that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, such property or properties may have been or may be impacted by contamination arising from the releases of such hazardous substances or petroleum products. If we deem it appropriate in the future, we may take steps to address identified contamination or mitigate risks associated with such contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur material liabilities.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or "ACBM", and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. Any properties we own or acquire may contain ACBM and we could be liable for such damages, fines or penalties.

In addition, the properties we own or acquire will be, subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from activities on the properties or the failure to comply with such requirements. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. The costs associated with such liability could be substantial and could have a material adverse effect on us.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels have been alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at the properties we own or acquire could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our current properties.

REIT Qualification

We intend to elect to be taxed as a REIT for the calendar year in which we qualify to be taxed as such under the Revenue Code and it is advantageous to the shareholders to do so. The earliest we could qualify would be our taxable year ending on December 31, 2017. Our qualification as a REIT will depend upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT. We intend to amend our articles to include certain restrictions to enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our shareholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lose our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property. In addition, any TRS we own will be subject to U.S. federal, state and local taxes on its income or property. We do not currently qualify as a REIT in the current calendar year.

Investment Company Act of 1940

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940.

Risk Management

Our risk management activities are overseen by our board of directors. We will face various forms of risk in our business ranging from broad economic, commercial and industrial market and interest rate trends to more specific factors such as credit risk related to our tenants, ability to meet financial obligations under our loan agreements, leasing of properties and competition for properties. We also face risks related to our limited number of employees and significant debt load, as well as pending litigation. See also "Risk Factors."

Insurance

We currently maintain property, liability, and umbrella coverage under a blanket policy for each property. We believe the policy specifications and insured limits covering our properties are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses.

Employees

We have structured our operations in a manner that minimizes overhead and relies on third parties to supply experience and expertise necessary to identify and exploit potential acquisition opportunities. We will attempt to minimize general and administrative expenses by maintaining adequate levels of overhead and staff while outsourcing operational duties to consultants and independent contractors where appropriate. We currently have five full-time employees, but expect to eventually hire more employees appropriate for the development of our business.

Executive Officers

Set forth below are the names, ages and titles of the persons serving as our executive officers.

Name	Age	Position
MG Kaminski	58	Chief Executive Officer
Keith Gruebele	62	Chief Financial Officer

MG Kaminski has served as our Chief Executive Officer and a Director since June 7, 2013. Mr. Kaminski has over 25 years of experience in managed, leased, and constructed real estate. Prior to joining us, he served as President of a variety of real estate companies, including Kasa Real Estate, LLC, a real estate property management company, from December 2010 to June 7, 2013, WP Construction, LLC, a real estate construction company, from May 2006 to December 2012, Wayzata Properties, LLC, a real estate management company, from December 2003 to December 2011 and WP Brokerage, LLC, a leasing real estate company, from October 2005 to December 2010. Mr. Kaminski also has significant asset management experience, serving as President of Wayzata Capital Management, LLC from August 1996 to December 2012. Mr. Kaminski's qualifications to serve on our board of directors include, among other skills and qualifications, his extensive experience as a manager and in the real estate industry.

Keith Gruebele has served as our Chief Financial Officer since November 1, 2016. Prior to joining us, Mr. Gruebele served as the Director of Finance at Mid America Festivals from April 2016 through October 2016. He served as an independent consultant from September 2015 through March 2016. From January 2010 through August 2015 he served as Finance, Operations, Real Estate and Special Projects Leader at GLC Enterprises, Inc. Mr. Gruebele holds an inactive CPA license from the state of Minnesota. In August 2018, Mr. Gruebele stepped down from active management of the Company due to health reasons.

Item 1A. Risk Factors

Set forth below and elsewhere in this Annual Report on Form 10-K, and in other documents we file with the Securities and Exchange Commission, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Annual Report on Form 10-K and in other written and oral communications from time to time. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our financial statements and related notes.

RISKS RELATED TO OUR BUSINESS AND FINANCIAL CONDITION

We are a company with limited operating history for you to evaluate our business.

Our predecessor was incorporated in the State of Utah on November 1, 2007, for the sole purpose of becoming the holding company of Guidebook, which focuses on providing "do-it-yourself" instructional manuals for residential electrical, plumbing, and remodeling applications. We divested Guidebook in connection with the transactions forming our current business. We formed our Operating Partnership in June 2013 and currently are engaged in the business of investing in office, industrial and retail properties located in our target markets. We have a limited operating history for you to consider in evaluating our business and prospects. In addition, our business plan involves significant expansion of our real estate holdings that have not been agreed upon as of the date of this filing. As a result, it is difficult for potential investors to evaluate our business and prospects. Our operations are subject to all of the risks, difficulties, complications and delays frequently encountered in connection with the formation of any new business, as well as those risks that are specific to the real estate industry.

The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm has indicated in its opinion attached to its audit report for the year ended December 31, 2016 that there is substantial doubt about our ability to continue as a going concern due to our expectation that projected funds from operations, together with current cash on hand, will be insufficient to meet working capital requirements, to repay debt at maturity and other financing costs and to fund required capital expenditures and leasing costs. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. Any management plan to address our financial condition may be ineffective, and we cannot provide any assurance that we will be able to continue as a going concern.

Our business plan requires additional liquidity and capital resources that might not be available on terms that are favorable to us, or at all, which raises substantial doubt about our ability to continue as a going concern or restricts our ability to grow and adversely affect our results of operations.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of December 31, 2016, we had unrestricted cash of $108,418 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Any additional capital raised through the sale of equity or the issuance of equity in connection with property acquisitions may dilute the ownership percentage of our shareholders. This could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect. Debt financing, if available, may involve restrictive covenants or additional security interests in our assets and would increase our expenses due to interest payment requirements.

Our ability to obtain needed financing may be impaired by such factors as the health of and access to capital markets (both generally and in the real estate industry in particular), our status as a new enterprise without a significant demonstrated operating history, the substantial doubt about our ability to continue as a going concern, and/or the loss of key management. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition and results of operations.

We own real estate that is subject to financial and other covenants, as well as liens. We are not compliance with all of those covenants, which may constitute an event of default under certain of our loan agreements and cause acceleration of certain indebtedness and the initiation of foreclosure action against certain of our properties.

All of the properties we own are subject to loan agreements requiring, among other covenants, compliance with certain financial and non-financial covenants. In the event we are unable to comply with the requirements of our borrowings, we may be subject to default, which could cause a lender to accelerate our indebtedness or to initiate a foreclosure action. Judgments against the borrower in excess of $100,000 or against the guarantors of our loans in excess of $250,000 that remain unpaid after 30 days constitute an event of default under our 10301 Bren Road loan agreements and judgments against the borrower or the guarantors of our loans in excess of $250,000 that remain unpaid after 60 days constitute and event of default under our 180 E 5th Street loan.

On February 27, 2017, a judgment in the amount of $719,365 was ordered against Talon Bren Road, LLC and Talon O.P. L.P. On March 27, 2017, Talon Bren Road, LLC received a notice of a default under the terms of our second mortgage agreement, the outstanding balance of which was $2.0 million as of December 31, 2016. On April 13, 2017, Talon Bren Road, LLC, Talon O.P. and Talon Real Estate Holding Corp. received a notice and acceleration of demand for payment of amounts outstanding under our first mortgage loan agreement, the balance of which was approximately $10.7 million as of December 31, 2016. On June 23, 2017 the amounts outstanding on the first and second mortgage were refinanced with a new lender and the judgment in the amount of $719,365 was satisfied out of the proceeds of the refinancing.

On April 7, 2017, a judgment in the amount of $897,695 was ordered against Talon Real Estate Holding Company and Talon O.P. L.P, jointly and severally. On May 31, 2017, the Court granted a Charging Order against the Company and Talon O.P.L.P where the Company and Talon O.P.L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

Subsequent to the judgment and charging order, in April 2018, the judgment was fully satisfied by the Company, granting a second mortgage in favor of the judgment creditor.

In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

On December 15, 2018, the Company entered into a termination agreement with the landlord. In exchange for vacating the premises, the accrued rent was forgiven.

On December 31, 2018, the Company issued the 2,820,810 shares to First Tracks LLC. The shares have yet to be delivered.

We could face difficulties in refinancing loans involving balloon payment obligations.

Most of our mortgage loans require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity could be uncertain and may depend upon our ability to obtain additional financing, to refinance the debt or our ability to sell the particular property. On April 8, 2017, we had a balloon payment due in the amount of $4.3 million dollars. As of the date of this report, the payment is past due and we have been unable to refinance it. If we continue to be in default or are unable to obtain a waiver from the lender, the lender may foreclose on the secured property or accelerate any amounts due. We may be required to sell the mortgaged property at a time which may not permit realization of the maximum return on such property. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets. If we are able to refinance the debt, we may not be able to obtain terms as favorable as the original loan. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets.

We are subject to litigation proceedings that could harm our business if an unfavorable ruling were to occur.

From time to time, we may become involved in litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. As described in, but not limited to, Part I, Item 3, "Legal Proceedings" of this Form 10-K, we are currently subject to certain legal proceedings. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure you that these or other litigation or legal proceedings will not materially affect our ability to conduct our business in the manner that we expect or otherwise adversely affect us should an unfavorable ruling occur.

Our lack of diversification increases the risk of an investment in our company, and our financial condition and results of operations may deteriorate if we fail to diversify.

We currently own an interest in four commercial properties located in the Minneapolis-St. Paul area. Although we intend to continue to acquire additional properties for our portfolio, our ability to diversify our portfolio will depend on our access to additional capital and financing sources and the availability of suitable acquisition targets. We also intend to finance some acquisitions with shares of our company's common stock or the Operating Partnership's limited partnership units so our ability to diversify may also depend on the willingness of real estate owners to exchange their real estate holdings for such securities, which we anticipate will have limited liquidity. Until such time as we are able to diversify our property holdings, if at all, our results of operations will depend on economic conditions in the Minneapolis-St. Paul area and could fluctuate significantly depending on local economic factors that are outside of our control. In addition, natural disasters in this area, such as tornadoes, could significantly damage our current property and materially and adversely affect our financial condition, results of operations and prospects.

As of December 31, 2016, there was approximately $49.1 million of indebtedness secured by buildings in which we have an interest, which could expose us to default, prevent the disposition of any of the properties or result in a significant loss upon disposition of any of the properties.

The appraised value or purchase price of acquired properties are not necessarily equal to the fair market value or the consideration we would receive if we disposed of the properties in arm's length transactions. If the fair market value of the property is less than the amount of outstanding debt secured by the property, the entity that owns the property might not be able to dispose of it or, if it does dispose of the property, it could be at a substantial loss that would adversely affect our results of operations and financial condition. In addition, payments of principal and interest on the indebtedness related to the property may require us to contribute cash resources to operate the property, and indebtedness on any future properties we may acquire or seek to acquire in the future could leave us with insufficient cash resources to operate our business or to pay dividends to our shareholders.

We are dependent on key personnel and need to hire additional qualified personnel for our business to succeed.

Our performance is substantially dependent on the performance of our senior management, including MG Kaminski, our Chief Executive Officer, and Keith Gruebele, our Chief Financial Officer. The loss of the services of any of our executive officers could have a material adverse effect on our business, results of operations and our financial condition. Our future success also depends on our continuing ability to attract and retain highly qualified managerial and other personnel. Competition for such personnel is intense and we may not be able to retain our key managerial and other employees or may not be able to attract and retain additional highly qualified managerial and other personnel in the future. The inability to attract and retain necessary managerial and other personnel could have a material adverse effect upon our business, results of operations and financial condition.

We may not be able to operate as a REIT and our management team has no REIT experience.

Our board of directors and executive officers have no prior experience operating a REIT. There is a risk that the past experience of our management team will not be sufficient to operate our company as a REIT. We may not qualify to elect REIT status for the current calendar, or at all. Our failure to qualify as a REIT may have an

adverse effect on our tax position, financial condition, results of operations, cash flow and trading price of our common stock.

Our management team has never run a public company.

Our executive officers have no prior experience operating a publicly-traded company. There is a risk that the past experience of our management team will not be sufficient to timely meet disclosure requirements of the Securities and Exchange Commission (the "SEC") or otherwise comply with securities laws applicable to publicly-traded companies. Our failure to operate as a public company would have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

If our remedial measures are insufficient to address material weaknesses and we are unable to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, timely file our periodic reports, maintain our reporting status or prevent fraud.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. In connection with our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016, we concluded there were two material weaknesses. Our management identified material weaknesses in internal control over financial reporting relating to our internal control environment and our period end financial reporting. In addition, we identified multiple significant deficiencies in our internal control over financial reporting. Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, detected or corrected on a timely basis.

Although management has begun taking and intends to continue to take a number of steps to remediate the underlying causes of these material weaknesses (see "Item 9A Controls and Procedures – Management's Annual Report on Internal Control Over Financial Reporting" and "- Management Remediation Plan"), we cannot assure that this remediation will occur on a timely basis, or that the efforts to remediate the material weakness will be effective.

Moreover, if our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, then there exists a risk that our consolidated financial statements may contain material misstatements that are unknown to us at that time, and such misstatements could require us to restate our financial results. Our management or our independent registered public accounting firm may identify other material weaknesses in our internal control over financial reporting in the future. The existence of a material weakness in our internal control over financial reporting may result in current and potential stockholders and lenders losing confidence in our financial reporting, which could negatively impact the market price of our common stock or willingness of lenders to extend credit to our Company.

In addition, the existence of material weaknesses in our internal control over financial reporting may affect our ability to timely file periodic reports under the Exchange Act and may consequently result in the SEC revoking the registration of our common stock or the delisting of our common stock. Any of these events could have a material adverse effect on the market price of our common stock or on our business, financial condition and results of operations.

Our insurance may be inadequate to cover liabilities we may incur.

Our ownership of real property may result in us becoming subject to liability for pollution, property damage, personal injury, death or other hazards. Although we expect to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, we may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to us. If we suffer a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, we could be required to divert funds from capital investment or other uses towards covering our liability for such events, and we may not be able to continue to obtain insurance on commercially reasonable terms.

We rely on revenues derived from key tenants.

We derive significant revenues from certain key tenants. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our key tenants, or in the event that any such tenant does not renew its leases as they expire or renews such leases at lower rental rates.

Any bankruptcy filings by or relating to any of our tenants could bar us from collecting pre-bankruptcy debts from that tenant, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums.

On March 7, 2017, a key tenant in one of our properties filed for Chapter 11 bankruptcy protection from its creditors. The details of the restructuring plan are unknown. The bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent may not be paid in full, which could have a material adverse effect upon our business, results of operations and financial condition. (See Note 15). See "Item 1 – Our Current Property Interests" for quantified information with respect to the percentage of our minimum rents received from major tenants.

RISKS RELATED TO OUR INDUSTRY

Our ownership of commercial real estate involves a number of risks, the effects of which could adversely affect our business.

General economic and market risks. In periods during, or following, a general economic decline or recessionary climate, our assets may not generate sufficient cash to pay expenses, service debt or cover maintenance, and, as a result, our results of operations, cash flows and ability to pay dividends (if any) may be adversely affected. Several factors may adversely affect the economic performance and value of our properties. These factors include, among other things:

- changes in the national, regional and local economic climate;
- local real estate conditions such as an oversupply of properties or a reduction in demand for properties;
- the attractiveness of our properties to tenants or buyers;
- competition from other available properties;
- changes in market rental rates and related concessions granted to tenants such as free rent, tenant allowances and tenant improvement allowances; and
- the need to periodically repair, renovate and re-lease space.

Uncertain economic conditions may adversely impact current or future tenants and, accordingly, could affect their ability to pay rents owed to us pursuant to their leases. In periods of economic uncertainty, tenants are more likely to close less profitable locations or to declare bankruptcy, and, pursuant to various bankruptcy laws, leases may be rejected and thereby terminated. Furthermore, our ability to sell or lease our properties at favorable rates, or at all, may be negatively impacted by general or local economic conditions.

Our ability to collect rent from tenants may affect our ability to pay for adequate maintenance, insurance and other operating costs. Also, the expense of owning and operating a property is not necessarily reduced when circumstances such as market factors cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) may adversely affect our financial condition.

Leasing risk. Our operating revenues are dependent upon entering into leases with and collecting rents from tenants. In uncertain economic times, tenants whose leases are expiring may desire to decrease the space they lease or may be unwilling to continue their lease. When leases expire or are terminated, replacement tenants may not be available upon acceptable terms and market rental rates may be lower than the previous contractual rental rates. Also, during uncertain economic conditions, tenants may approach us for additional concessions in order to remain open and operating. The granting of these concessions may adversely affect our results of operations and cash flows to the extent that they result in reduced rental rates, additional capital improvements, or allowances paid to or on behalf of the tenants.

Uninsured losses and condemnation costs. Accidents, terrorism incidents, tornadoes or other acts of God and other losses at our properties for any reason could adversely affect our operating results. Casualties may occur that significantly damage an operating property, and insurance proceeds may be less than the total loss incurred by us. We maintain casualty insurance under policies we believe to be appropriate, but some types of losses, such as those related to the termination of longer-term leases and other contracts, generally are not insured. Certain types of insurance may not be available or may be available on terms that could result in large uninsured losses. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on the property. Such losses may not be fully insured. In addition to uninsured losses, various government authorities may condemn all or parts of operating properties. Such condemnations could adversely affect the viability of such projects.

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. Unidentified environmental liabilities could have an adverse effect on our financial condition and results of operations.

Liquidity risk. Real estate investments are relatively illiquid and can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable. As a result, our ability to sell one or more of our properties, whether in response to any changes in economic or other conditions or in response to a change in strategy, may be limited. In the event we want to sell a property, we may not be able to do so in the desired time period, the sales price of the property may not meet our expectations or requirements, and we may be required to record an impairment loss on the property as a result.

We face possible risks associated with the physical effects of climate change.

We cannot assert with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity. Over time, these conditions could result in declining demand for office space in our buildings or our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal or repairs and maintenance at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Data security breaches may cause damage to our business and reputation.

In the ordinary course of our business we maintain sensitive data, including our proprietary business information and the information of our tenants and business partners, in our networks. Notwithstanding the security measures undertaken, our information technology may be vulnerable to attacks or breaches resulting in proprietary information being publicly disclosed, lost or stolen. There can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Protected information, networks, systems and facilities remain vulnerable because the techniques used in such attempted security breaches evolve and may not be recognized or detected until launched against a target. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

Data and security breaches could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of our client tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our client tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties, or termination of leases or other agreements; and/or
- damage our reputation among our client tenants and investors.

Competition may impede our ability to attract or retain tenants or re-let space, which could materially and adversely affect us.

We face significant competition for tenants from other owners and operators of office, industrial and retail properties in the Minneapolis-St. Paul area and expect to experience similar significant competition in areas where we acquire additional properties. These competitors may possess more substantial resources and access to capital than we have, as well as greater expertise or flexibility in designing space to meet prospective tenants' needs, or may be more willing, especially in difficult economic times, to make space available to prospective tenants at lower prices than comparable spaces in our properties. Thus, competition could negatively affect our ability to attract and retain tenants and may reduce the rents we are able to charge, which could materially and adversely affect us.

Compliance or failure to comply with federal, state and local regulatory requirements could result in substantial costs.

Our properties are subject to various federal, state and local regulatory requirements, such as the Americans with Disabilities Act and state and local fire, health and life safety requirements. Compliance with these regulations may involve upfront expenditures and ongoing costs. If we fail to comply with these requirements, we could incur fines or other monetary damages. We do not know whether existing requirements will change or whether compliance with existing or future requirements will require significant unanticipated expenditures that will affect our cash flows and results of operations.

We may face risks associated with property acquisitions.

We intend to invest in property acquisitions, which carry certain risks including:

- o we may have difficulty finding properties that are consistent with our strategy and that meet our standards;o
- o we may have difficulty negotiating with new or existing tenants;o

- the extent of competition for a particular market for attractive acquisitions may hinder our desired levele of property acquisitions;e
- the actual costs and timing of repositioning or redeveloping acquired properties may be greater thane our estimates;e
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse,e with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmentale contamination, claims by tenants, vendors or other persons dealing with the former owners of thee properties, liabilities incurred in the ordinary course of business and claims for indemnification bye general partners, directors, officers and others indemnified by the former owners of the properties;e
- the occupancy levels, lease-up timing and rental rates may not meet our expectations;e
- the acquired property may be in a market that is unfamiliar to us and could present additionale unforeseen business challenges;e
- acquired properties may fail to perform as expected;e
- the timing of property acquisitions may lag the timing of property dispositions, leading to periods ofe time where projects proceeds are not invested as profitably as we desire;e
- we may be unable to obtain financing for acquisitions on favorable terms or at all; ande
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations,e and significant levels of management's time and attention could be involved in these projects,e diverting their time from our day-to-day operations.e

Any of these risks could have an adverse effect on our results of operations and financial condition. In addition, we may acquire properties subject to liabilities, and with no or limited recourse against the prior owners or other third parties. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our business, results of operations and cash flow.

Pursuant to the Formation Transactions, our Operating Partnership acquired a 49% interest in an entity that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area. However, affiliates of MG Kaminski, our Chief Executive Officer, own the other 51% interest in the entity. Talon RE, a wholly owned subsidiary of our Operating Partnership, entered into a contribution agreement with Mr. Kaminski to acquire his remaining interest in the entity, subject to receiving consent to the transfer from the entity's lender, but there can be no assurance that the lender will consent to the transfer or that we will ever acquire a controlling interest in the entity that owns the complex.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in dilution and limit our ability to sell such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in the Operating Partnership, which may dilute our interest in our properties. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the respective contributor's ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties or the allocation of partnership debt to the contributor to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business we acquire and store sensitive data, including intellectual property, our proprietary business information and personally identifiable information of our prospective and current tenants, our employees and third-party service providers in our branch offices and on our networks and website. The secure processing and maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks

and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, which could adversely affect our results of operations and competitive position.

RISKS RELATED TO FEDERAL INCOME TAX

If we elect to be taxed as a REIT, any failure to qualify as a REIT for federal income tax purposes could have a material adverse impact on us and our shareholders.

Once we meet the specific criteria to qualify as a REIT and it is advantageous to the shareholders to do so, we intend to elect to be treated as a REIT for federal income tax purposes and operate in a manner to continue to qualify as a REIT. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code (the "Code"), for which there are only limited judicial or administrative interpretations. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, we can provide no assurance that legislation, new regulations, administrative interpretations or court decisions will not adversely affect our qualification as a REIT or the federal income tax consequences of our REIT status.

If we were to fail to qualify as a REIT or maintain our REIT status, we would not be allowed a deduction for distributions to shareholders in computing our taxable income. In this case, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be disqualified from operating as a REIT for the four taxable years following the year during which qualification was lost. As a result, we would be subject to federal and state income taxes which could adversely affect our results of operations and distributions to shareholders. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke the REIT election.

In order to qualify as a REIT, under current law, we generally are required each taxable year to distribute to our shareholders at least 90% of our net taxable income (excluding any net capital gain). To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our other taxable income, we are subject to tax on the undistributed amounts at regular corporate rates. In addition, we are subject to a 4% nondeductible excise tax to the extent that distributions paid by us during the calendar year are less than the sum of the following:

- 85% of our ordinary income;
- 95% of our net capital gain income for that year; and
- 100% of our undistributed taxable income (including any net capital gains) from prior years.

We generally intend to make distributions to our shareholders to comply with the 90% distribution requirement to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Distributions could be made in cash, stock or in a combination of cash and stock. Differences in timing between taxable income and cash available for distribution could require us to borrow funds to meet the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Satisfying the distribution requirements may also make it more difficult to fund new investment or development projects.

If we elect to be taxed as a REIT, certain property transfers may be characterized as prohibited transactions, resulting in a tax on any gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, if we elect to be taxed as a REIT, any gains resulting from transfers or dispositions, from other than a taxable REIT subsidiary, that are deemed to be prohibited transactions would be subject to a 100% tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale to customers in the ordinary course of business. Since we intend to acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property will be deemed to be

prohibited transactions. However, whether or not a transfer or sale of property qualifies as a prohibited transaction depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service (the "IRS") may contend that certain transfers or disposals of properties by us are prohibited transactions. If the IRS were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100% of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

The stock ownership limit imposed by the Code for REITs and our articles as we intend to amend it may restrict business combination opportunities.

To qualify as a REIT under the Code, not more than 50% in value of our outstanding stock 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 our first year in which we qualify as a REIT. We anticipate amending our articles such that, with certain exceptions, it would authorize our board of directors to take the actions that are necessary or appropriate to preserve our qualification as a REIT once we elect REIT status. Unless an exemption is granted by our board of directors, our articles are expected to prohibit the actual, beneficial or constructive ownership by any person of more than 10% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 10% in value of the aggregate outstanding shares of all classes and series of our stock. In addition, our articles would generally prohibit beneficial or constructive ownership of shares of our capital stock by any person that owns, actually or constructively, an interest in any of our tenants that would cause us to own, actually or constructively, 10% or more of any of our tenants. Our board of directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine.

These ownership limitations in our articles are common in REIT charters and are intended, among other purposes, to assist us in complying with the tax law requirements and to minimize administrative burdens. However, these ownership limits might also delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our shareholders. Our board of directors may grant MG Kaminski, our Chief Executive Officer, and his affiliates an exemption from the ownership limits.

If we elect to be taxed as a REIT, complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our shareholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the federal income tax treatment of an investment in us. The federal income tax rules relating to REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in federal tax laws and interpretations thereof could adversely

affect us or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

RISKS RELATED TO OUR SECURITIES

Our common stock is considered a "penny stock." The application of the "penny stock" rules to our common stock could limit the trading and liquidity of our common stock, adversely affect the market price of our common stock and increase the transaction costs to sell those shares.

Our common stock is a "low-priced" security or "penny stock" under rules promulgated under the Securities Exchange Act of 1934, as amended. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document which describes the risks associated with such stocks, the broker-dealers' duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, broker-dealers must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely decrease the willingness of broker-dealers to make a market in our common stock, will decrease liquidity of our common stock and will increase transaction costs for sales and purchases of our common stock as compared to other securities.

Shareholders may be diluted significantly through our efforts to obtain financing or complete acquisitions through the issuance of additional shares of our common stock or limited partnership units of the Operating Partnership, which are redeemable for shares of our common stock.

We are authorized to issue up to (1) 90,000,000 shares of common stock and (2) 10,000,000 shares of preferred stock. Our board of directors has the authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock and preferred stock with various preferences and other rights. Additionally, the limited partnership units of the Operating Partnership are redeemable for shares of our common stock, and we, as the sole general partner, are authorized to issue additional interests in the Operating Partnership in the form of such units. Moving forward, we may attempt to conduct acquisitions and/or mergers of other entities or assets using our common stock or limited partnership units of the Operating Partnership as payment for such transactions. If such transactions occur, this may result in substantial dilution of the ownership interests of existing shareholders, and dilute the book value of our common stock.

The Over-the-Counter Bulletin Board is a quotation system, not an issuer listing service, market or exchange. Therefore, buying and selling stock on the OTC Bulletin Board is not as efficient as buying and selling stock through an exchange. As a result, it may be difficult for you to sell your common stock or you may not be able to sell your common stock for an optimum trading price.

Our common stock is quoted on the Over the Counter Bulletin Board (the "OTCBB"). The OTCBB is a regulated quotation service that displays real-time quotes, last sale prices and volume limitations in over-the-counter securities. Because trades and quotations on the OTCBB involve a manual process, the market information for such securities cannot be guaranteed. In addition, quote information, or even firm quotes, may not be available. The manual execution process may delay order processing and intervening price fluctuations may result in the failure of a limit order to execute or the execution of a market order at a significantly different price. Execution of trades, execution reporting and the delivery of legal trade confirmations may be delayed significantly. Consequently, one may not be able to sell shares of our common stock at the optimum trading prices.

When fewer shares of a security are being traded on the OTCBB, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Lower trading volumes in a security may result in a lower likelihood of an individual's orders being executed, and current prices may differ significantly from the price one was quoted by the OTCBB at the time of the order entry. Orders for OTCBB securities may be canceled or edited like orders for other securities. All requests to change or cancel an order must be submitted to, received and processed by the OTCBB. Due to the manual order processing involved in handling OTCBB trades,

order processing and reporting may be delayed, and an individual may not be able to cancel or edit an order. Consequently, one may not be able to sell shares of common stock at the optimum trading prices.

The dealer's spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of securities on the OTCBB if the common stock or other security must be sold immediately. Further, purchasers of securities may incur an immediate "paper" loss due to the price spread. Moreover, dealers trading on the OTCBB may not have a bid price for securities bought and sold through the OTCBB. Due to the foregoing, demand for securities that are traded through the OTCBB may be decreased or eliminated.

In addition, we have made multiple filings of our reports under the Securities Exchange Act of 1934 following the required filing date. This could result in our delisting from the OTC Bulletin Board.

We expect volatility in the price of our common stock, which may subject us to securities litigation resulting in substantial costs and liabilities and diverting management's attention and resources.

The market for our common stock may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be a target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention from our day-to-day operations and consume resources.

We are an "emerging growth company," under federal securities laws and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. The JOBS Act also permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to U.S. public companies. We are electing to use the extended transition period for complying with these new or revised accounting standards. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates. We could be an emerging growth company for up to five years after our first sale of equity securities pursuant to an effective registration statement under the Securities Act, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three-year period, or if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

We will be generally required to distribute to our shareholders at least 90% of our taxable income each year for us to qualify as a REIT under the Internal Revenue Code, or the Code, for which we currently do not qualify. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described herein. All distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, maintenance of our REIT qualification and other factors that our board of directors may deem relevant from time to time. As a result, no assurance can be given that we will be able to make distributions to our shareholders at any time or that the level of

any distributions will achieve any specific market yield or will increase or be maintained over time. Any failure to achieve expected distributions could materially and adversely affect the price of our common stock.

We may employ leverage in the future which could expose us to additional risks, may impair our ability to pay dividends and may adversely affect the market price of our common stock.

If we incur indebtedness in the future to fund our growth or operations, it is likely that the instruments governing such indebtedness will contain covenants restricting our operating flexibility. We may incur debt that is secured by all or a portion of the properties in our portfolio. We will bear the costs and fees associated with any such occurrence and ongoing interest expense that will reduce the amount of funds available to common shareholders. Because our decision to issue debt will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future occurrence and any such occurrence could reduce the market price of our common stock.

Certain provisions of our articles may make a takeover difficult even if such takeover could be beneficial to some of our shareholders.

Our articles of incorporation authorize the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, our board is empowered, without further shareholder action, to issue shares or series of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights, including the ability to receive dividends, of our common shareholders. The issuance of such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control. Although we have no present intention of issuing any shares or series of preferred stock, we cannot guarantee that we will not make such an issuance in the future.

A significant portion of our shares are subject to resale restrictions. This could cause low trading volume and liquidity of our common stock for the near future.

All 17,265,981 of the shares of our common stock outstanding as of December 31, 2016 including 86,000 of such shares issued in restricted stock grants to our executive officers and directors were subject to resale restrictions as a result of securities laws (including Rule 144 of the Securities Act) or lock-up agreement at issuance. As of December 31, 2016, 9.2 million units of the Operating Partnership are exchangeable at the Company's discretion, for common shares of stock on a one-for-one basis, are subject to such resale restrictions. Because many of our shares are still subject to resale restrictions, there may be limited liquidity and trading volume of our common stock, which may lead to increased transaction costs for sales and purchases of our common stock as compared to other securities and the possible inability to identify a buyer for your shares.

Certain of our officers and directors have sufficient voting power to make corporate governance decisions that could have a significant effect on us and the other shareholders.

MG Kaminski, our Chief Executive Officer, beneficially owns approximately 49% of our outstanding common stock on a fully diluted basis. As a result, Mr. Kaminski, alone will be able to exert a significant degree of influence over our management and affairs and over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in our control and might affect the market price of our common stock, even when a change in control may be in the best interest of all stockholders. Furthermore, the interests of this concentration of ownership may not always coincide with our interests or the interests of other shareholders.

INTERNATIONAL RISKS

The risks of doing business internationally could lead to revenue decreases, cost increases, profit reductions, or disruptions of business.

The economic and political environments in which we do business internationally subject us to risk as a result of economic uncertainties, terrorist threats, travel-security measures, ownership restrictions, competition laws, currency

regulation and fluctuation, changes in governments and government policies, civil and political unrest, and a range of additional factors that may adversely affect our revenues, costs, operations, reputation, and profits. The risk factors involved in doing business in countries outside the United States include, but are not limited to, the following:

- sudden changes in government, economic, or political policy; political and civil unrest; acts of terrorism; international boycotts; and U.S. anti-boycott legislatione
- anti-American sentiment abroade
- economic instability in international marketse
- changes in the exchange rate of foreign currencies, currency restructurings, hyperinflation, and deflation ine markets in which we do businesse
- disruptions as a result of weather, natural disasters, and outbreak of diseasee
- other events affecting the desirability or difficulty of traveling to a particular regione
- business corruption in international markets and the effects of anticorruption lawse
- restrictions affecting currency conversion, the transfer of funds, and the repatriation of earnings from outside the United Statese
- inflation, recession, interest rate fluctuations, political conflicts, and other sources of instability and changee affecting the economic and political conditions that exist in a particular regione
- potential adverse effects of Brexite
- local laws related to intellectual property rightse
- forced nationalization of our properties by local governmentse
- inadvertent failure to comply with laws regulating our international operations, including, but not limited to, FCPA restrictions, trade sanctions admininstered by the OFCA, and laws and regulations of other international jurisdictionse

CURRENCY RISKS

Our expenses and revenues are affected by the foreign currencies with which we conduct business internationally. Exchange-rate fluctuation may significantly affect our revenues and costs. Changes in exchange rates between U.S. dollars and the foreign currencies affect the recording of our foreign assets, liabilities, and income and may adversely affect our financial outcomes.

Although the risks of exposure to foreign currencies may be reduced by entering into foreign exchange derivitives with financial institutions to stabilize future exchange rates, the risk-reducing effects of such derivitives are limited, and they themselves introduce additional costs and risks.

HOSPITALITY RISKS

As the hospitality industry is seasonal, our revenues vary by season, depending on the location in which they operate and the client base they serve.

Other risk factors involved in doing business in the hospitality industry include, but are not limited to, the following:

- competition from similar businesses within the hospitality industrye
- fluctuation in costs associated with employee compensation and benefits, food and beverage, insurance, and utilitiese
- fluctuations in government regulations and taxatione
- costs, which vary by location, incurred in association with applicable laws and regulations, cultural practices, local customs, governmental regulation, employee health-care coverage, and labore
- the success of the travel intermediaries with whom we do business in securing patrons for our businessese
- the services provided by the franchisees with which we do businesse
- the availability of necessary capital to cover investments, expenses, and debtse
- changes in the markets in which we operate and in the supply and demand of products and services in the hospitality industrye

- changes in business travel as result of alternative methods of conducting long-distance businesse
- fluctuations in the cost of travel and the emergence of recreational and business alternatives in the productse and services we providee
- fluctuations and disruptions with regard to available labore

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

Conflicts exist or could arise in the future between the interests of our shareholders and the interests of the holders of limited partnership units in our Operating Partnership, which may impede business decisions that could benefit our shareholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, the other. Our directors and officers have duties to our company under applicable Minnesota law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership in connection with the management of our Operating Partnership and its limited partners under Minnesota law and the partnership agreement of our Operating Partnership. Our fiduciary duties and obligations as general partner to our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our company. If we become subject to and are unable to resolve any conflicts of interests, our business and results of operations could be materially and adversely impacted.

The partnership agreement of our Operating Partnership provides that neither we nor our directors and officers are liable to our Operating Partnership for losses sustained, liabilities incurred or benefits not derived as a result of any act or omission, so long as such person acted in good faith and in the belief that such conduct or omission was in the best interests of our Operating Partnership. The partnership agreement provides for indemnification of us, our affiliates and each of our respective officers and directors to the extent those persons would be indemnified by us pursuant to our articles of incorporation if such persons were directors, officers, agents or employees of our company. The provisions of Minnesota law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement. As a result, our shareholders may have limited rights against us in connection with addressing conflicts of interest, which could limit their recourse against us in the event of actions we take with which our shareholders do not agree.

Our organizational documents may inhibit a takeover that shareholders consider favorable.

Provisions of our articles of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that our shareholders might otherwise deem to be in their best interests. These provisions:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights,e privileges and preferences as our board may designate, including the right to approve an acquisition ore other change in our control;e
- provide that the authorized number of directors may be changed by an amendment to our bylaws bye our board of directors;e
- permit the division of our board of directors into up to three classes;e
- provide that all vacancies, including newly created directorships, may, except as otherwise required bye law, be filled by the affirmative vote of a majority of directors then in office, even if less than ae quorum; ande
- do not provide for cumulative voting rights.e

Also, to assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, we intend to amend our articles to prohibit any stockholder from beneficially or constructively owning

more than 10% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 10% by value or number of shares, whichever is more restrictive, of our outstanding capital stock. Only our board of directors, in its sole discretion, may waive the 10% ownership limit with respect to a particular stockholder.

Our board of directors and management team may change our investment and financing policies without shareholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors and management team. Accordingly, our shareholders do not control these policies. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter our policy on borrowing at any time without shareholder approval and we could become more highly leveraged, which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and the trading price of our common stock.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our shareholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and will conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we will rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We will also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as shareholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our shareholders only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

If we elect to be taxed as a REIT, dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from "qualified dividends" payable to U.S. shareholders that are individuals, trusts and estates is 15% (20% in the case of taxpayers whose income exceeds certain thresholds). Dividends payable by REITs, however, are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock.

Our Operating Partnership may issue additional partnership interests to third parties without the consent of our shareholders, which would reduce our ownership percentage in our Operating Partnership and may have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our shareholders.

In connection with future acquisitions of properties or otherwise, we expect to issue additional partnership interests to third parties. Such issuances will reduce our ownership percentage in our Operating Partnership and may affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our shareholders. Because you will not directly own partnership interests, you will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

In order to elect to be taxed as a REIT, we may seek to be amend provisions of our articles of incorporation, which requires shareholder approval. We may not be able to receive that shareholder approval.

In order to elect to be taxed as REIT, we would likely seek to make certain amendments to our articles of incorporation. Under Utah law, those amendments require shareholder approval. We may not be able to obtain the necessary approvals or, the cost of seek the approvals, may be too costly and prohibit us from seeking the approvals. In such instance, we would not elect to be taxed as a REIT and the taxable income to our shareholders may be higher.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The information set forth under Item 1 "Business – Our Current Property Interests" is incorporated herein by reference.

Item 3. Legal Proceedings

All of the properties we own are subject to loan agreements requiring, among other covenants, compliance with certain financial and non-financial covenants. In the event we are unable to comply with the requirements of our borrowings, we may be subject to default, which could cause a lender to accelerate our indebtedness or to initiate a foreclosure action. Judgments against the borrower in excess of $100,000 or against the guarantors of our loans in excess of $250,000 that remain unpaid after 30 days constitute an event of default under our 10301 Bren Road loan agreements and judgments against the borrower or the guarantors of our loans in excess of $250,000 that remain unpaid after 60 days constitute and event of default under our 180 E 5th Street loan.

On February 27, 2017, a judgment in the amount of $719,365 was ordered against Talon Bren Road, LLC and Talon O.P. L.P. On March 27, 2017, Talon Bren Road, LLC received a notice of a default under the terms of our second mortgage agreement, the outstanding balance of which was $2.0 million as of December 31, 2016. On April 13, 2017, Talon Bren Road, LLC, Talon O.P. and Talon Real Estate Holding Corp. received a notice and acceleration of demand for payment of amounts outstanding under our first mortgage loan agreement, the balance of which was approximately $10.7 million as of December 31, 2016. On June 23, 2017 the amounts outstanding on the first and second mortgage were refinanced with a new lender and the judgment in the amount of $719,365 was satisfied out of the proceeds of the refinancing.

On April 7, 2017, a judgment in the amount of $897,695 was ordered against Talon Real Estate Holding Company and Talon O.P. L.P, jointly and severally. On May 31, 2017, the Court granted a Charging Order against the Company and Talon O.P.L.P where the Company and Talon O.P.L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

Subsequent to the judgment and charging order, in April 2018, the judgment was fully satisfied by the Company, granting a second mortgage in favor of the judgment creditor.

In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

On December 15, 2018, the Company entered into a termination agreement with the landlord. In exchange for vacating the premises, the accrued rent was forgiven.

On December 31, 2018, the Company issued the 2,820,810 shares to First Tracks LLC. The shares have yet to be delivered.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

The common stock of our predecessor, Guide Holdings, Inc., was listed for quotations on the OTCBB on December 28, 2010, under the symbol "GHGD." Our shares of common stock continued to be quoted on the OTCBB subsequent to June 7, 2013 under the symbol "TALR." There currently is no established trading market for shares of our common stock. We cannot give any assurance that any market for our common stock will develop or be maintained. If an established trading market ever develops in the future, the sale of shares of our common stock that are deemed to be "restricted securities" pursuant to Rule 144 under the Securities Act of 1933, as amended, by members of management or others may have a substantial adverse impact on any such market. In general, pursuant to Rule 144, non-affiliate stockholders may sell freely after six months subject only to the current public information requirement. Affiliates may sell after six months subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. All current holders of shares of our common stock have satisfied the six-month holding period requirement of Rule 144.

The following table sets forth, for the periods indicated over the last two years, the high and low prices of actual transactions on the OTCBB instead of bid and ask quotations due to limited trading volume. In the event there were no shares traded during the period, the last actual transaction price from a previous period was used.

	Closing Bid	
	High	**Low**
2016		
January 1 - March 31, 2016	1.35	1.00
April 1 - June 30, 2016	1.00	1.00
July 1 - September 30, 2016	1.00	0.55
October 1 - December 31, 2016	0.98	.0.98
2015		
January 1 - March 31, 2015	1.80	1.75
April 1 - June 30, 2015	1.80	1.75
July 1 - September 30, 2015	1.50	0.81
October 1 - December 31, 2015	1.35	1.35

These prices were obtained from Bloomberg Finance, L.P. and do not necessarily reflect actual transactions, retail markups, mark downs or commissions.

Stockholders of Record. As of December 31, 2016, we had over 106 stockholders of record of our common stock, excluding holders whose stock is held either in nominee name and/or street name brokerage accounts.

Dividends. Our predecessor did not declare any cash dividends and we have not declared any cash dividend subsequent to June 7, 2013. We intend to elect to be taxed as a REIT for federal income tax purposes no earlier than with our taxable year ending December 31, 2018. In connection with electing to be taxed to qualify as a REIT, each year we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our shareholders in an aggregate amount at least equal to the sum of:

- o 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and ouro net capital gain or loss, ando
- o 90% of our after-tax net income, if any, from foreclosure property, minuso
- o the sum of certain items of non-cash income.o

If we elect to be taxed as a REIT, we must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (i) we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration or (ii) we declare the distribution in October, November or December of the taxable year, payable to shareholders of record on a specified day in any such month, and we actually pay the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the shareholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

If we elect to be taxed as a REIT, we will pay federal income tax on taxable income, including net capital gain, that we do not distribute to shareholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year we will be taxed on, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain income for such year, and
- any undistributed taxable income from prior periods.

It is possible that we may not have sufficient cash to meet the distribution requirements discussed above. This could result because of competing demands for funds, or because of timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, we may need to borrow funds, raise funds through the issuance of additional shares of common stock or, if possible, pay taxable dividends of our common stock or debt securities.

Unregistered Sales of Equity Securities

No private placement of the Company's shares of common stock was completed in 2016 that was not previously disclosed in a Form 10-Q or Form 8-K.

Stock Repurchases

None.

Item 6. Selected Financial Data

Not required for a smaller reporting company.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our audited financial statements and related notes which are included elsewhere in this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

Overview

Talon Real Estate Holding Corp is a publicly traded real estate corporation that invests primarily in single and multi-tenant office, industrial, hospitality and retail properties within the Midwest and South Central regions of the United States. It currently owns eleven properties. Headquartered in Minneapolis, MN and founded in June 2013, Talon's primary objective is to provide shareholders with attractive returns from investments in real estate through dividend distribution and growth.

On June 7, 2013, we acquired a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. The buildings currently have a combined occupancy of 85%. We entered into a contribution agreement to acquire the remaining interest in this entity which closed at the end of 2018. In March of 2019 we entered into a purchase and sale agreement to sell this asset.

In 2014, we completed two acquisitions totaling approximately $58 Million and over one million in gross building square feet. On May 29, 2014, we completed the acquisition of a 227,000 square foot building situated on 20 acres of land in Minnetonka, MN that was 100% leased by over 100 tenants who are wholesale distributors. This property contributes to our core stable income investment strategy. On July 2, 2014, we completed the acquisition of a thirteen-story office tower located in downtown St. Paul, MN totaling 856,223 total building square feet that was 62% occupied by corporate and government tenants at time of acquisition and is currently 60% occupied. Management acquired the St. Paul property for its attractive value-add and growth potential. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. On January 27, 2017 we executed a second amendment to the lease which amended the original lease to a seven-year term with a commencement date of January 1, 2018. We exchanged this asset for Operating Units of First Capital Reit in June of 2018.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Antigua Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of the FC-OP's interests in and to Goat Head Hill and Dutchman's Bay, Island of Antigua (the "Antigua Project"), including, without limitation, that certain Memorandum of Agreement dated July 28, 2015 between Brown McLennon, the FC-OP and the government of Antigua and Barbuda regarding the development of hotels on the properties known as Dutchman's Bay and Goat Head Hill on Antigua and the FC-OP's 100% ownership interest in Goat Head Hill Resort Development Ltd and Dutchman's Bay, an Antigua and Barbuda Corporation.

Pursuant to the Antigua Contribution Agreement, the FC-OP agreed to transfer all of its interests in the Antigua Project to Talon-OP. In consideration for such transfer Talon-OP will issue to the FC-OP $30.0 million in units of its limited partnership interests ("LP Units"), or 12,000,000 LP Units based on a valuation of $2.50 per LP Unit. The LP Units will be payable in three installments over a two year period. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Company. This transaction closed in November 2018.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Hotels Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of seven entities, as described in the Hotels Contribution Agreement. In consideration for such transfer Talon-OP will issue to the FC-OP $14,796,765.00 in units of its limited partnership interests ("LP Units"), or 5,918,706 LP Units based on a valuation of $2.50 per LP Unit. The aggregate value of the Companies/Hotels is $40,790,000 and a credit for existing indebtedness ("Existing Indebtedness") of $25,993,235.00. The Existing Indebtedness is set forth on Exhibit B attached hereto. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Talon-OP.

Pursuant to the terms of the Hotels Contribution Agreement, Talon-OP's obligation to close upon the acquisition is subject to customary conditions to closing. This series of transactions closed in Winter 2018/2019.

Factors That May Influence Our Operating Results

Acquisition Strategy. We plan to grow our business through the acquisition of new properties, initially targeting properties that meet the criteria described above under "—Overview" and elsewhere in this report. We

expect the properties we acquire will be subject to mortgage financing and other indebtedness that we will assume or refinance. Debt service on such indebtedness will have a priority over any distributions with respect to our common stock.

Rental Revenue. The amount of net rental revenue generated by our properties depends primarily on our ability to maintain the occupancy rates of currently leased space and to lease space that becomes available. As of December 31, 2016, our properties were 73% leased. We believe that the average rental rates for our properties are generally equal to the current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns affecting the Minneapolis-St. Paul metropolitan area or our other location or downturns in our tenants' businesses that impair our ability to renew leases or re-let space or the ability of our tenants to fulfill their lease commitments could adversely affect our revenues. In addition, growth in rental revenue primarily will depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. Our current properties are located in the Minneapolis-St. Paul metropolitan area, Texas, Oklahoma, and Antiqua. Positive or negative changes in economic or other conditions in these areas or our prospective areas, including employment and wage rates, natural disasters and other factors, may impact our overall performance.

Operating Expenses. Our operating expenses primarily consist of property taxes, management fees, utilities, insurance and site maintenance costs. As of December 31, 2016, some of our leases require tenants to reimburse us for a share of our operating expenses. Increases or decreases in any unreimbursed operating expenses, either due to the nature of the expenses not requiring reimbursement from our tenants or due to a reduction in leased square footage requiring tenant reimbursement of a portion of our operating expenses, will impact our overall performance. Legal fees incurred in 2016 and 2015 were significant due to the Company's acquisition and refinancing activities. We expect legal fees to continue to be primarily associated with such activities and business matters customary to a public real estate company.

Interest Expense. Our interest expense will depend on the amounts we borrow as well as the interest rates charged by our lenders. Our current loan agreements are a mix of both fixed and floating rates, as well as secured and unsecured by our properties. Our aggregate interest expense may increase as we acquire properties and could fluctuate between periods based on the variable rate loan arrangements, if we do not hedge any such interest rate risk.

Liquidity. Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing in 2019 or liquidate one or more of our property holdings.

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Critical Accounting Policies and Estimates

Our discussion and analysis of the historical financial condition and results of our operations are based upon our financial statements which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP.

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements of our company elsewhere in this report. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies. There have been no significant changes to those policies during the year ended December 31, 2016.

Investment in Real Estate and Fixed Assets

Investment in real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction, and tenant allowances and improvements. Maintenance and repairs are expensed as incurred, and major improvements are capitalized. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible asset and identifiable intangibles based on their relative fair values. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market economic conditions.

We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for building, improvements, and furniture and equipment, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearsa
Building	25-30 yearsa
Building Improvements	10-20 yearsa
Tenant Improvements	1-12 yearsa
Furniture and Equipment	3 yearsa

Intangible Assets

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. Amortization of other intangibles is recorded in depreciation and amortization expense.

Principles of Consolidation

We evaluate the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation. In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Noncontrolling Interest

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Company's interest in the Operating Partnership was 65% of the common units of the Operating Partnership as of December 31, 2016 and 65% as of December 31, 2015. The Operating Partnership's income is allocated to holders of common units based upon the ratio of their holdings to the total units outstanding during the period. Holders of preferred units receive certain distributions based on a percentage of the liquidation preference. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as noncontrolling interest. Capital contributions, distributions, and profits and losses are allocated to the noncontrolling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related leases, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rental income earned and amounts due according to the respective lease agreements are credited or charged to deferred rent receivable, as applicable.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. Recoveries are billed monthly using estimated operating costs and an additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Impairment of Long-Lived Assets

We assess the carrying value of investment property and related intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

Income Taxes

We intend to elect to be taxed as a REIT under the Internal Revenue Code after we meet REIT qualifications but no sooner than with our taxable year ending December 31, 2017. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with U.S. generally accepted accounting principles, or U.S. GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we distribute qualifying dividends to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to shareholders. However, we intend to organize and operate in such a manner as to qualify for treatment as a REIT.

The Company accounts for income taxes under FASB guidelines. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position.

Accounting Standards Applicable to Emerging Growth Companies

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. Section 102(b)(1) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Market Conditions and Outlook

Our recent acquisitions were accomplished utilizing a 721 Exchange tax deferral methodology or "UPREIT" providing several unique advantages over a 1031 exchange or selling to cash buyers. This strategy is advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted 1:1 for Talon common stock under the ticker "TALR" and their capital gains tax obligations are deferred until the common stock is ultimately sold in the public market.

Our strategy is to continue offering these tax-deferred solutions to real estate owners as part of diversifying our shareholder base creating liquidity and shareholder value. We currently believe hospitality, retail and student housing properties offer the most attractive return on equity metrics.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide return on equity targets of 8-15% per asset or portfolio.

Results of Operations

There were no new acquisitions or dispositions of any of the Company's properties in 2015 or 2016. We expect our revenues, tenant reimbursements and many expenses will continue to increase on an absolute basis in the future as we seek to acquire additional properties, assume or refinance indebtedness in connection with the acquisitions and build the infrastructure necessary to grow our business. In the near term, we expect to incur higher legal and other professional fees in pursuit of acquisitions.

Comparison of year ended December 31, 2016 to the year ended December 31, 2015

Revenues and Expenses

Total revenue decreased $601,217 or 5.1% to $11,118,494 for 2016 compared to $11,719,711 for 2015. Rental revenues decreased $263,365, or 3.5%, to $7,268,752 for 2016, compared to $7,532,117 for the prior year. The net rental revenues are relatively consistent with the prior year as the composition of our portfolio stayed the same with a slight decrease in base rents, due to some smaller tenant's leases expiring at the Talon First Trust, LLC's building.

Tenant reimbursements decreased $171,039, or 4.9%, to $3,568,757 for 2016 compared to $3,739,796 for the prior year. The net tenant reimbursements are relatively consistent with the same period in the prior year as the composition of our portfolio stayed the same with a slight decrease in tenants paying operating expense reimbursements across the portfolio in 2016 compared to the prior year.

General and administrative expenses increased $596,901 or 121.9% to $1,086,458 for 2016 compared to $489,557 for 2015. The increase is primarily due to a $633,000 increase in due diligence costs and break-up fees for potential deals.

Salary and compensation expense increased by $237,392, or 31.4% to $992,568 for 2016, compared to $755,176 in 2015. The increased expenses in 2016 were attributable to an increase in non-cash stock compensation of approximately $237,000 in 2016 when compared to the prior year. We did not have any stock grants in the year ended December 31, 2015.

Professional fees increased $341,486, or 44.1% to $1,116,079 for 2016, compared to $774,593 for 2015. The increase is due primarily to an increase of approximately $273,000 in legal fees primarily related to the defense of claims and the negotiation of a lease amendment with a new tenant for our 180 South 5th Street building when compared to the prior year.

Property operating expenses decreased by $430,184, or 8.5% to $4,656,398 for 2016, compared to $5,086,582 for 2015. The decrease in property operating expenses compared to the prior year is primarily attributable approximately $270,00 decrease in repairs and maintenance, $65,000 decrease in uncollectable accounts, $63,000 decrease in security costs and a $50,000 decrease in utilities.

Real estate taxes and property insurance increased by $124,639, or 7.5% to $1,776,664 for 2016, compared to $1,652,025 for 2015. The increase in real estate taxes and insurance compared to the prior year is primarily attributable to normal inflationary increases.

Depreciation and amortization expense decreased by $462,331, to $4,897,225 for 2016, compared to $5,359,556 for 2015. The decrease in depreciation and amortization compared to the prior year is primarily attributable to approximately $348,000 decrease in amortization of intangibles and a $96,000 decrease in depreciation on tenant improvements.

Interest expense increased by $234,728, or 5.1% to $4,864,040 for 2016, compared to $4,629,312 for 2015. The net increase in interest expense compared to the prior year is primarily attributable to higher average borrowings and higher effective interest rates.

Funds from Operations and Non-GAAP Reconciliation

The National Association of Real Estate Investment Trusts, or NAREIT, defines funds from operations, or FFO, as net income (loss) available to common shareholders computed in accordance with GAAP, excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties including the add back of real property depreciation, amortization of capitalized lease expenses, tenant allowances or improvements, and the like. We intend to calculate FFO in a manner consistent with the NAREIT definition.

Management intends to use FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen

or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors, and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

We define adjusted fimds from operations, or AFFO, as FFO excluding the non-cash effects of straight-line rent, amortization of lease inducements and deferred financing costs, depreciation of non-real estate, and non-cash compensation charges. U.S. GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method may result in rental income in the early years of a lease that is higher than actual cash received, creating a deferred rent receivable asset or lower income than actual cash received, creating a deferred rent revenue liability included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments may exceed or be lower than the straight-line rent which results in the deferred rent receivable asset or liability, respectively, decreasing to zero over the remainder of the lease term. By excluding the non-cash portion of straight-line rental revenue and amortization of lease inducement and deferred financing costs as well as non-cash compensation expense, investors, analysts and our management can compare AFFO between periods. Our management utilizes this measurement to analyze our operating performance.

Below is the calculation of FFO and AFFO and the reconciliation to net income (loss), which we believe is the most comparable GAAP financial measure:

Reconciliation of Net Loss Attributable to Talon Real Estate Holding Corp. to Funds from Operations

In thousands $ (except per share)	Year Ended December 31, 2016			2015		
	Amount	Weighted Avg Shares and Units (1)	Per Share and Unit (2)	Amount	Weighted Avg Shares and Units (1)	Per Share and Unit (2)
Net loss attributable to TREHC	$ (5,307)	17,027	(0.31)	$ (4,479)	16,620	$ (0.27)
Adjustments:						
Non-controlling interest Operating Partnership	(2,856)	9,200	-	(2,417)	9,200	-
Consolidated depreciation and amortization:	4,897	-	-	5,360	-	-
adjust for non-real estate depreciation	(5)	-	-	(10)	-	-
adjust for amortization to revenue	224	-	-	202	-	-
adjust for noncontrolling real estate owned depreciation	(111)	-	-	(131)	-	-
Net adjustments	2,149	-	-	3,004	-	-
Funds from operations applicable to common shares	$ (3,158)	26,227	(0.12)	$ (1,475)	25,820	$ (0.06)

Reconciliation of Net Loss Attributable to Talon Real Estate Holding Corp. to Adjusted Funds from Operations

	Year Ended December 31,					
	2016			2015		
Adjusted funds from operations	Amount	Weighted Avg Shares and Units (1)	Per Share and Unit (2)	Amount	Weighted Avg Shares and Units (1)	Per Share and Unit (2)
FFO available to common shares	$ (3,158)	26,227	(0.12)	$ (1,475)	25,820	$ (0.06)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	(166)	-	-	103	-	-
Non-real estate depreciation	5	-	-	10	-	-
Amortization of deferred financing costs net of non-controlling real estate	617	-	-	1,194	-	-
Non-cash stock compensation charges	411	-	-	174	-	-
AFFO available to common shares	$ (2,291)	26,227	(0.09)	$ 6	25,820	$ 0.00

(1)dNoncontrolling units of the Operating Partnership are exchangeable for cash, or at the Company's discretion, for commond shares of stock on a one-for-one basis.d

(2) Net income is calculated on a per share basis. FFO and AFFO are calculated on a per share and unit basis.d

Liquidity and Capital Resourcesd

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. We have incurred significant expenses related to operating as a public corporation, building and tenant improvements at our properties, and preparation for and execution of our acquisition strategy creating a cash shortfall from operations through December 31, 2016.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have insufficient cash flow from current operations to pursue our strategy without further financing. As of December 31, 2016, we had unrestricted cash of approximately $108,418 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our cash flows from operations are not sufficient to satisfy our operational or capital needs, we may be required to sell our real estate assets, cease our operations or alter our growth plans.

In addition, in 2017 and through the date of this filing, several judgments have been entered against the Company in various legal proceedings related to the non-repayment of outstanding unsecured note obligations, as follows:

- d On February 27, 2017 a judgment was ordered against Talon Bren Road LLC and Talon OP L.P.d in the amount of $719,365d
- d On April 7, 2017, a judgment in the amount of $897,695 was ordered against Talon Real Estated Holding Corp and Talon O.P., LP.d
- d On May 19, 2017, a judgment in the amount of $1,476,498 was ordered against the Company

Judgments against the borrower in excess of $100,000 or against the guarantors of our loans in excess of $250,000 that remain unpaid after 30 days constitute an event of default under our 10301 Bren Road loan agreements, and judgments against the borrowers or guarantors of our loans in excess of $250,000 that remaind unpaid after 60 days constitute an event of default under our 180 E. 5th Street loan. On June 23, 2017, the $719,365d judgment against Talon Bren Road LLC and Talon OP L.P. was paid from the proceeds of a refinancing describedd below.d

On April 13, 2017, the Company, together with its subsidiaries Talon OP and Talon Bren Road, LLC ("TBR"), received written notice from Bell Bank ("Bell") that an event of default has occurred with respect to that the Loan Agreement dated as of May 29, 2014 (the "Loan Agreement") by and between Bell in its capacity as lender thereunder, and TBR, as the borrower thereunder (the "Notice"). The Company and Talon OP have guaranteed the payment and performance of TBR under the Loan Agreement pursuant to a Guaranty dated May 29, 2014 made by each guarantor in favor of Bell.

The Notice provides that (a) Bell demands immediate payment in full of the amount due under the Loan Agreement, which as of April 13, 2017 was $10,773,144 and (b) Bell may exercise its rights to seek the appointment of a receiver to take control of TBR's property located at 10301 Bren Road West, Minnetonka, MN and commence a foreclosure action to foreclose its lien on the property. On March 27, 2017, Talon Bren Road, LLC also received a notice of default under the terms of our second mortgage agreement, the outstanding balance of which was $2 million as of the date of the filing of this report.

On June 21, 2017, TBR LLC, entered into a transaction to refinance its first and second mortgages on the property via a issuance of a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15.2 million, which is comprised of the unpaid principle balance of $15.1 million and the unpaid interest only payment of $0.1 million. The proceeds of the refinancing were used to redeem amounts outstanding under the first, second and third mortgages totaling $14.0 million, to pay the outstanding judgment against the property described above, and to pay closing costs.

On April 8, 2017, the Company had a balloon payment of $4.3 million due on the mortgage one of its properties. The Company expects to refinance this property but as of the date of this report has been unable to do so. Failure to refinance would further impact our liquidity, and would allow the lender to exercise its rights under the loan agreement, including acceleration of the mortgage note and initiation of a foreclosure proceeding.

In December 2018, the lender foreclosed and conducted a sheriff's sale. Pursuant to Minnesota law, a property foreclosed upon in this manner is subject to a six (6) month redemption. The Company is under contract to sell one (1) of the two (2) properties and engaged in refinancing the second property.

If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Our long-term liquidity requirements consist primarily of funds to pay for past due and scheduled debt maturities, non-recurring capital expenditures that need to be made periodically and continued expansion of our business through acquisitions. Although we plan to aggressively pursue acquisitions to grow our business, there is no assurance that we will be able to acquire additional properties in the future.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and are not expected to provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing or asset sales during 2017. Additional financing or asset sales are necessary for our company to continue as a going concern.

In the future, we anticipate using a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of

securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Outstanding Indebtedness

5130 LLC, an entity in which our Operating Partnership owns a 49% interest and that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area, is party to a loan agreement secured by such industrial complex. The loan agreement provides for two term loans, the A loan and the B loan. The term loans had a balloon payment due on April 8, 2017 and is past due. The Company expects to refinance this loan but as of the filing of this document has been unable to do so.

TBR, an entity through which our Operating Partnership acquired the property located at 10301 Bren Road West, Minnetonka, MN on May 29, 2014, is party to a loan agreement secured by such property. The loan agreement contains certain financial and non-financial events of default. On February 27, 2017, a judgment in the amount of $719,365 was ordered against TBR and Talon O.P. LP which constitutes a non-financial event of default under the loan agreement. On March 31, 2017 the Company received a notice from the lender stating that the Company was in nonmonetary default on the loan agreement. On June 21, 2017, TBR entered into a transaction to refinance its first and second mortgages on the property via issuance of a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018.

Talon First Trust, LLC, an entity through which our Operating Partnership acquired the property located at 180 E. Fifth Street St. Paul, MN on July 2, 2014, is party to a loan agreement secured by such property. On January 27, 2017 we completed the refinance of this loan. The new loan, in the principal amount of $51,600,000 matures January 26, 2018 and is secured by the property, an assignment of lease and rents, 100% of the membership and ownership interests in Talon OP, L.P., and other collateral as described in the loan agreement. The following table summarizes the Company's notes payable as of December 31, 2016 and 2015:

In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

The following table sets forth information regarding our 5 largest tenants as of December 31, 2016.

Property Location[1]	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company's Rentable Square Feet	Base Rent for the Year Ended December 31, 2016	Percentage of Company's Total Base Rent for the Year Ended December 31, 2016
180 E 5th Street, St. Paul, MN[4]	Health Care	Office	4/30/2023[3]	119,490	12%	$ 1,829,284	23%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$ 1,410,843	19%
180 E 5th Street, St. Paul, MN[2]	Retail	Office	3/31/2020	102,577	10%	$ 1,274,453	16%
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	59,500	6%	$ 225,628	3%
1350 Budd Ave, Maple Plain, MN	Construction	Industrial	2/28/2018	29,903	3%	$ 106,517	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 5% of the Company's total base rent revenues for the year ended December 31, 2016. The property located in Minnetonka, MN leases approximately 16% of the Company's rentable space and accounts for approximately 18% of the Company's total base rent revenues for the year ended December 31, 2016. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul,O MN leases approximately 41% of the Company's rentable space and accounts for approximately 77% of the Company's total base rent revenues for the year ended December 31, 2016.

(2) On March 7, 2017, tenant filed for Chapter 11 bankruptcy protection from its creditors.
(3) Five-year lease extension signed in January 2017.
(4) In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

The future square feet expiring for the current leases in place as of December 31, 2016 are as follows:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2017	17,841	29,203	-	25,049	72,793
2018	-	-	-	20,981	20,981
2019	-	-	164,472	-	164,472
2020	-	-	-	-	0
2021	59,500	-	-	-	59,500
Thereafter	-	-	-	-	0
	77,341	29,903	164,472	46,030	317,746

Off Balance Sheet Arrangements

As of December 31, 2016, we did not have any off-balance sheet arrangements.

Inflation

As of December 31, 2016, most of our leases required tenants to reimburse us for a share of our operating expenses. As result, we are able to pass on much of any increases to our property operating expenses that might occur due to inflation by correspondingly increasing our expense reimbursement revenues. During 2016 and 2015, inflation did not have a material impact on our revenues or net income.

Recent Accounting Pronouncements

See Note 3 to the consolidated financial statements.

Item 8. Financial Statements and Supplementary Data

TALON REAL ESTATE HOLDING CORP.
Minneapolis, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
Talon Real Estate Holding Corp.
Minneapolis, MN

We have audited the accompanying consolidated balance sheets of Talon Real Estate Holding Corp. as of December 31, 2016 and 2015, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Talon Real Estate Holding Corp. as of December 31, 2016 and 2015 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 16 to the consolidated financial statements, the company has suffered recurring losses from operations and as described in Note 16, has defaulted on the terms of certain of its secured and unsecured loan agreements. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, MN
September 6, 2017

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Land and improvements	$ 8,302,447	$ 8,165,000
Building and improvements	45,552,308	53,285,277
Furniture and equipment	30,571	28,864
Total property and equipment	53,885,326	61,479,141
Less: accumulated depreciation	(8,506,290)	(5,881,183)
Net property & equipment	45,379,056	55,597,958
Cash	108,418	340,385
Rents and other receivables, net	428,176	375,351
Prepaid expenses and other assets	104,855	158,284
Restricted escrows & reserves	3,001,232	2,139,180
Deferred leasing costs, net	2,003,221	3,035,853
Intangible assets, net	5,465,603	7,742,145
TOTAL ASSETS	$ 56,490,541	$ 69,389,156
LIABILITIES		
Notes payable	$ 52,949,711	$ 51,286,384
Less: unamortized deferred financing costs	496,063	969,527
Notes payable, net	52,453,648	50,316,857
Notes payable - related party	500,000	500,000
Accounts payable	6,167,516	5,406,648
Tenant improvement allowance	-	7,760,995
Accrued expenses and other liabilities	854,743	1,453,078
Tenant security deposits	167,242	166,208
Deferred rent revenue	121,710	289,034
Prepaid rent	175,758	447,773
Accrued interest	1,029,911	528,129
Below-market leases, net	150,638	266,228
Mandatorily redeemable Operating Partnership preferred units	3,000,000	3,000,000
Total Liabilities	70,735,917	70,134,950
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares outstanding at $.001 par value; authorized 10,000,000 shares; none issued or outstanding as of both December 31, 2016 and 2015	-	-
Common shares outstanding at $.001 par value; authorized 90,000,000 shares; 17,135,981 issued and outstanding as of December 31, 2016 and 17,057,680 as of December 31, 2015	17,135	17,057
Additional paid in capital	2,261,411	1,850,382
Accumulated loss	(14,215,704)	(9,218,803)
Total Talon Real Estate Holding Corp. shareholders' equity (deficit)	(11,937,158)	(7,351,364)
Noncontrolling interests - Operating Partnership; 9,200,001 common units issued and outstanding as of December 31, 2016 and December 31, 2015	5,418,810	8,109,449
Noncontrolling interests - consolidated real estate entities	(1,612,277)	(1,503,879)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(8,130,625)	(745,794)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	$ 56,490,541	$ 69,389,156

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years ended December 31, 2016 and 2015

	2016	2015
REVENUE		
Rent	$ 7,268,752	$ 7,532,117
Tenant reimbursements	3,568,757	3,739,796
Other income	280,985	447,798
Total Revenue	11,118,494	11,719,711
EXPENSES		
General & administrative	686,458	489,557
Salary and compensation	992,568	755,176
Professional	1,116,079	774,593
Property operating expenses	4,581,398	5,086,582
Real estate taxes & insurance	1,776,664	1,652,025
Depreciation and amortization	4,897,225	5,359,556
Total Expenses	14,525,392	14,117,489
Operating Loss	(3,406,898)	(2,397,778)
Interest expense	(4,864,040)	(4,629,312)
NET LOSS	(7,795,938)	(7,027,090)
Net loss attributable to noncontrolling interest - Operating Partnership	2,690,639	2,417,455
Net loss attributable to noncontrolling interests - consolidated real estate entities	108,398	130,521
NET LOSS ATTRIBUTABLE TO TALON REAL ESTATE HOLDING CORP.	$ (4,996,901)	$ (4,479,114)
		[ADD WASO]
Loss per common share basic and diluted	$ (0.XX)	$ (0.27)

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2016 and 2015

	Number of Common Shares	Common Shares ($)	Additional Paid In Capital	Accumulated Loss	Total Controlling interests	Number of OP Common Units	Operating Partnership Common Units ($)	Non-controlling Interests in Real Estate	Total Equity
December 31, 2014	16,743,522	$ 16,743	$ 1,101,726	$ (4,739,689)	$ (3,261,220)	9,200,001	$ 10,526,904	$ (1,373,358)	$ 5,532,326
Forfeited restricted shares	(145,842)	(146)	146	-	-	-	-	-	-
Shares issued as stock compensation	-	-	173,970	-	173,970	-	-	-	173,970
Shares issued for guarantee of note payable	460,000	460	574,540	-	575,000	-	-	-	575,000
Net loss	-	-	-	(4,479,114)	(4,479,114)	-	(2,417,455)	(130,521)	(7,027,090)
December 31, 2015	17,057,680	17,057	1,850,382	(9,218,803)	(7,351,364)	9,200,001	8,109,449	(1,503,879)	(745,794)
Forfeited restricted shares	(341,699)	(342)	342	-	-	-	-	-	-
Shares issued as stock compensation	420,000	420	410,687	-	411,107	-	-	-	411,107
Net loss	-	-	-	(5,306,795)	(5,306,795)	-	(2,855,745)	(108,398)	(8,270,938)
December 31, 2016	17,265,981	17,265	2,261,281	(14,525,598)	(12,247,852)	9,200,001	5,253,704	(1,612,277)	(8,605,625)

[REVISE TO MATCH B/S AND OPS STATEMENT]

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	For the Years Ended December 31,			
		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(8,270,938)	$	(7,027,090)
Adjustments to reconcile net loss to net cash flows from operating assets and liabilities:				
Depreciation and amortization		5,119,081		5,561,843
Amortization of deferred financing		623,549		1,200,816
Stock-based compensation expense		411,107		173,970
Provision for doubtful accounts		36,485		100,546
Financing costs		168,253		-
Changes in operating assets and liabilities:				
Rents and other receivables		(89,310)		(45,444)
Prepaid expenses and other assets		53,429		9,563
Deferred leasing costs		-		(95,200)
Accounts payable		2,325,335		192,525
Accrued expenses and other liabilities		193,499		(26,858)
Tenant security deposits		1,034		(10,512)
Deferred rent revenue		(167,324)		102,333
Prepaid rent		(272,015)		252,610
Accrued interest		634,622		249,672
Net cash flows from operating activities		766,807		638,774
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases or improvements of land, building, intangible assets		(1,707)		(1,331,322)
Deposits to restricted escrows and reserves		(2,846,674)		(2,966,867)
Payments from restricted escrows and reserves		1,984,622		2,721,339
Net cash flows from investing activities		(863,759)		(1,576,850)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		1,256,498		3,000,000
Principal payments on notes payable		(1,077,141)		(1,483,273)
Deposits or cash paid for financing costs		(314,372)		(385,423)
Net cash flows from financing activities		(135,015)		1,131,304
Net Change in Cash		(231,967)		193,228
CASH - BEGINNING OF PERIOD		340,385		147,157
CASH - END OF PERIOD	$	108,418	$	340,385
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Purchases of building and land improvements included in accounts payable and tenant improvement allowance	$	164,981	$	9,425,410
Leasing and finance fees included in accounts payable and other liabilities		9,938		2,337,311
Issuance of common stock included in financing costs		-		575,000
Accounts payable converted to notes payable (see Note 5)		1,483,970		481,934
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the period for interest on mortgages and preferred Operating Partnership preferred units	$	3,738,709	$	3,178,825

[REVISE/PROVIDE ANY RECONCILIATIONS FOR VARIANCES REMAINING]

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Talon Real Estate Holding Corp. ("TREHC") previously established an Operating Partnership ("Talon OP") and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. As the sole general partner of Talon OP we have the exclusive power to manage and conduct the business and affairs for the operating partnership. TREHC owned approximately 65% of the Operating Partnership as of December 31, 2016 and December 31, 2015, respectively. The Operating Partnership owned 49% of 5130 Industrial Street, LLC, 100% of Talon Bren Road, LLC, 100% of Talon First Trust, LLC, and 100% of Talon RE as of December 31, 2016 and 2015. Talon Bren Road, LLC, and Talon First Trust, LLC, are both limited liability companies organized under the laws of the state of Delaware, and were formed on May 9, 2014 and April 21, 2014, respectively, to purchase real estate. Talon Real Estate, LLC ("Talon RE") was incorporated in the state of Minnesota on December 20, 2012 and began operations in 2013 for the purpose of acquiring real estate properties.

In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

The accompanying consolidated financial statements include the accounts of TREHC and its interest in the Operating Partnership. The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests ("Units") for TREHC common shares of stock on a one-for-one basis, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES

The Company acquired real estate property through its subsidiary, Talon First Trust, LLC, located at 180 E. Fifth Street, St. Paul, MN on July 2,2014. The building is primarily leased to tenants for commercial use. The property totals 656,875 net rentable square feet. As of December 31, 2016, the Company had tenants occupying approximately 60% of the rentable space. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. The lease was subsequently amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is intended to commence on January 1, 2018 (see Note 8).

The Company acquired real estate property through its subsidiary, Talon Bren Road, LLC, located on 20 acres of land at 10301 Bren Road West, Minnetonka, MN on May 29, 2014. This property is primarily leased to tenants who are wholesale product sales representatives. These leases are subject to a master lease agreement entered into between Talon Bren Road, LLC and Upper Midwest Allied Gifts Association, Inc., a Minnesota nonprofit corporation ("UMAGA"). This property has 164,472 of net rentable square feet. As of December 31, 2016, the Company had 100% of the rentable space leased.
[PROVIDE SCHEDULES SUPPORTING THESE ITEMS]
The Company owns and operates the following real estate properties through its subsidiary, 5130 LLC:

5130 Industrial Street, Maple Plain, MN
1350 Budd Ave, Maple Plain, MN

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES (continued)

The properties are primarily leased to tenants for mixed commercial and industrial usage. The properties have a combined 171,639 net rentable square feet. As of December 31, 2016, the Company had tenants occupying approximately 85% of the rentable space.
[SEE PREVIOUS]

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Principles of Consolidation

We evaluate the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation. In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership, and all subsidiaries in which it maintains a controlling interest. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Cash

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents. The Company believes it is not exposed to any significant credit risk on cash.

Restricted Escrows and Reserves

The Company is required to hold cash in restricted escrow accounts for insurance, real estate taxes and a replacement reserve. The escrows are used to pay periodic charges of real estate taxes and assessments, tenant improvements, and leasing commissions. The balances in the escrow accounts were $3,001,232 and $2,139,180 as of December 31, 2016 and 2015, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rents and other Receivables

Rents receivable and deferred rent are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with our credit terms. Accounts considered uncollectible are written off. Receivables have been reduced by an allowance for doubtful accounts of $129,330 and $93,560 as of December 31, 2016 and 2015 respectively.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related lease agreement, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rent income earned and base rent amounts due per the respective lease agreements are credited or charged to deferred rent revenue or deferred rent receivable as applicable. When the Company enters into lease modifications or extensions with current tenants, the deferred rent at the time of the extension is amortized over the remaining term of the lease, and the revised terms are considered a new lease.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are billed monthly based on current year estimated operating costs for applicable expenses. An additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Deferred Leasing Costs and Tenant Allowance

Direct and indirect costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and amortized on a straight-line basis over the term of the related lease as amortization expense. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed.

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, the Company determines whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If the Company is considered the owner of the leasehold improvements for accounting purposes, the Company capitalizes the amount of the tenant allowance as building improvements and depreciates it over the shorter of the useful life of the leasehold improvements or the related lease term. For tenant allowances committed at lease inception and recorded as building improvements but not yet performed or completed, the corresponding liability will be recorded as tenant improvement allowance payables. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, for accounting purposes, the tenant allowance is considered to be a lease incentive and is capitalized as a deferred leasing cost and is amortized over the lease term as a reduction of rental revenue on a straight-line basis. The Company had amortization expense for tenant improvements of $1,055,589 and $1,152,211 year ended December 31, 2016 and 2015, respectively. The Company had amortization expense for leasing costs of $293,337 and $337,704 for the year ended December 31, 2016 and 2015, respectively. The Company had accumulated amortization for tenant allowances of $2,880,732 and $1,826,901 as of December 31, 2016 and 2015, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Instruments

The Company records all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. If the Company does not apply hedge accounting, all changes in the fair value of derivatives are recognized directly in earnings in the period of change. Currently, the Company has not elected hedge accounting treatment and all changes in fair value of the Company's derivatives are recognized in current period earnings.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are capitalized and are being amortized on a straight-line basis over the financing term and are included in interest expense. The Company had amortization expense of $623,549 and $1,200,816 for the years ended December 31, 2016 and 2015, respectively. The Company had accumulated amortization of $2,126,444 and $1,502,895 as of December 31, 2016 and 2015, respectively. As of December 31, 2015, the Company had incurred deferred financing costs of $139,021 that did not have amortization expense in the year ended December 31, 2015 as the financing had not closed as of that date. These costs were expensed in 2016 when it was determined that the efforts to secure financing were unsuccessful.

Real Estate Property and Fixed Assets

Investment in real estate and fixed assets with a useful life of longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction and tenant allowances and improvements. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Management's fair value assessment includes the use of readily accepted fair value techniques such as discounted cash flow analysis and comparable sales analysis including management's reliance on independent market analysis.

The Company finalized the purchase price fair value allocation of the First Trust acquisition during the year ended December 31, 2015 and has recorded certain measurement period adjustments.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and land improvements, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 years
Buildings	25-30 years
Building Improvements	10-20 years
Tenant Improvements	1-12 years
Furniture and Equipment	3 years

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate Property and Fixed Assets (continued)

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Intangible Assets or Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company records intangible assets and liabilities acquired at their estimated fair value apart from goodwill for acquisitions of real estate. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. The Company amortized $183,929 and $182,967 to rent revenue for above and below-market leases for the years ended December 31, 2016 and 2015, respectively. Amortization of other intangibles is recorded in depreciation and amortization expense.

Impairment of Long-Lived Assets

Long-lived assets, such as real estate property, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. The Company did not recognize any impairment losses for either of the years ended December 31, 2016 or 2015.

Income Taxes

The Company accounts for income taxes under FASB ASC 740-10-30 which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry forwards are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company has examined the tax positions taken in its tax returns and determined that there are no uncertain tax positions. As a result, the Company has recorded no uncertain tax liabilities in its consolidated balance sheet.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2013. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as general and administrative expense and any related interest as interest expense in the Company's consolidated statements of operations.

Stock-based Compensation

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to Directors under a director compensation plan. Granted shares are considered issued and outstanding as of the date of the grants. Stock-based compensation is expensed on a straight-line basis over the vesting period and is valued at the fair value on the date of the grant. The Company has recognized $411,107 and $173,970 of compensation expense for the years ended December 31, 2016 and 2015, respectively.

The Company may also issue common stock in exchange for goods or services of non-employees. These shares are either fully vested at date of grant or vest over a certain period during which services are provided. The Company expenses the fair market value of the services over the period in which they are received.

On February 10, 2015, the Company issued 460,000 shares of common stock valued at $575,000 to an unrelated party in exchange for such party's guaranty of a loan which was obtained in the year ended December 31, 2015. Financing costs of $47,917 and $527,083 related to this stock issuance were amortized to interest expense for the years ended December 31, 2016 and 2015.

Noncontrolling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was 65% of the common units of the Operating Partnership as of December 31, 2016 and 2015. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as noncontrolling interest. Capital contributions, distributions, and profits and losses are allocated to the noncontrolling interest based on membership percentages and terms of the operating agreement.

Net Income (Loss) or Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Income (Loss) or Earnings Per Share (continued)

The following is a reconciliation of the denominator of the basic net earnings per common share computation to the denominator of the diluted net earnings per common share computation for each of the periods presented:

	Years Ended December 31,	
	2016	2015
Weighted average common shares outstanding - basic	17,027,312	16,620,432
Plus potentially dilutive common shares:		
Unvested restricted stock .	14,192	61,921
Weighted average common shares outstanding - diluted	17,041,504	16,682,353

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new standard will eliminate all industry-specific guidance and replace all current U.S. GAAP guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the new accounting guidance. This guidance will be effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03 Interest—Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The Company adopted the amendments in this update effective for financial statements issued in the current fiscal year.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this new standard on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40). The amendments in this Update provide guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The Company has adopted this amendment in this update effective for the current fiscal year. (see Note 16)

In March 2016, the FASB issued ASU 2016-09—Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 modifies the accounting for share-based payment awards, including income tax consequences, classification of awards as equity or liabilities, and classification on the statement of cash flows. The effective date for ASU 2016-09 is for annual periods beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's business, financial position, results of operations or liquidity.

During February 2016, FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU 2016-08 – "Revenue from Contracts with Customers: Principal versus Agent Considerations." The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for ASU 2016-08 is the same as the effective date for ASU 2014-09 and ASU 2015-14. The Company is currently evaluating the impact that ASU 2016-08 will have on its statement of financial position or financial statement disclosures.

In January 2017, the FASB issued ASU 2017-01 – "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The effective date for ASU 2017-01 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company currently anticipates that it will adopt the new guidance effective January 1, 2018 and that the guidance will result in acquisitions of operating properties being accounted for as asset acquisitions instead of business combinations. The adoption of this guidance will change the Company's accounting for the transaction costs for acquisitions of operating properties such that transaction costs will be capitalized as part of the purchase price of the acquisition instead of being expensed as acquisition-related expenses. The ASU is required to be applied prospectively.

NOTE 4 – TENANT LEASES

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to twelve years. Some of the leases have renewal options for additional terms. The leases expire at various dates from April 2017 to September 2025. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

NOTE 4 – TENANT LEASES (continued)

The Company has the following future minimum base rentals on non-cancellable leases as of December 31, 2016:

2017	$ 7,019,785
2018	6,927,823
2019	6,207,780
2020	3,112,572
2021	1,728,134
Thereafter	10,851,438
Total	$ 35,847,533

Included in the above table are base lease payments due beginning January 1, 2018 totaling $10,724,284 for a significant tenant that has not occupied space yet, but for which we have an executed lease agreement (see Note 8).

NOTE 5 – NOTES PAYABLE

The following table summarizes the Company's notes payable.

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At December 31, 2016	Principal Balance At December 31, 2015
Talon First Trust, LLC Mortgage [1][6]	Secured floating rate interest only	July 5, 2017	6.04%	$ 32,000,000	$ 32,000,000
Talon First Trust, LLC. – Promissory Note [6]	Unsecured fixed rate interest only	October 24, 2017	10.00%	1,008,908	481,934
Talon First Trust, LLC – Promissory Note [6]	Unsecured fixed rate interest only	See below[3]	10.00%	59,489	-
Talon First Trust, LLC – Sale of future receivable	See below	See below[4]		430,500	-
Talon Bren Road, LLC Mortgage 1[5][8]	Secured fixed rate	May 28,2019	4.65%	10,858,648	11,123,773
Talon Bren Road, LLC Mortgage 2[5][7][8]	Secured fixed rate interest only	March 1, 2017	16.00%	2,000,000	2,000,000
Talon Bren Road, LLC HVAC loan [9]	Unsecured fixed rate	June 1, 2019	8.00%	84,472	111,797
Talon Bren Road, LLC Roof loan [9]	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1 [10]	Secured fixed rate	April 8, 2017	6.05%	3,981,740	4,049,859
5130 Industrial Street, LLC Mortgage 2 [10]	Secured fixed rate	April 8, 2017	12.75%	292,941	294,021
Talon OP, L.P. – Promissory Note – Related Party [4]	Unsecured fixed rate interest only	June 30, 2016	24.00%	500,000	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.0%	654,926	-
Talon OP, L.P. – Promissory Notes, Related Party [2]2	Unsecured fixed rate interest only	June 30, 2016	26.00%	1,000,000	1,000,000
Talon OP, L.P. – Promissory Note [4]	Unsecured fixed rate	January 15, 2018	15.00%	271,287	-
Other				81,800	-
				$ 53,449,711	$ 51,786,384
Less: Unamortized financing costs				496,063	969,527
Notes payable, net				$ 52,953,648	$ 50,816,857

(1) Mechanics lien statements were filed upon the property at 180 E. Fifth Street for work completed to prepare the tenant space for a significant lease entered into on April 9, 2015. On January 27, 2017, we refinanced this loan and with a new $51.6 million loan at LIBOR plus 9.0% with an initial maturity date of January 26, 2018, this refinance satisfied all outstanding2 liens.2

NOTE 5 – NOTES PAYABLE (continued)

(2) On January 12, 2015 and May 19, 2015, respectively, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at 14% annually and had an original maturity date of June 30, 2015 and July 18, 2015, respectively. In 2015, the Company extended the maturity dates of both notes to December 31, 2015. The notes bore interest of 20% annually from July 1, 2015 and July 19, 2015, respectively, through October 31, 2015. Subsequently, the Company extended the maturity dates of both notes to the earlier of, the disposition or refinancing of the property at 180 E 5th Street in St. Paul or June 30, 2016. The notes will bear interest at 24% annually from November 1, 2015 through June 30, 2016 after which time the notes will accrue interest at 26%.

(3) The outstanding principal and applicable accrued interest is due in full upon sale or refinancing of the property at 180 E. Fifth Street in St. Paul.

(4)o During 2016 the Company received funds from four different sources. As of December 31, 2016, the total outstandingo balance was $430,500 for the sale of future receivables at the property located at 180 E. Fifth Street. The agreements requireo payments totaling $644,039 over 120 days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements areo guaranteed by the Company's CEO.o

(5)o On June 21, 2017, we refinanced these mortgages with a new $15.1 million at 9.5% with an initial maturity date of June 1,o 2018.o

(6)o The principal and unpaid but accrued interest on this loan was refinanced by a first mortgage loan at a fixed interest rate witho Gamma Lending Omega LLC. This note was entered into on January 2017 and was done in January 2018. The Companyo defaulted on the loan due to a failure to further refinance the one (1) year loan and subsequently exchanged the property for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating aso a nontraded.o

(7) The principal and unpaid but accrued interest on this loan was refinanced by an unsecured partnership pledge by QuickLiquidity, a Florida corporation. This pledge was entered into in January 2017. The pledge was refinanced by a first mortgage with Money360, as set forth in Note 8 to this table.

(8)o The principal and unpaid but accrued interest expense on this loan was refinanced by a first mortgage in favor of Money360, ao California company. This first mortgage was entered into on June 21, 2017. This loan is on good standing and was extendedo until June 2019 under a forbearance agreement.o

(9)o The principal and accrued but unpaid interest on these loans was satisfied by a judgment against the lender. The lender and theo Company entered into a Net Operating-Income guarantee. The lender defaulted on this guarantee. The company sued ando obtained judgment on the lender. The company and the lender agreed to the judgment and partially satisfied the note owed byo the Company in favor of the lender.o

(10) In December 2018, the lender foreclosed and conducted a sheriff's sale. Pursuant to Minnesota law, a property foreclosedo upon in this manner is subject to a six (6) month redemption. The Company is under contract to sell one (1) of the two (2) properties and engaged in refinancing the second property.

At December 31, 2018, The Company is required to make the following principal payments on our outstanding notes payable for each of the succeeding fiscal as follows:

	Amount
2017	$ 42,540,565
2018	374,889
2019	10,534,257
	$ 53,449,711

The Company is required to periodically fund and maintain escrow accounts to make future real estate tax and insurance payments, as well as to fund certain capital expenditures.

The Company's mortgage assumed by Talon Bren Road, LLC in connection with the acquisition of the property at Bren Road includes a restrictive covenant that requires Talon Bren Road, LLC to maintain a minimum debt service coverage ("DSCR") before distributions of 1.35:1.00 and after distributions of 1:05:1.00 as of the last day of each calendar year. As of December 31, 2015, Talon Bren Road LLC was out of compliance with the DSCR test. An amendment to the loan agreement as well as waiver of the DSCR default for the December 31, 2015 test date was subsequently executed. The loan agreement was amended to include a minimum Senior Debt Service Coverage Ratio (pre-distributions) of not less than 1.50:1.00. It also amended and restated the minimum Debt Service Coverage Ratio before distributions of not less than 1.20:1.00 as of the last day of each calendar year commencing after December 31, 2015. As of December 31, 2016 we were not in compliance with the Debt Service Coverage Ratio.

On April 13, 2017, the Company, together with its subsidiaries Talon OP L.P. and Talon Bren Road, LLC ("TBR"), received written notice from Bell Bank ("Bell") that an event of default has occurred with respect to the Loan Agreement dated as of May 29, 2014 (the "Loan Agreement") by and between Bell in its capacity as lender thereunder, and TBR, as the borrower thereunder (the "Notice"). The Company and Talon OP have guaranteed the payment and performance of TBR under the Loan Agreement pursuant to a Guaranty dated May 29, 2014 made by each guarantor in favor of Bell.

The Notice provides that (a) Bell demands immediate payment in full of the amount due under the Loan Agreement, which as of April 13, 2017 was $10,773,144 and (b) Bell may exercise its rights to seek the appointment of a receiver to take control of TBR's property located at 10301 Bren Road West, Minnetonka, MN and commence a foreclosure

action to foreclose its lien on the property. On March 27, 2017, Talon Bren Road, LLC also received a notice of default under the terms of our second mortgage agreement, the outstanding balance of which was $2 million as of the date of the receipt of the notice.

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction to refinance its first and second mortgages on the Bren Road property via issuance of a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. (See Note 15).

NOTE 6 – CONCENTRATIONS

The Company has three tenants that rent approximately 34% of the Company's total rentable space as of December 31, 2016 with base rent representing 62% of total base rent revenues for the year ended December 31, 2016. For the same period in 2015, three tenants rented approximately 31% of the total rentable space as of December 31, 2015 with base rent representing 62% of total base rent revenues for the year ended December 31, 2015. The largest tenant rents approximately 16% of the rentable space and represents 25% of total base rent revenues for the year ended December 31, 2016. The Company had two parties who accounted for 83% of the total outstanding rents and other receivables balance as of December 31, 2016 and the same two parties accounted for 90% of the total outstanding rents and other receivables balance as of December 31, 2015.

NOTE 7 – RESTRICTED ESCROWS AND RESERVES

According to the terms of the Company's notes payable agreements (Note 5), the Company is required to make monthly and quarterly deposits to various escrow and reserve accounts for the payment of real estate taxes, tenant improvements and leasing commissions. The balances in these restricted escrows and reserve accounts are as follows:

	December 31, 2016	December 31, 2015

Real estate tax escrow	$ 306,487	$ 351,407
Replacement reserve escrow	110,849	5,615
Property insurance escrow	92,285	60,961
General escrow	94,109	e68,500e
Tenant improvements & leasing cost escrow	2,397,502	1,652,697e
	$ 3,001,232	$ 2,139,.180

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On June 7, 2013, Talon RE entered into a contribution agreement with the remaining interest holder of 5130 LLC pursuant to which it will acquire the remaining 51% interest in 5130 LLC in exchange for 2,820,810 shares of our common stock, subject to receiving consent to the transfer from 5130 LLC's lender.

On December 31, 2018, the Company issued the 2,820,810 shares to First Tracks LLC. The shares have yet to be delivered.

The Company entered into a property lease agreement relating to rental of office space. This non-cancellable lease has been amended to run through May 2024. The Company incurred $89,984 and $105,357 of rent expense for the years ended December 31, 2016 and 2015, respectively. The lease is subject to periodic adjustments for operating expenses. The future net minimum rental payments for this lease are as follows:

On December 15, 2018, the Company entered into a termination agreement with the landlord. In exchange for vacating the premises, the accrued rent was forgiven.

TALON REAL ESTATE HOLDING CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

Years ending December 31,		
2017	$	53,178
2018		55,200
2019		89,187
2020 & 2021		91,753
	$	381,077

This table reflecting the commitment for rent expense was made moot by the lease termination of December 15, 2018.

The Company entered into a Contribution Agreement dated May 29, 2014 with Bren Road, LLC, the contributor of the property acquired through our subsidiary, Talon Bren Road, LLC. The agreement provides for any deficit in achieving $1,560,000 of net operating income ("NOI") per year for the first three years to be funded by Bren Road, LLC. The Company recognized $69,575 and $153,173 of income under this agreement for the years ended December 31, 2016 and 2015, respectively.

The Company entered into a consulting agreement dated May 29, 2014 with Gerald Trooien ("Consultant"). This agreement provides for consulting services to Talon Bren Road, LLC for $43,750 per month payable beginning August 15, 2014 and continuing for 59 months thereafter. The agreement will terminate upon the occurrence of any of the following:

a.e redemption or conversion of all limited partnership units held by Bren Road, LLC,e
b.e sale by Bren Road of any of its partnership units in Talon OP, L.P.,e
c.e payment to Bren Road of any dividends in respect to Bren Road's interest in Talon, ande
d.e the Company qualifies as a real estate investment trust (REIT).e

The Company incurred $613,904 and $538,877 of consulting expenses for the year ended December 31, 2016 and 2015, respectively. The Company had amounts due of $627,491 and $45,938 as of December 31, 2016 and 2015, respectively. The outstanding amount as of December 31, 2016 was satisfied on June 23, 2017 (see Note 15) as part of the refinancing of Talon Bren Road, LLC's outstanding mortgages.

The Company entered into a Property Management Agreement dated July 2, 2014 with Swervo Management Division, LLC ("Property Manager"). This agreement provides for management and other leasing duties for Talon First Trust, LLC for monthly payments of 7.5% of the monthly gross rental receipts at the property beginning July 2, 2014 and continuing for 59 months thereafter. Subsequently, on January 27, 2017, the agreement was terminated.

The Company incurred $577,679 and $614,662 of expenses for the years ended December 31, 2016 and 2015, respectively. On November 16, 2015, the Company entered into a $481,934 unsecured promissory note with the Property Manager related to unpaid fees for the period of March 2015 through December 2015. In June 2016 the Company entered into a $953,908 unsecured promissory note related to the refinance of the previous note plus unpaid fees for the period January 2016 through July 2016 due August 31, 2016. After that date, an additional $55,000 of fees became due and payable.

On April 9, 2015, the Company entered into a significant lease arrangement with a new tenant. On January 27, 2017 the company executed a Second Amendment to the lease with the tenant to resolve issues concerning a notice of default that the Company received from the tenant on April 1, 2016. The Second Amendment rescinds the Notice of Default and the Termination Notice that the tenant had delivered, changes to the lease commencement date from January 1, 2016 to January 1, 2018 and placed $5.6 million in escrow to provide evidence of our ability to pay for the remaining tenant improvements. We deposited the required escrow funds on January 27, 2017.

The depositing of the escrowed funds was done for the express purpose of paying for the buildout for the significant tenant. The funds were deployed to pay for the tenant improvements. All remaining funds were applied to reducing the loan amount.

Legal Proceedings

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. The defendant has responded and filed a counterclaim and third-party complaint against Talon Bren Road, LLC and Talon OP, LP on July 7, 2016. On November 9, 2016 the matter came before the court on the Defendant's motion for partial summary judgment. Subsequently, on February 27, 2017 the Hennepin County District Court issued a Findings of Fact and Order for Judgment on the counter claim against the Company in the amount of $719,365, plus post judgment interest which pursuant to our 10301 Bren Road and 180 E 5th Street loan agreements, constitutes a non-financial event of default. In an attempt to collect on the judgment, the defendant filed a motion for the appointment of the receiver. The outstanding amount of the judgment was satisfied on June 23, 2017 as part of the refinancing of Talon Bren Road, LLC's outstanding mortgages. On March 27, 2017 our complaint in the amount of $771,408 went to trial in Hennepin County District Court. On July 21, 2017 a judgment was ordered in favor of Bren Road, LLC and Talon O.P LP in the amount of $594,176.

On January 12, 2015 and May 19, 2015, respectively, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. In 2015, the Company extended the maturity dates of both notes to December 31, 2015. Subsequently, the Company extended the maturity dates of both notes to the earlier of, the disposition or refinancing of the property at 180 E 5th Street in St. Paul or June 30, 2016. On September 24, 2016, the unrelated party filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the notes. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498.

On August 12, 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its directors. The note had an original maturity date of February 8, 2015. Proceeds from this note paid off additional notes entered into on December 30, 2013 and March 7, 2014, respectively, for $100,000 each, with the same party. In 2015, the Company extended the maturity date of the note to December 31, 2015. Subsequently, in 2016 the Company extended the maturity date of the note to the earlier of, the disposition or refinancing of the property at 180 E. Fifth Street in St. Paul or June 30, 2016. On October 18, 2016, the related party filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the notes. In April 2017, this matter went to trial and the plaintiff was awarded $897,695 On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

Subsequent to the judgment and charging order, in April 2018, the judgment was fully satisfied by the Company, granting a second mortgage in favor of the judgment creditor.

On October 20, 2016, a former employee filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under terms of the former employee's employment with the Company. In January 2017, the parties reached an agreement to settle all claims. The Company executed a $271,287 promissory note which is fully recorded on the Consolidated Balance Sheet as of December 31, 2016. The promissory note has been satisfied as of December 31, 2017.

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC. On July 24, 2017, the $1,330,167 promissory note was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24,

2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. The Company accepted a judgment on or about August 2018 for the full amount.

On January 26, 2017, the Company refinanced several of its outstanding liabilities with Gamma Lending Omega LLC. [See Note 5.] The Company defaulted on the Note on January 27, 2018. The default was a payoff default. The Company exchanged the asset and transferred the liability to FCROP.

NOTE 9 – RESTRICTED STOCK

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to Directors under a director compensation plan. The 2013 Equity Incentive Plan dated June 7, 2013 (the "Plan") allows up to 1,500,000 shares to be issued and granted to employees, non-employee directors, and consultants and automatically increases on January 1 of each year by three percent of the outstanding shares of common stock as of December 31 of the immediately preceding year. Employee awards granted in 2013 vest monthly over 36 months provided the recipient remains an employee or consultant of the Company. Awards granted in 2014 vest either immediately, monthly over a three-year period, or monthly over a five-year period. Awards granted in 2016 vest monthly over ten months or partially vest immediately and the remaining vest one-third annually over a one to three-year period.

The Non-Employee Director Compensation Plan allows shares of restricted common stock to be granted to board members and is included under the Plan. The 2013 board member awards vest one-third of the shares on the date of grant, one-third on January 1 of the year following the date of grant, and one-third on January 1 of the second year following the date of grant, provided the recipient remains a member of the board as of the vesting date. The 2014 awards vested immediately in March of 2014. The 2016 awards vest half on the date of grant and half on April 15, 2017.

As of December 31, 2016, the Company had granted 1,093,759 shares to employees and 480,000 shares to Directors under the Plan.

The following table sets forth a summary of restricted stock:

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, January 1, 2015	652,817	$ 1.08
Granted	-	-
Vested	(219,968)	0.95
Forfeited or rescinded	(145,842)	1.25
Granted and not vested, December 31, 2015	287,007	$ 1.20
Granted	900,000	0.99
Vested	(401,308)	1.11
Forfeited or rescinded	(461,699)	1.10
Granted and not vested, December 31, 2016	324,000	$ 0.98

Total unrecognized compensation expense related to the outstanding restricted stock as of December 31, 2016, was $329,976, which is expected to be recognized over a weighted average period of 32 months. The Company recognized $411,107 and $173,970 of stock-based compensation expense for the years ended December 31, 2016 and 2015, respectively, that is included in salary and compensation in the consolidated statements of operations. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has limited history to determine forfeiture trends and the Company considers the discount rate to be immaterial.

NOTE 9 – RESTRICTED STOCK (continued)

2013 Equity Incentive Plan Restricted Stock	Number of Restricted Shares
Authorized but not granted or issued, January 1, 2015	**691,567**
Authorized increase in Plan shares	502,306
Forfeited	145,842
Authorized but not granted or issued, December 31, 2015	**1,339,715**
Authorized increase in Plan shares	511,730
Granted	(900,000)
Forfeited	461,699
Authorized but not granted or issued, December 31, 2016	**1,413,144**

NOTE 10 – INCOME TAXES

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company does not expect to pay any federal or state income tax for 2016 because it projects losses to exceed operating income in 2016. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon the generation of sufficient future taxable income. Management has determined that sufficient uncertainty exists regarding realizability of its net deferred tax assets and has provided a full valuation allowance of approximately $2,633,000 and $1,642,000 against the net deferred tax assets as of December 31, 2016 and 2015, respectively. The net change in the total valuation allowance was an increase of approximately $991,000 and $485,000 for the Years Ended December 31, 2016 and 2015, respectively. Based on these requirements no provision or benefit for income taxes has been recorded for deferred taxes. There were no unrecognized tax benefits at the end of the reporting period.

The Company calculated its estimated annualized effective tax expense rate at 0% for December 31, 2016. The Company had no income tax expense based on its pre-tax loss for the years ended December 31, 2016 and 2015.

Deferred tax assets (liabilities) consist of the following components as of:

	December 31, 2016	December 31, 2015
Deferred tax assets:		
Loss carry forwards	$ 2,633,000	$ 1,642,000
Valuation allowance for deferred tax assets	(2,633,000)	(1,642,000)
Net deferred tax assets	$ -	$ -

The statutory income tax rate reconciliation for continuing operations to the effective rate is as follows:

	2016	2015
Statutory U.S. income tax rate	34.00 %	34.00 %
State taxes, net of federal tax effect	6.47	6.47
Change in valuation allowance	(19.83)	(10.84)
Other, including permanent differences	(20.64)	(29.63)
Effective income tax benefit rate	- %	- %

NOTE 10 – INCOME TAXES (continued)

At December 31, 2016, the Company had net operating loss carryforwards for federal purposes of $6,509,000 and $6,504,000 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2030.

The future utilization of federal net operating loss carryforwards is subject to certain limitations under Section 382 of the Internal Revenue Code. This section generally relates to a 50 percent change in ownership of a company over a three-year period. The issuance of additional shares could result in an "ownership change" under Section 382. Therefore, the ability to apply our net operating losses in the future may become limited.

NOTE 11 – INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and liabilities at December 31, 2016 and December 31, 2015 were as follows:

	December 31, 2016	December 31, 2015
Identified intangible assets:		
In-place leases	$ 10,078,055	$ 10,078,055
Above-market leases	1,832,939	1,832,939
Accumulated amortization	(6,445,391)	(4,168,849)
Net carrying amount	$ 5,465,603	$ 7,742,145

	December 31, 2016	December 31, 2015
Identified intangible liabilities:		
Below-market leases	507,746	507,746
Accumulated amortization	(357,108)	(241,518)
Net carrying amount	$ 150,638	$ 266,228

NOTE 11 – INTANGIBLE ASSETS AND LIABILITIES (continued)

Above-market leases, included in intangible assets, are amortized as a reduction of rent revenue and totaled $299,518 and $354,780 for the years ended December 31, 2016 and 2015, respectively. Amortization of below-market leases as an addition to rent revenue was $115,590 and $171,813 for the years ended December 31, 2016 and 2015, respectively. Amortization of in-place leases was $1,977,024 and $2,325,300 the year ended December 31, 2016 and 2015, respectively. In-place leases, and above and below-market leases had a weighted average amortization period of 4.5 years in the year acquired.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

Years ending December 31,	Assets	Liabilities
2017	$ 2,247,503	$ 113,849
2018	1,654,921	36,789
2019	1,175,158	-
2020	388,021	-
	$ 5,465,603	$ 150,638

NOTE 12 – HEDGING ACTIVITIES

The Company may use derivative instruments as part of its interest rate risk management strategy to minimize significant unanticipated earnings fluctuations that may arise from variable interest rates associated with existing borrowings. On July 2, 2014, the Company entered into an interest rate cap contract for the notional amount of $33 million with a strike rate of 2.5% on one month LIBOR as a hedge for a floating rate debt entered into on that date. The interest rate cap expired on July 5, 2016. The interest rate cap was issued at approximate market terms and thus no fair value adjustment was recorded at inception and the rate cap had no value as of December 31, 2015. The Company did not elect hedge accounting treatment for the rate cap and as such, changes in fair value are recorded directly to earnings.

NOTE 13 – MANDATORILY REDEEMABLE PREFERRED OPERATING PARTNERSHIP UNITS

On July 2, 2014, the Company issued 30,000 preferred units, at a price of $100 per unit, totaling $3,000,000. These preferred unit holders are entitled to distributions at a rate of 6% per annum of their liquidation preference amount of $100 per unit which are cumulative from the date of issuance and are payable monthly (to the extent there are sufficient distributable proceeds). The preferred units have been classified as a liability in the consolidated balance sheet as the preferred liquidation preference amount is mandatorily redeemable in specific amounts at specific dates in the future. The preferred units were redeemed on January 27, 2017 (see Note 15).

NOTE 14 – RELATED PARTY TRANSACTIONS

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were paid by the Company to First Tracks during 2016 pursuant to this agreement.

NOTE 14 – RELATED PARTY TRANSACTIONS (continued)

The Gamma Loan (see Note 15) entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company will issue First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and is due a fee of $750,000.

NOTE 15 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for items that require recognition or disclosure in the Company's financial statements through the date these financial statements were issued. In addition to those items disclosed in Notes 5 and 8, the following matters constitute material subsequent events through the date of this filing.

On January 27, 2017, Talon First Trust, LLC, (the "Talon First Trust"), a Delaware limited liability company that is wholly owned by Talon OP, L.P., (the "Parent"), a Minnesota limited partnership and the entity through which Talon Real Estate Holding Corp. conducts substantially all of its business, entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51.6 million. The loan bears an interest rate equal to the sum of (i) the greater of (x) the LIBOR Index Rate, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5.3 million has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender.

The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, 55101, (ii) an assignment of lease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents.

	Loan Proceeds
Total Amount of loan	$ 51,600,000
Less:	
Mortgage payoff	29,354,774
Financing costs	1,032,000
Closing costs	2,008,861
Tenant improvements and lien reserves	5,881,126
Redemption of preferred shares	3,050,000
Interest reserve	5,289,000
Other reserves	3,230,728
Satisfaction of TI invoices and liens	1,537,460
Net proceeds	$ 216,051

On January 27, 2017, Talon First Trust executed a Second Amendment to a lease with a tenant to resolve issues concerning a notice of default that Talon First Trust received from the tenant on April 1, 2016. The Second Amendment rescinds the Notice of Default and the Termination Notice that the tenant had delivered, changes to the lease commencement date from January 1, 2016 to January 1, 2018 and places $5.6 million in escrow to provide

evidence of our ability to pay for the remaining tenant improvements. We deposited the required escrow funds on January 27, 2017 in connection with the Talon First Trust refinancing described above.

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction that included a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15.2 million, which is comprised of the unpaid principle balance of $15.1 million and the unpaid interest only payment of $0.1 million. The loan is guaranteed personally by the Company's Chief Executive Officer. The transaction closed and funds were transferred on June 23, 2017. In addition, we entered into an unsecured Promissory Note with MCC Capital, in the principal amount of $0.2 million and agreed to pay the principal balance plus 10% on July 10, 2017. Proceeds from the Promissory Notes were used to satisfy the events of default on the 10301 Bren Road property.

	Transaction Proceeds
Total Amount of primary mortgage	$ 15,127,000
Promissory note - MCC Capital	165,000
Good faith deposit - Company	20,500
Total proceeds	15,312,500
Less:	
Mortgage 1 payoff Bell Bank	10,557,439
Mortgage 2 payoff	2,273,916
Mortgage 3 payoff	1,196,304
Payoff Trooien judgment	744,145
Financing costs	415,625
Closing costs	57,613
Interest reserve	35,927
Insurance reserve	25,714
Net proceeds	$ 5,817

On April 8, 2017, the Company defaulted on a balloon payment due in the amount of $4.3 million dollars on the mortgage on its properties held by 5130 LLC. . The Company expects to refinance this obligation but as of the date of this report has been unable to do so. Failure to refinance this obligation could result in an acceleration of the mortgage loan and actions by the lender to foreclose on the properties.

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,958 at December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC. On July 24, 2017, the $1,330,167 promissory note was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

NOTE 15 – SUBSEQUENT EVENTS (continued)

On March 7, 2017, a key tenant in one of our properties filed for Chapter 11 bankruptcy protection from its creditors. The details of the restructuring plan are unknown. The bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent would likely not be paid in full and this could have a material adverse effect upon our business, results of operations and financial condition.

In June 2017, First Trust was sold 100% for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

The principal and unpaid but accrued interest on the First Trust loan was refinanced by a first mortgage loan at a fixed interest rate with Gamma Lending Omega LLC. This note was entered into on January 2017 and was done in January 2018. The Company defaulted on the loan due to a failure to further refinance the one (1) year loan and subsequently exchanged the property for Operating Units of First Capital Operating Partnership, LP, a subsidiary of FCREIT, Inc., a Maryland corporation operating as a nontraded REIT.

The principal and unpaid but accrued interest on Umaga loan was refinanced by an unsecured partnership pledge by QuickLiquidity, a Florida corporation. This pledge was entered into in January 2017. The pledge was refinanced by a first mortgage with Money360, as set forth in Note 8 to this table.

The principal and unpaid but accrued interest expense on the Umaga loan was refinanced by a first mortgage in favor of Money360, a California company. This first mortgage was entered into on June 21, 2017. This loan is on good standing and was extended until June 2019 under a forbearance agreement.

The principal and accrued but unpaid interest on the roof and HVAC loan on Umaga loans was satisfied by a judgment against the lender. The lender and the Company entered into a Net Operating-Income guarantee. The lender defaulted on this guarantee. The company sued and obtained judgment on the lender. The company and the lender agreed to the judgment and partially satisfied the note owed by the Company in favor of the lender.

In December 2018, the lender foreclosed and conducted a sheriff's sale on Maple Plain property. Pursuant to Minnesota law, a property foreclosed upon in this manner is subject to a six (6) month redemption. The Company is under contract to sell one (1) of the two (2) properties and engaged in refinancing the second property.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Antigua Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of the FC-OP's interests in and to Goat Head Hill and Dutchman's Bay, Island of Antigua (the "Antigua Project"), including, without limitation, that certain Memorandum of Agreement dated July 28, 2015 between Brown McLennon, the FC-OP and the government of Antigua and Barbuda regarding the development of hotels on the properties known as Dutchman's Bay and Goat Head Hill on Antigua and the FC-OP's 100% ownership interest in Goat Head Hill Resort Development Ltd and Dutchman's Bay, an Antigua and Barbuda Corporation.

Pursuant to the Antigua Contribution Agreement, the FC-OP agreed to transfer all of its interests in the Antigua Project to Talon-OP. In consideration for such transfer Talon-OP will issue to the FC-OP $30.0 million in

units of its limited partnership interests ("LP Units"), or 12,000,000 LP Units based on a valuation of $2.50 per LP Unit. The LP Units will be payable in three installments over a two year period. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Company. This transaction closed in November 2018.

On August 31, 2018, Talon OP, L.P. (Talon-OP), which is the entity through which Talon Real Estate Holding Corp. ("Talon") conducts substantially all of its business, entered into a Contribution Agreement (the "Hotels Contribution Agreement") with First Capital Real Estate Trust, Incorporated ("Contributor"), through First Capital Real Estate Operating Partnership, L.P. (the "FC-OP"), its operating partnership, for the acquisition of seven entities, as described in the Hotels Contribution Agreement. In consideration for such transfer Talon-OP will issue to the FC-OP $14,796,765.00 in units of its limited partnership interests ("LP Units"), or 5,918,706 LP Units based on a valuation of $2.50 per LP Unit. The aggregate value of the Companies/Hotels is $40,790,000 and a credit for existing indebtedness ("Existing Indebtedness") of $25,993,235.00. The Existing Indebtedness is set forth on Exhibit B attached hereto. The FC-OP has agreed to sign such documents at the Closing as are necessary in connection with its admission as a limited partner of the Talon-OP.

Pursuant to the terms of the Hotels Contribution Agreement, Talon-OP's obligation to close upon the acquisition is subject to customary conditions to closing. This series of transactions closed in Winter 2018/2019.

On December 31, 2018, the Company issued the 2,820,810 shares to First Tracks LLC. The shares have yet to be delivered.

On December 15, 2018, the Company entered into a termination agreement with the landlord on the 5500 Wayzata Blvd office space. In exchange for vacating the premises, the accrued rent was forgiven.

The Company has relocated to a coworking space with a month-to-month lease.

Subsequent to the judgment and charging order, in April 2018, the Curtis Marks judgment was fully satisfied by the Company, granting a second mortgage in favor of the judgment creditor.

On January 26, 2017, the Company refinanced several of its outstanding liabilities with Gamma Lending Omega LLC. The Company defaulted on the Note on January 27, 2018. The default was a payoff default. The Company exchanged the asset and transferred the liability to FCROP.

In March 2019, the Company issued Nine Million Two Hundred Fifty One Thousand Eight Hundred Ten (9,251,810) shares to various officers and directors.

NOTE 16 – GOING CONCERN

These financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company has incurred significant losses. The Company incurred a net loss for the year ended December 31, 2016 of $8,270,938 (2015: $7,027,090), and as of December 31, 2016 had a total shareholders' deficit of $8,605,625 (2015: $745,794). [UPDATE]

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of December 31, 2016, we had unrestricted cash of $108,418 and current liabilities including tenant improvement allowances, maturing mortgage debt, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business.

In addition, because the loan agreements for our First Trust and Bren Road properties contain provisions whereby judgments against a borrower or guarantor constitute an event of default, the following judgments are considered material to our liquidity and ability to continue as a going concern:

•a On February 27, 2017, a judgment in the amount of $719,365 was ordered against Talon Bren Road, LLC,a which constituted a non-financial event of default under the mortgage loan agreement for our Bren Roada property. On March 27, 2017, Talon Bren Road, LLC received a notice of a default under the terms ofa our second mortgage agreement, the outstanding balance of which was $2.0 million as of December 31,a 2016 and on April 13, 2017, Talon Bren Road, LLC, Talon O.P. and Talon Real Estate Holding Corp.a received a notice and acceleration of demand for payment of amounts outstanding under our first mortgagea loan agreement, the balance of which was approximately $10.7 million as of December 31, 2016. On Junea 23, 2017, the amounts outstanding on the first and second mortgage were refinanced with a new lender anda the judgment was satisfied out of proceeds of the refinancing (see Note 15).

•a In April 2017, a judgment was entered against the Company and Talon O P L.P in the amount of $897,695a related to defaults on the repayment of a $500,000 promissory note dated August 12, 2014. Further, ona May 31, 2017, the Court granted a Charging Order against the Company and Talon O.P. L.P where thea Company and Talon O.P. L.P are required to pay all profits and distributions to the noteholder until the fulla amount of the judgment is paid and satisfied.a

•a Subsequent to the judgment and charging order, in April 2018, the judgment was fully satisfied by thea Company, granting a second mortgage in favor of the judgment creditor.a

•a On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498 related toa defaults on the repayment of a $500,000 promissory note dated January 12, 2015 and a $500,000a promissory note dated May 19, 2015.a

On April 8, 2017, the Company had a balloon payment of $4.3 million due on the mortgage of its properties held by 5130 LLC. The Company expects to refinance this obligation but as of the date of this report has been unable to do so. Failure to refinance this obligation would further impact our liquidity, and would allow the lender to exercise its rights under the loan agreement, including acceleration of the mortgage note and initiation of a foreclosure proceeding.

In December 2018, the lender foreclosed and conducted a sheriff's sale. Pursuant to Minnesota law, a property foreclosed upon in this manner is subject to a six (6) month redemption. The Company is under contract to sell one (1)aof the two (2) properties and engaged in refinancing the second property.a

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance is due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. On July 24, 2017, the $1,330,167 promissory note was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

Subsequent to the judgment and charging order, in April 2018, the judgment was fully satisfied by the Company, granting a second mortgage in favor of the judgment creditor.

In the future, we may use a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private

financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, and other costs. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

If adequate funds are not available on terms that are acceptable when required by the Company, the Company may be required to significantly reduce or refocus its operations, which could have a material adverse effect on its business, financial condition and results of operations, which could result in insolvency. In addition, the Company may have to delay, reduce the scope or eliminate some of our business development activities, which could reduce our revenue growth potential, if such adequate funds are not available. In addition, we have determined that our internal controls over financial reporting are ineffective and we likely do not have adequate processes and will need to change or implement new processes and controls. The Company therefore needs to raise additional capital or incur indebtedness to continue to fund its future operations, which may come from one or a number of public or private sources.

Although we plan to aggressively pursue acquisitions to grow our business there is no assurance that we will be able to acquire additional properties in the future or obtain the necessary financing to acquire such properties.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing in 2017 or liquidate one or more of our property holdings.

If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016, the end of the period covered by this Annual Report on Form 10-K. This evaluation was dones under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") ands Chief Financial Officer ("CFO"). Disclosure controls and procedures means controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed such that information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

As a result of such evaluation and this conclusion, our CEO and CFO also have concluded that our disclosure controls and procedures were not effective as of December 31, 2016 in ensuring that (1) information required to be disclosed in our reports filed under the Securities Exchange Act was recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and (2) such information was accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that:

- s pertain to the maintenance of records that in reasonable detail accurately and fairly reflect thes transactions and dispositions of our assets;s
- s provide reasonable assurance that transactions are recorded as necessary to permit preparation ofs financial statements in accordance with generally accepted accounting principles, and that our receiptss and expenditures are being made only in accordance with authorizations of our management ands directors; ands
- s provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, uses or disposition of our assets that could have a material effect on our financial statements.s

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2016, based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on this assessment, management identified material weaknesses in our internal control over financial reporting, as described below. As a result of these material weaknesses, management concluded that, as of December 31, 2016, our internal control over financial reporting was not effective based on the Framework.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The following control deficiencies were identified and were determined to be material weaknesses in our internal control over financial reporting as of December 31, 2016:

1.o Internal Control Environmento
2.o Period end Financial Reporting Processo

The material weaknesses occurred as a result of a significant turnover in the Company's accounting personnel in the latter part of the year, which, despite having established policies and procedures, the company lacked adequate controls regarding training in in the internal control environment. In addition, we did not maintain a sufficient complement of personnel with the appropriate accounting knowledge, experience and training, commensurate with our financial reporting requirements in order to execute a timely close, which resulted in incomplete disclosures, unreconciled accounts, incomplete accounting for certain events and transactions and inaccurate conclusions. This resulted in misstatements that were corrected by the Company prior to the issuance of the annual consolidated financial statements, and for which a reasonable possibility existed that a material misstatement in the Company's consolidated financial statements would not be prevented or detected on a timely basis.

Management also identified multiple significant deficiencies in its review. These could also lead to potential misstatements in our financial statements or prevent the Company from timely completing its financial statement preparation

Management Remediation Plan

Due to the material weaknesses reported as of December 31, 2016, management performed additional analysis and procedures to ensure that our consolidated financial statements and schedules included in this Annual Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management will implement changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses. We are undertaking the following remediation plans and actions:

- o Develop and deliver Internal Controls ("COSO") training to Executives and finance/accounting resources.o The training will include a review of management's and individual roles and responsibilities related too internal controls;o
- o hire accounting personnel with the appropriate level of knowledge to properly record transactions in theo general ledger and prepare financial statements in accordance with generally accepted accountingo principles; ando
- o provide increased board level oversight to ensure established policies and procedures are adhered to.o

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.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company, as a smaller reporting company, to provide only management's report in its annual report.

Changes in Internal Control over Financial Reporting

There were the following changes in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2016 which have the potential to have materially affected, or is reasonably likely to have materially affect, the Company's internal control over financial reporting.

On August 18, 2016, Eun Stowell, the Chief Financial Officer of Talon Real Estate Holding Corp., resigned her positions with the Company. Matthew G. Kaminski served as interim Chief Financial Officer until November 1, 2016, when Keith Gruebele was appointed as our Chief Financial Officer.

On September 16, 2016, Neil Brown and Curt Marks resigned from our board of directors. On September 16, 2016, Marc P. Agar and Kristian G. Wyrobek were elected to our board of directors. The new directors have been appointed to the audit committee and compensation committees of the board of directors.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to executive officers is contained in Item 1 of this Annual Report on Form 10-K under the heading "Executive Officers."

Directors

The following table sets forth certain information regarding each of our directors:

Name	Age	Position	Director Since
MG Kaminski	57	Chief Executive Officer and Chairman of the Board of Directors	June 2013
Marc P. Agar	46	Director	Sept 2016
Kristian G. Wyrobek	64	Director	Sept 2016

Our board of directors has established an audit committee, a compensation committee and a governance and nominating committee. Mr. Agar and Mr. Wyrobek are the sole members of each of our committees.

Marc P. Agar

Mr. Agar is the founder and CEO of CA Communications, Inc., a nationally recognized partner telecom since 2002. From 1997 to 2002, Mr. Agar was a regional GM/Vice President of sales and operations for the McLeod IBS Group. Mr. Agar has also consulted with senior level executives for a variety of companies ranging in size from $20 million to $6 billion in revenue.

Kristian G. Wyrobek

Mr. Wyrobek is the owner and CEO of 7-SIGMA Inc., a successful Manufacturer Headquartered in Minneapolis since 1973. Mr. Wyrobek has a MBA from St Thomas University. Over the past 40+ years he has led 7-SIGMA to be a leader in High Value Polymer Products with shipment to customers worldwide. Mr. Wyrobeko installed significant process controls including ISO 9000 and 14001 standards. Mr. Wyrobek also owns and manageso real estate mainly for his own manufacturing needs.o

Audit Committee of our Board of Directors

None.

Director Independence and Audit Committee Financial Expert

None.

Code of Ethics

We have adopted a code of business conduct applicable to our directors, officers (including our principal executive officer and principal financial officer) and employees. The Code of Business Conduct is available on our website at *www.talonreit.com* under the Corporate Governance section. We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 and the regulations promulgated there under require directors and certain officers and persons who own more than ten percent of our common stock to file reports of their ownership of our common stock and changes in their ownership with the SEC. To our knowledge, all reports required to be filed under Section 16(a) of the Securities and Exchange Act of 1934 were filed on a timely basis during 2016, except: (a) Neil Brown, a former director, failed to timely file a Form 4 reporting the vesting of 140,000 shares of restricted common stock, (b) Curtis Marks, a former director, failed .to timely file a Form 4 reporting the vesting of 100,000 shares of restricted common stock, (c) Eun Stowell, our former Chief Financial Officer, failed to timely file a Form 4 reporting the vesting of 100,000 shares of restricted common stock, and (d) Marc Agar and Kristian Wyrobek, two of our directors, failed to file Form 3s reporting their initial beneficial ownership of the Company's securities.

Item 11. Executive Compensation

This section contains a discussion of the material elements of the compensation program covering our chief executive officer and chief financial officer named in the Summary Compensation Table elsewhere in this report, who are referred to in this report as the named executives.

Executive Compensation Objectives

The goal of our executive compensation program is to attract and retain motivated individuals who will lead our company to achieve long-term success and growth in shareholder value. In pursuit of this goal, we shall seek executive compensation commensurate with the level of job responsibility, individual performance and company performance and to align the interest of the named executives with those of our shareholders. We seek to motivate current and long-term performance through cash and equity incentive awards and to remain competitive with the compensation of other leading employers who compete with us for talent.

Compensation Committee Process

Our compensation committee consists of our independent directors, Mr. Agar and Mr. Wyrobek, who meet periodically to review compensation for each executive officer. The chairman of the committee, Mr. Wyrobek. The committee members consider all elements of compensation and utilize their experience and judgment in determining the total compensation elements appropriate for each executive consistent with our compensation objectives. The compensation committee has determined that our compensation programs do not create inappropriate or excessive risk that is likely to have a material adverse effect on the company.

Our compensation committee consults with our management, and our chief executive officer makes recommendations to the committee regarding compensation of our executive officers. Our chief executive officer participates in the compensation committee's deliberations regarding compensation for executive officers other than our chief executive officer, although all determinations are made by the committee. The compensation committee's charter provides that our chief executive officer may not be present during the committee's voting or deliberations regarding the chief executive officer's compensation, and he does not participate in such voting or deliberations.

Determining Executive Compensation for 2016

Our executive compensation program for 2016 consisted of three main elements:

- •o Base salaryo
- •o Equity awardso
- •o Other benefitso

We have a long-term equity incentive program that we have used in the past to encourage the creation of long-term value for our shareholders, retain our key executives and build equity ownership among participants in the program. We believe stock grants can align the interests of the named executives with those of our shareholders and enhance retention of key executives and provide value only if the employee remains with our company until his or her stock grants vest.

Elements of Executive Officer Compensation for 2016

Base Salary

Base salary is a set amount of cash compensation that is not variable in nature. Base salaries for the executive officers are reviewed annually by the compensation committee, but are not automatically increased if the committee believes that the executive's total compensation opportunity from all elements of compensation is appropriate in light of our compensation objectives. Adjustments are based on each executive officer's performance for the prior year; his or her experience, expertise and position within our company; overall company performance; and compensation levels for comparable positions at other companies in the retail industry with whom our company competes, as reported in external compensation sources. Although the compensation committee may use comparative data as a tool to assess reasonableness and competitiveness of base salaries, the members of the committee exercised their subjective judgment in view of our compensation objectives.

The aggregate base salaries earned by the named executives in fiscal 2016 are listed in the Summary Compensation Table below. Our compensation committee did not approve any increases in base salary for executive officers in 2016.

Equity Awards

Equity incentive award compensation is a key component of our company's executive compensation strategy. The 2013 Equity Incentive Plan (the "2013 Plan") allows us to grant stock options, stock appreciation rights (or SARs), restricted stock, stock units, other stock-based awards and cash incentive awards. Each award will be evidenced by an agreement with the award recipient setting forth the terms and conditions of the award, except for awards that involve only the immediate issuance of unrestricted shares of our common stock. Awards under the 2013 Plan have a maximum term of ten years from the date of grant. The compensation committee may provide that the vesting or payment of any award will be subject to the attainment of specified performance measures in addition to the satisfaction of any continued service requirements, and the compensation committee will determine whether such measures have been achieved. The compensation committee may generally amend the terms of any award previously granted, except that no stock option or SAR may be amended to decrease its exercise price or in any other way be "repriced" without the approval of our shareholders, and no award may be amended in a way that materially impairs the rights of a participant without the participant's consent (unless the amendment is necessary to comply with applicable law or stock exchange rules or any compensation recovery policy adopted by our board of directors or the compensation committee). Under the 2013 Plan, our compensation committee may structure any "full value award" (an award other than an option, SAR or cash incentive award) or any cash incentive award in a manner designed to qualify the award as performance-based compensation that is not subject to the $1,000,000 limitation on the federal income tax deductibility of compensation paid to any covered executive officer that is imposed by Section 162(m) of the Code.

In 2016, we granted our Chief Financial Officer, Mr. Gruebele, 50,000 shares of common stock upon joining our company, as well as 300,000 shares of restricted common stock that vest as to one-third of the shares on each of the first three anniversaries of the date of grant. We made this grant to induce Mr. Gruebele to join our company, as well as to align his personal financial interests with those of our shareholders

Other Benefits

The compensation committee believes that we must offer a competitive benefits program to attract and retain our executive officers. During 2016, we provided medical and other benefits to our executive officers that are generally available to our other employees.

Other Agreements and Policies

Employment Agreements

MG Kaminski

We are party to an employment agreement with MG Kaminski, our Chief Executive Officer. The initial term of the agreement is for three years beginning on June 7, 2013, and the agreement will automatically renew for additional one-year terms unless terminated by us or Mr. Kaminski by providing at least 90 days written notice of termination prior to the end of the then-current term. Pursuant to the agreement his base salary will be determined by our board of directors or the compensation committee and reviewed annually. Mr. Kaminski earned an annual base salary of $23,660 for 2014, 2015 and 2016. Mr. Kaminski is eligible to receive bonus compensation in the form of cash and stock in the discretion of our board of directors or the compensation committee if he meets or exceeds performance goals mutually agreed upon by him and us. Such bonus compensation will be determined by our board of directors or the compensation committee on an annual basis. No bonus compensation was paid to Mr. Kaminski in 2016. As of the date of this report, we have not agreed on any performance goals for 2017 with Mr. Kaminski.

Mr. Kaminski's employment agreement requires he not disclose our confidential information during the term of the agreement or thereafter. He also is prohibited from competing with us or soliciting any of our employees during the term of his employment with us and for a period of one year following termination of his employment.

Equity Award Approval Policy

Our board of directors has adopted a policy regarding the approval of equity awards under the 2013 Plan. Equity awards are generally determined annually by a meeting of the compensation committee.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer or its other four most highly paid executive officers. This limitation does not apply to compensation that meets the requirements under Section 162(m) for "qualifying performance-based" compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by shareholders). We believe that all executive compensation in 2015 is deductible under current federal income tax laws. We believe there may be circumstances in which our interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m). We also believe that the amount of any loss of a tax deduction under Section 162(m) will be insignificant to our company's overall tax position.

Summary Compensation Table

The following table shows, for our named executives, information concerning compensation earned for services in all capacities during fiscal years 2016, 2015 and 2014.

		Salary ($)	Stock Awards ($) (1)	Other Compensation ($)(2)	Total ($)
MG Kaminski, Chief Executive Officer	2016	23,660	—	12,000	35,660
	2015	23,660	—	13,200	36,860
Keith Gruebele(3)	2016	20,000	48,000	-	68,000
Eun Stowell, Chief Financial Officer(4)	2016	127,499	—	6,731	134,231
	2015	200,000	73,985	8,658	282,643

(1) Values expressed represent the actual compensation cost recognized by our company during the years presented for stock awards granted and utilizing the assumptions discussed in Note 9 to our company's financial statements for 2016.e

(2)e Consists of the amounts paid for insurance and other employee benefits for the benefit of the named executives.e

(3) Mr. Gruebele was appointed Chief Financial Officer on November 1, 2016e

(4) Ms. Stowell resigned as our Chief Financial Officer on August 18, 2016e

Grants of Plan-Based Awards

350,000 of awards were granted under the 2013 Plan to the named executive officers during 2016.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding awards granted under the 2013 Plan to the named executive officers as of December 31, 2016.

Name	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested
Keith Gruebele	300,000	$294,000

(1) Market value of shares determined using the price of limited shares traded on September 22, 2016. The stock has note been traded on the Over the Counter Bulletin Board since that date through December 31, 2016.e

Potential Payments Upon Termination or Change-in-Control

Employment Agreement Provisions

Change in Control

Unless otherwise provided in an award agreement, if a change in control, as defined below, occurs that involves a sale of all or substantially all of our assets or a merger, consolidation, reorganization or statutory share exchange involving our company, our board of directors or compensation committee are to take one or more of the following actions with respect to outstanding awards under the 2013 Plan:

- •e Arrange for the surviving or successor entity to continue, assume or replace some or all of the outstandinge awards under the 2013 Plan.e
- •e Accelerate the vesting and exercisability of outstanding awards prior to and conditioned upon the occurrence of the event and provide that unexercised options and SARs will be terminated at the effective time of thee event.e
- •e Cancel any outstanding award in exchange for payment to the holder of the amount of the consideration that would have been received in the event for the number of shares subject to the award, less the aggregate exercise price (if any) of the award.e
- •e Provide that if an award is continued, assumed or replaced in connection with such an event and if within 18 months after the event a participant experiences an involuntary termination of service other than for cause,e the participant's outstanding awards will vest in full, will immediately become fully exercisable and will remain exercisable for one year following termination.e
- •e Make adjustments to awards as described below under the caption "Adjustment of Awards."e

Director Compensation for 2016

The following table shows information concerning compensation provided to each of our non-employee directors for services provided during 2016.

Name	Stock Awards ($) [1]	Fees earned or paid in cash ($)	Total Compensation ($)
Marc P. Agar[3]	-	-	-
Kristian G. Wyrobek[3]	-	-	-
Neil Brown [2]	140,000	-	70,000
Curtis Marks [2]	100,000	-	50,000

(1)e Valuation for restricted stock awards is based on the compensation cost we recognized during the year for financial statement purposes under generally accepted accounting principles for awards granted utilizing thee assumptions noted in Note 9 to our consolidated financial statements for 2016.e
(2)e Mr. Brown and Mr. Marks resigned from the Board of Directors effective September 16, 2016e
(3)e Mr. Agar and Mr. Wyrobek were named to our Board of Directors effective September 16, 2016e

As of June 7, 2013, we adopted our director compensation plan included in the 2013 Plan. Under the Plan, in addition to reimbursing directors for their out-of-pocket expenses in connection with attending meetings of our board of directors and board committees, we granted each non-employee director 60,000 shares of restricted common stock upon election to the board, with 20,000 shares vesting on the date of grant and the balance vesting in two equal amounts on January 1 of the calendar years following the date of grant. Mr. Marks was granted 100,000 shares and Mr. Brown was granted 140,000 shares in June 2016 but 50,000 and 70,000 shares were forfeited upon their resignation, respectively. We provided no other compensation to our employee directors for service on our board of directors or committees of the board.

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

Outstanding Equity Awards

The following table provides information as of December 31, 2016 for our 2013 Equity Incentive Plan under which securities may be issued:

Plan	Number of shares granted but not vested	Weighted-average price of stock grants [1]	Number of shares remaining available for future issuance
2013 Equity Incentive Plan (approved by shareholders)	324,000	$0.98	1,413,144
Equity compensation plans not approved by shareholders	-	-	-

(1)o The weighted-average price of stock grants was determined using the price at which our common stock last traded on the Over the Counter Bulletin Board prior to the stock awards granted.o

Security Ownership of Principal Shareholders and Management

The following table sets forth certain information regarding the ownership of our common stock as of March 25, 2017 by each shareholder whom we know to be the beneficial owner of more than 5% of our common stock, each director, each named executive officer, and all executive officers and directors as a group. At the close of business on March 25, 2017, there were shares of common stock issued and outstanding, each of which is entitled to one vote.

Unless otherwise indicated, the listed beneficial owner has sole voting power and investment power with respect to such shares and the mailing address for each person listed in the table is 5500 Wayzata Blvd., Suite 1070, Minneapolis, Minnesota 55416.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Outstanding Shares
Directors and Executive Officers:		
MG Kaminski	8,305,000[1]	48.1%[1]
Keith Gruebele	50,000	0.3%
Marc P. Agar	1,050,000	6.1%
Kristian Wyrobek	800,000	4.6%
All directors and executive officers as a group (5 persons)	10,205,000	59.1%
Other Beneficial Owners:		
First Tracks, LLC	5,275,000[2]	29.9%
Thomas F. Dougherty	2,040,000[3]	11.6%

[1] Includes 2,820,810 shares issuable to The Kaminski Trust in connection with our anticipated acquisition of the remaining 51% interest in 5130 LLC and 209,190 shares owned by The Kaminski Trust for which MG Kaminski and his wife, Brenda H. Kaminski, serve as trustee. Also includes 5,275,000 shares owned by First Tracks, LLC which is wholly owned by Ms. Kaminski. Mr. Kaminski may be deemed to have shared voting and investment power over the shares held by the First Tracks, LLC, but disclaims beneficial ownership of such shares.

[2] First Tracks, LLC is wholly owned by Brenda H. Kaminski, the wife of MG Kaminski. The address for First Tracks, LLC is 80 South Eighth Street, Minneapolis, Minnesota, 55402.

[3] Includes 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Mikhail Gregory Kaminski, 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Kylie Elizabeth Kaminski, 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Katrina Johanna Kaminski, and 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Colette Christine Kaminski (the "Kaminski Kid Trusts"), all for which Thomas F. Dougherty serves as the trustee. The address for Mr. Dougherty is 80 South Eighth Street, Minneapolis, Minnesota, 55402. Mr. Dougherty may be deemed to have shared voting and investment power over the shares held by the Kaminski Kid Trusts, but disclaims beneficial ownership of such shares.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were made by the Company to First Tracks pursuant to this agreement.

The Gamma Loan entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company will issue First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and is due a fee of $750,000. These shares were issued in a transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Exchange Act of 1933.

Review, Approval or Ratification of Related Person Transactions

On June 7, 2013, our board of directors adopted a written related person transaction approval policy which sets forth our company's policies and procedures for the review and approval of any transaction required to be reported in our filings with the SEC. This policy applies to any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which we are a participant and in which a related person has a direct or indirect interest where such person's interest in the transaction(s), in aggregate, involves at least $120,000 in value in a fiscal year of the Company. In order for the transaction, arrangement or relationship to be subject to this policy, there must a financial aspect to the transaction, which may, for example, involve payments between us and the related person or otherwise providing value to one of the parties.

"Related Persons" include:

- e all directors and executive officers of the Company;e
- e any nominee for director of the Company;e
- e any immediate family member of a director, nominee for director or executive officer of thee Company; ande
- e any beneficial owner of more than 5% of any class of the Company's voting securities, or ane immediate family member of such holder.e

"Immediate family members" include children, stepchildren, parents, stepparents, spouses, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and any other person (other than a tenant or employee) sharing the household of one of the individuals listed above.

An "indirect" interest of a Related Person in a transaction includes a Related Person serving as an officer or general partner of, or being a significant investor or equity holder in, an entity that is a party to a transaction with the Company.

The following transactions are exempt from this policy:

- e payment of compensation by the Company to a Related Person for the Related Person's service toe the Company in the capacity or capacities that give rise to the person's status as a "Relatede Person;"e
- e transactions available to all employees or all stockholder of the Company on the same terms; ande
- e transactions, which when aggregated with the amount of all other transactions between thee Company and the Related Person or any entity in which the Related Person has an interest, involvee less than $120,000 in a fiscal year of the Company.e

The Audit Committee of the Board of Directors of the Company (the "Committee") is to approve any Related Person Transaction subject to this policy before commencement of the Related Person Transaction or if applicable, before stockholder approval of the Related Person Transaction. The Related Person Transaction should be presented to the Committee by an executive officer of the Company requesting that the Committee consider the Related Person Transaction at its next meeting.

The Committee will analyze the following factors, in addition to any other factors the Committee deems appropriate, in determining whether to approve a Related Person Transaction:

- whether the terms are fair to the Company;
- whether the transaction is material to the Company;
- the role the Related Person has played in arranging the Related Person Transaction;
- the structure of the Related Person Transaction; and
- the interests of all Related Persons in the Related Person Transaction.

A Related Person Transaction will only be approved by the Committee if the Committee determines that the Related Person Transaction is beneficial to the Company and the terms of the Related Person Transaction are fair to the Company.

Director Independence

All of our directors, except for MG Kaminski are "independent" as that term is defined in Rule 5605(a) of the NASDAQ Stock Market Marketplace Rules, which is the standard for independence we have chosen for purposes of the disclosure required in this report by SEC rules (even though our common stock is not listed on the NASDAQ Stock Market).

Item 14. Principal Accounting Fees and Services

In addition to reimbursement for certain out-of-pocket expenses, the following table presents the aggregate fees billed for professional services by Baker Tilly Virchow Krause, L.L.P. in 2016 and 2015 for these various services:

Description of Fees	Year Ended December 31, 2016	Year Ended December 31, 2015
Audit fees [1]	$ 102,500	$ 85,400
Audit-related fees [2] [3]	-	-
All other fees [4]	-	-
	$ 102,500	$ 85,400

(1) *Audit Fees* are the aggregate fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements and review of financial statements included in the registrant's Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. This includes fees related to the review of the Company's Form S-8 filings.

(2) *Audit-Related Fees* are the aggregate fees billed for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the registrant's financial statements and are not reported under "Audit". No audit-related fees were billed in 2016 or 2015.

(3) *Tax Fees* consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) *All Other Fees* were not paid in years presented.

Approval of Independent Registered Public Accounting Firm Services and Fees.

The Audit Committee Charter requires that our audit committee approve the retention of our independent registered public accounting firm for any non-audit service and consider whether the provision of these non-audit services by our independent registered public accounting firm is compatible with maintaining our independent registered public accounting firm's independence, prior to engagement for these services. Our audit committee actively monitors the relationship between audit and non-audit services provided. All of the services listed under the heading Audit-Related Fees were pre-approved by our audit committee pursuant to our Audit Committee Charter.

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

(a)eFinancial Statements: The financial statements filed as a part of this report are listed in Part II, Item 8.e

(b) Financial Statement Schedules: The schedules are either not applicable or the required information is presented in the consolidated financial statements or notes thereto.

(c)eExhibits: The exhibits incorporated by reference or filed as a part of this Annual Report on Form 10-Ke are listed in the Exhibit Index immediately following the signatures to this report.e

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.

Dated: September 6, 2017

TALON REAL ESTATE HOLDING CORP.

By: /s/ MG Kaminski
MG Kaminski
Chief Executive Officer

Each of the undersigned hereby appoints MG Kaminski and Keith Gruebele , and each of them (with full power to act alone), as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1934, any and all amendments and exhibits to this annual report on Form 10-K and any and all applications, instruments, and other documents to be filed with the Securities and Exchange Commission pertaining to this annual report on Form 10-K or any amendments thereto, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable. 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 indicated on September 6, 2017.

Name and Signature	Title
/s/ MG Kaminski MG Kaminski	*Chief Executive Officer and Director (principal executive officer)*
/s/ Keith Gruebele Keith Gruebele	*Chief Financial Officer (principal financial and accounting officer)*
/s/ Marc P. Agar Marc P. Agar	*Director*
/s/ Kristian G. Wyrobek Kristian G. Wyrobek	*Director*

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith
		Form	File Number	Date of First Filing	Exhibit Number	
2.1	Stock Purchase Agreement, dated June 7, 2013 by and among Guide Holdings, Inc., The Guidebook Company, Inc. and Kim McReynolds	8-K	000-539173	June 7, 2013	2.1	
2.2	Subscription Agreement, dated June 7, 2013, by and between MG Kaminski and Talon Op, L.P.	8-K	000-539173	June 7, 2013	2.2	
2.3	Contribution Agreement, dated June 7, 2013, by and among Guide Holdings, Inc. and the parties listed on Schedule A thereto	8-K	000-539173	June 7, 2013	2.3	
2.4	Contribution Agreement, dated June 7, 2013, by and among Guide Holdings, Inc. and the parties listed on Schedule A thereto	8-K	000-539173	June 7, 2013	2.4	
2.5	Contribution Agreement, dated June 7, 2013, by and among Talon Real Estate, LLC and the parties listed on Schedule A thereto	8-K	000-539173	June 7, 2013	2.5	
3.1	Amended and Restated Articles of Incorporation	8-K	000-539173	June 7, 2013	3.1	
3.2	Amended and Restated Bylaws	8-K	000-539173	June 7, 2013	3.2	
4.1	Form of Specimen Common Stock Certificate	8-K	000-539173	June 7, 2013	4.13	
10.1	2013 Equity Incentive Plan**	8-K	000-53917	June 7, 2013	10.1	
10.2	Form of Restricted Stock Award Agreement under the 2013 Equity Incentive Plan**	8-K	000-53917	June 7, 2013	10.2	
10.3	Form of Non-Statutory Stock Option Agreement under the 2013 Equity Incentive Plan**	8-K	000-539173	June 7, 2013	10.3	
10.4	Employment Agreement with MG Kaminski**	8-K	000-539173	June 7, 2013	10.5	

10.5	Form of Indemnification Agreement**	8-K	000-53917	June 7, 2013	10.6
10.6	Non-Employee Director Compensation Policy**	8-K	000-539171	June 7, 2013	10.7
10.7	Loan Agreement, dated March 22, 2007, by and between 5130 Industrial Street, LLC and Merrill Lynch Mortgage Lending, Inc.	8-K	000-539171	June 7, 2013	10.8
10.8	Limited Partnership Agreement of Talon OP, L.P.	8-K	000-53917	June 7, 2013	10.9
10.9	Common Stock Purchase Agreement dated as of August 20, 2013 by and among Talon Real Estate Holding Corp. and the purchasers listed on Exhibit A thereto	8-K	000-539171	August 20, 2013	10.11
10.10	First Amendment, dated November 13, 2013, to Contribution Agreement dated June 7, 2013	10-Q	000-53917	September 30, 2013	10.1
10.11	Common Stock Purchase Agreement dated as of December 30, 2013 by and among the Company and the purchasers listed on Exhibit A thereto	8-K	000-539171	December 30, 2013	10.1
10.12	Promissory Note to Curtis Marks from the Company	8-K	000-539171	December 30, 2013	10.2
10.13	Promissory Note to Curtis Marks from the Company, dated March 25, 2014	8-K	000-539171	March 26, 2014	10.1
10.14	Contribution Agreement between Talon OP, L.P. and Bren Road, LLC, dated May 29, 2014.	8-K	000-539171	June 3, 2014	10.1
10.15	Assignment and Assumption Agreement and Consent between Bren Road, LLC, Talon Bren Road, LLC, and Bell State Bank & Trust, dated May 29, 2014.	8-K	000-53917	June 3, 2014	10.2
10.16	Promissory Note between Talon Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014.	8-K	000-539171	June 3, 2014	10.3

10.17	Loan Agreement between Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014, as amended.	8-K	000-539170	June 3, 2014	10.4
10.18	Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Filing between Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014, as amended.	8-K	000-539170	June 3, 2014	10.5
10.19	Contribution Agreement between Talon OP, L.P. and the Contributors identified on Exhibit A thereto, dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.1
10.20	Promissory Note between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-53917	July 9, 2014	10.2
10.21	Reserve and Security Agreement between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.3
10.22	Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Filing between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.4
10.23	Promissory Note between Talon Bren Road, LLC and Jackson I, LLC, dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.5
10.24	Mortgage and Security Agreement and Future Financing Statement between Talon Bren Road, LLC and Jackson I, LLC, dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.6
10.25	Promissory Note to Curtis Marks from the Company, dated August 12, 2014.	10-Q0	000-539170	August 14, 2014	10.6
10.26	Second Amendment, dated August 10, 2015, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				
10.27	Third Amendment, dated November 5, 2015, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				
10.28	Fourth Amendment, dated March 8, 2016, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				

10.29	Loan Modification Agreement by and among Jackson I, LLC, 4330 LLC, 3014-20 LLC, Fairfield Apartments, LLC, Lakes Area Properties, LLC and Talon Bren Road, LLC, effective as of September 25, 2014.	8-K	000-539170	October 2, 2014	10.10	
10.30	Agreement of Purchase and Sale between Hoopeston I, L.L.C. and Broadmoor Place Associates, LLC and Talon OP, L.P. dated January 23, 2015.	8-K	000-53917	January 29, 2015	10.10	
10.31	Promissory Note to US Income Partners, LLC from Talon OP, dated February 10, 2015.	8-K	000-53917	February 10, 2015	10.1	
10.32	Loan Agreement by and between Talon First Trust, LLC and Gamma Real Estate Capital LLC, dated January 27, 2017	8-K	000-539170	February 6, 2017	10.1	
10.33	Amended and Restated Promissory Note between Talon First Trust, LLC and Gamma Real Estate Capital LLC, dated January 27, 2017	8-K0	000-539170	February 6, 2017	10.2	
10.34	Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing by Talon First Trust, LLC dated January 27, 2017	8-K0	000-539170	February 6, 2017	10.3	
10.35	Amended and Restated Promissory Note between the Company and Swervo Management Division, LLC					X
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Baker Tilly Virchow Krause LLP					X
24.1	Power of Attorney (included on signature page)					
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended					X

32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T	X

** Indicates management contract or compensatory plan or arrangement.

Exhibit 2

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended: March 31, 2017

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

For the Transition Period from _____ to _____

Commission file number 000-53917

TALON REAL ESTATE HOLDING CORP.

(Exact Name of Registrant as Specified in its Charter)

Utah	**26-1771717**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard, Suite 1070, Minneapolis, MN 55416
(Address of Principal Executive Offices, Including Zip Code)

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☒

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

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding at August __, 2018 was 19,880,981 shares.

TALON REAL ESTATE HOLDING CORP.
QUARTERLY REPORT ON FORM 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

In this Quarterly Report on Form 10-Q, references to "Company," "we," "us," "our" and words of similar import refer to Talon Real Estate Holding Corp. and its subsidiaries, unless the context requires otherwise.

This Quarterly Report on Form 10-Q contains forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described under the heading *"Risk Factors"* included in our Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on August , 2018. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Commission that advise interested parties of the risks and factors that may affect our business.

PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

TALON REAL ESTATE HOLDING CORP.
Minneapolis, Minnesota

FINANCIAL STATEMENTS

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TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 2017 and December 31, 2016

	March 31, 2017 (unaudited)	December 31, 2016
ASSETS		
Land and improvements	$ 8,302,447	$ 8,302,447
Building and improvements	51,192,059	51,192,059
Equipment, furniture and fixtures	32,193	30,571
Total property and equipment	59,526,699	59,525,077
Less: accumulated depreciation	(9,159,425)	(8,506,290)
Net property and equipment	50,367,274	51,018,787
Cash	88,596	108,418
Rents and other receivables, net	598,515	428,176
Prepaid expenses and other assets	70,083	104,855
Restricted escrows and reserves	13,995,393	3,001,232
Deferred leasing costs, net	2,234,977	2,003,221
Intangible assets, net	4,899,333	5,465,603
TOTAL ASSETS	$ 72,254,171	$ 62,130,292
LIABILITIES		
Notes payable	$ 74,403,713	$ 53,449,711
Less: unamortized deferred financing costs	(2,745,286)	(496,063)
Notes payable, net	71,658,427	52,953,648
Accounts payable	3,910,655	6,167,516
Tenant improvement allowance	5,639,752	5,639,752
Accrued expenses and other liabilities	1,735,136	1,329,742
Tenant security deposits	167,242	167,242
Deferred rent revenue	100,488	121,710
Prepaid rent	133,875	175,758
Accrued interest	635,977	1,029,911
Below-market leases, net	121,741	150,638
Mandatorily redeemable Operating Partnership preferred units	-	3,000,000
Total Liabilities	84,103,293	70,735,917
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares outstanding at $.001 par value; authorized 10,000,000 shares; none issued or outstanding as of both March 31, 2017 and December 31, 2016	$ -	$2 -
Common shares outstanding at $.001 par value; authorized 90,000,000 shares; 19,720,981 and 17,265,981 issued and outstanding as of March 31, 2017 and December 31, 2016, respectively	19,720	17,265
Additional paid in capital	2,350,316	2,261,281
Accumulated loss	(16,761,596)	(14,525,598)
Total Talon Real Estate Holding Corp. shareholders' equity (deficit)	(14,391,560)	(12,247,052)
Non-controlling interests – Operating Partnership; 9,200,001 common units issued and outstanding as of March 31, 2017 and December 31, 2016	4,167,761	5,253,704
Non-controlling interests – consolidated real estate entities	(1,625,323)	(1,612,277)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(11,849,122)	(8,605,625)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	$ 72,254,171	$ 62,130,292

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2017 and 2016
(unaudited)

	For the Three Months Ended March 31, 2017	2016
REVENUE		
Rent	$ 1,771,070	$ 1,875,912
Tenant reimbursement	861,384	897,491
Other income	24,738	86,001
Total Revenue	2,657,192	2,859,404
EXPENSES		
General & administrative	51,772	347,003
Salary and compensation	182,022	224,697
Professional	357,140	225,845
Property operating expenses	1,179,187	1,185,578
Real estate taxes & insurance	460,379	445,477
Depreciation and amortization	1,218,242	1,232,405
Total Expenses	3,448,742	3,661,005
Operating Loss	(791,550)	(801,601)
Interest expense	2,543,437	1,228,038
NET LOSS	(3,334,987)	(2,029,639)
Net loss attributable to non-controlling interest - Operating Partnership	1,085,943	702,710
Net loss attributable to non-controlling interests - consolidated real estate entities	13,046	24,187
NET LOSS ATTRIBUTABLE TO TALON REAL ESTATE HOLDING CORP.	$ (2,235,998)	$ (1,302,742)
Loss per common share basic and diluted	$ (0.12)	$ (0.08)

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2017 and 2016
(unaudited)

	Three months ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,334,987)	$ (2,029,639)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	1,267,434	1,295,847
Amortization of deferred financing costs	808,306	204,752
Stock-based compensation expense	55,740	38,285
Provision for doubtful accounts	-	25,715
Deferred financing costs	25,750	175,411
Settlement added to notes payable	152,400	-
Changes in operating assets and liabilities:		
Rents and other receivables	(170,339)	(22,708)
Prepaid expenses and other assets	34,772	110,241
Deferred leasing costs	(308,682)	1,400
Accounts payable	(1,988,289)	406,261
Accrued expenses and other liabilities	405,394	529,590
Tenant security deposits	-	-
Deferred rent revenue	(21,222)	(102,052)
Prepaid rent	(41,883)	(234,478)
Accrued interest	390,055	214,509
Net cash flows from operating activities	(2,725,551)	613,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(1,622)	-
Deposits made for future acquisitions	-	-
Deposits to restricted escrows and reserves	(11,951,090)	(772,397)
Payments from restricted escrows and reserves	956,929	39,093
Net cash flows from investing activities	(10,995,783)	(733,304)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	54,150,000	-
Principal payments on notes payable	(34,390,959)	(91,424)
Deposits or cash paid for financing costs	(3,057,529)	(11,000)
Common stock issued for financing costs	-	-
Principal payments on Operating Partnership preferred units	(3,000,000)	-
Net cash flows from financing activities	13,701,512	(102,424)
Net Change in Cash	(19,822)	(222,594)
CASH - BEGINNING OF PERIOD	108,418	340,385
CASH - END OF PERIOD	$ 88,596	$ 117,791
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchases of building and land improvements included in accounts payable	$ -	$ 22,944
Leasing and financing fees included in accounts payable and other liabilities	-	58,252
Issuance of common stock included in financing costs	25,750	-
Issuance of common stock in satisfaction of accounts payable	10,000	-
Accrued interest converted to notes payable	783,989	-
Accounts payable converted to notes payable	258,572	103,002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest on mortgages and Operating Partnership preferred units	$ 2,129,064	$ 863,636

See accompanying notes to condensed consolidated financial statements.

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Talon Real Estate Holding Corp. ("TREHC") previously established an Operating Partnership ("Talon OP") and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. As the sole general partner of Talon OP we have the exclusive power to manage and conduct the business and affairs for the operating partnership. TREHC owned approximately 67% and 65% of the Operating Partnership as of March 31, 2017 and December 31, 2016, respectively. The Operating Partnership owned 49% of 5130 Industrial Street, LLC ("5130 LLC"), 100% of Talon Bren Road, LLC, 100% of Talon First Trust, LLC, and 100% of Talon Real Estate, LLC ("Talon RE") as of March 31, 2017 and December 31, 2016. Talon Bren Road, LLC and Talon First Trust, LLC, both limited liability companies organized under the laws of the state of Delaware, were formed on May 9, 2014 and April 21, 2014, respectively, to purchase real estate. Talon RE was incorporated in the state of Minnesota on December 20, 2012 and began operations in 2013 for the purpose of acquiring real estate properties.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP foro complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statementso include all adjustments necessary to present fairly our consolidated financial position as of March 31, 2017 and our condensedo consolidated statements of operations for the three months ended March 30, 2017 and 2016, and our condensed consolidatedo statements of cash flows for the three months ended March 31, 2017 and 2016, as applicable. These adjustments are of ao normal recurring nature.o

The accompanying condensed consolidated financial statements include the accounts of TREHC and its interest in the Operating Partnership. The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests ("Units") for TREHC common shares of stock on a one-for-one basis, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016, which have previously been filed with the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated balance sheet as of March 31, 2017 and condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016, as applicable, have not been audited by our independent registered public accounting firm.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES

The Company owns, through its subsidiary Talon First Trust, LLC, real estate property located at 180 East 5th Street, St. Paul, MN. The building has 659,577 net rentable square feet and is primarily leased to tenants for commercial and government use. As of March 31, 2017, the Company had tenants occupying approximately 60% of the rentable space. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is scheduled to commence on January 1, 2018. On March 7, 2017 one tenant that occupies approximately 16% of the net rentable square feet filed for Chapter 11 bankruptcy protection from its creditors.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES (continued)

The Company owns, through its subsidiary Talon Bren Road, LLC, real estate property located on 20 acres of land at 10301 Bren Road West, Minnetonka, MN. This property has 164,472 net rentable square feet and is primarily leased to tenants who are wholesale product sales representatives. These leases are subject to a master lease agreement entered into between Talon Bren Road, LLC and Upper Midwest Allied Gifts Association, Inc. ("UMAGA"), a Minnesota nonprofit corporation. As of March 31, 2017, the Company had 100% of the rentable space leased.

The Company owns and operates the following real estate properties through its subsidiary, 5130 LLC:

5130 Industrial Street, Maple Plain, MN
1350 Budd Ave, Maple Plain, MN

The properties have combined 171,639 net rentable square feet and are primarily leased to tenants for mixed commercial and industrial usage. As of March 31, 2017, the Company had tenants occupying approximately 85% of the rentable space.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include determination of the useful life of property and other long-lived assets, valuation and impairment analysis of property and other long-lived assets, and valuation of the allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying condensed consolidated financial statements include the accounts of TREHC and Talon OP, our Operating Partnership, and all subsidiaries in which it maintains a controlling interest. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Real Estate Property and Fixed Assets

Investment in real estate and fixed assets with a useful life of longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction and tenant allowances and improvements. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Management's fair value assessment includes the use of readily accepted fair value techniques such as discounted cash flow analysis and comparable sales analysis including management's reliance on independent market analysis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate Property and Fixed Assets (continued)

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and land improvements, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearsd
Buildings	25-30 yearsd
Building Improvements	10-20 yearsd
Tenant Improvements	1-12 yearsd
Furniture and Equipment	3 yearsd

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Cash

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents. The Company believes it is not exposed to any significant credit risk on cash.

Rents and Other Receivables

Rents receivable and deferred rent are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with our credit terms. Accounts considered uncollectible are written off. Receivables have been reduced by an allowance for doubtful accounts of $129,330 as of both March 31, 2017 and December 31, 2016.

Derivative Instruments

The Company records all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. If the Company does not apply hedge accounting, all changes in the fair value of derivatives are recognized directly in earnings in the period of change. Currently, the Company has not elected hedge accounting treatment and all changes in fair value of the Company's derivatives are recognized in current period earnings.

Restricted Escrows and Reserves

The Company is required to hold cash in restricted escrow accounts for insurance, real estate taxes and a replacement reserve. The escrows are used to pay periodic charges of real estate taxes and assessments, tenant improvements, and leasing commissions. The balances in the escrow accounts were $13,995,393 and $3,001,232 as of March 31, 2017 and December 31, 2016, respectively.

Deferred Leasing Costs and Incentives

Direct and indirect costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and amortized on a straight-line basis over the term of the related lease as amortization expense. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Leasing Costs and Incentives (continued)

The Company had amortization expense for deferred leasing costs of $72,954 for the three months ended March 31, 2017, and $73,622 for the three months ended March 31, 2016. The Company had accumulated amortization for deferred leasing costs of $850,313 and $777,358 as of March 31, 2017 and December 31, 2016, respectively.

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, for accounting purposes, the tenant allowance is considered to be a lease incentive and is capitalized as a deferred leasing incentive and is amortized over the lease term as a reduction of rental revenue on a straight-line basis.

The Company had amortization expense for deferred leasing incentives of $3,971 for the three months ended March 31, 2017, and $15,171 for the three months ended March 31, 2016. The Company had accumulated amortization for deferred leasing incentives of $62,978 and $59,007 as of March 31, 2017 and December 31, 2016, respectively.

Intangible Assets and Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company records intangible assets and liabilities acquired at their estimated fair value apart from goodwill for acquisitions of real estate. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. The Company amortized $45,220 as a net reduction in rent revenue for above and below-market leases for the three months ended March 31, 2017, and $48,267 for the three months ended March 31, 2016. Amortization of other intangibles is recorded in depreciation and amortization expense.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are netted against notes payable and are being amortized on a straight-line basis over the financing term and are included in interest expense. The Company had amortization expense of $808,306 for the three months ended March 31, 2017, and $204,752 for the three months ended March 31, 2016. The Company had accumulated amortization of deferred financing costs of $1,946,520 and $2,126,444 as of March 31, 2017 and December 31, 2016, respectively. Included in amortization expense for the three months ended March 31, 2017 is the write-off of unamortized deferred financing costs of $137,254 due to the refinancing of debt secured by the 180 East 5th Street property owned by Talon First Trust, LLC.

Tenant Improvement Allowance

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, the Company determines whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If the Company is considered the owner of the leasehold improvements for accounting purposes, the Company capitalizes the amount of the tenant allowance as building improvements and depreciates it over the shorter of the useful life of the leasehold improvements or the related lease term. For tenant allowances committed at lease inception and recorded as building improvements but not yet performed or completed, the corresponding liability will be recorded as tenant improvement allowance payables.

As of March 31, 2017, the Company had tenant improvement allowances recorded as building improvements of $11,532,029 that did not have amortization expense in the three months ended March 31, 2017 due to lease terms that have not commenced as of that date.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

Long-lived assets, such as real estate property, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. The Company did not recognize any impairment losses for either of the three months ended March 31, 2017 or 2016.

Stock-based Compensation

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to directors under a director compensation plan. Granted shares are considered issued and outstanding as of the date of vesting of the granted shares. Stock-based compensation is expensed on a straight-line basis over the vesting period and is valued at the fair value on the date of the grant. The Company has recognized $55,740 and $38,285 of compensation expense for the three months ended March 31, 2017 and 2016, respectively.

The Company may also issue common stock in exchange for goods or services of non-employees. These shares are either fully vested at date of grant or vest over a certain period during which services are provided. The Company expenses the fair market value of the services over the period in which they are received.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was approximately 67% and 65% of the common units of the Operating Partnership as of March 31, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related lease agreement, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rent income earned and base rent amounts due per the respective lease agreements are credited or charged to deferred rent revenue or deferred rent receivable as applicable. When the Company enters into lease modifications or extensions with current tenants, the deferred rent at the time of the extension is amortized over the remaining term of the lease, and the revised terms are considered a new lease.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are billed monthly based on current year estimated operating costs for applicable expenses. An additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry forwards are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements only if the position is more likely than not to be sustained on audit based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company has examined the tax positions taken in its tax returns and determined that there are no uncertain tax positions. As a result, the Company has recorded no uncertain tax liabilities in its consolidated balance sheet.

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2013. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as general and administrative expense and any related interest as interest expense in the Company's consolidated statements of operations.

Net Income (Loss) or Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

Given that the Company has incurred operating losses for all periods presented, diluted earnings per share is not presented. The weighted average outstanding shares used in the basic earnings per share computation is 18,945,481 and 16,788,586 for the three months ended March 31, 2017 and 2016 respectively.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The reclassifications had no impact on net loss or shareholders' equity.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new standard will eliminate all industry-specific guidance and replace all current U.S. GAAP guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the new accounting guidance. This guidance will be effective for the Company beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

During February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is not expected to significantly impact the accounting for leases by lessors. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU 2016-08 – "Revenue from Contracts with Customers: Principal versus Agent Considerations." The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for ASU 2016-08 is the same as the effective date for ASU 2014-09 and ASU 2015-14. The Company is currently evaluating the impactsthat ASU 2016-08 will have on its statement of financial position or financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accomnting, which will reduce complexity in accounting standards related to share-based payment transactions, including, among others, (1) accounting for income taxes, (2) classification of excess tax benefits on the statement of cash flow, (3) forfeitures, and (4) statutory tax withholding requirements. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU 2016-09 effective January 1, 2017. There was no impact of adoption on the results of operations, financial position or cash flows as a result of adoption.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15s provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in thes statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annuals periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Thes Company is currently assessing the impact of this new standard on its financial statements.s

In January 2017, the FASB issued ASU 2017-01 – "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The effective date for ASU 2017-01 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company currently anticipates that it will adopt the new guidance effective January 1, 2018 and that the guidance will result in acquisitions of operating properties being accounted for as asset acquisitions instead of business combinations. The adoption of this guidance will change the Company's accounting for the transaction costs for acquisitions of operating properties such that transaction costs will be capitalized as part of the purchase price of the acquisition instead of being expensed as acquisition-related expenses. The ASU is required to be applied prospectively.

NOTE 4 – TENANT LEASES

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to twelve years. Some of the leases have renewal options for additional terms. The leases expire at various dates from October 2016 to December 2027. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company has the following future minimum base rentals on non-cancellable leases, including leases entered into subsequent to March 31, 2017:

2017	$	
2018		
2019		
2020		
2021		
Thereafter		
	$	

Included in the above table are base lease payments due beginning January 1, 2018 totaling $15,627,822 for a significant tenant that has not occupied space yet but for which we have an executed lease agreement.

NOTE 5 – NOTES PAYABLE

The following tables summarize the Company's notes payable.

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At March 31, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.00%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	July 24, 2017	10.00%	1,330,167	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below [3]	10.00%	59,489	59,489
Talon First Trust, LLC. – Sale of Future Receivable [4]	See below [4]	See below [4]	[4]	215,259	430,500
Talon Bren Road, LLC Mortgage 1[5]	Secured fixed rate	May 28, 2019	4.65%	10,788,414	10,858,648
Talon Bren Road, LLC Mortgage 2[5]	Secured fixed rate interest only	March 1, 2017	16.00%	2,550,000	2,000,000
Talon Bren Road, LLC HVAC loan	Unsecured fixed rate	June 1, 2019	8.00%	77,293	84,472
Talon Bren Road, LLC Roof loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note – Related Party[6]	Unsecured fixed rate interest only	June 30, 2016	26.00%	897,204	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	26.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	186,178	271,287
Other	Unsecured fixed rate interest only	June 30, 2016		81,800	81,800
				$ 74,403,713	$ 53,449,711
Less: unamortized deferred financing costs				(2,745,286)	(496,063)
Notes payable, net				$ 71,658,427	$ 52,953,648

(1) On January 25, 2017, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. Thee entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its propertye located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.

NOTE 5 – NOTES PAYABLE (continued)

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.d

(3) The outstanding principal and applicable accrued interest is due in full upon sale or refinancing of the property at 180 East 5th Street in St. Paul.d

(4)d During 2016 the Company received funds from four different sources. As of March 31, 2017, the total outstanding balance was $215,259 for thed sale of future receivables at the property located at 180 East 5th Street. The agreements require payments totaling $644,039 over 120 days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.d

(5)d On June 21, 2017, the Company refinanced these mortgages with a new $15.1 million at 9.5% with an initial maturity date of June 1, 2018.

(6) On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In Aprild 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.d

The Company is required to make the following principal payments on our outstanding notes payable for each of the five succeeding fiscal years and thereafter as follows:

	Amount
2017	$
2018	
2019	
2020	
	$

The Company is required to periodically fund and maintain escrow accounts to make future real estate tax and insurance payments, as well as to fund certain capital expenditures.

On January 27, 2017, Talon First Trust, LLC entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51,600,000. The loan bears an interest rate equal to the sum of (i) the greater of (x) the Prime Rate as published in the Wall Street Journal, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5,298,000 has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender. The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, (ii)an assignment ofdease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents. The Gamma Loan documents contain events of default that are customary for loans of this type. The loan proceeds were used to pay-off the existing mortgage on the 180 East 5th Street property, redeem the Talon OP preferred units, and fund various escrows and reserves related to the property.

In addition to a personal guarantee by the Company's Chief Executive Officer, a guarantee was secured from First Tracks, LLC (see Note 13).

Under the terms of the Contribution Agreement with Bren Road L.L.C., the contributor of the property acquired through Talon Bren Road, LLC, and related agreements, the principal and interest payments due on the Talon Bren Road, LLC HVAC and Roof Loans are being set-off against other amounts due from Bren Road L.L.C.

NOTE 6 – CONCENTRATIONS

The Company has three tenants that rent approximately 31% of the Company's total rentable space as of March 31, 2017 with base rent representing 64% of total base rent revenues for the three months ended March 31, 2017. For the same periods in 2016, the same three tenants rented approximately 31% of the space, with base rent representing 61% of the total base rent revenues. The largest tenant currently rents approximately 12% of the Company's rentable space. The Company had two parties who accounted for 86% and 83% of the total rent and other receivables balance as of March 31, 2017 and December 31, 2016, respectively.

NOTE 7 – RESTRICTED ESCROWS AND RESERVES

According to the terms of the Company's notes payable agreements (Note 5), the Company is required to make monthly and quarterly deposits to various escrow and reserve accounts for the payment of real estate taxes, tenant improvements and leasing commissions. The Company had $13,995,393 and $3,001,232 in restricted escrows and reserve accounts as of March 31, 2017 and December 31, 2016, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On June 7, 2013, Talon RE, entered into a contribution agreement with the remaining interest holder of 5130 LLC pursuant to which it will acquire the remaining 51% interest in 5130 LLC in exchange for 2,820,810 shares of our common stock, subject to receiving consent to the transfer from 5130 LLC's lender.

The Company entered into a property lease agreement relating to rental of office space. This non-cancellable lease has a remaining term of 39 months. The lease is subject to periodic adjustments for operating expenses. The future net minimum rental payments for this lease are as follows:

Years ending December 31,	
2017 (remaining 9 months)	$ 53,178
2018	84,664
2019	89,187
2020	45,876
	$ 272,905

On April 9, 2015, the Company entered into a significant lease arrangement with a new tenant. On January 27, 2017 the company executed a Second Amendment to the lease with the tenant to resolve issues concerning a notice of default that the Company received from the tenant on April 1, 2016. The Second Amendment rescinds the Notice of Default and the Termination Notice that the tenant had delivered, changes to the lease commencement date from January 1, 2016 to January 1, 2018 and placed approximately $5,640,000 in escrow to provide evidence of our ability to pay for the remaining tenant improvements. The Company deposited the required escrow funds on January 27, 2017.

Legal Proceedings

The Company is sometimes involved in lawsuits and other legal proceedings arising in the normal course of business. Currently the Company is a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties.

NOTE 9 – RESTRICTED STOCK

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to directors under a director compensation plan. The 2013 Equity Incentive Plan dated June 7, 2013 (the "Plan") allows up to 1,500,000 shares to be issued and granted to employees, non-employee directors and consultants. Authorized shares automatically increase on January 1 of each year by three percent of the outstanding shares of common stock as of December 31 of the immediately preceding year. Employee awards granted are subject to various vesting periods from immediate to 60 months. Vesting provisions have included monthly vesting and various forms of cliff vesting.

The Non-Employee Director Compensation Plan allows shares of restricted common stock to be granted to board members and is included under the Plan. Director awards granted have included various vesting periods from immediate to 19 months. Vesting provisions are generally cliff vesting at various dates specified in the awards.

As of March 31, 2017, the Company has granted 1,093,759 shares to employees and 480,000 shares to Directors, net of forfeitures, under the Plan. Of the employee shares granted, 360,000 remain unvested as of March 31. 2017.

The following table sets forth a summary of restricted stock for the three months ended March 31, 2017:

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, December 31, 2016	360,000	$ 0.98
Granted	-	-
Vested	-	-
Forfeited or rescinded	-	-
Granted and not vested, March 31, 2017	360,000	$ 0.98

Total unrecognized compensation expense related to the outstanding restricted stock as of March 31, 2017 was $267,334, which is expected to be recognized over a weighted average period of 32 months. The Company recognized $55,740 of stock-based compensation expense for the three months ended March 31, 2017, and $38,285 for the three months ended March 31, 2016, that is included in salary and compensation expense in the consolidated statements of operations. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has limited history to determine forfeiture trends and the Company considers the discount rate to be immaterial.

2013 Equity Incentive Plan Restricted Stock	Number of Restricted Shares
Authorized but not granted or issued, December 31, 2016	1,376,551
Authorized increase in Plan shares	514,079
Granted	-
Forfeited or rescinded	-
Authorized but not granted or issued, March 31, 2017	1,890,630

NOTE 10 – INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and liabilities at March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
Identified intangible assets:		
In-place leases	$ 10,078,055	$ 10,078,055
Above-market leases	1,832,939	1,832,939
Accumulated amortization	(7,011,661)	(6,445,391)
Net carrying amount	$ 4,899,333	$ 5,465,603

	March 31, 2017	December 31, 2016
Identified intangible liabilities:		
Below-market leases	$ 507,746	$ 507,746
Accumulated amortization	(386,005)	(357,108)
Net carrying amount	$ 121,741	$ 150,638

The effect of amortization of acquired intangible assets and liabilities was a net charge of $537,372 for the three months ended March 31, 2017 and $544,253 for the three months ended March 31, 2016. Above-market leases, included in intangible assets, are amortized as a reduction of rent revenue and totaled $74,117 for the three months ended March 31, 2017, and $77,167 for the three months ended March 31, 2016. Below-market leases are amortized as an addition to rent revenue and totaled $28,898 for the three months ended March 31, 2017, and $28,898 for the three months ended March 31, 2016. Amortization of in-place leases was $492,152 for the three months ended March 31, 2017, and $495,983 for the three months ended March 31, 2016. In-place leases, and above and below-market leases had a weighted average amortization period of 4.5 years in the year acquired.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

Years ending December 31,	Assets	Liabilities
2017 (remaining 9 months)	$ 1,681,233	$ 84,952
2018	1,654,921	36,789
2019	1,175,159	-
2020	388,020	-
	$ 4,899,333	$ 121,741

NOTE 11 – HEDGING ACTIVITIES

The Company may use derivative instruments as part of its interest rate risk management strategy to minimize significant unanticipated earnings fluctuations that may arise from variable interest rates associated with existing borrowings. On July 2, 2014, the Company entered into an interest rate cap contract for the notional amount of $33,000,000 with a strike rate of 2.5% on one month LIBOR as a hedge for a floating rate debt entered into on that date. The interest rate cap expired on July 5, 2016. The interest rate cap was issued at approximate market terms and thus no fair value adjustment was recorded at inception. The Company did not elect hedge accounting treatment for the rate cap and as such, changes in fair value are recorded directly to earnings.

NOTE 12 – MANDATORILY REDEEMABLE PREFERRED OPERATING PARTNERSHIP UNITS

On July 2, 2014, the Company issued 30,000 preferred units, at a price of $100 per unit, totaling $3,000,000. These preferred unit holders are entitled to distributions at a rate of 6% per annum of their liquidation preference amount of $100 per unit which are cumulative from the date of issuance and are payable monthly (to the extent there are sufficient distributable proceeds). The preferred units have been classified as a liability in the consolidated balance sheet as the preferred liquidation preference amount is mandatorily redeemable in specific amounts at specific dates in the future. The preferred units were redeemed on January 27, 2017.

NOTE 13 – RELATED PARTY TRANSACTIONS

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were paid by the Company to First Tracks, LLC during 2016 pursuant to this agreement.

First Tracks, LLC also provided a guarantee on the issuance of debt secured by the property owned by Talon Bren Road, LLC. Fees of $55,000 was paid to First Tracks, LLC on January 5, 2017 for this guarantee.

The Gamma Loan (see Note 5) entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company issued First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and paid a fee of $750,000.

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for items that require recognition or disclosure in the Company's financial statements through the date these financial statements were issued. All significant subsequent events occurring after March 31, 2017 that could have a material effect on these financial statements have been fully-disclosed in the notes to the financial statements as of and for the year ended December 31, 2017 as filed in our Form 10-K dated ,

NOTE 15 – GOING CONCERN

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. In the short-term, we have incurred significant expenses related to completing building and tenant improvements at our properties, and pursuing our acquisition strategy creating a cash shortfall through March 31, 2017.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of March 31, 2017, we had unrestricted cash of $88,596 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business. We may also be unable to borrow or obtain sufficient funds for repayment on terms acceptable to us or at all, and our ability to obtain future financing may also be impacted negatively.

NOTE 15 – GOING CONCERN (continued)

There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Although we plan to aggressively pursue acquisitions to grow our business there is no assurance that we will be able to acquire additional properties in the future or obtain the necessary financing to acquire such properties.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financings or if necessary, sell certain of our property holdings in 2017.

In the future, we may use a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, and other costs. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Overview

We are a real estate investment company focused on investing in office, industrial and retail properties located in the Midwest and South Central regions of the United States. We target properties located in the area bounded by Minnesota and Texas to the north and south, and by Illinois and Colorado to the east and west, although we will consider properties outside this target area if we identify attractive opportunities. We believe these markets are currently underserved in financing and market transaction options for which we can provide advantageous solutions. We believe the size and location of opportunities in this region will be a desirable fit for our real estate portfolio and can be pursued at attractive yields.

Our Current Property Interests

We currently own an interest in four properties located in and around the Minneapolis-St. Paul metropolitan area of Minnesota.

We own a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. We have entered into a contribution agreement to acquire the remaining interest in this entity, subject to receiving consent to the transfer from the entity's lender.

We also own a 227,000 square foot building situated on 20 acres of land in Minnetonka, Minnesota and an 856,223 square foot thirteen-story office tower located in downtown St. Paul, Minnesota. As of March 31, 2017 the combined occupancy for all of the buildings in our portfolio was 71%. In April 2015, the Company executed a lease in the St. Paul building for a significant new tenant that would increase the occupancy of our portfolio by over 14% upon occupancy. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is schedule to commence on January 1, 2018.

The following table sets forth information regarding our 5 largest tenants as of March 31, 2017. [To be updated.]

Property Location [1]	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company's Rentable Square Feet		Base Rent for the three months ended Mar. 31, 2017	Percentage of Company's Total Base Rent for the three months ended Mar. 31, 2017
180 E 5th Street, St. Paul, MN	Health Care	Office	4/30/2018	119,490	12%	$	1,364,382	23%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$	1,162,903	19%
180 E 5th Street, St. Paul, MN	Retail	Office	3/31/2020	102,577	10%	$	959,232	16%
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	61,500	6%	$	164,854	3%
1350 Budd Ave, Maple Plaiu, MN	Construction	Industrial	2/28/2018	29,903	3%	$	81,533	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 6% of the Company's total base rent revenues for the three months ended March 31, 2017 and 5% for the three months ended March 31, 2016. The property located in Minnetonka, MN leases approximately 17% of the Company's rentable space and accounts for approximately 19% of the Company's total base rent revenues for the three months ended March 31, 2017, and 18% for the three months ended March 31, 2016. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul, MN leases approximately 40% of the Company's rentable space and accounts for approximately 76% of the Company's total base rent revenues for the three months ended March 31, 2017 and 77% for the three months ended March 31, 2016.

The future square feet expiring for all current leases, including leases entered into subsequent to March 31, 2017:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2017	56,215		24,810	2,910	83,935
2018				25,554	25,554
2019		29,903		134,787	164,690
2020			139,662	708	140,370
2021				223,094	223,094
Thereafter	59,500			147,125 (1)	206,625
	115,715	29,903	164,472	534,178	844,268

(1) On April 1, 2016, the Company received a notice asserting a right to terminate the lease for 141,109 square feet pursuant to certain alleged defaults related to the completion and delivery of the building and tenant improvements under the lease. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is scheduled to commence on January 1, 2018.

Management may periodically sell certain properties including core income-producing and value-added properties for various reasons based on individual circumstances and opportunities. Proceeds from the sale of such properties may be used to repay related property debt, pay transaction expenses, acquire or invest in other properties and for general corporate purposes including satisfying existing liabilities.

Factors That May Influence Our Operating Results

Acquisition Strategy. We plan to grow our business through the acquisition of new properties, initially targeting properties that meet the criteria described above under "Overview" and elsewhere in this report. We expect the properties we acquire will be subject to mortgage financing and other indebtedness that we will assume or refinance. Debt service on such indebtedness will have a priority over any distributions with respect to our common stock.

Rental Revenue. The amount of net rental revenue generated by our properties depends primarily on our ability to maintain the occupancy rates of currently leased space and to lease space that becomes available. As of March 31, 2017, our properties were 71% leased. We believe that the average rental rates for our properties are generally equal to the current average quoted market rates. Negative trends in one or more of these factors such as a decrease in rental rates or a decrease in demand for our properties could adversely affect our rental revenue in future periods. Future economic downturns affecting the Minneapolis-St. Paul metropolitan area or downturns in our tenants' businesses that impair our ability to renew leases or re-let space or the ability of our tenants to fulfill their lease commitments could adversely affect our revenues. In addition, growth in rental revenue primarily will depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. Our current properties are located in the Minneapolis-St. Paul metropolitan area. Positive or negative changes in economic or other conditions in this area, or areas in our prospective proprieties, including employment and wage rates, natural disasters and other factors, may impact our overall performance. Our ability to grow in our broader market throughout our region may also be impacted by these factors.

Operating Expenses. Our operating expenses primarily consist of property taxes, management fees, utilities, insurance and site maintenance costs. As of March 31, 2017, some of our leases required tenants to reimburse us for a share of our operating expenses. Increases or decreases in any unreimbursed operating expenses, either due to the nature of the expenses not requiring reimbursement from our tenants or due to a reduction in leased square footage requiring tenant reimbursement of a portion of our operating expenses, will impact our overall performance. Legal fees incurred in 2017 and 2016 were significant due to the Company's acquisition and refinancing activities, as well as litigation expenses. We expect an increase in legal fees associated with these activities and business matters customary to a public real estate holding company, as well as our ongoing litigation.

Interest Expense. Our interest expense will depend on the amounts we borrow as well as the interest rates charged by our lenders. Our current loan agreements are a mix of both fixed and floating rates, as well as secured and unsecured by our properties. Our aggregate interest expense may increase as we acquire properties and could fluctuate between periods based on the variable rate loan arrangements, if we do not hedge any such interest rate risk.

Critical Accounting Policies and Estimates

Our discussion and analysis of the historical financial condition and results of our operations are based upon our financial statements which have been prepared in accordance with U.S. generally accepted accounting principles, or US GAAP.

The preparation of these condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements of our company elsewhere in this report. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies. There have been no significant changes to those policies during the three months ended March 31, 2017.

Investment in Real Estate and Fixed Assets

Investment in real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, construction, and tenant improvement allowances. Maintenance and repairs are expensed as incurred, and major improvements are capitalized. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible asset and identifiable intangibles based on their relative fair values. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market economic conditions.

We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Adjustments to preliminary allocations of purchase price are adjusted prospectively when all information necessary to determine the relative fair values has been received.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for building, improvements, and furniture and equipment, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearss
Building	25-30 yearss
Building Improvements	10-20 yearss
Tenant Improvements	1-12 yearss
Furniture and Equipment	3 yearss

Intangible Assets

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. Amortization of other intangibles is recorded in depreciation and amortization expense.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Company's interest in the Operating Partnership was approximately 67% and 65% of the common units of the Operating Partnership as of March 31, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of common units based upon the ratio of their holdings to the total units outstanding during the period. Holders of preferred units receive certain distributions based on a percentage of the liquidation preference. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related leases, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rental income earned and amounts due according to the respective lease agreements are credited or charged to deferred rent receivable, as applicable.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. Recoveries are billed monthly using estimated operating costs and an additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Accounting Standards Applicable to Emerging Growth Companies

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. Section 102(b)(1) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Significant Events and Transactions during the three months ended March 31, 2017

Summarized below are the Company's significant transactions and events during the three months ended March 31, 2017.

On January 27, 2017, Talon First Trust, LLC entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51,600,000. The loan bears an interest rate equal to the sum of (i) the greater of (x) the Prime Rate as published in the Wall Street Journal, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5,298,000 has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender. The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, (ii) an assignment of lease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents. The Gamma Loan documents contain events of default that are customary for loans of this type. The loan proceeds were used to pay-off the existing mortgage on the 180 East 5th Street property, redeem the Talon OP preferred units, and fund various escrows and reserves related to the property.

On April 9, 2015, the Company entered into a significant lease arrangement with a new tenant. On January 27, 2017 the company executed a Second Amendment to the lease with the tenant to resolve issues concerning a notice of default that the Company received from the tenant on April 1, 2016. The Second Amendment rescinds the Notice of Default and the Termination Notice that the tenant had delivered, changes the lease commencement date from January 1, 2016 to January 1, 2018 and required the Company to place approximately $5,640,000 in escrow to provide evidence of our ability to pay for the remaining tenant improvements. We deposited the required escrow funds on January 27, 2017.

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.

The Company filed a complaint in the State of Minnesota in June, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into in May, 2014 with Bren Road, L.L.C. The defendant responded and filed a counterclaim and third-party complaint against Talon Bren Road, LLC and Talon OP, LP in July, 2016. In November, 2016 the matter came before the court on the Defendant's motion for partial summary judgment. Subsequently, in February, 2017 the Hennepin County District Court issued a Findings of Fact and Order for Judgment on the counter claim against the Company in the amount of $719,365, plus post judgment interest which pursuant to our 10301 Bren Road and 180 East 5th Street loan agreements, constitutes a non-financial event of default. The outstanding amount of the judgment was satisfied on June 23, 2017 as part of the refinancing of Talon Bren Road, LLC's outstanding mortgages.

In March, 2017, a significant tenant of our 180 East 5th Street, St Paul property filed for Chapter 11 bankruptcy protection from its creditors. The Company lost a portion of March rent from the period of the initial filing until a Trustee could be appointed. From the date of Trustee appointment through September 30, 2017, full lease payments were received by the Company. Under the terms of the bankruptcy, the tenant's lease was terminated effective September 30, 2017.

On March 27, 2017, Talon Bren Road, LLC received a notice of default under the terms of our second mortgage agreement, the outstanding balance of which was $2,000,000 as of the date of the receipt of the notice. This mortgage was refinanced on June 23, 2017 which resolved the default.

Market Conditions and Outlook

Our last two acquisitions were accomplished utilizing a 721 Exchange tax deferral methodology similar to that of an "UPREIT" providing several unique advantages over a 1031 exchange or selling to cash buyers. This strategy is advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted 1:1 for Talon common stock, which trade under the ticker "TALR," and their capital gains tax obligations are deferred until then.

Our strategy is to continue offering these tax-deferred solutions to real estate owners as part of diversifying our shareholder base creating liquidity and shareholder value. We continue to believe office and industrial properties offer the best return on equity metrics as part of our investment strategy. Retail will also be part of our overall portfolio with an average overall target portfolio contribution of nearly 20% over the long-term.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide return on equity targets of 8-15% per asset or portfolio.

Results of Operations

Our revenues and expenses have changed primarily due to increases in expenses attributable to an increase in legal services related to our legal proceedings in 2017. We expect our revenues, tenant reimbursements and many expenses will continue to increase on an absolute basis in the future as we seek to acquire additional properties, assume or refinance indebtedness in connection with the acquisitions and build the infrastructure necessary to grow our business. In the near term, we expect to continue to incur higher legal and other professional fees in pursuit of potential acquisitions.

Three months ended March 31, 2017 compared to three months ended March 31, 2016

Revenues and Expenses

Rental revenues decreased $104,842, or 5.6%, to $1,771,070 for the three months ended March 31, 2017, compared to $1,875,912 for the same period of the prior year. The modest decrease in rental revenue relates to several smaller adjustments to rented space and certain lease rate adjustments with no significant new leased space across the portfolio.

Tenant reimbursements decreased $36,107, or 4.0%, to $861,384 for the three months ended March 31, 2017 compared to $897,491 for the same period of the prior year. The decrease in tenant reimbursements is consistent with the decrease in rent and stable property operating expenses.

Other income decreased $61,263, or 71.2%, to $24,738 for the three months ended March 31, 2017 compared to $86,001 for the same period of the prior year. The decrease primarily relates to lower recorded amounts related to an income guarantee on one of the properties owned and lower revenue from an event center located in the 180 East 5th Street property in St. Paul.

General and administrative expenses decreased $295,231, or 85.1%, to $51,722 for the three months ended March 31, 2017 compared to $347,033 for the same period of the prior year. The decrease is primarily due to the expensing of $285,000 of lost deal costs in 2016 with no comparable expense in 2017.

Salary and compensation expenses decreased $42,675 or 19.0%, to $182,022 for the three months ended March 31, 2017 compared to $224,697 for the same period of the prior year. The decrease in salary and compensation expense is primarily related to staff turnover in late 2016 resulting in lower salaries for replacement personnel in 2017.

Professional fees increased $131,295, or 58.1%, to $357,140 for the three months ended March 31, 2017 compared to $225,845 for the same period of the prior year. The increase is primarily due to an increase in legal services related to our legal proceedings and refinancing of debt in the three months ended March 31, 2017.

Property operating expenses decreased $6,391, or 0.5%, to $1,179,187 for the three months ended March 31, 2017 compared to $1,185,578 for the same period of the prior year. Property operating expenses have remained essentially unchanged due to a stable operating environment and the lack of unusual or infrequent expenditures.

Real estate taxes and insurance increased $14,902 or 3.4%, to $460,379 for the three months ended March 31, 2017 compared to $445,477 for the same period of the prior year. The three months ending March 31, 2017 are in line with the annual increase in real estate taxes across the portfolio as the composition of our real estate portfolio remained the same.

Depreciation and amortization expense decreased by $14,163, or 1.2%, to $1,218,242 for the three months ended March 31, 2017 compared to $1,232,405 for the same period of the prior year. The decrease is primarily attributable to certain intangible assets expiring in correlation with the applicable leases.

Interest expense increased by $1,315,399, or 107.1% to $2,543,437 for the three months ended March 31, 2017 compared to $1,228,038 for the same period of the prior year. The increase is primarily attributable to the refinancing of the

180 East 5th Street mortgage and other changes in outstanding debt. The weighted average interest rate increased to 11.77% as of March 31, 2017 compared to 6.49% as of March 31, 2016 and outstanding debt increased by $23,105,751. In addition, deferred financing cost amortization was accelerated on the refinanced debt and significant new deferred financing costs were incurred which have predominantly a one-year amortization period.

Funds from Operations and Non-GAAP Reconciliation

The National Association of Real Estate Investment Trusts, or NAREIT, defines funds from operations, or FFO, as net income (loss) available to common shareholders and operating partnership unit holders computed in accordance with GAAP, excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties, and after adjustments for unconsolidated partnerships and joint ventures. We intend to calculate FFO in a manner consistent with the NAREIT definition.

Management intends to use FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors, and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures used by REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure ofdiquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

We define adjusted funds from operations, or AFFO, as FFO excluding the non-cash effects of straight-line rent and amortization of lease inducements and deferred financing costs, depreciation of non-real estate, and excluding the effects of non-cash compensation charges. U.S. GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method may result in rental income in the early years of a lease that is higher than actual cash received, creating a deferred rent receivable asset or lower income than actual cash received, creating a deferred rent revenue liability included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments may exceed or be lower than the straight-line rent which results in the deferred rent receivable asset or liability, respectively, decreasing to zero over the remainder of the lease term. By excluding the non-cash portion of straight-line rental revenue and amortization of lease inducement and deferred financing costs as well as non-cash compensation expense, investors, analysts and our management can compare AFFO between periods.

Below is the calculation of FFO and AFFO and the reconciliation to net income (loss), which we believe is the most comparable GAAP financial measure:

Reconciliation of Net Income Attributable to Talon Real Estate Holding Corp. ("TREHC") to Funds From Operations

In thousands $ (except per share)	Three months ended March 31, 2017			2016		
	Amount	Weighted Avg. Shares and Units (1)	Per Share and Unit (2)	Amount	Weighted Avg. Shares and Units (1)	Per Share and Unit (2)
Net loss attributable to TREHC	$ (2,236)	18,945	$ (0.12)	$ (1,303)	16,789	$ (0.08)
Adjustments:						
Non-controlling interest Operating Partnership	(1,086)	9,200		(703)	9,200	
Consolidated depreciation and amortization	1,218	-		1,232	-	
adjust for non-real estate depreciation	-	-		(2)	-	
adjust for amortization of above and below-market rents	45	-		63	-	
adjust for non-controlling real estate owned depreciation	(26)	-		(31)	-	
Net adjustments	151			559		
Funds from operations applicable to common shares	$ (2,085)	28,451	$ (0.07)	$ (744)	25,989	$ (0.03)

Adjusted funds from operations	Three months ended March 31, 2017 Amount		Weighted Avg. Shares and Units [1]	Per Share and Unit [2]		2016 Amount		Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$	(2,085)	28,145	$	(0.07)	$	(744)	25,989	$ (0.03)
Adjustments:									
Straight-line rents in excess of, or less than, contract rents		(21)	-				(102)	-	
Non-real estate depreciation		-	-				2	-	
Amortization of deferred financing costs net of non-controlling real estate		807	-				203	-	
Non-cash stock compensation charges		89	-				38	-	
AFFO available to common shares	$	(1,210)	28,145	$	(0.04)	$	(603)	25,989	$ (0.02)

[1] Non-controlling Units of the Operating Partnership are exchangeable for cash, or at the Company's discretion, for common shares of stock on a one-for-one basis.
[2] Net income is calculated on a per share basis. FFO and AFFO are calculated on a per share and unit basis.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. We have incurred significant expenses related to operating as a public corporation, building and tenant improvements at our properties, and preparation for and execution of our acquisition strategy creating a cash shortfall from operations through March 31, 2017.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have insufficient cash flow from current operations to pursue our strategy without further financing. As of March 31, 2017, we had unrestricted cash of approximately $88,596 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

Our long-term liquidity requirements consist primarily of funds to pay for scheduled debt maturities, non-recurring capital expenditures that need to be made periodically and continued expansion of our business through acquisitions. Although we plan to aggressively pursue acquisitions to grow our business, there is no assurance that we will be able to acquire additional properties in the future.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and are not expected to provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financings or asset sales during 2017. Additional financing or asset sales are necessary for our company to continue as a going concern.

In the future, we anticipate using a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities or cash advances, which may or may not be secured by our assets), asset sales (including sales of accounts receivable), seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we

will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business. Ongoing litigation may also impact our liquidity, as cash flow may need to be used on legal and other litigation expenses.

Outstanding Indebtedness

5130 LLC, an entity in which our Operating Partnership owns a 49% interest and that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area, is party to a loan agreement secured by such industrial complex. The loan agreement provides for two term loans, the A loan and the B loan. The term loans had a balloon payment due on April 8, 2017 and is past due. The Company expects to refinance this loan but as of the filing of this document has been unable to do so.

Talon Bren Road, LLC, an entity through which our Operating Partnership acquired the property located at 10301 Bren Road West, Minnetonka, MN on May 29, 2014, is party to a loan agreement secured by such property. It is also a party to two loans the proceeds of which were used to fund certain capital improvements at the building. This property also secures the Talon Bren Road, LLC Mortgage 2 (as defined in the table below) entered into on July 2, 2014 in connection with the acquisition of the property located at 180 East 5th Street St. Paul, MN.

Talon First Trust, LLC, an entity through which our Operating Partnership acquired the property located at 180 E. Fifth Street St. Paul, MN on July 2, 2014, is party to a loan agreement secured by such property. The loan has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. If we are unable to satisfy the conditions to extend, we will need to seek alternative financing or possibly sell the property in order to satisfy the obligation.

TREHC has additional indebtedness related to various judgments and obligations arising in the normal course of financing our operations. These notes represent current obligations of the entity and continue to accrue interest while outstanding. We may need to seek alternative financing or sell certain assets in order to generate the necessary funds to satisfy these obligations.

The following table summarizes the Company's notes payable as of March 31, 2017 and December 31, 2016:

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At March 31, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,0002
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.00%	51,600,000	
Talon First Trust, LLC. – Promissory Note(1)	Unsecured fixed rate interest only	July 24, 2017	10.00%	1,330,167	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below (3)	10.00%	59,489	59,489
Talon First Trust, LLC. – Sale of Future Receivable (4)	See below (4)	See below (4)	(4)	215,259	430,500
Talon Bren Road, LLC Mortgage 1(5)	Secured fixed rate	May28,2019	4.65%	10,788,4142	10,858,648
Talon Bren Road, LLC Mortgage 2(5)	Secured fixed rate interest only	March 1, 2017	16.00%	2,550,0002	2,000,000
Talon Bren Road, LLC HVAC loan	Unsecured fixed rate	June 1, 2019	8.00%	77,293	84,472
Talon Bren Road, LLC Roof loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,0002	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,8762	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note – Related Party(6)	Unsecured fixed rate interest only	June 30, 2016	26.00%	897,204	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31,2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes(2)	Unsecured fixed rate interest only	June 30, 2016	26.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15,2018	15.00%	186,178	271,287
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	81,800	81,800
				$ 74,403,713	$ 53,449,711
Less: unamortized deferred financing costs				(2,745,286)	(496,063)
Notes payable, net				$ 71,658,427	$ 52,953,648

(1)2 On January 25, 2017, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.2

(2)2 In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.2

(3)2 The outstanding principal and applicable accrued interest is due in full upon sale or refinancing of the property at 180 E. Fifth Street in St. Paul.

(4) During 2016 the Company received funds from four different sources. As of March 31, 2017, the total outstanding balance was $215,259 for the sale of future receivables at the property located at 180 E. FifthStreet. The agreements require payments totaling $644,039 over 120 days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and2 included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(5) On June 21, 2017, we refinanced these mortgages with a new $15.1 million at 9.5% with an initial maturity date of June 1, 2018.2

(6)2 On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.2

Off Balance Sheet Arrangements

At March 31, 2017, we did not have any off-balance sheet arrangements.

Inflation

As of March 31, 2017, most of our leases required tenants to reimburse us for a share of our operating expenses. As result, we are able to pass on much of any increases to our property operating expenses that might occur due to inflation by correspondingly increasing our expense reimbursement revenues. During the three months ended March 31, 2017, inflation did not have a material impact on our revenues or net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we expect that interest rate risk will be the primary market risk to which we will be exposed. As of March 31, 2017, all but one of our outstanding loans had a fixed rate. Our interest rate risk may further increase if we increase our debt in the future or refinance our existing debt.

We may become exposed to the effects of interest rate changes as a result of floating rate debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to manage overall borrowing.

Foreign Currency Exchange Risk

Our results of operations and cash flows are not materially affected by fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2017.

The following control deficiencies were identified and were determined to be material weaknesses in our internal control over financial reporting as of March 31, 2017:

1.o Internal Control Environmento
2.o Period end Financial Reporting Processo

The material weaknesses occurred as a result of a significant turnover in the Company's accounting personnel in the latter part of 2016, which, despite having established policies and procedures, the company lacked adequate controls regarding training in in the internal control environment. In addition, we did not maintain a sufficient complement of personnel with the appropriate accounting knowledge, experience and training, commensurate with our financial reporting requirements in order to execute a timely close, which resulted in incomplete disclosures, unreconciled accounts, incomplete accounting for certain events and transactions and inaccurate conclusions. This resulted in misstatements that were corrected by the Company prior to the issuance of the consolidated financial statements, and for which a reasonable possibility existed that a material misstatement in the Company's consolidated financial statements would not be prevented or detected on a timely basis.

Management also identified multiple significant deficiencies in its review. These could also lead to potential misstatements in our financial statements or prevent the Company from timely completing its financial statement preparation.

Management Remediation Plan

Due to the material weaknesses reported as of March 31, 2017, management performed additional analysis and procedures to ensure that our consolidated financial statements and schedules included in this Quarterly Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management will implement changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses. We are undertaking the following remediation plans and actions:

- •e Develop and deliver Internal Controls ("COSO") training to Executives and finance/accounting resources. Thee training will include a review of management's and individual roles and responsibilities related to internal controls;e
- •e hire accounting personnel with the appropriate level of knowledge to properly record transactions in the general ledgere and prepare financial statements in accordance with generally accepted accounting principles;e
- •e augment our existing staff with external consultants with the requisite knowledge and expertise to supplement oure accounting staff to ensure that transactions are recorded in accordance with generally accepted accounting principalse and that are disclosures are accurate and complete; ande
- •e provide increased board level oversight to ensure established policies and procedures are adhered to.e

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.e 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.

Changes in Internal Control Over Financial Reporting

There were the following changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2017 which have the potential to have materially affected, or is reasonably likely to have materially affect, the Company's internal control over financial reporting.

[TBD.]

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently engaged in legal proceedings that may have a material impact on our financial statements. From time to time, we may be named as a defendant in legal actions or otherwise be subject to claims arising from our normal business activities. Any such actions, even those that lack merit, could result in the expenditure of significant financial and managerial resources.

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. The defendant has responded and filed a counterclaim and third-party complaint against Talon Bren Road, LLC ando Talon OP, LP on July 7, 2016. On November 9, 2016 the matter came before the court on the Defendant's motion for partialo summary judgment. Subsequently, on February 27, 2017 the Hennepin County District Court issued a Findings of Fact ando Order for Judgment on the counter claim against the Company in the amount of $719,365, plus post judgment interest whicho pursuant to our 10301 Bren Road and 180 E 5th Street loan agreements, constitutes a non-financial event of default. Theo outstanding amount of the judgment was satisfied on June 23, 2017 as part of the refinancing of Talon Bren Road, LLC's outstanding mortgages.o

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under the heading *"Risk Factors"* in our Current Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on , 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are listed in the Exhibit Index immediately following the signatures to this report.

SIGNATURES

Pursuant to the requirements 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.

Dated: ____________, 2018

TALON REAL ESTATE HOLDING CORP.

/s/ Keith Gruebele

Keith Gruebele
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

Exhibit Number	*Description*
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
3.2	Amended and Restated Bylaws (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T (filed herewith).

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registratione statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes ofe Section 18 of the Securities Exchange Act of 1934, as amended, and are otherwise not subject to liability under those sections.e

Exhibit 3

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended: June 30, 2017

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

For the Transition Period from _____ to _____

Commission file number 000-53917

TALON REAL ESTATE HOLDING CORP.

(Exact Name of Registrant as Specified in its Charter)

Utah	**26-1771717**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard, Suite 1070, Minneapolis, MN 55416
(Address of Principal Executive Offices, Including Zip Code)

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☒

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

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding at August __, 2018 was 19,880,981 shares.

TALON REAL ESTATE HOLDING CORP.
QUARTERLY REPORT ON FORM 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

In this Quarterly Report on Form 10-Q, references to "Company," "we," "us," "our" and words of similar import refer to Talon Real Estate Holding Corp. and its subsidiaries, unless the context requires otherwise.

This Quarterly Report on Form 10-Q contains forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described under the heading *"Risk Factors"* included in our Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on [   ], 2018. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Commission that advise interested parties of the risks and factors that may affect our business.

PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

TALON REAL ESTATE HOLDING CORP.
Minneapolis, Minnesota

FINANCIAL STATEMENTS

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As of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016

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TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2017 and December 31, 2016

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Land and improvements	$ 8,302,447	$ 8,302,447
Building and improvements	51,192,059	51,192,059
Equipment, furniture and fixtures	32,193	30,571
Total property and equipment	59,526,699	59,525,077
Less: accumulated depreciation	(9,789,934)	(8,506,290)
Net property and equipment	49,736,765	51,018,787
Cash	114,695	108,418
Rents and other receivables, net	688,504	428,176
Prepaid expenses and other assets	195,193	104,855
Restricted escrows and reserves	12,415,968	3,001,232
Deferred leasing costs, net	2,158,593	2,003,221
Intangible assets, net	4,333,064	5,465,603
TOTAL ASSETS	$ 69,642,782	$ 62,130,292
LIABILITIES		
Notes payable	$ 76,452,362	$ 53,449,711
Less: unamortized deferred financing costs	(2,442,454)	(496,063)
Notes payable, net	74,009,908	52,953,648
Accounts payable	2,873,512	6,167,516
Tenant improvement allowance	5,639,752	5,639,752
Accrued expenses and other liabilities	2,085,456	1,329,742
Tenant security deposits	172,241	167,242
Deferred rent revenue	100,366	121,710
Prepaid rent	183,855	175,758
Accrued interest	689,914	1,029,911
Below-market leases, net	92,843	150,638
Mandatorily redeemable Operating Partnership preferred units	-	3,000,000
Total Liabilities	85,847,847	70,735,917
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares outstanding at $.001 par value; authorized 10,000,000 shares; none issued or outstanding as of both June 30, 2017 and December 31, 2016	$ -	$ -
Common shares outstanding at $.001 par value; authorized 90,000,000 shares; 19,780,981 and 17,265,981 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	19,780	17,265
Additional paid in capital	2,380,756	2,261,281
Accumulated loss	(19,751,245)	(14,525,598)
Total Talon Real Estate Holding Corp. shareholders' equity (deficit)	(17,350,709)	(12,247,052)
Non-controlling interests – Operating Partnership; 9,200,001 common units issued and outstanding as of June 30, 2017 and December 31, 2016	2,775,688	5,253,704
Non-controlling interests – consolidated real estate entities	(1,630,044)	(1,612,277)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(16,205,065)	(8,605,625)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	$ 69,642,782	$ 62,130,292

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and six months ended June 30, 2017 and 2016
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE				
Rent	$ 1,753,882	$ 1,826,511	$ 3,524,952	$ 3,702,423
Tenant reimbursement	790,161	901,758	1,651,545	1,799,249
Other income	24,152	31,005	48,890	117,006
Total Revenue	2,568,195	2,759,274	5,225,387	5,618,678
EXPENSES				
General & administrative	43,360	116,996	95,132	463,999
Salary and compensation	127,767	334,341	309,789	559,038
Professional	371,491	227,352	728,631	453,197
Property operating expenses	1,592,959	1,036,815	2,772,146	2,222,393
Real estate taxes & insurance	470,944	444,968	931,323	890,445
Depreciation and amortization	1,191,060	1,223,388	2,409,302	2,455,793
Total Expenses	3,797,581	3,383,860	7,246,323	7,044,865
Operating Loss	(1,229,386)	(624,586)	(2,020,936)	(1,426,187)
Interest expense	3,157,057	1,023,253	5,700,494	2,251,291
NET LOSS	(4,386,443)	(1,647,839)	(7,721,430)	(3,677,478)
Net loss attributable to non-controlling interest - Operating Partnership	1,392,073	564,052	2,478,016	1,266,762
Net loss attributable to non-controlling interests - consolidated real estate entities	4,721	29,326	17,767	53,513
NET LOSS ATTRIBUTABLE TO TALON REAL ESTATE HOLDING CORP.	$ (2,989,649)	$ (1,054,461)	$ (5,225,647)	$ (2,357,203)
Loss per common share basic and diluted	$ (0.15)	$ (0.06)	$ (0.27)	$ (0.14)

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2017 and 2016
(unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (7,721,430)	$ (3,677,478)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	2,507,685	2,581,025
Amortization of deferred financing costs	1,869,366	312,380
Stock-based compensation expense	86,240	197,570
Provision for doubtful accounts	-	36,485
Deferred financing costs	25,750	194,260
Settlement added to notes payable	152,400	
Changes in operating assets and liabilities:		
Rents and other receivables	(260,328)	(42,075)
Prepaid expenses and other assets	(90,338)	5,859
Deferred leasing costs	(304,669)	1,400
Accounts payable	(3,025,432)	707,993
Accrued expenses and other liabilities	755,714	153,560
Tenant security deposits	4,999	(8,269)
Deferred rent revenue	(21,344)	(134,492)
Prepaid rent	8,097	(221,551)
Accrued interest	443,992	309,595
Net cash flows from operating activities	(5,569,298)	416,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(1,622)	-
Deposits made for future acquisitions	-	-
Deposits to restricted escrows and reserves	(12,371,107)	(1,470,369)
Payments from restricted escrows and reserves	2,956,371	995,710
Net cash flows from investing activities	(9,416,358)	(474,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	69,777,000	235,993
Principal payments on notes payable	(47,969,310)	(187,733)
Deposits or cash paid for financing costs	(3,815,757)	(100,907)
Common stock issued for financing costs	-	-
Principal payments on Operating Partnership preferred units	(3,000,000)	-
Net cash flows from financing activities	14,991,933	(52,647)
Net Change in Cash	6,277	(111,044)
CASH - BEGINNING OF PERIOD	108,418	340,385
CASH - END OF PERIOD	$ 114,695	$ 229,341
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchases of building and land improvements included in accounts payable	$ -	$ 27,534
Leasing and financing fees included in accounts payable and other liabilities	-	4,178
Issuance of common stock included in financing costs	25,750	-
Issuance of common stock in satisfaction of accounts payable	10,000	-
Accrued interest converted to notes payable	783,989	-
Accounts payable converted to notes payable	258,572	531,462
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest on mortgages and Operating Partnership preferred units	$ 4,171,125	$ 1,762,155

See accompanying notes to condensed consolidated financial statements.

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Talon Real Estate Holding Corp. ("TREHC") previously established an Operating Partnership ("Talon OP") and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. As the sole general partner of Talon OP we have the exclusive power to manage and conduct the business and affairs for the operating partnership. TREHC owned approximately 68% and 65% of the Operating Partnership as of June 30, 2017 and December 31, 2016, respectively. The Operating Partnership owned 49% of 5130 Industrial Street, LLC (5130 LLC"), 100% of Talon Bren Road, LLC, 100% of Talon First Trust, LLC, and 100% of Talon Real Estate, LLC ("Talon RE") as of June 30, 2017 and December 31, 2016. Talon Bren Road, LLC, and Talon First Trust, LLC both limited liability companies organized under the laws of the state of Delaware, were formed on May 9, 2014 and April 21, 2014, respectively, to purchase real estate. Talon RE was incorporated in the state of Minnesota on December 20, 2012 and began operations in 2013 for the purpose of acquiring real estate properties.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP foro complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statementso include all adjustments necessary to present fairly our consolidated financial position as of June 30, 2017 and our condensedo consolidated statements of operations for the three and six months ended June 30, 2017 and 2016, and our condensedo consolidated statements of cash flows for the six months ended June 30, 2017 and 2016, as applicable. These adjustments areo of a normal recurring nature.o

The accompanying condensed consolidated financial statements include the accounts of TREHC and its interest in the Operating Partnership. The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests ("Units") for TREHC common shares of stock on a one-for-one basis, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016, which have previously been filed with the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated balance sheet as of June 30, 2017 and condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three and six months ended June 30, 2017 and 2016, as applicable, have not been audited by our independent registered public accounting firm.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES

The Company owns, through its subsidiary Talon First Trust, LLC, real estate property located at 180 East 5th Street, St. Paul, MN. The building has 659,577 net rentable square feet and is primarily leased to tenants for commercial and government use. As of June 30, 2017, the Company had tenants occupying approximately 55% of the rentable space. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is schedule to commence on January 1, 2018. On March 7, 2017 one tenant that occupies approximately 16% of the net rentable square feet filed for Chapter 11 bankruptcy protection from its creditors.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES (continued)

The Company owns through its subsidiary Talon Bren Road, LLC, real estate property located on 20 acres of land at 10301 Bren Road West, Minnetonka, MN. This property has 164,472 net rentable square feet and is primarily leased to tenants who are wholesale product sales representatives. These leases are subject to a master lease agreement entered into between Talon Bren Road, LLC and Upper Midwest Allied Gifts Association, Inc. ("UMAGA"), a Minnesota nonprofit corporation. As of June 30, 2017, the Company had 100% of the rentable space leased.

The Company owns and operates the following real estate properties through its subsidiary, 5130 LLC:

5130 Industrial Street, Maple Plain, MN
1350 Budd Ave, Maple Plain, MN

The properties have combined 171,639 net rentable square feet and are primarily leased to tenants for mixed commercial and industrial usage. As of June 30, 2017, the Company had tenants occupying approximately 81% of the rentable space.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include determination of the useful life of property and other long-lived assets, valuation and impairment analysis of property and other long-lived assets, and valuation of the allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying condensed consolidated financial statements include the accounts of TREHC and Talon OP, our Operating Partnership, and all subsidiaries in which it maintains a controlling interest. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Real Estate Property and Fixed Assets

Investment in real estate and fixed assets with a useful life of longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction and tenant allowances and improvements. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Management's fair value assessment includes the use of readily accepted fair value techniques such as discounted cash flow analysis and comparable sales analysis including management's reliance on independent market analysis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate Property and Fixed Assets (continued)

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and land improvements, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 years
Buildings	25-30 years
Building Improvements	10-20 years
Tenant Improvements	1-12 years
Furniture and Equipment	3 years

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Cash

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents. The Company believes it is not exposed to any significant credit risk on cash.

Rents and other Receivables

Rents receivable and deferred rent are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with our credit terms. Accounts considered uncollectible are written off. Receivables have been reduced by an allowance for doubtful accounts of $129,330 as of both June 30, 2017 and December 31, 2016.

Derivative Instruments

The Company records all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. If the Company does not apply hedge accounting, all changes in the fair value of derivatives are recognized directly in earnings in the period of change. Currently, the Company has not elected hedge accounting treatment and all changes in fair value of the Company's derivatives are recognized in current period earnings.

Restricted Escrows and Reserves

The Company is required to hold cash in restricted escrow accounts for insurance, real estate taxes and a replacement reserve. The escrows are used to pay periodic charges of real estate taxes and assessments, tenant improvements, and leasing commissions. The balances in the escrow accounts were $12,415,968 and $3,001,232 as of June 30, 2017 and December 31, 2016, respectively.

Deferred Leasing Costs and Incentives

Direct and indirect costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and amortized on a straight-line basis over the term of the related lease as amortization expense. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Leasing Costs and Incentives (continued)

The Company had amortization expense for deferred leasing costs of $68,399 and $141,354 for the three and six months ended June 30, 2017, respectively, and $73,360 and $146,982 for the three and six months ended June 30, 2016, respectively. The Company had accumulated amortization for deferred leasing costs of $918,712 and $777,358 as of June 30, 2017 and December 31, 2016, respectively.

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, for accounting purposes, the tenant allowance is considered to be a lease incentive and is capitalized as a deferred leasing incentive and is amortized over the lease term as a reduction of rental revenue on a straight-line basis.

The Company had amortization expense for deferred leasing incentives of $3,971 and $7,943 for the three and six months ended June 30, 2017, respectively, and $15,171 and $30,343 for the three and six months ended June 30, 2016, respectively. The Company had accumulated amortization for deferred leasing incentives of $66,950 and $59,007 as of June 30, 2017 and December 31, 2016, respectively.

Intangible Assets and Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company records intangible assets and liabilities acquired at their estimated fair value apart from goodwill for acquisitions of real estate. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. The Company amortized $45,220 and $90,439 as a net reduction in rent revenue for above and below-market leases for the three and six months ended June 30, 2017, respectively, and $45,222 and $93,489 for the three and six months ended June 30, 2016, respectively. Amortization of other intangibles is recorded in depreciation and amortization expense.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are netted against notes payable and are being amortized on a straight-line basis over the financing term and are included in interest expense. The Company had amortization expense of $1,061,059 and $1,869,366 for the three and six months ended June 30, 2017, respectively, and $107,628 and $312,380 for the three and six months ended June 30, 2016, respectively. The Company had accumulated amortization of $3,007,579 and $2,126,444 as of June 30, 2017 and December 31, 2016, respectively. Included in amortization expense for the three and six months ended June 30, 2017 is the write-off of unamortized deferred financing costs of $205,821 and $343,075, respectively due to the refinancing of debt secured by the Talon First Trust, LLC and Talon Bren Road, LLC properties in the first and second quarter, respectively.

Tenant Improvement Allowance

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, the Company determines whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If the Company is considered the owner of the leasehold improvements for accounting purposes, the Company capitalizes the amount of the tenant allowance as building improvements and depreciates it over the shorter of the useful life of the leasehold improvements or the related lease term. For tenant allowances committed at lease inception and recorded as building improvements but not yet performed or completed, the corresponding liability will be recorded as tenant improvement allowance payables.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tenant Improvement Allowance (continued)

As of June 30, 2017, the Company had tenant improvement allowances recorded as building improvements of $11,532,029 that did not have amortization expense in the three and six months ended June 30, 2017 due to lease terms that have not commenced as of that date.

Impairment of Long-Lived Assets

Long-lived assets, such as real estate property, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. The Company did not recognize any impairment losses for either of the three and six months ended June 30, 2017 or 2016.

Stock-based Compensation

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to Directors under a director compensation plan. Granted shares are considered issued and outstanding as of the date of vesting of the granted shares. Stock-based compensation is expensed on a straight-line basis over the vesting period and is valued at the fair value on the date of the grant. The Company has recognized $30,500 and $86,240 of compensation expense for the three and six months ended June 30, 2017, respectively, and $159,285 and $197,570 of compensation expense for the three and six months ended June 30, 2016, respectively.

The Company may also issue common stock in exchange for goods or services of non-employees. These shares are either fully vested at date of grant or vest over a certain period during which services are provided. The Company expenses the fair market value of the services over the period in which they are received.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was approximately 68% and 65% of the common units of the Operating Partnership as of June 30, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related lease agreement, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rent income earned and base rent amounts due per the respective lease agreements are credited or charged to deferred rent revenue or deferred rent receivable as applicable. When the Company enters into lease modifications or extensions with current tenants, the deferred rent at the time of the extension is amortized over the remaining term of the lease, and the revised terms are considered a new lease.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are billed monthly based on current year estimated operating costs for applicable expenses. An additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry forwards are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company has examined the tax positions taken in its tax returns and determined that there are no uncertain tax positions. As a result, the Company has recorded no uncertain tax liabilities in its consolidated balance sheet.

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2013. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as general and administrative expense and any related interest as interest expense in the Company's consolidated statements of operations.

Net Income (Loss) or Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

Given that the Company has incurred operating losses for all periods presented, diluted earnings per share is not presented. The weighted average outstanding shares used in the basic earnings per share computation is 19,761,203 and 19,353,341 for the three and six months ended June 30, 2017, respectively and 16,879,424 and 16,837,934 for the three and six months ended June 30, 2016, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The reclassifications had no impact on net loss or shareholders' equity.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new standard will eliminate all industry-specific guidance and replace all current U.S. GAAP guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the new accounting guidance. This guidance will be effective for the Company beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

During February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is not expected to significantly impact the accounting for leases by lessors. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU 2016-08 – "Revenue from Contracts with Customers: Principal versus Agent Considerations." The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for ASU 2016-08 is the same as the effective date for ASU 2014-09 and ASU 2015-14. The Company is currently evaluating the impact that ASU 2016-08 will have on its statement of financial position or financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which will reduce complexity in accounting standards related to share-based payment transactions, including, among others, (1) accounting for income taxes, (2) classification of excess tax benefits on the statement of cash flow, (3) forfeitures, and (4) statutory tax withholding requirements. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU 2016-09 effective January 1, 2017. There was no impact of adoption on the results of operations, financial position or cash flows as a result of adoption.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this new standard on its financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In January 2017, the FASB issued ASU 2017-01 – "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The effective date for ASU 2017-01 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company currently anticipates that it will adopt the new guidance effective January 1, 2018 and that the guidance will result in acquisitions of operating properties being accounted for as asset acquisitions instead of business combinations. The adoption of this guidance will change the Company's accounting for the transaction costs for acquisitions of operating properties such that transaction costs will be capitalized as part of the purchase price of the acquisition instead of being expensed as acquisition-related expenses. The ASU is required to be applied prospectively.

NOTE 4 – TENANT LEASES

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to twelve years. Some of the leases have renewal options for additional terms. The leases expire at various dates from July 2016 to December 2027. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company ~~has the following future~~ minimum base rentals on non-cance~~llable leases, including leases~~ entered into subsequent to June 30, 2017:

2017	$ 4,202,104
2018	8,056,896
2019	7,913,265
2020	7,039,550
2021	2,905,533
Thereafter	11,987,405
	$ 42,104,753

Included in the above table are base lease payments due beginning January 1, 2018 totaling $15,627,822 for a significant tenant that has not occupied space yet but for which we have an executed lease agreement.

TALON REAL ESTATE HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016 (unaudited)

NOTE 5 – NOTES PAYABLE

The following tables summarize the Company's notes payable.

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At June 30, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.25%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	July 24, 2017	10.00%	1,330,167	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest onlyo	See below [3]	10.00%	59,489	59,489
Talon First Trust, LLC. – Sale of Future Receivable [4]	See below [4]	See below[4]	[4]	99,763	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28,2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan	Unsecured fixed rate	June 1, 2019	8.00%	69,970	84,472
Talon Bren Road, LLC Roof Loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note[5]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	151,069	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	-	81,800
				$ 76,452,362	$ 53,449,711
Less: unamortized deferred financing costs				(2,442,454)	(496,063)
Notes payable, net				$ 74,009,908	$ 52,953,648

(1) On January 25, 2017, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908 ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.

(2)o In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment waso entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% undero Minnesota Statutes.o

(3)o The outstanding principal and applicable accrued interest is due in full upon sale or refinancing of the property at 180 East 5th Street in St. Paul.o

(4)o During 2016 the Company received funds from four different sources. As of June 30, 2016, the total outstanding balance was $99,763 for the sale of future receivables at the property located at 180 East 5th Street. The agreements require payments totaling $644,039 over 120 days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(5)o On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

The Company is required to make the following principal payments on our outstanding notes payable for each of the five succeeding fiscal years and thereafter as follows:

	Amount
2017	$ 34,930,224
2018	6,576,518
2019	322,112
2020	10,537,252
	$ 52,366,106

NOTE 5 – NOTES PAYABLE (continued)

The Company is required to periodically fund and maintain escrow accounts to make future real estate tax and insurance payments, as well as to fund certain capital expenditures.

On January 27, 2017, Talon First Trust, LLC entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51,600,000. The loan bears an interest rate equal to the sum of (i) the greater of (x) the Prime Rate as published in the Wall Street Journal, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5,298,000 has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender. The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, (ii)an assignment of lease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents. The Gamma Loan documents contain events of default that are customaryo for loans of this type. The loan proceeds were used to pay-off the existing mortgage on the 180 East 5th Street property, redeemo the Talon OP preferred units, and fund various escrows and reserves related to the property.o

In addition to a personal guarantee by the Company's Chief Executive Officer, a guarantee was secured from First Tracks, LLC (see Note 13).

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction that included a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15,127,000. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15,246,755, which is comprised of the unpaid principle balance of $15,127,000 and the unpaid interest only payment of $119,755. The loan is guaranteed personally by the Company's Chief Executive Officer. The transaction closed and funds were transferred on June 23, 2017. In addition, we entered into an unsecured Promissory Note with MCC Capital, in the principal amount of $165,000 and agreed to pay the principal balance plus 10% on July 10, 2017. Proceeds from the Promissory Notes were used to satisfy the events of default on the 10301 Bren Road property.

Under the terms of the Contribution Agreement with Bren Road L.L.C., the contributor of the property acquired through Talon Bren Road, LLC, and related agreements, the principal and interest payments due on the Talon Bren Road, LLC HVAC and Roof Loans are being set-off against other amounts due from Bren Road L.L.C.

NOTE 6 – CONCENTRATIONS

The Company has three tenants that rent approximately 31% of the Company's total rentable space as of June 30, 2017 with base rent representing 64% and 63% of total base rent revenues for the three and six months ended June 30, 2017, respectively. For the same periods in 2016, the same three tenants rented approximately 31% of the space, with base rent representing 64% and 63%, respectively, of the total base rent revenues. The largest tenant currently rents approximately 12% of the Company's rentable space. The Company had two parties who accounted for 86% and 83% of the total rent and other receivables balance as of June 30, 2017 and December 31, 2016, respectively.

NOTE 7 – RESTRICTED ESCROWS AND RESERVES

According to the terms of the Company's notes payable agreements (Note 5), the Company is required to make monthly and quarterly deposits to various escrow and reserve accounts for the payment of real estate taxes, tenant improvements and leasing commissions. The Company had $12,415,968 and $3,001,232 in restricted escrows and reserve accounts as of June 30, 2017 and December 31, 2016, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On June 7, 2013, Talon RE, entered into a contribution agreement with the remaining interest holder of 5130 LLC pursuant to which it will acquire the remaining 51% interest in 5130 LLC in exchange for 2,820,810 shares of our common stock, subject to receiving consent to the transfer from 5130 LLC's lender.

The Company entered into a property lease agreement relating to rental of office space. This non-cancellable lease has a remaining term of 36 months. The lease is subject to periodic adjustments for operating expenses. The future net minimum rental payments for this lease are as follows:

Years ending December 31,	
2017 (remaining six months)	$ 53,178
2018	84,664
2019	89,187
2020	45,876
	$ 299,244

On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to a former director until the full amount of an $897,695 judgment related to a 2014 promissory note is paid and satisfied.

Legal Proceedings

The Company is sometimes involved in lawsuits and other legal proceedings arising in the normal course of business. Currently the Company is a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties.

NOTE 9 – RESTRICTED STOCK

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to directors under a director compensation plan. The 2013 Equity Incentive Plan dated June 7, 2013 (the "Plan") allows up to 1,500,000 shares to be issued and granted to employees, non-employee directors and consultants. Authorized shares automatically increase on January 1 of each year by three percent of the outstanding shares of common stock as of December 31 of the immediately preceding year. Employee awards granted are subject to various vesting periods from immediate to 60 months. Vesting provisions have included monthly vesting and various forms of cliff vesting.

The Non-Employee Director Compensation Plan allows shares of restricted common stock to be granted to board members and is included under the Plan. Director awards granted have included various vesting periods from immediate to 19 months. Vesting provisions are generally cliff vesting at various dates specified in the awards.

As of June 30, 2017, the Company had granted 1,093,759 shares to employees and 480,000 shares to Directors, net of forfeitures, under the Plan. Of the employee shares granted, 300,000 remain unvested as of June 30, 2017.

NOTE 9 – RESTRICTED STOCK (continued)

The following table sets forth a summary of restricted stock for the three and six months ended June 30, 2017:

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, March 31, 2017	360,000	$ 0.98
Granted	-	-
Vested	(60,000)	1.00
Forfeited or rescinded	-	-
Granted and not vested, June 30, 2017	300,000	$ 0.98

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, December 31, 2016	360,000	$ 0.98
Granted	-	-
Vested	(60,000)	1.00
Forfeited or rescinded	-	-
Granted and not vested, June 30, 2017	300,000	$ 0.98

Total unrecognized compensation expense related to the unvested restricted stock as of June 30, 2017 was $236,834, which is expected to be recognized over a weighted average period of 29 months. The Company recognized $30,500 and $86,240 of stock-based compensation expense for the three and six months ended June 30, 2017, respectively, and $159,285 and $197,570 for the three and six months ended June 30, 2016, respectively, that is included in salary and compensation expense in the consolidated statements of operations. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has limited history to determine forfeiture trends and the Company considers the discount rate to be immaterial.

2013 Equity Incentive Plan Restricted Stock	Number of Restricted Shares
Authorized but not granted or issued, December 31, 2016	1,376,551
Authorized increase in Plan shares	514,079
Granted	-
Forfeited or rescinded	-
Authorized but not granted or issued, June 30, 2017	1,890,630

TALON REAL ESTATE HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and for the three and six months ended June 30, 2017 and 2015 (unaudited)

NOTE 10 – INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and liabilities at June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017	December 31, 2016
Identified intangible assets:		
In-place leases	$ 10,078,055	$ 10,078,055
Above-market leasesd	1,832,939	1,832,939
Accumulated amortizationd	(7,557,930)	(6,445,391)
Net carrying amount	$ 4,333,064	$ 5,465,603

	June 30, 2017	December 31, 2015
Identified intangible liabilities:		
Below-market leases	$ 507,746	$ 507,746
Accumulated amortization	(414,903)	(357,108)
Net carrying amount	$ 92,843	$ 150,638

The effect of amortization of acquired intangible assets and liabilities was a net charge of $537,372 and $1,074,743, respectively, for the three and six months ended June 30, 2017 and $539,336 and $1,083,589 for the three and six months ended June 30, 2016, respectively. Above-market leases, included in intangible assets, are amortized as a reduction of rent revenue and totaled $74,117 and $148,234 for the three and six months ended June 30, 2017, respectively, and $74,117 and $151,284 for the three and six months ended June 30, 2016, respectively. Amortization of below-market leases is recorded as an addition to rent revenue and totaled $28,898 and $57,795 for the three and six months ended June 30, 2017, respectively, and $28,897 and $57,795 for the three and six months ended June 30, 2016, respectively. Amortization of in-place leases, recorded as a component of depreciation and amortization, was $492,152 and $984,304 for the three and six months ended June 30, 2017, respectively, and $494,117 and $990,100 for the three and six months ended June 30, 2016, respectively. In-place leases, and above and below-market leases had a weighted average amortization period of 4.5 years in the year acquired.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

Years ending December 31,	Assets	Liabilities
2017 (remaining 6 months)	$ 1,135,158	$ 57,795
2018	2,247,503	113,849
2019	1,654,921	36,789
2020	1,175,159	
2021	388,020	
	$ 6,600,761	$ 208,433

NOTE 11 – HEDGING ACTIVITIES

The Company may use derivative instruments as part of its interest rate risk management strategy to minimize significant unanticipated earnings fluctuations that may arise from variable interest rates associated with existing borrowings. On July 2, 2014, the Company entered into an interest rate cap contract for the notional amount of $33 million with a strike rate of 2.5% on one month LIBOR as a hedge for a floating rate debt entered into on that date. The interest rate cap expired on July 5, 2016. The interest rate cap was issued at approximate market terms and thus no fair value adjustment was recorded at inception and the rate cap had no value as of June 30, 2016. The Company did not elect hedge accounting treatment for the rate cap and as such, changes in fair value are recorded directly to earnings.

NOTE 12 – MANDATORILY REDEEMABLE PREFERRED OPERATING PARTNERSHIP UNITS

On July 2, 2014, the Company issued 30,000 preferred units, at a price of $100 per unit, totaling $3,000,000. These preferred unit holders are entitled to distributions at a rate of 6% per annum of their liquidation preference amount of $100 per unit which are cumulative from the date of issuance and are payable monthly (to the extent there are sufficient distributable proceeds). On and after July 2, 2020, the Company shall redeem the units, in whole, at the liquidation preference price of $100 per unit, plus accrued and unpaid distributions. The preferred units have been classified as a liability in the consolidated balance sheet as the preferred liquidation preference amount is mandatorily redeemable in specific amounts at specific dates in the future. The liquidation preference amount totaled $3,000,000 December 31, 2016. The preferred units were redeemed on January 27, 2017.

NOTE 13 – RELATED PARTY TRANSACTIONS

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were paid by the Company to First Tracks during 2016 pursuant to this agreement.

First Tracks, LLC also provided a guarantee on the issuance of debt secured by the property owned by Talon Bren Road, LLC. Fees of $55,000 was paid to First Tracks, LLC on January 5, 2017 for this guarantee.

The Gamma Loan (see Note 5) entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company issued First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and paid a fee of $750,000.

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for items that require recognition or disclosure in the Company's financial statements through the date these financial statements were issued. All significant subsequent events have occurring after June 30, 2017 that could have a material effect on these financial statements have been fully-disclosed in the notes to the financial statements as of and for the year ended December 31, 2017 as filed in our Form 10-K dated ____________, 2018.

NOTE 15 – GOING CONCERN

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. In the short-term, we have incurred significant expenses related completing building and tenant improvements at our properties, and pursuing our acquisition strategy creating a cash shortfall through June 30, 2017.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of June 30, 2017, we had unrestricted cash of $114,695 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business. The loan secured by the property at 180 E. Fifth Street may be accelerated by the lender which would require refinancing or sale of the property. We may also be unable to borrow or obtain sufficient funds for repayment on terms acceptable to us or at all, and our ability to obtain future financing may also be impacted negatively.

There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Although we plan to aggressively pursue acquisitions to grow our business there is no assurance that we will be able to acquire additional properties in the future or obtain the necessary financing to acquire such properties.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financings in 2017.

In the future, we may use a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, and other costs. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Overview

We are a real estate investment company focused on investing in office, industrial and retail properties located in the Midwest and South Central regions of the United States. We target properties located in the area bounded by Minnesota and Texas to the north and south, and by Illinois and Colorado to the east and west, although we will consider properties outside this target area if we identify attractive opportunities. We believe these markets are currently underserved in financing and market transaction options for which we can provide advantageous solutions. We believe the size and location of opportunities in this region will be a desirable fit for our real estate portfolio and can be pursued at attractive yields.

Our Current Property Interests

We currently own an interest in four properties located in and around the Minneapolis-St. Paul metropolitan area of Minnesota.

We own a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. We have entered into a contribution agreement to acquire the remaining interest in this entity, subject to receiving consent to the transfer from the entity's lender.

We also own a 227,000 square foot building situated on 20 acres of land in Minnetonka, Minnesota and an 856,223 square foot thirteen-story office tower located in downtown St. Paul, Minnesota. As of June 30, 2017 the combined occupancy for all of the buildings in our portfolio was 67%. In April 2015, the Company executed a lease in the St. Paul building for a significant new tenant that would increase the occupancy of our portfolio by over 14% upon occupancy. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is schedule to commence on January 1, 2018.

The following table sets forth information regarding our 5 largest tenants as of June 30, 2017. [To be updated.]

Property Location (1)	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company'sa Rentable Square Feet	Base Rent for the six months ended June 30, 2017	Percentage of Company's Total Base Rent for the six months ended June 30, 2017
180 E 5th Street, St. Paul, MN	Health Care	Office	4/30/2018	119,490	12%	$ 909,588	25%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$ 775,727	21%
180 E 5th Street, St. Paul, MN	Retail	Office	3/31/2020	102,577	10%	$ 639,488	17%a
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	61,500	6%	$ 108,772	3%
1350 Budd Ave, Maple Plain, MN	Construction	Industrial	2/28/2018	29,903	3%	$ 54,355	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 6% of the Company's total base rent revenues for both the three and six months ended June 30, 2017 and 6% for both the three and six months ended June 30, 2016. The property located in Minnetonka, MN leases approximately 17% of the Company's rentable space and accounts for approximately 19% and 18% of the Company's total base rent revenues for the three and six months ended June 30, 2017, respectively, and 19 and 18% for the three and six months ended June 30, 2016, respectively. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul, MN leases approximately 40% of the Company's rentable space and accounts for approximately 76% of the Company's total base rent revenues for both the three and six months ended June 30, 2017 and 76% for both the three and six months ended June 30, 2016.a

The future square feet expiring for all current leases, including leases entered into subsequent to June 30, 2017:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2017	56,215		24,810	2,910	83,935
2018				25,554	25,554
2019		29,903		134,787	164,690
2020			139,662	708	140,370
2021				223,094	223,094
Thereafter	59,500			147,125(1)	206,625
	115,715	29,903	164,472	534,178	844,268

(1)s On April 1, 2016, the Company received a notice asserting a right to terminate the lease for 141,109 square feet pursuant to certain alleged defaults related to the completion and delivery of the building and tenant improvements under the lease. The lease was amended on January 27, 2017 tos resolve certain disputes between the Company and the tenant and as amended, the lease is scheduled to commence on January 1, 2018s

Management may periodically sell certain properties including core income-producing and value-added properties fors various reasons based on individual circumstances and opportunities. Proceeds from the sale of such properties may be used to repay related property debt, pay transaction expenses, acquire or invest in other properties and for general corporate purposes including satisfying existing liabilities.

Factors That May Influence Our Operating Results

Acquisition Strategy. We plan to grow our business through the acquisition of new properties, initially targeting properties that meet the criteria described above under "—Overview" and elsewhere in this report. We expect the properties we acquire will be subject to mortgage financing and other indebtedness that we will assume or refinance. Debt service on such indebtedness will have a priority over any distributions with respect to our common stock.

Rental Revenue. The amount of net rental revenue generated by our properties depends primarily on our ability to maintain the occupancy rates of currently leased space and to lease space that becomes available. As of June 30, 2017, our properties were 67% leased. We believe that the average rental rates for our properties are generally equal to the current average quoted market rates. Negative trends in one or more of these factors such as a decrease in rental rates or a decrease in demand for our properties could adversely affect our rental revenue in future periods. Future economic downturns affecting the Minneapolis-St. Paul metropolitan area or downturns in our tenants' businesses that impair our ability to renew leases or re-let space or the ability of our tenants to fulfill their lease commitments could adversely affect our revenues. In addition, growth in rental revenue primarily will depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. Our current properties are located in the Minneapolis-St. Paul metropolitan area. Positive or negative changes in economic or other conditions in this area, or areas in our prospective proprieties, including employment and wage rates, natural disasters and other factors, may impact our overall performance. Our ability to grow in our broader market throughout our region may also be impacted by these factors.

Operating Expenses. Our operating expenses primarily consist of property taxes, management fees, utilities, insurance and site maintenance costs. As of June 30, 2017, some of our leases required tenants to reimburse us for a share of our operating expenses. Increases or decreases in any unreimbursed operating expenses, either due to the nature of the expenses not requiring reimbursement from our tenants or due to a reduction in leased square footage requiring tenant reimbursement of a portion of our operating expenses, will impact our overall performance. Legal fees incurred in 2017 and 2016 were significant due to the Company's acquisition and refinancing activities, as well as litigation expenses. We expect to incur on-going legal fees associated with these activities and business matters customary to a public real estate holding company, as well as our ongoing litigation.

Interest Expense. Our interest expense will depend on the amounts we borrow as well as the interest rates charged by our lenders. Our current loan agreements are a mix of both fixed and floating rates, as well as secured and unsecured by our properties. Our aggregate interest expense may increase as we acquire properties and could fluctuate between periods based on the variable rate loan arrangements, if we do not hedge any such interest rate risk.

Critical Accounting Policies and Estimates

Our discussion and analysis of the historical financial condition and results of our operations are based upon our financial statements which have been prepared in accordance with US GAAP.

The preparation of these condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements of our company elsewhere in this report. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies. There have been no significant changes to those policies during the three and six months ended June 30, 2017.

Investment in Real Estate and Fixed Assets

Investment in real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, construction, and tenant improvement allowances. Maintenance and repairs are expensed as incurred, and major improvements are capitalized. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible asset and identifiable intangibles based on their relative fair values. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market economic conditions.

We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Adjustments to preliminary allocations of purchase price are adjusted prospectively when all information necessary to determine the relative fair values has been received.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for building, improvements, and furniture and equipment, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearso
Building	25-30 yearso
Building Improvements	10-20 yearso
Tenant Improvements	1-12 yearso
Furniture and Equipment	3 yearso

Intangible Assets

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets ando liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estateo property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of theo related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. Amortization of other intangibles is recorded in depreciation and amortization expense.o

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Company's interest in the Operating Partnership was approximately 68% and 65% of the common units of the Operating Partnership as of June 30, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of common units based upon the ratio of their holdings to the total units outstanding during the period. Holders of preferred units receive certain distributions based on a percentage of the liquidation preference. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related leases, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rental income earned and amounts due according to the respective lease agreements are credited or charged to deferred rent receivable, as applicable.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. Recoveries are billed monthly using estimated operating costs and an additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Accounting Standards Applicable to Emerging Growth Companies

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. Section 102(b)(1) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Significant Events and Transactions during the three months ended June 30, 2017

Summarized below are the Company's significant transactions and events during the three months ended June 30, 2017.

On April 13, 2017, the Company, together with its subsidiaries Talon OP L.P. and Talon Bren Road, LLC ("TBR"), received written notice from Bell Bank ("Bell") that an event of default has occurred with respect to the Loan Agreement dated as of May 29, 2014 (the "Loan Agreement") by and between Bell in its capacity as lender thereunder, and TBR, as the borrower thereunder (the "Notice"). The Company and Talon OP have guaranteed the payment and performance of TBR under the Loan Agreement pursuant to a Guaranty dated May 29, 2014 made by each guarantor in favor of Bell.

The Notice provides that (a) Bell demands immediate payment in full of the amount due under the Loan Agreement, which as of April 13, 2017 was $10,773,144 and (b) Bell may exercise its rights to seek the appointment of a receiver to take control of TBR's property located at 10301 Bren Road West, Minnetonka, MN and commence a foreclosure action to foreclose its lien on the property.

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction that included a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15,127,000. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15,246,755, which is comprised of the unpaid principle balance of $15,127,000 and the unpaid interest only payment of $119,755. The loan is guaranteed personally by the Company's Chief Executive Officer. The transaction closed and funds were transferred on June 23, 2017. In addition, we entered into an unsecured Promissory Note with MCC Capital, in the principal amount of $165,000 and agreed to pay the principal balance plus 10% on July 10, 2017. Proceeds from the Promissory Notes were used to satisfy the events of default on the 10301 Bren Road property.

An outstanding judgment in the amount of $719,365, plus post judgement interest, issued against the Company in February, 2017, was satisfied on June 23, 2017 as part of the refinancing of Talon Bren Road, LLC's outstanding mortgages noted above.

Market Conditions and Outlook

Our last two acquisitions were accomplished utilizing a 721 Exchange tax deferral methodology similar to that of an "UPREIT" providing several unique advantages over a 1031 exchange or selling to cash buyers. This strategy is advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted 1:1 for Talon common stock under the ticker "TALR" and their capital gains tax obligations are deferred until then.

Our strategy is to continue offering these tax-deferred solutions to real estate owners as part of diversifying our shareholder base creating liquidity and shareholder value. We continue to believe office and industrial properties offer the best return on equity metrics as part of our investment strategy. Retail will also be part of our overall portfolio with an average overall target portfolio contribution of nearly 20% over the long-term.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide return on equity targets of 8-15% per asset or portfolio.

Results of Operations

Our revenues have declined slightly compared to the same periods in the prior year primarily due to small expiring leases with limited new lease activity and certain lease concessions on renewal. Our expenses have increased significantly due the refinancing activity in the first half of the year. Notably, deferred financing fee amortization has been accelerated on the refinanced debt, significant new financing fees have been incurred which are being amortized over the shorter lives of the replacement debt and interest rates on the replacement debt are higher than the refinanced obligations. We also incurred significant legal fees and other exit fees and penalties related to the refinancing activity. We expect our revenues, tenant reimbursements and many expenses will continue to increase on an absolute basis in the future as we seek to acquire additional properties, assume or refinance indebtedness in connection with the acquisitions and build the infrastructure necessary to grow our business. In the near term, we expect to incur higher legal and other professional fees in pursuit of potential acquisitions.

Three months ended June 30, 2017 compared to three months ended June 30, 2016

Revenues and Expenses

Rental revenues decreased $72,629, or 4.0%, to $1,753,882 for the three months ended June 30, 2017, compared to $1,826,511 for the same period of the prior year. The net rental revenue decrease relates to minor tenant losses as well as rate renegotiations on lease renewals with no significant new lease activity.

Tenant reimbursements decreased $111,597, or 12.4%, to $790,161 for the three months ended June 30, 2017 compared to $901,758 for the same period of the prior year. The decrease in tenant reimbursements follows the decline in rental revenue and stable property operating expenses and includes a reduction in reimbursements due to true up of prior period estimated billings to actual as property level operating expenses increased less than anticipated.

Other income decreased $6,853, or 22.1%, to 24,152 for the three months ended June 30, 2017 compared to $31,005 for the same period of the prior year. The decrease primarily relates to less revenue generated from the event center located within our 180 East 5th Street property in St. Paul.

General and administrative expenses decreased $73,636, or 62.9%, to $43,360 for the three months ended June 30, 2017 compared to $116,996 for the same period of the prior year. The decrease is primarily due to due diligence costs for potential deals in the three months ending June 30, 2016 with no comparable amount in same period for 2017.

Salary and compensation expenses decreased $206,574, or 61.8%, to $127,767 for the three months ended June 30, 2017 compared to $334,341 for the same period of the prior year. The decrease in salary and compensation expense is attributable to the higher stock compensation expense in the three months ended June 30, 2016 as compared to the current period.

Professional fees increased $144,139, or 63.4%, to $371,491 for the three months ended June 30, 2017 compared to $227,352 for the same period of the prior year. The increase is due to higher legal fees related to on-going litigation matters in 2017.

Property operating expenses increased $556,144, or 53.6%, to $1,592,959 for the three months ended June 30, 2017 compared to $1,036,815 for the same period of the prior year. The increase is primarily related to one-time charges in the three months ended June 30, 2017 related to the refinancing of the debt secured by the Talon Bren Road, LLC owned property.

Real estate taxes and insurance increased $25,976 or 5.8%, to $470,944 for the three months ended June 30, 2017 compared to $444,968 for the same period of the prior year. The increase primarily relates to real estate taxes and is consistent with our expectations.

Depreciation and amortization expense decreased $32,328, or 2.6%, to $1,191,060 for the three months ended June 30, 2017 compared to $1,223,388 for the same period of the prior year. The decrease is primarily related to certain tenant improvements that become fully amortized in 2016.

Interest expense increased by $2,133,804, or 208.5% to $3,157,057 for the three months ended June 30, 2017 compared to $1,023,253 for the same period of the prior year. The increase is primarily related to the refinancing of the debt secured by the 180 East 5th Street property and to a lesser extent the refinancing of the debt secured by the 10301 Bren Road property in June, 2017. The weighted average interest rate increased to 11.81% as of June 30, 2017 compared to 6.54% as of June 30, 2016 and outstanding debt increased by $24,586,256. In addition, deferred financing cost amortization was accelerated on the refinanced debt and significant new deferred financing costs were incurred which have predominantly a one-year amortization period.

Six months ended June 30, 2017 compared to six months ended June 30, 2016

Revenues and Expenses

Rental revenues decreased $177,471, or 4.8%, to $3,524,952 for the six months ended June 30, 2017, compared to $3,702,423 for the same period of the prior year. The net rental revenue decrease relates to minor tenant losses as well as rate renegotiations on lease renewals with no significant new lease activity.

Tenant reimbursements decreased $147,704, or 8.2%, to $1,651,545 for the six months ended June 30, 2017 compared to $1,799,249 for the same period of the prior year. The decrease in tenant reimbursements follows the decline in rental revenue and stable property operating expenses and includes a reduction in reimbursements due to true up of prior period estimated billings to actual as property level operating expenses increased less than anticipated.

Other income decreased $68,116, or 58.2%, to 48,890 for the six months ended June 30, 1997 compared to $117,006 for the same period of the prior year. The decrease primarily relates to lower recorded amounts related to an income guarantee on one of the properties owned and lower revenue from an event center located in the 180 East 5th Street property in St. Paul.

General and administrative expenses decreased $368,867, or 79.5%, to $95,132 for the six months ended June 30, 2017 compared to $463,999 for the same period of the prior year. The decrease is primarily due to the expensing of due diligence costs for potential deals in the six months ending June 30, 2016 with no comparable amount in same period for 2017.

Salary and compensation expenses decreased $249,249, or 44.6%, to $309,789 for the six months ended June 30, 2017 compared to $559,038 for the same period of the prior year. The decrease in salary and compensation expense is attributable to the higher stock compensation expense in the six months ended June 30, 2016 as compared to the current period.

Professional fees increased $275,434, or 60.8%, to $728,631 for the six months ended June 30, 2017 compared to $453,197 for the same period of the prior year. The increase is due to higher legal fees related to on-going litigation matters in 2017.

Property operating expenses increased $549,753, or 24.7%, to $2,772,146 for the six months ended June 30, 2016 compared to $2,222,393 for the same period of the prior year. The increase is primarily related to one-time charges in the three months ended June 30, 2017 related to the refinancing of the debt secured by the Talon Bren Road, LLC owned property.

Real estate taxes and insurance increased $40,878 or 4.6%, to $931,323 for the six months ended June 30, 2017 compared to $890,445 for the same period of the prior year. The increase primarily relates to real estate taxes and is consistent with our expectations.

Depreciation and amortization expense decreased by $46,491, or 1.9%, to $2,409,302 for the six months ended June 30, 2017 compared to $2,455,793 for the same period of the prior year. The decrease is primarily related to certain tenant improvements that become fully amortized in 2016.

Interest expense increased by $3,449,203 or 153.2% to $5,700,494 for the six months ended June 30, 2017 compared to $2,251,291 for the same period of the prior year. The increase is primarily related to the refinancing of the debt secured by the 180 East 5th Street property in January, 2017 and to a lesser extent the refinancing of the debt secured by the 10301 Bren Road property in June, 2017. The weighted average interest rate increased to 11.81% as of June 30, 2017 compared to 6.54% as of June 30, 2016 and outstanding debt increased by $24,586,256. In addition, deferred financing cost amortization was accelerated on the refinanced debt and significant new deferred financing costs were incurred which have predominantly a one-year amortization period.

Funds from Operations and Non-GAAP Reconciliation

The National Association of Real Estate Investment Trusts, or NAREIT, defines funds from operations, or FFO, as net income (loss) available to common shareholders and operating partnership unit holders computed in accordance with US GAAP, excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties, and after adjustments for unconsolidated partnerships and joint ventures. We intend to calculate FFO in a manner consistent with the NAREIT definition.

Management intends to use FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors, and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures used by REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

We define adjusted funds from operations, or AFFO, as FFO excluding the non-cash effects of straight-line rent and amortization of lease inducements and deferred financing costs, depreciation of non-real estate, and excluding the effects of non-cash compensation charges. US GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method may result in rental income in the early years of a lease that is higher than actual cash received, creating a deferred rent receivable asset or lower income than actual cash received, creating a deferred rent revenue liability included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments may exceed or be lower than the straight-line rent which results in the deferred rent receivable asset or liability, respectively, decreasing to zero over the remainder of the lease term. By excluding the non-cash portion of straight-line rental revenue and amortization of lease inducement and deferred financing costs as well as non-cash compensation expense, investors, analysts and our management can compare AFFO between periods.

Below is the calculation of FFO and AFFO and the reconciliation to net income (loss), which we believe is the most comparable US GAAP financial measure:

Reconciliation of Net Income Attributable to Talon Real Estate Holding Corp. ("TREHC") to Funds From Operations

In thousands (except per share)	Three months ended June 30, 2017			2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
Net loss attributable to TREHC	$ (2,990)	19,761	$ (0.15)	$ (1,054)	16,789	$ (0.06)
Adjustments:						
Non-controlling interest Operating Partnership	(1,392)	9,200		(564)	9,200	
Consolidated depreciation and amortization:	1,191	-		1,223	-	
adjust for non-real estate depreciation	-	-		(2)	-	
adjust for amortization of above and below-market rents	45	-		62	-	
adjust for non-controlling real estate owned depreciation	(26)	-		(28)	-	
Net adjustments	a(182)a	9,200		691	9,200	
Funds from operations applicable to common shares	$ (3,172)	28,961	$ (0.11)	$ (363)	26,079	$ (0.01)

Adjusted funds from operations	Three months ended June 30, 2017			2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$ (3,172)	28,961	$ (0.11)	$ (363)	26,079	$ (0.01)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	1	-		(32)	-	-
Non-real estate depreciation	-	-		2	-	-
Amortization of deferred financing costs net of non-controlling real estate	1,061	-		106	-	-
Non-cash stock compensation charges	31	-		160	-	-
AFFO available to common shares	$ (2,079)	28,961	$ (0.07)	$ (127)	26,079	$ (0.00)

In thousands (except per share)	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
Net loss attributable to TREHC	$ (5,226)	19,353	$ (0.27)	$ (2,357)	16,838	$ (0.14)
Adjustments:						
Non-controlling interest Operating Partnership	(2,478)	9,200		(1,267)	9,200	
Consolidated depreciation and amortization:	2,409	-		2,456	-	
adjust for non-real estate depreciation	-	-		(4)	-	
adjust for amortization of above and below-market rents	90	-		125	-	
adjust for non-controlling real estate owned depreciation	(53)	-		(59)	-	
Net adjustments	(32)	9, 200		1,251	9,200	
Funds from operations applicable to common shares	$ (5,258)	28,553	$ (0.18)	$ (1,106)	26,038	$ (004)

Adjusted funds from operations	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$ (5,258)	28,553	$ (0.18)	$ (1,106)	26,038	$ (0.04)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	(20)	-		(134)	-	
Non-real estate depreciation	-	-		4	-	
Amortization of deferred financing costs net of non-controlling real estate	1,868	-		309	-	
Non-cash stock compensation charges	119	-		198	-	
AFFO available to common shares	$ (3,291)	28,553	$ (0.12)	$ (729)	26,038	$ (0.03)

[1] Non-controlling Units of the Operating Partnership are exchangeable for cash, or at the Company's discretion, for common shares of stock on a one-for-one basis.
[2] Net income is calculated on a per share basis. FFO and AFFO are calculated on a per share and unit basis.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. We have incurred significant expenses related to operating as a public corporation, building and tenant improvements at our properties, and preparation for and execution of our acquisition strategy creating a cash shortfall from operations through June 30, 2017.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have insufficient cash flow from current operations to pursue our strategy without further financing. As of June 30, 2017, we had unrestricted cash of approximately $114,695 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

Our long-term liquidity requirements consist primarily of funds to pay for scheduled debt maturities, non-recurring capital expenditures that need to be made periodically and continued expansion of our business through acquisitions. Although we plan to aggressively pursue acquisitions to grow our business, there is no assurance that we will be able to acquire additional properties in the future.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and are not expected to provide us with adequate liquidity for the foreseeable future, we anticipate that we

will undertake future debt or equity financings or asset sales during 2017. Additional financing or asset sales are necessary for our company to continue as a going concern.

In the future, we anticipate using a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities or cash advances, which may or may not be secured by our assets), asset sales (including sales of accounts receivable), seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Outstanding Indebtedness

5130 LLC, an entity in which our Operating Partnership owns a 49% interest and that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area, is party to a loan agreement secured by such industrial complex. The loan agreement provides for two term loans, the A loan and the B loan. The term loans had a balloon payment due on April 8, 2017 and is past due. The Company expects to refinance this loan but as of the filing of this document has been unable to do so.

Talon Bren Road, LLC, an entity through which our Operating Partnership acquired the property located at 10301 Bren Road West, Minnetonka, MN on May 29, 2014, is party to a loan agreement secured by such property. It is also a party to two loans the proceeds of which were used to fund certain capital improvements at the building. This property also secures the Talon Bren Road, LLC Mortgage 2 (as defined in the table below) entered into on July 2, 2014 in connection with the acquisition of the property located at 180 East 5th Street St. Paul, MN.

Talon First Trust, LLC, an entity through which our Operating Partnership acquired the property located at 180 E. Fifth Street St. Paul, MN on July 2, 2014, is party to a loan agreement secured by such property. The loan has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. If we are unable to satisfy the conditions to extend, we will need to seek alternative financing or possibly sell the property in order to satisfy the obligation.

TREHC has additional indebtedness related to various judgments and obligations arising in the normal course of financing our operations. These notes represent current obligations of the entity and continue to accrue interest while outstanding. We may need to seek alternative financing or sell certain assets in order to generate the necessary funds to satisfy these obligations.

The following table summarizes the Company's notes payable as of June 30, 2017 and December 31, 2016:

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At June 30, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.25%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	July 24, 2017	10.00%	1,330,167	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below [3]	10.00%	59,489	59,489
Talon First Trust, LLC. – Sale of Future Receivable [4]	See below [4]	See below [4]	[4]	99,763	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28,2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan	Unsecured fixed rate	June 1,e2019	8.00%	69,970	84ø472
Talon Bren Road, LLC Roof Loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note[5]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	151,069	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	-	81,800
				$ 76,452,362	$ 53,449,711
Less: unamortized deferred financing costs				(2,442,454)	(496,063)
Notes payable, net				$ 74,009,908	$ 52,953,648

(1)e On January 25, 2017, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. Thee entire principal balance shall be due and payable on the earlier of July 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road. This note replaces the Amended and Restated promissory note dated June 30, 2016 in the amount of $953,908e ($1,008,908 as of December 31, 2016) given by Talon Real Estate Holding Corp. and Talon First Trust, LLC.

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.

(3)e The outstanding principal and applicable accrued interest is due in full upon sale or refinancing of the property at 180 E. Fifth Street in St. Paul.

(4) During 2016 the Company received funds from four different sources. As of June 30, 2017, the total outstanding balance was $99ø763 for the sale of future receivables at the property located at 180 E. Fifth Street. The agreements require payments totaling $644,039 over 120 days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(5) On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The notee had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, thee former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In Aprile 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.e

Off Balance Sheet Arrangements

At June 30, 2017, we did not have any off-balance sheet arrangements.

Inflation

As of June 30, 2017, most of our leases required tenants to reimburse us for a share of our operating expenses. As result, we are able to pass on much of any increases to our property operating expenses that might occur due to inflation by correspondingly increasing our expense reimbursement revenues. During the six months ended June 30, 2017, inflation did not have a material impact on our revenues or net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we expect that interest rate risk will be the primary market risk to which we will be exposed. As of June 30, 2017, all but one of our outstanding loans had a fixed rate. Our interest rate risk may further increase if we increase our debt in the future or refinance our existing debt.

We may become exposed to the effects of interest rate changes as a result of floating rate debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to manage overall borrowing.

Foreign Currency Exchange Risk

Our results of operations and cash flows are not materially affected by fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2016.

The following control deficiencies were identified and were determined to be material weaknesses in our internal control over financial reporting as of June 30, 2017:

1.o Internal Control Environmento
2.o Period end Financial Reporting Processo

The material weaknesses occurred as a result of a significant turnover in the Company's accounting personnel in the latter part of 2016, which, despite having established policies and procedures, the company lacked adequate controls regarding training in in the internal control environment. In addition, we did not maintain a sufficient complement of personnel with the appropriate accounting knowledge, experience and training, commensurate with our financial reporting requirements in order to execute a timely close, which resulted in incomplete disclosures, unreconciled accounts, incomplete accounting for certain events and transactions and inaccurate conclusions. This resulted in misstatements that were corrected by the Company prior to the issuance of the consolidated financial statements, and for which a reasonable possibility existed that a material misstatement in the Company's consolidated financial statements would not be prevented or detected on a timely basis.

Management also identified multiple significant deficiencies in its review. These could also lead to potential misstatements in our financial statements or prevent the Company from timely completing its financial statement preparation.

Management Remediation Plan

Due to the material weaknesses reported as of June 30, 2017, management performed additional analysis and procedures to ensure that our consolidated financial statements and schedules included in this Quarterly Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management will implement changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses. We are undertaking the following remediation plans and actions:

- Develop and deliver Internal Controls ("COSO") training to Executives and finance/accounting resources. The training will include a review of management's and individual roles and responsibilities related to internal controls;e
- hire accounting personnel with the appropriate level of knowledge to properly record transactions in the general ledger and prepare financial statements in accordance with generally accepted accounting principles;e
- augment our existing staff with external consultants with the requisite knowledge and expertise to supplement our accounting staff to ensure that transactions are recorded in accordance with generally accepted accounting principals and that are disclosures are accurate and complete; and
- provide increased board level oversight to ensure established policies and procedures are adhered to.e

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.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the six monthse ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently engaged in legal proceedings that may have a material impact on our financial statements. From time to time, we may be named as a defendant in legal actions or otherwise be subject to claims arising from our normal business activities. Any such actions, even those that lack merit, could result in the expenditure of significant financial and managerial resources.

On January 12, 2015 and May 19, 2015, respectively, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. In 2015, the Company extended the maturity dates of both notes to December 31, 2015. Subsequently, the Company extended the maturity dates of both notes to the earlier of, the disposition or refinancing of the property at 180 E 5th Street in St. Paul or June 30, 2016. On September 24, 2016, the unrelated party filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the notes. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498.

On August 12, 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. Proceeds from this note paid off additional notes entered into on December 30, 2013 and March 7, 2014, respectively, for $100,000 each, with the same party. In 2015, the Company extended the maturity date of the note to December 31, 2015. Subsequently, in 2016 the Company extended the maturity date of the note to the earlier of, the disposition or refinancing of the property at 180 E. Fifth Street in St. Paul or June 30, 2016. On October 18, 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the notes. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under the heading *"Risk Factors"* in our Current Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on ________, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are listed in the Exhibit Index immediately following the signatures to this report.

SIGNATURES

Pursuant to the requirements 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.

Dated: ________, 2018

TALON REAL ESTATE HOLDING CORP.

/s/ Keith Gruebele
Keith Gruebele
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

Exhibit Number	*Description*
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
3.2	Amended and Restated Bylaws (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T (filed herewith).

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registratione statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of e Section 18 of the Securities Exchange Act of 1934, as amended, and are otherwise not subject to liability under those sections.e

Exhibit 4

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended: September 30, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACTe OF I934e**

For the Transition Period from _____ to _____

Commission file number 000-53917

TALON REAL ESTATE HOLDING CORP.

(Exact Name of Registrant as Specified in its Charter)

Utah	**26-1771717**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard, Suite 1070, Minneapolis, MN 55416
(Address of Principal Executive Offices, Including Zip Code)

(612) 604-4600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☒

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

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding at August __, 2018was 19,880,981 shares.

TALON REAL ESTATE HOLDING CORP.
QUARTERLY REPORT ON FORM 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

In this Quarterly Report on Form 10-Q, references to "Company," "we," "us," "our" and words of similar import refer to Talon Real Estate Holding Corp. and its subsidiaries, unless the context requires otherwise.

This Quarterly Report on Form 10-Q contains forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described under the heading *"Risk Factors"* included in our Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on August __, 2018. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Commission that advise interested parties of the risks and factors that may affect our business.

PART I. – FINANCIAL INFORMATION

Item 1. Financial Statements

TALON REAL ESTATE HOLDING CORP.
Minneapolis, Minnesota

FINANCIAL STATEMENTS

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TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2017 and December 31, 2016

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Land and improvements	$ 8,302,447	$ 8,302,447
Building and improvements	51,882,551	51,192,059
Equipment, furniture and fixtures	32,193	30,571
Total property and equipment	60,217,191	59,525,077
Less: accumulated depreciation	(10,406,893)	(8,506,290)
Net property and equipment	49,810,298	51,018,787
Cash	44,500	108,418
Rents and other receivables, net	645,919	428,176
Prepaid expenses and other assets	166,279	104,855
Restricted escrows and reserves	7,474,945	3,001,232
Deferred leasing costs, net	2,105,310	2,003,221
Intangible assets, net	2,132,664	5,465,603
TOTAL ASSETS	$ 62,379,915e	$ 62,130,292
LIABILITIES		
Notes payable	$ 75,986,089	$ 53,449,711
Less: unamortized deferred financing costs	(1,517,446)	(496,063)e
Notes payable, net	74,468,643	52,953,648
Accounts payable	3,058,132	6,167,516
Tenant improvement allowance	3,084,653	5,639,752
Accrued expenses and other liabilities	1,669,513	1,329,742
Tenant security deposits	163,146	167,242
Deferred rent revenue	115,045	121,710
Prepaid rent	279,208	175,758
Accrued interest	791,229	1,029,911
Below-market leases, net	64,381	150,638
Mandatorily redeemable Operating Partnership preferred units	-	3,000,000
Total Liabilities	83,693,950	70,735,917
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares outstanding at $.001 par value; authorized 10,000,000 shares; none issued or outstanding as of both September 30, 2017 and December 31, 2016	$ -	$ -
Common shares outstanding at $.001 par value; authorized 90,000,000 shares; 19,780,981 and 17,265,981 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	19,780	17,265
Additional paid in capital	2,405,256	2,261,281
Accumulated loss	(23,233,375)	(14,525,598)
Total Talon Real Estate Holding Corp. shareholders' equity (deficit)	(20,808,339)	(12,247,052)e
Non-controlling interests – Operating Partnership; 9,200,001 common units issued and outstanding as of September 30, 2017 and December 31, 2016	1,156,544	5,253,704
Non-controlling interests – consolidated real estate entities	(1,662,240)	(1,612,277)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(21,314,035)	(8,605,625)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	$ 62,379,915	$ 62,130,292

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and nine months ended September 30, 2017 and 2016
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUE				
Rent	$ 990,526	$ 1,807,865	$ 4,515,478	$ 5,510,286
Tenant reimbursement	975,167	897,805	2,626,712	2,697,053
Other income	26,868	94,203	75,758	211,210
Total Revenue	1,992,561	2,799,873	7,217,948	8,418,549
EXPENSES				
General & administrative	71,837	447,089	166,969	911,088
Salary and compensation	156,711	288,191	466,500	847,229
Professional	293,641	245,762	1,022,272	698,960
Property operating expenses	964,339	1,130,767	3,736,485	3,353,160
Real estate taxes & insurance	466,271	443,111	1,397,594	1,333,554
Depreciation and amortization	2,308,960	1,220,070	4,718,262	3,675,862
Total Expenses	4,261,759	3,774,990	11,508,082	10,819,853
Operating Loss	(2,269,198)	(975,117)	(4,290,134)	(2,401,304)
Interest expense	2,864,272	1,237,722	8,564,766	3,489,012
NET LOSS	(5,133,470)	(2,212,839)	(12,854,900)	(5,890,316)
Net loss attributable to non-controlling interest - Operating Partnership	1,619,144	759,446	4,097,160	2,026,208
Net loss attributable to non-controlling interests - consolidated real estate entities	32,196	12,670	49,963	66,182
NET LOSS ATTRIBUTABLE TO TALON REAL ESTATE HOLDING CORP.	$ (3,482,130)	$ (1,440,723)	$ (8,707,777)	$ (3,797,926)
Loss per common share basic and diluted	$ (0.18)	$ (0.08)	$ (0.45)	$ (0.22)

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2017 and 2016
(unaudited)

	Nine months ended September 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,854,900)	$ (5,890,316)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	5,366,374	3,850,285
Amortization of deferred financing costs	2,794,374	433,475
Stock-based compensation expense	110,740	342,718
Provision for doubtful accounts	-	36,485
Deferred financing costs	25,750	168,253
Settlement costs added to notes payable	152,400	-
Changes in operating assets and liabilities:		
Rents and other receivables	(217,743)	(48,830)
Prepaid expenses and other assets	(61,424)	(71,512)
Deferred leasing costs	(321,178)	-
Accounts payable	(2,840,812)	1,578,988
Accrued expenses and other liabilities	339,771	584,655
Tenant security deposits	(4,096)	(8,809)
Deferred rent revenue	(6,665)	(159,282)
Prepaid rent	103,450	(157,880)
Accrued interest	610,904	459,449
Net cash flows from operating activities	(6,803,055)	1,117,679
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of building or land improvements	(3,245,591)	-
Purchase of equipment, furniture and fixtures	(1,622)	-
Deposits to restricted escrows and reserves	(12,744,697)	(2,143,733)
Payments from restricted escrows and reserves	8,270,984	1,106,921
Net cash flows from investing activities	(7,720,926)	(1,036,812)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	68,819,150	305,993
Principal payments on notes payable	(48,543,330)	(442,006)
Deposits or cash paid for financing costs	(3,815,757)	(100,907)
Principal payments on Operating Partnership preferred units	(3,000,000)	
Net cash flows from financing activities	14,460,063	(236,920)
Net Change in Cash	(63,918)	(156,053)
CASH - BEGINNING OF PERIOD	108,418	340,385
CASH - END OF PERIOD	$ 44,500	$ 184,332
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchases of building and land improvements included in accounts payable	$ -	$ 27,534
Leasing and financing fees included in accounts payable and other liabilities	-	9,938
Issuance of common stock included in financing costs	25,750	-
Issuance of common stock in satisfaction of accounts payable	10,000	-
Accrued interest converted to notes payable	849,586	-
Accounts payable converted to notes payable	258,572	1,241,388
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest on mortgages and Operating Partnership preferred units	$ 6,009,074	$ 2,728,928

See accompanying notes to condensed consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 (unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Talon Real Estate Holding Corp. ("TREHC") previously established an Operating Partnership ("Talon OP") and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. As the sole general partner of Talon OP we have the exclusive power to manage and conduct the business and affairs for the operating partnership. TREHC owned approximately 68% and 65% of the Operating Partnership as of September 30, 2017 and December 31, 2016, respectively. The Operating Partnership owned 49% of 5130 Industrial Street, LLC ("5130 LLC"), 100% of Talon Bren Road, LLC, 100% of Talon First Trust, LLC, and 100% of Talon Real Estate, LLC ("Talon RE") as of September 30, 2017 and December 31, 2016. Talon Bren Road, LLC, and Talon First Trust, LLC both limited liability companies organized under the laws of the state of Delaware, were formed on May 9, 2014 and April 21, 2014, respectively, to purchase real estate. Talon RE was incorporated in the state of Minnesota on December 20, 2012 and began operations in 2013 for the purpose of acquiring real estate properties.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly our consolidated financial position as of September 30, 2017 and our condensed consolidated statements of operations for the three and nine months ended September 30, 2017 and 2016, and our condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016, as applicable. These adjustments are of a normal recurring nature.

The accompanying condensed consolidated financial statements include the accounts of TREHC and its interest in the Operating Partnership. The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests ("Units") for TREHC common shares of stock on a one-for-one basis, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016, which have previously been filed with the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated balance sheet as of September 30, 2017 and condensed consolidated statements of operations and condensed consolidated statements of cash flows for the three and nine months ended September 30, 2017 and 2016, as applicable, have not been audited by our independent registered public accounting firm.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES

The Company owns, through its subsidiary Talon First Trust, LLC, real estate property located at 180 East 5th Street, St. Paul, MN. The building has 659,577 net rentable square feet and is primarily leased to tenants for commercial and government use. As of September 30, 2017, the Company had tenants occupying approximately 54% of the rentable space. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is schedule to commence on January 1, 2018. On March 7, 2017 one tenant that occupies approximately 16% of the net rentable square feet filed for Chapter 11 bankruptcy protection from its creditors.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES (continued)

The Company owns, through its subsidiary Talon Bren Road, LLC, real estate property located on 20 acres of land at 10301 Bren Road West, Minnetonka, MN. This property has 164,472 net rentable square feet and is primarily leased to tenants who are wholesale product sales representatives. These leases are subject to a master lease agreement entered into between Talon Bren Road, LLC and Upper Midwest Allied Gifts Association, Inc. ("UMAGA"), a Minnesota nonprofit corporation. As of September 30, 2017, the Company had 100% of the rentable space leased.

The Company owns and operates the following real estate properties through its subsidiary, 5130 LLC:

5130 Industrial Street, Maple Plain, MN
1350 Budd Ave, Maple Plain, MN

The properties have combined 171,639 net rentable square feet and are primarily leased to tenants for mixed commercial and industrial usage. As of September 30, 2017, the Company had tenants occupying approximately 95% of the rentable space.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include determination of the useful life of property and other long-lived assets, valuation and impairment analysis of property and other long-lived assets, and valuation of the allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying condensed consolidated financial statements include the accounts of TREHC and Talon OP, our Operating Partnership, and all subsidiaries in which it maintains a controlling interest. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Real Estate Property and Fixed Assets

Investment in real estate and fixed assets with a useful life of longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction and tenant allowances and improvements. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Management's fair value assessment includes the use of readily accepted fair value techniques such as discounted cash flow analysis and comparable sales analysis including management's reliance on independent market analysis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate Property and Fixed Assets (continued)

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and land improvements, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 years
Buildings	25-30 years
Building Improvements	10-20 years
Tenant Improvements	1-12 years
Furniture and Equipment	3 years

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Cash

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents. The Company believes it is not exposed to any significant credit risk on cash.

Rents and other Receivables

Rents receivable and deferred rent are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with our credit terms. Accounts considered uncollectible are written off. Receivables have been reduced by an allowance for doubtful accounts of $129,330 as of both September 30, 2017 and December 31, 2016.

Derivative Instruments

The Company records all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. If the Company does not apply hedge accounting, all changes in the fair value of derivatives are recognized directly in earnings in the period of change. Currently, the Company has not elected hedge accounting treatment and all changes in fair value of the Company's derivatives are recognized in current period earnings.

Restricted Escrows and Reserves

The Company is required to hold cash in restricted escrow accounts for insurance, real estate taxes and a replacement reserve. The escrows are used to pay periodic charges of real estate taxes and assessments, tenant improvements, and leasing commissions. The balances in the escrow accounts were $7,747,945 and $3,001,232 as of September 30, 2017 and December 31, 2016, respectively.

Deferred Leasing Costs and Incentives

Direct and indirect costs, including estimated internal costs and leasing commissions, associated with the leasing ofreal estate investments owned by the Company are capitalized as deferred leasing costs and amortized on a straight-line basis over the term of the related lease as amortization expense. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Leasing Costs and Incentives (continued)

The Company had amortization expense for deferred leasing costs of $65,821 and $207,174 for the three and nine months ended September 30, 2017, respectively, and $73,320 and $220,302 for the three and nine months ended September 30, 2016, respectively. The Company had accumulated amortization for deferred leasing costs of $984,532 and $777,358 as of September 30, 2017 and December 31, 2016, respectively.

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, for accounting purposes, the tenant allowance is considered to be a lease incentive and is capitalized as a deferred leasing incentive and is amortized over the lease term as a reduction of rental revenue on a straight-line basis.

The Company had amortization expense for deferred leasing incentives of $3,971 and $11,914 for the three and nine months ended September 30, 2017, respectively, and $5,371 and $35,714 for the three and nine months ended September 30, 2016, respectively. The Company had accumulated amortization for deferred leasing incentives of $70,921 and $59,007 as of September 30, 2017 and December 31, 2016, respectively.

Intangible Assets and Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company records intangible assets and liabilities acquired at their estimated fair value apart from goodwill for acquisitions of real estate. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. The Company amortized $574,757 and $636,196 as a net reduction in rent revenue for above and below-market leases for the three and nine months ended September 30, 2017, respectively, and $45,220 and $138,709 for the three and nine months ended September 30, 2016, respectively. Amortization of other intangibles is recorded in depreciation and amortization expense. (See Note 10.)

Deferred Financing Costs

Costs incurred in connection with obtaining financing are netted against notes payable and are being amortized on a straight-line basis over the financing term and are included in interest expense. The Company had amortization expense of $925,008 and $2,794,374 for the three and nine months ended September 30, 2017, respectively, and $121,094 and $433,475 for the three and nine months ended September 30, 2016, respectively. The Company had accumulated amortization of $3,932,587 and $2,126,444 as of September 30, 2017 and December 31, 2016, respectively.

Tenant Improvement Allowance

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, the Company determines whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If the Company is considered the owner of the leasehold improvements for accounting purposes, the Company capitalizes the amount of the tenant allowance as building improvements and depreciates it over the shorter of the useful life of the leasehold improvements or the related lease term. For tenant allowances committed at lease inception and recorded as building improvements but not yet performed or completed, the corresponding liability will be recorded as tenant improvement allowance payables.o

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tenant Improvement Allowance (continued)

As of September 30, 2016, the Company had tenant allowances recorded as building improvements of $11,532,029 that did not have amortization expense in the three and nine months ended September 30, 2017 due to lease terms that have not commenced as of that date.

Impairment of Long-Lived Assets

Long-lived assets, such as real estate property, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. As of September 30, 2017, a significant tenant of the 801 East 5th Street St. Paul property terminated its lease as part of its bankruptcy proceedings. This resulted in reduction of revenue from the acceleration of the amortization of the above market rent intangible of $500,102. In addition, amortization and depreciation expense increased by $1,134,029 for the three months ended September 30, 2017 due to the acceleration of amortization for the in place lease intangible asset. No impairment charges were recognized in the comparable periods of 2016.

Stock-based Compensation

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to Directors under a director compensation plan. Granted shares are considered issued and outstanding as of the date of vesting of the granted shares. Stock-based compensation is expensed on a straight-line basis over the vesting period and is valued at the fair value on the date of the grant. The Company has recognized $24,500 and $110,740 of compensation expense for the three and nine months ended September 30, 2017, respectively, and $145,150 and $342,720 of compensation expense for the three and nine months ended September 30, 2016, respectively.

The Company may also issue common stock in exchange for goods or services of non-employees. These shares are either fully vested at date of grant or vest over a certain period during which services are provided. The Company expenses the fair market value of the services over the period in which they are received.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was approximately 68% and 65% of the common units of the Operating Partnership as of September 30, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related lease agreement, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rent income earned and base rent amounts due per the respective lease agreements are credited or charged to deferred rent revenue or deferred rent receivable as applicable. When the Company enters into lease modifications or extensions with current tenants, the deferred rent at the time of the extension is amortized over the remaining term of the lease, and the revised terms are considered a new lease.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are billed monthly based on current year estimated operating costs for applicable expenses. An additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry forwards are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company has examined the tax positions taken in its tax returns and determined that there are no uncertain tax positions. As a result, the Company has recorded no uncertain tax liabilities in its consolidated balance sheet.

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2013. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as general and administrative expense and any related interest as interest expense in the Company's consolidated statements of operations.

Net Income (Loss) or Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

Given that the Company has incurred operating losses for all periods presented, diluted earnings per share is not presented. The weighted average outstanding shares used in the basic earnings per share computation is 19,780,981 and 19,495,888 for the three and nine months ended September 30, 2017, respectively and 17,251,136 and 16,980,771 for the three and nine months ended September 30, 2016, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The reclassifications had no impact on net loss or shareholders' equity.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new standard will eliminate all industry-specific guidance and replace all current U.S. GAAP guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the new accounting guidance. This guidance will be effective for the Company beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

During February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is not expected to significantly impact the accounting for leases by lessors. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU 2016-08 – "Revenue from Contracts with Customers: Principal versus Agent Considerations." The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for ASU 2016-08 is the same as the effective date for ASU 2014-09 and ASU 2015-14. The Company is currently evaluating the impact that ASU 2016-08 will have on its statement of financial position or financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which will reduce complexity in accounting standards related to share-based payment transactions, including, among others, (1) accounting for income taxes, (2) classification of excess tax benefits on the statement of cash flow, (3) forfeitures, and (4) statutory tax withholding requirements. The ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU 2016-09 effective January 1, 2017. There was no impact of adoption on the results of operations, financial position or cash flows as a result of adoption.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in theo statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annualo periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Theo Company is currently assessing the impact of this new standard on its financial statements.o

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In January 2017, the FASB issued ASU 2017-01 – "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The effective date for ASU 2017-01 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company currently anticipates that it will adopt the new guidance effective January 1, 2018 and that the guidance will result in acquisitions of operating properties being accounted for as asset acquisitions instead of business combinations. The adoption of this guidance will change the Company's accounting for the transaction costs for acquisitions of operating properties such that transaction costs will be capitalized as part of the purchase price of the acquisition instead of being expensed as acquisition-related expenses. The ASU is required to be applied prospectively.

NOTE 4 – TENANT LEASES

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to twelve years. Some of the leases have renewal options for additional terms. The leases expire at various dates from October 2016 to December 2027. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company has the following future minimum base rentals on non-cancellable leases, including leases entered into subsequent to September 30, 2017:

2017	$ 2,092,210
2018	8,027,637
2019	7,868,415
2020	6,997,191
2021	2,899,522
Thereafter	12,008,648
	$ 39,893,623

Included in the above table are base lease payments due beginning January 1, 2018 totaling $15,627,822 for a significant tenant that has not occupied space yet but for which we have an executed lease agreement.

TALON REAL ESTATE HOLDING CORP.

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NOTE 5 – NOTES PAYABLE

The following tables summarize the Company's notes payable.

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At September 30, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.25%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	October 24, 2017	10.00%	1,095,764	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below	10.00%	-	59,489
Talon First Trust, LLC. – Sale of Future Receivable[4]	See below[3]	See below[3]	[3]	-	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28, 2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan	Unsecured fixed rate	June 1, 2019	8.00%	62,500	84,472
Talon Bren Road, LLC Roof Loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note – Related Party[4]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	85,921	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	-	81,800
				$ 75,986,089	$ 53,449,711
Less: unamortized deferred financing costs				(1,517,447)	(496,063)
Notes payable, net				$ 74,468,642	$ 52,953,648

(1) On July 24, 2017, the $1,330,167 promissory note was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from 14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.

(3) During 2016 the Company received funds from four different sources. As of September 31, 2017, the total outstanding balance was $0 for the sale of future receivables at the property located at 180 East 5th Street. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(4) On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

The Company is required to make the following principal payments on our outstanding notes payable for each of the five succeeding fiscal years and thereafter as follows:

	Amount
2017	$ 34,800,951
2018	7,231,444
2019	322,112
2020	10,537,252
	$ 52,891,759

NOTE 5 – NOTES PAYABLE (continued)

The Company is required to periodically fund and maintain escrow accounts to make future real estate tax and insurance payments, as well as to fund certain capital expenditures.

On January 27, 2017, Talon First Trust, LLC entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51,600,000. The loan bears an interest rate equal to the sum of (i) the greater of (x) the Prime Rate as published in the Wall Street Journal, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5,298,000 has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender. The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, (ii) an assignment of lease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents. The Gamma Loan documents contain events of default that are customary for loans of this type. The loan proceeds were used to pay-off the existing mortgage on the 180 East 5th Street property, redeem the Talon OP preferred units, and fund various escrows and reserves related to the property.

In addition to a personal guarantee by the Company's Chief Executive Officer, a guarantee was secured from First Tracks, LLC (see Note 13).

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction that included a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15,127,000. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15,246,755, which is comprised of the unpaid principle balance of $15,127,000 and the unpaid interest only payment of $119,755. The loan is guaranteed personally by the Company's Chief Executive Officer. The transaction closed and funds were transferred on June 23, 2017. In addition, we entered into an unsecured Promissory Note with MCC Capital, in the principal amount of $165,000 and agreed to pay the principal balance plus 10% on July 10, 2017. Proceeds from the Promissory Notes were used to satisfy the events of default on the 10301 Bren Road property.

Under the terms of the Contribution Agreement with Bren Road L.L.C., the contributor of the property acquired through Talon Bren Road, LLC, and related agreements, the principal and interest payments due on the Talon Bren Road, LLC HVAC and Roof Loans are being set-off against other amounts due from Bren Road L.L.C.

NOTE 6 – CONCENTRATIONS

The Company has three tenants that rent approximately 31% of the Company's total rentable space as of September 30, 2017 with base rent representing 64% and 63% of total base rent revenues for the three and nine months ended September 30, 2017, respectively. For the same periods in 2016, the same three tenants rented approximately 31% of the space, with base rent representing 64% and 63%, respectively, of the total base rent revenues. The largest tenant currently rents approximately 12% of the Company's rentable space. The Company had two parties who accounted for 86% and 83% of the total rent and other receivables balance as of September 30, 2017 and December 31, 2016, respectively.

NOTE 7 – RESTRICTED ESCROWS AND RESERVES

According to the terms of the Company's notes payable agreements (Note 5), the Company is required to make monthly and quarterly deposits to various escrow and reserve accounts for the payment of real estate taxes, tenant improvements and leasing commissions. The Company had $7,474,945 and $3,001,232 in restricted escrows and reserve accounts as of September 30, 2017 and December 31, 2016, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On June 7, 2013, Talon RE, entered into a contribution agreement with the remaining interest holder of 5130 LLC pursuant to which it will acquire the remaining 51% interest in 5130 LLC in exchange for 2,820,810 shares of our common stock, subject to receiving consent to the transfer from 5130 LLC's lender.

The Company entered into a property lease agreement relating to rental of office space. This non-cancellable lease has a remaining term of 33 months. The lease is subject to periodic adjustments for operating expenses. The future net minimum rental payments for this lease are as follows:

Years ending December 31,	
2017 (remaining three months)	$ 53,178
2018	84,664
2019	89,187
2020	45,876
	$ 286,075

On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to a former director until the full amount of an $897,695 judgment related to a 2014 promissory note is paid and satisfied.

Legal Proceedings

The Company is sometimes involved in lawsuits and other legal proceedings arising in the normal course of business. Currently the Company is a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties.

NOTE 9 – RESTRICTED STOCK

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to directors under a director compensation plan. The 2013 Equity Incentive Plan dated June 7, 2013 (the "Plan") allows up to 1,500,000 shares to be issued and granted to employees, non-employee directors and consultants. Authorized shares automatically increase on January 1 of each year by three percent of the outstanding shares of common stock as of December 31 of the immediately preceding year. Employee awards granted are subject to various vesting periods from immediate to 60 months. Vesting provisions have included monthly vesting and various forms of cliff vesting.

The Non-Employee Director Compensation Plan allows shares of restricted common stock to be granted to board members and is included under the Plan. Director awards granted have included various vesting periods from immediate to 19 months. Vesting provisions are generally cliff vesting at various dates specified in the awards.

As of September 30, 2017, the Company had granted 1,093,759 shares to employees and 480,000 shares to Directors, net of forfeitures, under the Plan. Of the employee shares granted, 300,000 remain unvested as of September 30, 2017.

NOTE 9 – RESTRICTED STOCK (continued)

The following table sets forth a summary of restricted stock for the three and nine months ended September 30, 2017:

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, June 30, 2017	300,000	$ 0.98
Granted	-	-
Vested	-	-
Forfeited or rescinded	-	-
Granted and not vested, September 30, 2016	300,000	$ 0.98

Total Restricted Stock	Number of Restricted Shares	Weighted-average Grant Date Fair Value
Granted and not vested, December 31, 2016	360,000	$ 0.98
Granted	-	-
Vested	(60,000)	1.00
Forfeited or rescinded	-	-
Granted and not vested, September 30, 2017	300,000	$ 0.98

Total unrecognized compensation expense related to the outstanding restricted stock as of September 30, 2017 was $212,334, which is expected to be recognized over a weighted average period of 26 months. The Company recognized $24,500 and $110,740 of stock-based compensation expense for the three and nine months ended September 30, 2017, respectively, and $145,150 and $342,720 for the three and nine months ended September 30, 2016, respectively, that is included in salary and compensation expense in the consolidated statements of operations. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has limited history to determine forfeiture trends and the Company considers the discount rate to be immaterial.

2013 Equity Incentive Plan Restricted Stock	Number of Restricted Shares
Authorized but not granted or issued, December 31, 2016	1,376,551
Authorized increase in Plan shares	514,079
Granted	-
Forfeited or rescinded	-
Authorized but not granted or issued, September 30, 2017	1,890,630

TALON REAL ESTATE HOLDING CORP.

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NOTE 10 – INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and liabilities at September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017	December 31, 2016
Identified intangible assets:r0		
In-place leases	$ 10,078,055	$ 10,078,055
Above-market leases	1,832,939	1,832,939
Accumulated amortization	(9,778,330)	(6,445,391)
Net carrying amount	$ 2,132,664	$ 5,465,603

	September 30, 2017	December 31, 2016
Identified intangible liabilities:		
Below-market leases	$ 507,746	$ 507,746
Accumulated amortization	(443,365)	(357,108)
Net carrying amount	$ 64,381	$ 150,638

The effect of amortization of acquired intangible assets and liabilities was a net charge of $2,171,938 and $3,246,681, respectively, for the three and nine months ended September 30, 2017 and $539,336 and $1,622,925 for the three and nine months ended September 30, 2016, respectively. Above-market leases, included in intangible assets, are amortized as a reduction of rent revenue and totaled $574,219 and $722,453 for the three and nine months ended September 30, 2017, respectively, and $74,118 and $225,402 for the three and nine months ended September 30, 2016, respectively. Below-market leases are amortized as an addition to rent revenue and totaled $28,462 and $86,257 for the three and nine months ended September 30, 2017, respectively, and $28,898 and $86,693 for the three and nine months ended September 30, 2016, respectively. Amortization of in-place leases, recorded as a component of depreciation and amortization, was $1,626,181 and $2,610,485 for the three and nine months ended September 30, 2017, respectively, and $494,117 and $1,484,217 for the three and nine months ended September 30, 2016, respectively. In-place leases, and above and below-market leases had a weighted average amortization period of 4.5 years in the year acquired.

Above-market and in-place lease intangible amortization was significantly impacted by the departure of a major tenant from the 801 East 5th Street property in St. Paul. The tenant filed for Chapter 11 bankruptcy in March 2017 and ultimately renounced its lease effective September 30, 2017. Above-market lease intangible amortization increased by $500,102 and in-place lease intangible amortization increased by $1,134,029 reflecting the write-off of unamortized intangible assets related to this tenant. These two amounts are reflected as a reduction to rent revenue and increase to depreciation and amortization, respectively, in the condensed consolidated statement of operations for the three and six month periods ending September 30, 2017.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

Years ending December 31,	Assets	Liabilities
2017 (remaining 3 months)	$ 566,924	$ 28,898
2018	2,247,503	113,849
2019	1,654,921	36,789
2020	1,175,159	
2021	388,020	
	$ 3,771,188	$ 64,381

NOTE 11 – HEDGING ACTIVITIES

The Company may use derivative instruments as part of its interest rate risk management strategy to minimize significant unanticipated earnings fluctuations that may arise from variable interest rates associated with existing borrowings. On July 2, 2014, the Company entered into an interest rate cap contract for the notional amount of $33,000,000 with a strike rate of 2.5% on one month LIBOR as a hedge for a floating rate debt entered into on that date. The interest rate cap expired on July 5, 2016. The interest rate cap was issued at approximate market terms and thus no fair value adjustment was recorded at inception. The Company did not elect hedge accounting treatment for the rate cap and as such, changes in fair value are recorded directly to earnings.

NOTE 12 – MANDATORILY REDEEMABLE PREFERRED OPERATING PARTNERSHIP UNITS

On July 2, 2014, the Company issued 30,000 preferred units, at a price of $100 per unit, totaling $3,000,000. These preferred unit holders are entitled to distributions at a rate of 6% per annum of their liquidation preference amount of $100 per unit which are cumulative from the date of issuance and are payable monthly (to the extent there are sufficient distributable proceeds). On and after July 2, 2020, the Company shall redeem the units, in whole, at the liquidation preference price of $100 per unit, plus accrued and unpaid distributions. The preferred units have been classified as a liability in the consolidated balance sheet as the preferred liquidation preference amount is mandatorily redeemable in specific amounts at specific dates in the future. The liquidation preference amount totaled $3,000,000 as of December 31, 2016. The preferred units were redeemed on January 27, 2017.

NOTE 13 – RELATED PARTY TRANSACTIONS

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were paid by the Company to First Tracks during 2016 pursuant to this agreement.

First Tracks, LLC also provided a guarantee on the issuance of debt secured by the property owned by Talon Bren Road, LLC. Fees of $55,000 was paid to First Tracks, LLC on January 5, 2017 for this guarantee.

The Gamma Loan (see Note 5) entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company issued First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and paid a fee of $750,000.

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for items that require recognition or disclosure in the Company's financial statements through the date these financial statements were issued. All significant subsequent events have occurring after June 30, 2017 that could have a material effect on these financial statements have been fully-disclosed in the notes to the financial statements as of and for the year ended December 31, 2017 as filed in our Form 10-K dated __________, 2018.

NOTE 15 – GOING CONCERN

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. In the short-term, we have incurred significant expenses related to completing building and tenant improvements at our properties, and pursuing our acquisition strategy creating a cash shortfall through September 30, 2017.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

NOTE 15 – GOING CONCERN (continued)

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of September 30, 2017, we had unrestricted cash of $44,500 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business. The loan secured by the property at 180 E. Fifth Street may be accelerated by the lender which would require refinancing or sale of the property. We may also be unable to borrow or obtain sufficient funds for repayment on terms acceptable to us or at all, and our ability to obtain future financing may also be impacted negatively.

There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Although we plan to aggressively pursue acquisitions to grow our business there is no assurance that we will be able to acquire additional properties in the future or obtain the necessary financing to acquire such properties.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financings or if necessary, sell certain of our property holdings in 2017 or 2018.

In the future, we may use a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, and other costs. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Overview

We are a real estate investment company focused on investing in office, industrial and retail properties located in the Midwest and South Central regions of the United States. We target properties located in the area bounded by Minnesota and Texas to the north and south, and by Illinois and Colorado to the east and west, although we will consider properties outside this target area if we identify attractive opportunities. We believe these markets are currently underserved in financing and market transaction options for which we can provide advantageous solutions. We believe the size and location of opportunities in this region will be a desirable fit for our real estate portfolio and can be pursued at attractive yields.

Our Current Property Interests

We currently own an interest in four properties located in and around the Minneapolis-St. Paul metropolitan area of Minnesota.

We own a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. We have entered into a contribution agreement to acquire the remaining interest in this entity, subject to receiving consent to the transfer from the entity's lender.

We also own a 227,000 square foot building situated on 20 acres of land in Minnetonka, Minnesota and an 856,223 square foot thirteen-story office tower located in downtown St. Paul, Minnesota. As of September 30, 2017 the combined occupancy for all of the buildings in our portfolio was 69%. In April 2015, the Company executed a lease in the St. Paul building for a significant new tenant that would increase the occupancy of our portfolio by over 14% upon occupancy. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is schedule to commence on January 1, 2018.

The following table sets forth information regarding our 5 largest tenants as of September 30, 2017. [To be updated.]

Property Location [1]	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company's Rentable Square Feet	Base Rent for the nine months ended Sept. 30, 2017	Percentage of Company's Total Base Rent for the nine months ended Sept. 30, 2017
180 E 5th Street, St. Paul, MN	Health Care	Office	4/30/2018	119,490	12%	$ 1,364,382	23%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$ 1,162,903	19%
180 E 5th Street, St. Paul, MN	Retail	Office	3/31/2020	102,577	10%	$ 959,232	16%
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	61,500	6%	$ 164,854	3%
1350 Budd Ave, Maple Plain, MN	Construction	Industrial	2/28/2018	29,903	3%	$ 81,533	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 6% of the Company's total base rent revenues for both the three and nine months ended September 30, 2017 and 6% for both the three and nine months ended September 30, 2016. The property located in Minnetonka, MN leases approximately 17% of the Company's rentable space and accounts fore approximately 19% and 18% of the Company's total base rent revenues for the three and nine months ended September 30, 2017, respectively, and 19% and 18% for the three and nine months ended September 30, 2016, respectively. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul, MN leases approximately 40% of the Company's rentable space and accounts for approximately 76% of the Company's total base rent revenues for both the three and nine months ended September 30, 2017 and 76% for both the three and nine months ended September 30, 2016.

The future square feet expiring for all current leases, including leases entered into subsequent to September 30, 2017:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2017	56,215		24,810	2,910	83,935
2018				25,554	25,554
2019		29,903	-	134,787	164,690
2020			139,662	708	140,370
2021				223,094	223,094
Thereafter	59,500			147,125[1]	206,625
	115,715	29,903	164,472	534,178	844,268

(1) On April 1, 2016, the Company received a notice asserting a right to terminate the lease for 141,109 square feet pursuant to certain alleged defaults related to the completion and delivery of the building and tenant improvements under the lease. The lease was amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is scheduled to commence on January 1, 2018.

Management may periodically sell certain properties including core income-producing and value-added properties for various reasons based on individual circumstances and opportunities. Proceeds from the sale of such properties may be used to repay related property debt, pay transaction expenses, acquire or invest in other properties and for general corporate purposes including satisfying existing liabilities.

Factors That May Influence Our Operating Results

Acquisition Strategy. We plan to grow our business through the acquisition of new properties, initially targeting properties that meet the criteria described above under "Overview" and elsewhere in this report. We expect the properties we acquire will be subject to mortgage financing and other indebtedness that we will assume or refinance. Debt service on such indebtedness will have a priority over any distributions with respect to our common stock.

Rental Revenue. The amount of net rental revenue generated by our properties depends primarily on our ability to maintain the occupancy rates of currently leased space and to lease space that becomes available. As of September 30, 2017, our properties were 69% leased. We believe that the average rental rates for our properties are generally equal to the current average quoted market rates. Negative trends in one or more of these factors such as a decrease in rental rates or a decrease in demand for our properties could adversely affect our rental revenue in future periods. Future economic downturns affecting the Minneapolis-St. Paul metropolitan area or downturns in our tenants' businesses that impair our ability to renew leases or re-let space or the ability of our tenants to fulfill their lease commitments could adversely affect our revenues. In addition, growth in rental revenue primarily will depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. Our current properties are located in the Minneapolis-St. Paul metropolitan area. Positive or negative changes in economic or other conditions in this area, or areas in our prospective proprieties, including employment and wage rates, natural disasters and other factors, may impact our overall performance. Our ability to grow in our broader market throughout our region may also be impacted by these factors.

Operating Expenses. Our operating expenses primarily consist of property taxes, management fees, utilities, insurance and site maintenance costs. As of September 30, 2017, some of our leases required tenants to reimburse us for a share of our operating expenses. Increases or decreases in any unreimbursed operating expenses, either due to the nature of the expenses not requiring reimbursement from our tenants or due to a reduction in leased square footage requiring tenant reimbursement of a portion of our operating expenses, will impact our overall performance. Legal fees incurred in 2017 and 2016 were significant due to the Company's acquisition and refinancing activities, as well as litigation expenses. We expect an increase in legal fees associated with these activities and business matters customary to a public real estate holding company, as well as our ongoing litigation.

Interest Expense. Our interest expense will depend on the amounts we borrow as well as the interest rates charged by our lenders. Our current loan agreements are a mix of both fixed and floating rates, as well as secured and unsecured by our properties. Our aggregate interest expense may increase as we acquire properties and could fluctuate between periods based on the variable rate loan arrangements, if we do not hedge any such interest rate risk.

Critical Accounting Policies and Estimates

Our discussion and analysis of the historical financial condition and results of our operations are based upon our financial statements which have been prepared in accordance with US GAAP.

The preparation of these condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements of our company elsewhere in this report. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies. There have been no significant changes to those policies during the three and nine months ended September 30, 2017.

Investment in Real Estate and Fixed Assets

Investment in real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction, and tenant allowances and improvements. Maintenance and repairs are expensed as incurred, and major improvements are capitalized. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible asset and identifiable intangibles based on their relative fair values. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market economic conditions.

We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition. Adjustments to preliminary allocations of purchase price are adjusted prospectively when all information necessary to determine the relative fair values has been received.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for building, improvements, and furniture and equipment, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearss
Building	25-30 yearss
Building Improvements	10-20 yearss
Tenant Improvements	1-12 yearss
Furniture and Equipment	3 yearss

Intangible Assets

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. Amortization of other intangibles is recorded in depreciation and amortization expense.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Company's interest in the Operating Partnership was approximately 68% and 65% of the common units of the Operating Partnership as of September 30, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of common units based upon the ratio of their holdings to the total units outstanding during the period. Holders of preferred units receive certain distributions based on a percentage of the liquidation preference. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related leases, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rental income earned and amounts due according to the respective lease agreements are credited or charged to deferred rent receivable, as applicable.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. Recoveries are billed monthly using estimated operating costs and an additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Accounting Standards Applicable to Emerging Growth Companies

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. Section 102(b)(1) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Significant Events and Transactions during the three months ended September 30, 2016

Summarized below are the Company's significant transactions and events during the three months ended September 30, 2017.

On July 24, 2017, the $1,330,167 promissory note to Swervo Management Division, LLC was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. On March 27, 2017 our complaint in the amount of $771,408 went to trial in Hennepin County District Court. On Julyo 21, 2017, a judgment was ordered in favor of Talon Bren Road, LLC and Talon O.P LP in the amount of $594,176.o

On September 30, 2017, a significant tenant of our 180 East 5th Street property in St. Paul, MN who had previously filed for Chapter 11 bankruptcy protection in March, 2017, exited its space and was allowed to terminate its lease obligation with the Company. Acceleration of the amortization of above-market and in-place lease intangibles resulted in a charge of $1,634,131 recorded as a decrease to rent revenue of $500,102 and an increase to depreciation and amortization expense of $1,134,029.

Market Conditions and Outlook

Our last two acquisitions were accomplished utilizing a 721 Exchange tax deferral methodology similar to that of an "UPREIT" providing several unique advantages over a 1031 exchange or selling to cash buyers. This strategy is advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted 1:1 for Talon common stock under the ticker "TALR" and their capital gains tax obligations are deferred until then.

Our strategy is to continue offering these tax-deferred solutions to real estate owners as part of diversifying our shareholder base creating liquidity and shareholder value. We continue to believe office and industrial properties offer the best return on equity metrics as part of our investment strategy. Retail will also be part of our overall portfolio with an average overall target portfolio contribution of nearly 20% over the long-term.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide return on equity targets of 8-15% per asset or portfolio.

Results of Operations

Our revenues have declined compared to the same periods in the prior year primarily due to the acceleration of above-market lease intangible amortization related to the exit ofa significant tenant of our 801East 5th Street St. Paul property due to bankruptcy of the tenant and to a lesser extent due to small expiring leases with limited new lease activity and certain lease concessions on renewal. Our expenses have increased significantly due the refinancing activity in the first half of the year. Notably, deferred financing fee amortization has been accelerated on the refinanced debt,.significant new financing fees have been incurred which are being amortized over the shorter lives of the replacement debt and interest rates on the replacement debt are higher than the refinanced obligations. We also incurred significant legal fees and other exit fees and penalties related to the refinancing activity. In addition, acquired in place lease amortization increased due to the tenant loss noted above. We expect our revenues, tenant reimbursements and many expenses will increase on an absolute basis in the future as we seek to acquire additional properties, assume or refinance indebtedness in connection with the acquisitions and build the infrastructure necessary to grow our business. In the near term, we expect to incur higher legal and other professional fees in pursuit of potential acquisitions.

Three months ended September 30, 2017 compared to Three months ended September 30, 2016

Revenues and Expenses

Rental revenues decreased $817,339 or45.2%, to $990,526 for the three months ended September 30, 2017, compared to $1,807,865 for the same period of the prior year. The primary driver of the decrease was acceleration of the above-market lease intangible asset amortization related to a tenant that renounced its lease as part of its Chapter 11 bankruptcy. Other factors

causing the net rental revenue decrease relate to minor tenant losses across the portfolio as well as rate renegotiations on lease renewals with no significant new lease activity. In addition, rent received from one tenant that previously was not split between rent and tenant reimbursement was adjusted to split out a portion of rent to tenant reimbursement beginning July 1, 2017. This had the effect of decreasing rent revenue and increasing tenant reimbursement in the three months ended September 30, 2017.

Tenant reimbursements increased $77,362, or 8.6%, to $975,167 for the three months ended September 30, 2017 compared to $897,805 for the same period of the prior year. The increase in tenant reimbursement reflects a reclassification of rent to tenant reimbursement as described above under rent revenue. Without this change, tenant reimbursements would have declined slightly consistent with the change in rent revenue and stable operating expenses.

Other income decreased $67,336, or 71.5%, to 26,867 for the three months ended September 30, 2017 compared to $31,005 for the same period of the prior year. The decrease primarily relates to lower recorded amounts related to an income guarantee on one of the properties owned and lower revenue from an event center located in the 180 East 5th Street property in St. Paul.

General and administrative expenses decreased $375,252, or 83.9%, to $71,837 for the three months ended September 30, 2017 compared to $447,089 for the same period of the prior year. The decrease is primarily due to the expensing of due diligence costs for potential deals in the three months ending September 30, 2016 with no comparable amount in same period for 2017.

Salary and compensation expenses decreased $131,480 or 45.6%, to $156,711 for the three months ended September 30, 2017 compared to $288,191 for the same period of the prior year. The increase in salary and compensation expense in the third quarter of 2017 is attributable to higher stock compensation costs in 2016 due to director and employee stock grants in 2016 with immediate vesting.

Professional fees increased $47,879, or 19.5%, to $293,641 for the three months ended September 30, 2017 compared to $245,762 for the same period of the prior year. The increase is primarily due to an increase in consulting fees related to our legal proceedings in the three months ended September 30, 2017.

Property operating expenses decreased $166,428, or 14.7%, to $964,339 for the three months ended September 30, 2017 compared to $1,130,767 for the same period of the prior year. The primary reduction relates to the termination of a property maintenance agreement in 2017 for the 180 East 5th Street property in St. Paul with no significant increase in internal costs to take on the management of the property with internal resources.

Real estate taxes and insurance increased $23,160 or 5.2%, to $466,271 for the three months ended September 30, 2017 compared to $443,111 for the same period of the prior year. The increase primarily relates to real estate taxes and is consistent with our expectations.

Depreciation and amortization expense increased by $1,088,890 or 89.3%, to $2,308,960 for the three months ended September 30, 2017 compared to $1,220,070 for the same period of the prior year. The increase is primarily related to a $1,134,029 acceleration of in-place lease intangible asset amortization related to a tenant that renounced its lease as part of its Chapter 11 bankruptcy.

Interest expense increased by $1,626,550, or 131.4% to $2,864,272 for the three months ended September 30, 2017 compared to $1,237,722 for the same period of the prior year. The increase is primarily related to the refinancing of the debt secured by the 180 East 5th Street property in January, 2017 and the refinancing of the debt secured by the 10301 Bren Road property in June, 2017. The weighted average interest rate increased to 11.80% as of September 30, 2017 compared to 6.51% as of September 30, 2016 and outstanding debt increased by $23,594,330. In addition, significant new deferred financing costs were incurred which have predominantly a one-year amortization period.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Revenues and Expenses

Rental revenues decreased $994,808 or 18.1%, to $4,515,478 for the nine months ended September 30, 2017, compared to $5,510,286 for the same period of the prior year. The primary driver of the decrease was acceleration of the above-market lease intangible asset amortization related to a tenant that renounced its lease as part of its Chapter 11 bankruptcy. Other factors causing the net rental revenue decrease relate to minor tenant losses across the portfolio as well as rate renegotiations on lease renewals with no significant new lease activity. In addition, rent received from one tenant that previously was not split between rent and tenant reimbursement was adjusted to split out a portion of rent to tenant

reimbursement beginning July 1, 2017. This had the effect of decreasing rent revenue and increasing tenant reimbursement in the nine months ended September 30, 2017.

Tenant reimbursements decreased $70,341, or 2.6%, to $2,626,712 for the nine months ended September 30, 2017 compared to $2,697,053 for the same period of the prior year. The smaller decrease in tenant reimbursement compared to rent revenue reflects a reclassification of rent to tenant reimbursement as described above under rent revenue. Without this change, tenant reimbursements would have declined consistent with the change in rent revenue and stable operating expenses.

Other income decreased $135,453, or 64.1%, to 75,758 for the nine months ended September 30, 2017 compared to $211,210 for the same period of the prior year. The decrease primarily relates to lower recorded amounts related to an income guarantee on one of the properties owned and lower revenue from an event center located in the 180 East 5th Street property in St. Paul.

General and administrative expenses decreased $744,119, or 81.7%, to $166,969 for the nine months ended September 30, 2017 compared to $911,088 for the same period of the prior year. The decrease is primarily due to the expensing of due diligence costs for potential deals in the nine months ending September 30, 2016 with no comparable amount in same period for 2017.

Salary and compensation expenses decreased $380,729, or 44.9%, to $466,500 for the nine months ended September 30, 2017 compared to $847,229 for the same period of the prior year. The decrease in salary and compensation expense is attributable to the immediate vesting of certain non-cash stock compensation for awards granted in 2016.

Professional fees increased $323,312, or 46.3%, to $1,022,272 for the nine months ended September 30, 2017 compared to $698,960 for the same period of the prior year. The increase is primarily due to an increase in legal services related to our legal proceedings in the nine months ended September 30, 2017 compared to the same period of the prior year.

Property operating expenses increased $383,325, or 11.4%, to $3,736,485 for the nine months ended September 30, 2017 compared to $3,353,160 for the same period of the prior year. The increase is primarily related to one-time, non-tenant reimbursable charges in the three months ended June 30, 2017 related to the refinancing of the debt secured by the Talon Bren Road, LLC owned property. Absent these charges, property operating expenses would be down slightly year over year through the nine-months ended September 30, 2017 compared to the same period of the prior year.

Real estate taxes and insurance increased $64,040, or 4.8%, to $1,397,594 for the nine months ended September 30, 2017 compared to $1,333,554 for the same period of the prior year. The increase primarily relates to real estate taxes and is consistent with our expectations.

Depreciation and amortization expense increased by $1,042,400 or 28.4%, to $4,718,262 for the nine months ended September 30, 2017 compared to $3,675,862 for the same period of the prior year. The increase is primarily related to a $1,134,029 acceleration of in-place lease intangible asset amortization related to a tenant that renounced its lease as part of its Chapter 11 bankruptcy.

Interest expense increased by $5,075,754 or 145.5% to $8,564,756 for the nine months ended September 30, 2017 compared to $3,489,012 for the same period of the prior year. The increase is primarily related to the refinancing of the debt secured by the 180 East 5th Street property in January, 2017 and the refinancing of the debt secured by the 10301 Bren Road property in June, 2017. The weighted average interest rate increased to 11.80% as of September 30, 2017 compared to 6.51% as of September 30, 2016 and outstanding debt increased by $23,594,330. In addition, significant new deferred financing costs were incurred which have predominantly a one-year amortization period.

Funds from Operations and Non-GAAP Reconciliation

The National Association of Real Estate Investment Trusts, or NAREIT, defines funds from operations, or FFO, as net income (loss) available to common shareholders and operating partnership unit holders computed in accordance with US GAAP, excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties, and after adjustments for unconsolidated partnerships and joint ventures. We intend to calculate FFO in a manner consistent with the NAREIT definition.

Management intends to use FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using US GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with US GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market

conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors, and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures used by REITs.

FFO should not be considered as an alternative to net income or other measurements under US GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

We define adjusted funds from operations, or AFFO, as FFO excluding the non-cash effects of straight-line rent and amortization of lease inducements and deferred financing costs, depreciation of non-real estate, and excluding the effects of non-cash compensation charges. US GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method may result in rental income in the early years of a lease that is higher than actual cash received, creating a deferred rent receivable asset or lower income than actual cash received, creating a deferred rent revenue liability included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments may exceed or be lower than the straight-line rent which results in the deferred rent receivable asset or liability, respectively, decreasing to zero over the remainder of the lease term. By excluding the non-cash portion of straight-line rental revenue and amortization of lease inducement and deferred financing costs as well as non-cash compensation expense, investors, analysts and our management can compare AFFO between periods.

Below is the calculation of FFO and AFFO and the reconciliation to net income (loss), which we believe is the most comparable US GAAP financial measure:

Reconciliation of Net Income Attributable to Talon Real Estate Holding Corp. ("TREHC") to Funds From Operations

In thousands (except per share)	Three months ended September 30, 2017			2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
Net loss attributable to TREHC	$ (3,482)	19,781	$ (0.18)	$ (1,441)	17,251	$ (0.08)
Adjustments:						
Non-controlling interest Operating Partnership	(1,619)	9,200		(652)	9,200	
Consolidated depreciation and amortization:	2,309	-		1,220	-	
adjust for non-real estate depreciation	-	-		(1)	-	
adjust for amortization of above and below-market rents	546	-		49	-	
adjust for non-controlling real estate owned depreciation	(26)	-		(26)	-	
Net adjustments	1,210	9,200		590	9,200	
Funds from operations applicable to common shares	$ (2,272)	28,981	$ (0.08)	$ (851)	26,451	$ (0.03)

Adjusted funds from operations	Three months ended September 30, 2017			2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$ (2,272)	28,981	$ (0.08)	$ (851)o	26,451	$o (0.03)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	16	-		(24)	-	
Non-real estate depreciation	-	-		1	-	
Amortization of deferred financing costs net of non-controlling real estate	925	-		119	-	
Non-cash stock compensation charges	25	-		145	-	
AFFO available to common shares	$ (1,306)	28,981	$ (0.05)	$ (610)	26,451	$ (0.02)

In thousands (except per share)	Nine months ended September 30, 2017			2016		
	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
Net loss attributable to TREHC	$ (8,708)	19,496	$ (0.45)	$ (3,798)	16,981	$ (0.22)
Adjustments:						
Non-controlling interest Operating Partnership	(4,097)	9,200		(1,919)	9,200	
Consolidated depreciation and amortization:	4,718	-		3,676	-	
adjust for non-real estate depreciation	(1)	-		(5)	-	
adjust for amortization of above and below-market rents	636	-		174	-	
adjust for non-controlling real estate owned depreciation	(79)	-		(85)	-	
Net adjustments	1,177			1,841		
Funds from operations applicable to common shares	$ (7,531)	28,696	$ (0 .26)	$ (1,957)	26,181	$ (0.07)

	Nine months ended September 30, 2017			2016		
Adjusted funds from operations	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$ (7,531)	28,696	$ (0.26)	$ (1,957)	26,181	$ (0.07)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	(4)	-		(159)	-	
Non-real estate depreciation	1	-		5	-	
Amortization of deferred financing costs net of non-controlling real estate	2,793	-		428	-	
Non-cash stock compensation charges	144	-		343	-	
AFFO available to common shares	$ (4,597)	28,696	$ (0.16)	$ (1,340)	26,181	$ (0 .05)

[1] Non-controlling Units of the Operating Partnership are exchangeable for cash, or at the Company's discretion, for common shares of stock on a one-for-one basis.
[2] Net income is calculated on a per share basis. FFO and AFFO are calculated on a per share and unit basis.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. We have incurred significant expenses related to operating as a public corporation, building and tenant improvements at our properties, and preparation for and execution of our acquisition strategy creating a cash shortfall from operations through September 30, 2017.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have insufficient cash flow from current operations to pursue our strategy without further financing. As of September 30, 2017, we had unrestricted cash of approximately $44,500 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

Our long-term liquidity requirements consist primarily of funds to pay for scheduled debt maturities, non-recurring capital expenditures that need to be made periodically and continued expansion of our business through acquisitions. Although we plan to aggressively pursue acquisitions to grow our business, there is no assurance that we will be able to acquire additional properties in the future.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and are not expected to provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financings or asset sales during 2017 and/or 2018. Additional financing or asset sales are necessary for our company to continue as a going concern.

In the future, we anticipate using a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financings (such as additional bank credit facilities or cash advances, which may or may not be secured by our assets), asset sales (including sales of accounts receivable), seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business. Ongoing litigation may also impact our liquidity, as cash flow may need to be used on legal and other litigation expenses.

Outstanding Indebtedness

5130 LLC, an entity in which our Operating Partnership owns a 49% interest and that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area, is party to a loan agreement secured by such industrial complex. The loan agreement provides for two term loans, the A loan and the B loan. The term loans had a balloon payment due on April 8, 2017 and is past due. The Company expects to refinance this loan but as of the filing of this document has been unable to do so.

Talon Bren Road, LLC, an entity through which our Operating Partnership acquired the property located at 10301 Bren Road West, Minnetonka, MN on May 29, 2014, is party to a loan agreement secured by such property. It is also a party to two loans the proceeds of which were used to fund certain capital improvements at the building. This property also secures the Talon Bren Road, LLC Mortgage 2 (as defined in the table below) entered into on July 2, 2014 in connection with the acquisition of the property located at 180 East 5th Street St. Paul, MN.

Talon First Trust, LLC, an entity through which our Operating Partnership acquired the property located at 180 E. Fifth Street St. Paul, MN on July 2, 2014, is party to a loan agreement secured by such property. The loan has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. If we are unable to satisfy the conditions to extend, we will need to seek alternative financing or possibly sell the property in order to satisfy the obligation.

TREHC has additional indebtedness related to various judgments and obligations arising in the normal course of financing our operations. These notes represent current obligations of the entity and continue to accrue interest while outstanding. We may need to seek alternative financing or sell certain assets in order to generate the necessary funds to satisfy these obligations.

The following table summarizes the Company's notes payable as of September 30, 2017 and December 31, 2016:

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At September 30, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.25%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	October 24, 2017	10.00%	1,095,764	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below	10.00%	-	59,489
Talon First Trust, LLC. – Sale of Future Receivable [3]	See below [3]	See below [3]	[4]	-	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28,2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan	Unsecured fixed rate	June 1, 2019	8.00%	62,500	84,472
Talon Bren Road, LLC Roof Loan	Unsecured fixed rate interest only	June 1, 2019	8.00%	225,000	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note – Related Party[4]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	85,921	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%e	-	81,800
				$ 75,986,089	$ 53,449,711
Less: unamortized deferred financing costs				(1,517,446)	(496,063)
Notes payable, net				$ 74,468,643	$ 52,953,648

(1)e On July 24, 2017, the $1,330,167 promissory note was amended and restated, based on the payment of combined principal and interest of $300,000, to a $1,095,764 promissory note, plus interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of October 24, 2017 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.e

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.e

(3) During 2016 the Company received funds from four different sources. As of September 30, 2016, the total outstanding balance was $0 for the sale of future receivables at the property located at 180 East 5th Street. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.e

(4) On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The notee had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

Off Balance Sheet Arrangements

At September 30, 2017, we did not have any off-balance sheet arrangements.

Inflation

As of September 30, 2017, most of our leases required tenants to reimburse us for a share of our operating expenses. As result, we are able to pass on much of any increases to our property operating expenses that might occur due to inflation by correspondingly increasing our expense reimbursement revenues. During the nine months ended September 30, 2017, inflation did not have a material impact on our revenues or net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we expect that interest rate risk will be the primary market risk to which we will be exposed. As of September 30, 2017, all but one of our outstanding loans had a fixed rate. Our interest rate risk may further increase if we increase our debt in the future or refinance our existing debt.

We may become exposed to the effects of interest rate changes as a result of floating rate debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to manage overall borrowing.

Foreign Currency Exchange Risk

Our results of operations and cash flows are not materially affected by fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2016.

The following control deficiencies were identified and were determined to be material weaknesses in our internal control over financial reporting as of September 30, 2017:

1.o Internal Control Environmento
2.o Period end Financial Reporting Processo

The material weaknesses occurred as a result of a significant turnover in the Company's accounting personnel in the latter part of 2016, which, despite having established policies and procedures, the company lacked adequate controls regarding training in in the internal control environment. In addition, we did not maintain a sufficient complement of personnel with the appropriate accounting knowledge, experience and training, commensurate with our financial reporting requirements in order to execute a timely close, which resulted in incomplete disclosures, unreconciled accounts, incomplete accounting for certain events and transactions and inaccurate conclusions. This resulted in misstatements that were corrected by the Company prior to the issuance of the consolidated financial statements, and for which a reasonable possibility existed that a material misstatement in the Company's consolidated financial statements would not be prevented or detected on a timely basis.

Management also identified multiple significant deficiencies in its review. These could also lead to potential misstatements in our financial statements or prevent the Company from timely completing its financial statement preparation.

Management Remediation Plan

Due to the material weaknesses reported as of September 30, 2017, management performed additional analysis and procedures to ensure that our consolidated financial statements and schedules included in this Quarterly Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management will implement changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses. We are undertaking the following remediation plans and actions:

- Develop and deliver Internal Controls ("COSO") training to Executives and finance/accounting resources. Thee training will include a review of management's and individual roles and responsibilities related to internal controls;e
- hire accounting personnel with the appropriate level of knowledge to properly record transactions in the general ledgere and prepare financial statements in accordance with generally accepted accounting principles;e
- augment our existing staff with external consultants with the requisite knowledge and expertise to supplement oure accounting staff to ensure that transactions are recorded in accordance with generally accepted accounting principlese and that are disclosures are accurate and complete; ande
- provide increased board level oversight to ensure established policies and procedures are adhered to.e

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.

Changes in Internal Control Over Financial Reporting

There were the following changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2017 which have the potential to have materially affected, or is reasonably likely to have materially affected, the Company's internal control over financial reporting.

[TBD.]

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently engaged in legal proceedings that may have a material impact on our financial statements. From time to time, we may be named as a defendant in legal actions or otherwise be subject to claims arising from our normal business activities. Any such actions, even those that lack merit, could result in the expenditure of significant financial and managerial resources.

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. On March 27, 2017 our complaint in the amount of $771,408 went to trial in Hennepin County District Court. On July 21, 2017, a judgment was ordered in favor of Talon Bren Road, LLC and Talon O.P LP in the amount of $594,176.e

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under the heading *"Risk Factors"* in our Current Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission one [illegible], 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are listed in the Exhibit Index immediately following the signatures to this report.

SIGNATURES

Pursuant to the requirements 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.

Dated: [ ], 2018

TALON REAL ESTATE HOLDING CORP.

/s/ Keith Gruebele
Keith Gruebele
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT INDEX

Exhibit Number	*Description*
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
3.2	Amended and Restated Bylaws (Incorporated by reference to the exhibit of the same number in our Form 8-K dated June 7, 2013, filed on June 7, 2013 (File No. 005-87490))
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T (filed herewith).

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are otherwise not subject to liability under those sections.e

Exhibit 5

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended: December 31, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIESe EXCHANGE ACT OF 1934e**

For the Transition Period from ______ to ______

Commission file number 000-53917

TALON REAL ESTATE HOLDING CORP.
(Exact Name of Registrant as Specified in its Charter)

Utah	**26-1771717**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

5500 Wayzata Boulevard, Suite 1070, Minneapolis, MN 55416
(Address of Principal Executive Offices, Including Zip Code)

(612) 604-4600e
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.001 per share
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
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. 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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ 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 definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging growth Company	☒

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

Indicate by check mark whether the registrant is an "emerging growth company" (as defined in Section 2(a)(19) of the Securities Act). Yes ☒ No ☐

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 7(a)(2)(B) of the Securities Act. Yes ☐ No ☒

As of August __, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of shares of the registrant's common stock held by non-affiliates of the registrant (based upon the price of $1.00 at which our common stock last traded on the Over the Counter Bulletin Board prior to such date) was approximately $17,607,680.

The number of shares of the registrant's common stock, par value $0.001 per share, outstanding as of August __, 2018 was 19,880,981 shares.

TALON REAL ESTATE HOLDING CORP.
ANNUAL REPORT ON FORM 10-K
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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements regarding us, our business prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described under the heading *"Risk Factors"* included in this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission that advise interested parties of the risks and factors that may affect our business.

JUMPSTART OUR BUSINESS STARTUPS ACT DISCLOSURE

Our Company qualifies as an "emerging growth company," as defined in Section 2(a) (19) of the Securities Act of 1933, as amended (the "Securities Act"), as amended by the Jumpstart Our Business Startups Act (the "JOBS Act"). An issuer qualifies as an "emerging growth company" if it has total annual gross revenues of less than $1.0 billion during its most recently completed fiscal year, and will continue to be deemed an emerging growth company until the earliest of:

- the last day of the fiscal year of the issuer during which it had total annual gross revenues of $1.0 billion or more;
- the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the issuer pursuant to an effective registration statement;
- the date on which the issuer has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or
- the date on which the issuer is deemed to be a "large accelerated filer," as defined in Section 240.12b-2e of the Securities Exchange Act of 1934 (the "Exchange Act").e

As an emerging growth company, we are exempt from various reporting requirements. Specifically, we are exempt from the following provisions:

- Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires evaluations and reporting related to an issuer's internal controls;
- Section 14A(a) of the Exchange Act, which requires an issuer to seek shareholder approval of the compensation of its executives not less frequently than once every three years; and
- Section 14A(b) of the Exchange Act, which requires an issuer to seek shareholder approval of its so-called "golden parachute" compensation, or compensation upon termination of an employee's employment.

Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

PART I

Item 1. Business

Overview

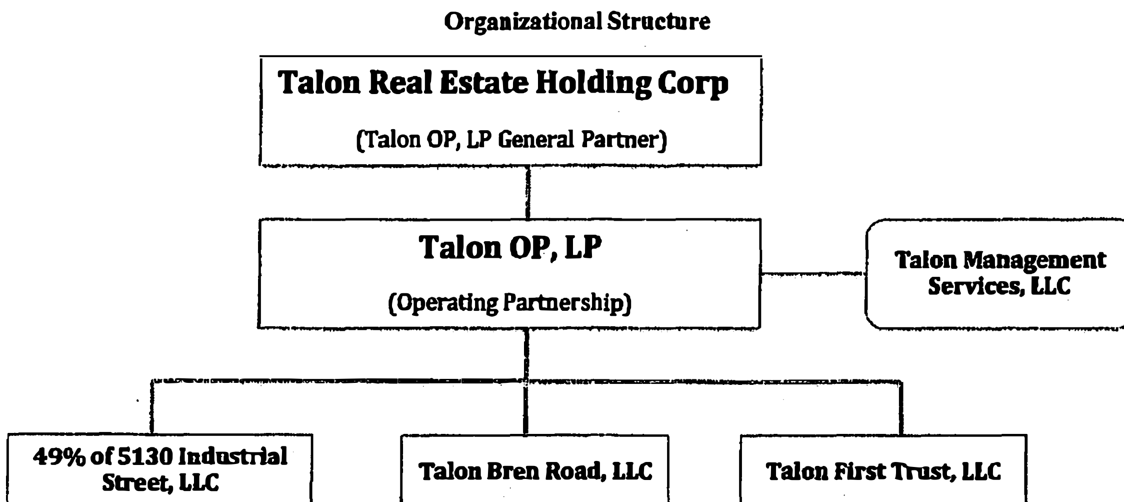
We are a real estate investment company focused on investing in office, industrial and retail properties located in the Midwest and South Central regions of the United States. We target properties located in the area bounded by Minnesota to the north and Texas to the south, and by Illinois to the east and Colorado to the west (our "Target Area"), although we will consider properties outside this target area if we identify attractive opportunities. We believe these markets are currently under served in financing and market transaction options for which we can provide advantageous solutions. We believe the size and location of opportunities in this region will be a desirable fit for our real estate portfolio and can be pursued at attractive yields.

Corporate Information and History

We were incorporated in the State of Utah on November 1, 2007, for the sole purpose of becoming the holding company of Guidebook, which converted from a Utah limited liability company to a Utah corporation on November 1, 2007. Guidebook was organized in the State of Utah as a limited liability company on June 16, 2003 and was focused on providing "do-it-yourself" instructional manuals for residential electrical, plumbing, and remodeling applications. On June 7, 2013, we entered into contribution agreements with members of 5130 Industrial Street, LLC ("5130 LLC"), and Talon RE, and with Talon OP, L.P. ("Talon OP"), collectively referred to as the "Formation Transactions" and changed our name to Talon Real Estate Holding Corp. On June 7, 2013, we sold all of the outstanding shares of Guidebook to Kim McReynolds, divesting ourselves of our historic "do-it-yourself" instructional manual business. The purchase price for the divestiture primarily consisted of the buyer's agreement for Guidebook to indemnify and hold our company harmless from certain liabilities arising from the sale.

Substantially all of our assets are held by, and our operations are conducted through, Talon OP, which we refer to as our "Operating Partnership". We are the sole general partner of the Operating Partnership, and, as such, we generally have the exclusive power to manage and conduct the business and affairs of the Operating Partnership, subject to certain limited approval and voting rights of the limited partners, that are described more fully herein. As of December 31, 2017, we owned 80% of the common units of the Operating Partnership that holds our portfolio of commercial properties.

Organizational Structure



We intend to elect to be taxed as a REIT no sooner than the calendar year in which we qualify to be taxed as such under the Revenue Code, and it is advantageous to our shareholders for the Company to do so. Because we plan to conduct substantially all of our operations through our Operating Partnership, we intend to utilize an Umbrella Partnership Real Estate Investment Trust structure, or UPREIT, although we are currently not a REIT. This structure is designed to provide tax deferral benefits to property owners who contribute their property to our company. We believe using an UPREIT structure will give us an advantage in acquiring properties from persons who may not otherwise sell their properties because of unfavorable tax consequences or it may make our offer more competitive than the pure cash buyer. The UPREIT structure allows deferral of gain recognition by an owner of appreciated real estate if that owner contributes the real estate to the Operating Partnership in exchange for partnership interests. The contributor's gain is deferred until the partnership interest is exchanged for our holding company's common stock.

Our principal executive offices are located at 5500 Wayzata Boulevard Suite 1070, Minneapolis, Minnesota and our telephone number is 612-604-4600. Our web address is www.talonreit.com. The information on, or otherwise accessible through, our website does not constitute a part of this report or any other report or document we file with or furnish to the Securities and Exchange Commission.

Distribution Policy

We intend to make quarterly distributions to our common shareholders when available. Upon electing REIT status, U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income, including capital gains.

To the extent that in respect of any calendar year after we have elected to become a REIT, cash available for distribution is less than our taxable income, we could be required to sell assets to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We generally will not be required to make distributions with respect to activities conducted through any Taxable REIT Subsidiary ("TRS").

Dividends and other distributions will be authorized by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including actual results of operations, restrictions under the law of our state of organization, our financial condition, our need to meet the distribution requirements of a REIT when elected, and other factors described below. We cannot assure you that our distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our assets, our operating expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors."

We anticipate that our distributions generally will be taxable as ordinary income to our shareholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain, or may constitute a return of capital. We will furnish annually to each of our shareholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain.

Our Strategy

Commercial real estate trends have been negative for an extended period of time but we believe that there is evidence that the commercial real estate market is in recovery. We believe there may be many potential sellers that are seeking an exit strategy now or in the near future and we may be able to offer these sellers some advantages that make us a more competitive buyer. Our objective is to accumulate quality properties at attractive yields primarily in our Target Area.

We believe there is significant opportunity to acquire quality property by providing liquidity to the market. We believe that our structure will provide investors more liquid equity with diversified real estate exposure. In turn, we anticipate that we will encourage real property owners to sell their properties to us increasing the size of our company and providing us with more diversified real estate holdings. We provide advantageous solutions for property owners due to our tax structure, which is similar to an UPREIT. This structure may be advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted on a one for one basis for Talon Real Estate Holding Corp. common stock, which trades under the ticker "TALR," and/or Talon OP preferred units which provide rights to certain distributions and can later be redeemed for the liquidation preference and any accrued and unpaid distributions. We currently are not a REIT.

Our strategy is to offer these tax deferred solutions to real estate owners as part of diversifying our shareholder base, creating liquidity and shareholder value. We currently believe office and industrial properties offer the most attractive return on equity metrics. Retail will also be part our overall portfolio but we anticipate it will contribute less to the overall target portfolio over the long-term than office and industrial properties.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide competitive returns in our sector.

We seek to provide investors the opportunity to have liquidity with real estate exposure in a geographically diversified portfolio with tactical asset allocation. Our strategy is to expand our property holdings to seek diversification by focusing on the following key elements:

- We will target office, industrial and retail properties in our Target Area, ranging in size from 10,000 to 500,000 square feet although we may acquire properties outside of these parameters.o
- The target market value for our properties is expected to be in the range of $1.0 million to $50 million,o although we might acquire larger or smaller properties depending on the opportunities available to uso and our access to capital or ability to issue equity interests as consideration.o
- Our target properties ideally will be strategically situated in metropolitan areas not traditionallyo explored by institutional investors. These may include secondary and tertiary markets in ouro geographic territory.o
- We plan to invest in both core income-producing properties requiring relatively small improvements oro enhancements and value-added properties that will require more significant investments of capital oro management attention (including, but not limited to, leasing vacant space or extending expiring leases)o that we expect to provide current income as well as the increased potential for higher long-term valueo to our company. Our long-term plan is to invest in value-added properties while maintaining ao significant part of our portfolio in core properties. Our investment allocation between these two typeso of properties may significantly fluctuate in the short term as we seek the best opportunities.o

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other property owners and will enable us to capitalize on the economic conditions in our target real estate markets as we seek to expand our portfolio:

- d *Experienced Management Team with Extensive Experience and Network.* Our management team, ledd by MG Kaminski, our Chief Executive Officer, has extensive experience in the real estate industry andd has cultivated an extensive network of contacts that we expect to tap to identify acquisitiond opportunities. Mr. Kaminski has over 25 years of experience in purchasing, selling, managing, leasing,d and constructing commercial real estate where he owned over 2.6 million square feet. This squared footage represented 32 buildings in office, industrial and retail space. His further experience includesd financing and structuring real estate deals through traditional banking institutions and brokerage firms.d This diverse and extensive experience in all aspects of commercial real estate creates unique insight ind the day-to-day operations as well as strategic portfolio level management of commercial properties. Hed is well prepared to respond to all manners of tenant, property, financing and market issues, and he hasd significant knowledge and an extensive network of contacts in the Minneapolis/St. Paul metropolitand area and other similar markets in the Midwest to drive the acquisition and financing pipeline. He alsod has significant asset management experience, serving as President of Wayzata Capital Management,d LLC from August 1996 to December 2012.d
- d *Committed and Incentivized Management Team.* Our management team is committed to our operationsd and growth. As of December 31, 2017, our management team owned approximately 35% of ourd common stock thereby aligning management's interests with those of our shareholders. We expectd management will continue to hold a significant ownership interest in our company in the foreseeabled future including if we become subject to the ownership requirements under the Internal Revenue Coded of 1986 (the "Code") for qualification as a REIT. To comply with these requirements, not more thand 50% of the value of the outstanding shares of our stock (after taking into account options to acquired shares of stock) may be owned, directly, indirectly or through attribution, by five or fewer individualsd at any time during the last half of a taxable year (other than the first year for which an election to be ad REIT has been made). Our board of directors has significant experience in leadership roles for bothd private and public companies and we expect that they will be an invaluable source of leadership for ourd company.d
- d *Disciplined Approach to Underwriting and Due Diligence.* Before acquiring a property, our team ofd real estate investment professionals, led by Mr. Kaminski, applies a disciplined underwriting and dued diligence process. The due diligence process focuses on identifying properties in our target market thatd are located in metropolitan areas with historically strong, stable economies and stable or growingd populations, with an emphasis on areas of growth within these metropolitan areas. We also focus ond identifying properties that can be acquired at prices we believe represent a strong value.d
- d *UPREIT Structure.* Because we intend to conduct our operations through the Operating Partnership,d our organizational structure will be considered an Umbrella Partnership Real Estate Investment Trust,d referred to in our industry as an UPREIT. This structure is designed to provide tax deferral benefits tod property owners who contribute their property to our company. We believe using an UPREIT structured will give us an advantage in acquiring properties from persons who may not otherwise sell theird properties because of unfavorable tax results. Generally, a sale or contribution of property directly to ad REIT is a taxable transaction to the selling property owner. In an UPREIT structure, a seller of ad property who desires to defer taxable gain on the sale of property may contribute the property to thed Operating Partnership in exchange for (i) common units in the partnership and defer taxation of gaind until the seller later elects to require the Operating Partnership to redeem all (but not less than all) ofd their common units for cash equal to the then-current value of an equal number of shares of ourd common stock (determined in accordance with and subject to adjustment under the partnershipd agreement of our Operating Partnership), or, at our election, as the sole general partner, on behalf ofd the Operating Partnership, to exchange their common units for shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stockd or the Operating Partnership sells the property and/or (ii) Talon OP preferred units which provided rights to certain distributions and can later be redeemed for the liquidation preference and any accruedd

and unpaid distributions. This ability to offer tax-deferred purchase terms could make us a more attractive buyer to some property sellers. We are not currently qualified as a REIT and do not expect to qualify as a REIT during the current calendar year.

Competition

We believe that the competition for leasing the properties we own and for completing acquisition opportunities we may target is highly fragmented. We compete with REITs, institutional investors, public and private real estate companies, as well as other commercial real estate operators and developers who have properties in our vicinity and the areas where we target acquisitions. We believe that the following competitive factors influence our ability to attract tenants to our current properties: location, price and terms, the appearance of properties and the speed at which we can execute leases.

As leases at the properties we own and at any future properties we may acquire expire, we may encounter significant competition to renew or re-lease space. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends may be adversely affected.

We believe that the following competitive factors will influence our ability to acquire additional properties and grow our business: offer price, access to capital and ability to quickly identify and consummate transactions. Competition may have the effect of reducing the number of suitable acquisition opportunities available to us and increase the price required to consummate an acquisition opportunity. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from any sale we might seek to make or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Acquisition Pipeline

We are continually engaging in internal research as well as informal discussions with various parties regarding our potential interest acquisition opportunities in different states throughout our primary geographic region. There is no assurance that any currently available properties will remain available, or that we will pursue or complete any of these potential acquisitions, at prices acceptable to us or at all.

Talon RE, a wholly owned subsidiary of our Operating Partnership, has entered into a contribution agreement to acquire a 51% interest in 5130 LLC, subject to receiving consent to the transfer from the entity's lender. 5130 LLC owns an industrial complex consisting of two properties with approximately 171,639 rentable square feet located in Maple Plain, MN.

Our Current Property Interests

We currently own four properties located in and around the Minneapolis-St. Paul metropolitan area of Minnesota.

On June 7, 2013, we acquired a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. The buildings currently have a combined occupancy of 85%. We have entered into a contribution agreement to acquire the remaining interest in this entity, subject to receiving consent to the transfer from the entity's lender.

During 2014, we completed two acquisitions with a purchase price totaling approximately $58 million and over 1 million in gross building square feet. On May 29, 2014, we completed the acquisition of a 227,000 square foot building situated on 20 acres of land in Minnetonka, MN that is currently 100% leased by over 100 tenants who are wholesale distributors.

On July 2, 2014, we completed the acquisition of a thirteen story office tower located in downtown St. Paul, MN totaling 856,223 total building square feet that was 62% occupied at time of acquisition and is currently about 60% occupied by corporate and government tenants. In April 2015, we executed a lease for a significant new ~~tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease.~~ On January 27, 2017 we executed a second amendment to the lease which amended the original lease to a seven-year term with a commencement date of January 1, 2018.

The following table sets forth information regarding our 5 largest tenants as of December 31, 2017.

Property Location[1]	Tenant Industry	Primary Use	Lease Expiration	Approx. Total Leased Square Feet	Percentage of Company's Rentable Square Feet	Base Rent for the Year Ended December 31, 2017	Percentage of Company's Total Base Rent for the Year Ended December 31, 2017
180 E 5th Street, St. Paul, MN	Health Care	Office	4/30/2023[3]	119,490	12%	$ 1,829,284	23%
180 E 5th Street, St. Paul, MN	Government	Office	5/31/2020	89,130	9%	$ 1,410,843	19%
180 E 5th Street, St. Paul, MN[2]	Retail	Office	3/31/2020	102,577	10%	$ 1,274,453	16%
5130 Industrial St, Maple Plain, MN	Construction	Industrial	2/28/2021	59,500	6%	$ 225,628	3%
1350 Budd Ave, Maple Plain, MN	Construction	Industrial	2/28/2018	29,903	3%	$ 106,517	1%

(1) The two properties located in Maple Plain, MN lease approximately 15% of the Company's rentable space and account for approximately 5% of the Company's total base rent revenues for the year ended December 31, 2016. The property located in Minnetonka, MN leases approximately 16% of the Company's rentable space and accounts for approximately 18% of the Company's total base rent revenues for the year ended December 31, 2016. No major tenants are located at the property in Minnetonka, MN. The property located in St. Paul, MN leases approximately 41% of the Company's rentable space and accounts for approximately 77% of the Company's total base rent revenues for the year ended December 31, 2016.

(2) On March 7, 2017, tenant filed for Chapter 11 bankruptcy protection from its creditors.

(3) Five-year lease extension signed in January 2017.

The future square feet expiring for the current leases in place as of December 31, 2017 are as follows:

Years ending December 31,

	5130 Industrial St Maple Plain, MN	1350 Budd Ave Maple Plain, MN	10301 Bren Rd Minnetonka, MN	180 E 5th St St. Paul, MN	Total
2018	17,841	29,203	-	25,049	72,793
2019	-	-	-	20,981	20,981
2020	-	-	164,472	708	165,180
2021	-	-	-	219,737	219,737
2022	59,500	-	-	913	60,423
Thereafter	-	-	-	250,019	250,019
	77,341	29,903	164,472	517,417	789,133

Management may periodically sell certain properties including core income-producing and value-added properties for various reasons based on individual circumstances and opportunities. Proceeds from the sale of such properties may be used to repay related property debt, pay transaction expenses, acquire or invest in other properties and for general corporate purposes including satisfying existing liabilities.

Financing and Leverage Policy

We anticipate using a number of different sources to finance our acquisitions and operations, including cash flows from operations, issuance of debt securities or equity securities (which might be shares of our common or preferred stock or limited partnership units in the Operating Partnership that are redeemable for our common stock or provide rights to certain distributions), private financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also might consider joint venture or other partnering opportunities as they arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate purposes. We expect to use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including prudent assumptions regarding future cash flow, the creditworthiness of tenants and future rental rates. Our articles of incorporation and bylaws do not limit the amount of debt that we may incur. As of December 31, 2017, our ratio of notes payable to total assets (net of accumulated depreciation) was approximately 130% based on the net depreciated cost of our properties.

Our board of directors will consider a number of factors in evaluating the amount of debt that we may incur. Our board of directors may from time to time modify its views regarding the appropriate amount of debt financing in light of then-current economic conditions, relative costs of debt and equity capital, market value of our portfolio, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our shareholders.

Regulation

Properties in which we plan to invest are subject to various covenants, laws, ordinances and regulations, including environmental regulations and regulations relating to common areas and fire and safety requirements.

Americans with Disabilities Act

Properties in which we plan to invest are subject to Title III of Americans with Disabilities Act, or the "ADA", to the extent that such properties are "public accommodations" as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable.

Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under, or migrating from such property or properties, including costs to investigate, clean up such contamination and liability for natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines, or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at any properties we own or acquire may expose us to third-party liability for costs of remediation and/or personal or property damage or may materially adversely affect our ability to sell, lease or develop the properties or to borrow using such property or properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on any properties we own or acquire, environmental laws may impose restrictions on

the manner in which the property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

The properties we own, and any properties we acquire in the future, may contain, have contained, or be adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, any properties we own or acquire might have been used in the past for commercial or industrial purposes that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, such property or properties may have been or may be impacted by contamination arising from the releases of such hazardous substances or petroleum products. If we deem it appropriate in the future, we may take steps to address identified contamination or mitigate risks associated with such contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur material liabilities.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or "ACBM"s, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. Any properties we own or acquire may contain ACBM and we could be liable for such damages, fines or penalties.

In addition, the properties we own or acquire will be, subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from activities on the properties or the failure to comply with such requirements. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. The costs associated with such liability could be substantial and could have a material adverse effect on us.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels have been alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at the properties we own or acquire could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs. We are not presently aware of any material adverse indoor air quality issues at our current properties.

REIT Qualification

We intend to elect to be taxed as a REIT for the calendar year in which we qualify to be taxed as such under the Revenue Code and it is advantageous to the shareholders to do so. The earliest we could qualify would be our taxable year ending on December 31, 2018. Our qualification as a REIT will depend upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT. We intend to amend our articles to include certain restrictions to enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our shareholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lose our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property. In addition, any TRS we own will be subject to U.S. federal, state and local taxes on its income or property. We do not qualify as a REIT in the current calendar year.

Investment Company Act of 1940

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940.

Risk Management

Our risk management activities are overseen by our board of directors. We will face various forms of risk in our business ranging from broad economic, commercial and industrial market and interest rate trends to more specific factors such as credit risk related to our tenants, ability to meet financial obligations under our loan agreements, leasing of properties and competition for properties. We also face risks related to our limited number of employees and significant debt load, as well as pending litigation. See also "Risk Factors."

Insurance

We currently maintain property, liability, and umbrella coverage under a blanket policy for each property. We believe the policy specifications and insured limits covering our properties are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses.

Employees

We have structured our operations in a manner that minimizes overhead and relies on third parties to supply experience and expertise necessary to identify and exploit potential acquisition opportunities. We will attempt to minimize general and administrative expenses by maintaining adequate levels of overhead and staff while outsourcing operational duties to consultants and independent contractors where appropriate. We currently have five full-time employees, but expect to eventually hire more employees appropriate for the development of our business.

Executive Officers

Set forth below are the names, ages and titles of the persons serving as our executive officers.

Name	Age	Position
MG Kaminski	58	Chief Executive Officer
Keith Gruebele	62	Chief Financial Officer

MG Kaminski has served as our Chief Executive Officer and a Director since June 7, 2013. Mr. Kaminski has over 25 years of experience in managed, leased, and constructed real estate. Prior to joining us, he served as President of a variety of real estate companies, including Kasa Real Estate, LLC, a real estate property management company, from December 2010 to June 7, 2013, WP Construction, LLC, a real estate construction company, from May 2006 to December 2012, Wayzata Properties, LLC, a real estate management company, from December 2003 to December 2011 and WP Brokerage, LLC, a leasing real estate company, from October 2005 to December 2010. Mr. Kaminski also has significant asset management experience, serving as President of Wayzata Capital Management, LLC from August 1996 to December 2012. Mr. Kaminski's qualifications to serve on our board of directors include, among other skills and qualifications, his extensive experience as a manager and in the real estate industry. On May 18, 2012, the Hennepin County District Court appointed Colliers International as a receiver for the

555,945 sq. ft. Parkdale office park in St. Louis Park, MN. The property was owned by Parkdale Properties, LLC, for which Mr. Kaminski served as chief manager.

Keith Gruebele has served as our Chief Financial Officer since November 1, 2016. Prior to joining us, Mr. Gruebele served as the Director of Finance at Mid America Festivals from April 2016 through October 2016. He served as an independent consultant from September 2015 through March 2016. From January 2010 through August 2015 he served as Finance, Operations, Real Estate and Special Projects Leader at GLC Enterprises, Inc. Mr. Gruebele holds an inactive CPA license from the state of Minnesota.

Item 1A. Risk Factors

Set forth below and elsewhere in this Annual Report on Form 10-K, and in other documents we file with the Securities and Exchange Commission, are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Annual Report on Form 10-K and in other written and oral communications from time to time. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our financial statements and related notes.

RISKS RELATED TO OUR BUSINESS AND FINANCIAL CONDITION

We are a company with limited operating history for you to evaluate our business.

Our predecessor was incorporated in the State of Utah on November 1, 2007, for the sole purpose of becoming the holding company of Guidebook, which focuses on providing "do-it-yourself" instructional manuals for residential electrical, plumbing, and remodeling applications. We divested Guidebook in connection with the transactions forming our current business. We formed our Operating Partnership in June 2013 and currently are engaged in the business of investing in office, industrial and retail properties located in our target markets. We have a limited operating history for you to consider in evaluating our business and prospects. In addition, our business plan involves significant expansion of our real estate holdings that have not been agreed upon as of the date of this filing. As a result, it is difficult for potential investors to evaluate our business and prospects. Our operations are subject to all of the risks, difficulties, complications and delays frequently encountered in connection with the formation of any new business, as well as those risks that are specific to the real estate industry.

The report of our independent registered public accounting firm expresses substantial doubt about our ability to continue as a going concern.

Our independent registered public accounting firm has indicated in its opinion attached to its audit report for the year ended December 31, 2017 that there is substantial doubt about our ability to continue as a going concern due to our expectation that projected funds from operations, together with current cash on hand, will be insufficient to meet working capital requirements, to repay debt at maturity and other financing costs and to fund required capital expenditures and leasing costs. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. Any management plan to address our financial condition may be ineffective, and we cannot provide any assurance that we will be able to continue as a going concern.

Our business plan requires additional liquidity and capital resources that might not be available on terms that are favorable to us, or at all, which raises substantial doubt about our ability to continue as a going concern or restricts our ability to grow and adversely affect our results of operations.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of December 31, 2017, we had unrestricted cash of $71,183 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our income from operations is not sufficient to satisfy our capital needs, we may be required to cease our operations or alter our growth plans. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Any additional capital raised through the sale of equity or the issuance of equity in connection with property acquisitions may dilute the ownership percentage of our shareholders. This could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding

equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect. Debt financing, if available, may involve restrictive covenants or additional security interests in our assets and would increase our expenses due to interest payment requirements.

Our ability to obtain needed financing may be impaired by such factors as the health of and access to capital markets (both generally and in the real estate industry in particular), our status as a new enterprise without a significant demonstrated operating history, the substantial doubt about our ability to continue as a going concern, and/or the loss of key management. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition and results of operations.

We own real estate that is subject to financial and other covenants, as well as liens. We are not in compliance with all of those covenants, which may constitute an event of default under certain of our loan agreements and cause acceleration of certain indebtedness and the initiation of foreclosure action against certain of our properties.

All of the properties we own are subject to loan agreements requiring, among other covenants, compliance with certain financial and non-financial covenants. In the event we are unable to comply with the requirements of our borrowings, we may be subject to default, which could cause a lender to accelerate our indebtedness or to initiate a foreclosure action. Judgments against the borrower in excess of $100,000 or against the guarantors of our loans in excess of $250,000 that remain unpaid after 30 days constituted an event of default under our previous 10301 Bren Road loan agreements and judgments against the borrower or the guarantors of our loans in excess of $250,000 that remain unpaid after 60 days constituted and event of default under our previous 180 East 5th Street loan.

On February 27, 2017, a judgment in the amount of $719,365 was ordered against Talon Bren Road, LLC and Talon O.P. L.P. On March 27, 2017, Talon Bren Road, LLC received a notice of a default under the terms of our second mortgage agreement, the outstanding balance of which was $2.0 million as of December 31, 2016. On April 13, 2017, Talon Bren Road, LLC, Talon O.P. and Talon Real Estate Holding Corp. received a notice of default and acceleration demand for payment of amounts outstanding under our first mortgage loan agreement, the balance of which was approximately $10.7 million as of December 31, 2016. On June 23, 2017 the amounts outstanding on the first and second mortgage were refinanced with a new lender and the judgment in the amount of $719,365 was satisfied out of the proceeds of the refinancing.

On April 7, 2017, a judgment in the amount of $897,695 was ordered against Talon Real Estate Holding Company and Talon O.P. L.P, jointly and severally. On May 31, 2017, the Court granted a Charging Order against the Company and Talon O.P.L.P where the Company and Talon O.P.L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

We could face difficulties in refinancing loans involving balloon payment obligations.

Most of our mortgage loans require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity could be uncertain and may depend upon our ability to obtain additional financing, to refinance the debt or our ability to sell the particular property. On April 8, 2017, we had a balloon payment due in the amount of $4.3 million dollars. As of the date of this report, the payment is past due and we have been unable to refinance it. If we continue to be in default or are unable to obtain a waiver from the lender, the lender may foreclose on the secured property or accelerate any amounts due. We may be required to sell the mortgaged property at a time which may not permit realization of the maximum return on such property. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets. If we are able to refinance the debt, we may not be able to obtain terms as favorable as the original loan. The

effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition ofo our assets. ~~[Discuss Gamma default and resolution here as well.]~~

We currently own, and may own in the future, non-controlling interests in some of our properties, including a 49% interest in one of our real estate investments and therefore do not exercise voting control over the property.

Our Operating Partnership currently owns a 49% interest in an entity that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area. An affiliate of MG Kaminski, our Chief Executive Officer, owns the other 51% interest in the entity. Talon RE, a wholly owned subsidiary of our Operating Partnership, entered into a contribution agreement with Mr. Kaminski to acquire his remaining interest in the entity, subject to receiving consent to the transfer from the entity's lender, but there can be no assurance that the lender will consent to the transfer or that we will ever acquire a controlling interest in the entity that owns the complex.

Our current non-controlling interest in the industrial complex and any future co-investments we might make with third parties through partnerships, joint ventures or other entities are subject to a variety of risks. For example, we might not be in a position to exercise sole decision-making authority regarding the property subject to a co-investment. Partners or co-ventures in a co-investment also might become bankrupt or fail to satisfy their obligations with respect to a property. Partners or co-ventures may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venture would have full control over the partnership or joint venture. In addition, prior consent of any joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or Limited Liability Company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-ventures may result in litigation or arbitration that would increase our expenses and prevent our officers or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-ventures might result in subjecting any properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-ventures. Any such joint ventures may be subject to debt and the refinancing of such debt may require equity capital calls.

We are subject to litigation proceedings that could harm our business if an unfavorable ruling were to occur.

From time to time, we may become involved in litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. As described in, but not limited to, Part I, Item 3, "Legal Proceedings" of this Form 10-K, we are currently subject to certain legal proceedings. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure you that these or other litigation or legal proceedings will not materially affect our ability to conduct our business in the manner that we expect or otherwise adversely affect us should an unfavorable ruling occur.

Our lack of diversification increases the risk of an investment in our company, and our financial condition and results of operations may deteriorate if we fail to diversify.

We currently own an interest in four commercial properties located in the Minneapolis-St. Paul area. Although we intend to continue to acquire additional properties for our portfolio, our ability to diversify our portfolio will depend on our access to additional capital and financing sources and the availability of suitable acquisition targets. We also intend to finance some acquisitions with shares of our company's common stock or the Operating Partnership's limited partnership units so our ability to diversify may also depend on the willingness of real estate owners to exchange their real estate holdings for such securities, which we anticipate will have limited liquidity. Until such time as we are able to diversify our property holdings, if at all, our results of operations will depend on economic conditions in the Minneapolis-St. Paul area and could fluctuate significantly depending on local economic factors that are outside of our control. In addition, natural disasters in this area, such as tornadoes, could significantly damage our current property and materially and adversely affect our financial condition, results of operations and prospects.

As of December 31, 2017, there was approximately $71 million of indebtedness secured by buildings in which we have an interest, which could expose us to default, prevent the disposition of any of the properties or result in a significant loss upon disposition of any of the properties.

The appraised value or purchase price of acquired properties are not necessarily equal to the fair market value or the consideration we would receive if we disposed of the properties in arm's length transactions. If the fair market value of the property is less than the amount of outstanding debt secured by the property, the entity that owns the property might not be able to dispose of it or, if it does dispose of the property, it could be at a substantial loss that would adversely affect our results of operations and financial condition. In addition, payments of principal and interest on the indebtedness related to the property may require us to contribute cash resources to operate the property, and indebtedness on any future properties we may acquire or seek to acquire in the future could leave us with insufficient cash resources to operate our business or to pay dividends to our shareholders.

We are dependent on key personnel and need to hire additional qualified personnel for our business to succeed.

Our performance is substantially dependent on the performance of our senior management, including MG Kaminski, our Chief Executive Officer, and Keith Gruebele, our Chief Financial Officer. The loss of the services of any of our executive officers could have a material adverse effect on our business, results of operations and our financial condition. Our future success also depends on our continuing ability to attract and retain highly qualified managerial and other personnel. Competition for such personnel is intense and we may not be able to retain our key managerial and other employees or may not be able to attract and retain additional highly qualified managerial and other personnel in the future. The inability to attract and retain necessary managerial and other personnel could have a material adverse effect upon our business, results of operations and financial condition.

We may not be able to operate as a REIT and our management team has no REIT experience.

Our board of directors and executive officers have no prior experience operating a REIT. There is a risk that the past experience of our management team will not be sufficient to operate our company as a REIT. We may not qualify to elect REIT status for the current calendar, or at all. Our failure to qualify as a REIT may have an adverse effect on our tax position, financial condition, results of operations, cash flow and trading price of our common stock.

Our management team has never run a public company.

Our executive officers have no prior experience operating a publicly-traded company. There is a risk that the past experience of our management team will not be sufficient to timely meet disclosure requirements of the Securities and Exchange Commission (the "SEC") or otherwise comply with securities laws applicable to publicly-traded companies. Our failure to operate as a public company would have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

If our remedial measures are insufficient to address material weaknesses and we are unable to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, timely file our periodic reports, maintain our reporting status or prevent fraud.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. In connection with our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017, we concluded there were two material weaknesses. Our management identified material weaknesses in internal control over financial reporting relating to our internal control environment and our period end financial reporting. In addition, we identified multiple significant deficiencies in our internal control over financial reporting. Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, detected or corrected on a timely basis.

Although management has begun taking and intends to continue to take a number of steps to remediate the underlying causes of these material weaknesses (see "Item 9A Controls and Procedures – Management's Annual Report on Internal Control Over Financial Reporting" and "- Management Remediation Plan"), we cannot assure that this remediation will occur on a timely basis, or that the efforts to remediate the material weakness will be effective.

Moreover, if our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, then there exists a risk that our consolidated financial statements may contain material misstatements that are unknown to us at that time, and such misstatements could require us to restate our financial results. Our management or our independent registered public accounting firm may identify other material weaknesses in our internal control over financial reporting in the future. The existence of a material weakness in our internal control over financial reporting may result in current and potential stockholders and lenders losing confidence in our financial reporting, which could negatively impact the market price of our common stock or willingness of lenders to extend credit to our Company.

In addition, the existence of material weaknesses in our internal control over financial reporting may affect our ability to timely file periodic reports under the Exchange Act and may consequently result in the SEC revoking the registration of our common stock or the delisting of our common stock. Any of these events could have a material adverse effect on the market price of our common stock or on our business, financial condition and results of operations.

Our insurance may be inadequate to cover liabilities we may incur.

Our ownership of real property may result in us becoming subject to liability for pollution, property damage, personal injury, death or other hazards. Although we expect to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, we may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to us. If we suffer a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, we could be required to divert funds from capital investment or other uses towards covering our liability for such events, and we may not be able to continue to obtain insurance on commercially reasonable terms.

We rely on revenues derived from key tenants.

We derive significant revenues from certain key tenants. We could be adversely affected in the event of the bankruptcy or insolvency of, or a downturn in the business of, any of our key tenants, or in the event that any such tenant does not renew its leases as they expire or renews such leases at lower rental rates.

Any bankruptcy filings by or relating to any of our tenants could bar us from collecting pre-bankruptcy debts from that tenant, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums.

On March 7, 2017, a key tenant in one of our properties filed for Chapter 11 bankruptcy protection from its creditors. The bankruptcy court authorized the tenant to reject and terminate its lease with us effective September 30, 2017. As of the date of this report we have been unable to re-let this space to another lessee which reduces the operating cash flow of this property. See "Item 1 – Our Current Property Interests" for quantified information with respect to the percentage of our minimum rents received from major tenants.

RISKS RELATED TO OUR INDUSTRY

Our ownership of commercial real estate involves a number of risks, the effects of which could adversely affect our business.

General economic and market risks. In periods during, or following, a general economic decline or recessionary climate, our assets may not generate sufficient cash to pay expenses, service debt or cover maintenance, and, as a result, our results of operations, cash flows and ability to pay dividends (if any) may be adversely affected. Several factors may adversely affect the economic performance and value of our properties. These factors include, among other things:

- changes in the national, regional and local economic climate;
- local real estate conditions such as an oversupply of properties or a reduction in demand for properties;
- the attractiveness of our properties to tenants or buyers;
- competition from other available properties;
- changes in market rental rates and related concessions granted to tenants such as free rent, tenant allowances and tenant improvement allowances; and
- the need to periodically repair, renovate and re-lease space.

Uncertain economic conditions may adversely impact current or future tenants and, accordingly, could affect their ability to pay rents owed to us pursuant to their leases. In periods of economic uncertainty, tenants are more likely to close less profitable locations or to declare bankruptcy, and, pursuant to various bankruptcy laws, leases may be rejected and thereby terminated. Furthermore, our ability to sell or lease our properties at favorable rates, or at all, may be negatively impacted by general or local economic conditions.

Our ability to collect rent from tenants may affect our ability to pay for adequate maintenance, insurance and other operating costs. Also, the expense of owning and operating a property is not necessarily reduced when circumstances such as market factors cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) may adversely affect our financial condition.

Leasing risk. Our operating revenues are dependent upon entering into leases with and collecting rents from tenants. In uncertain economic times, tenants whose leases are expiring may desire to decrease the space they lease or may be unwilling to continue their lease. When leases expire or are terminated, replacement tenants may not be available upon acceptable terms and market rental rates may be lower than the previous contractual rental rates. Also, during uncertain economic conditions, tenants may approach us for additional concessions in order to remain open and operating. The granting of these concessions may adversely affect our results of operations and cash flows to the extent that they result in reduced rental rates, additional capital improvements, or allowances paid to or on behalf of the tenants.

Uninsured losses and condemnation costs. Accidents, terrorism incidents, tornadoes or other acts of God and other losses at our properties for any reason could adversely affect our operating results. Casualties may occur that significantly damage an operating property, and insurance proceeds may be less than the total loss incurred by us. We maintain casualty insurance under policies we believe to be appropriate, but some types of losses, such as those related to the termination of longer-term leases and other contracts, generally are not insured. Certain types of insurance may not be available or may be available on terms that could result in large uninsured losses. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on the property. Such losses may not be fully insured. In addition to uninsured losses, various government authorities may condemn all or parts of operating properties. Such condemnations could adversely affect the viability of such projects.

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. Unidentified environmental liabilities could have an adverse effect on our financial condition and results of operations.

Liquidity risk. Real estate investments are relatively illiquid and can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable. As a result, our ability to sell one or more of our properties, whether in response to any changes in economic or other conditions or in response to a change in strategy, may be limited. In the event we want to sell a property, we may not be able to do so in the desired time period, the sales price of the property may not meet our expectations or requirements, and we may be required to record an impairment loss on the property as a result.

We face possible risks associated with the physical effects of climate change.

We cannot assert with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity. Over time, these conditions could result in declining demand for office space in our buildings or our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal or repairs and maintenance at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Data security breaches may cause damage to our business and reputation.

In the ordinary course of our business we maintain sensitive data, including our proprietary business information and the information of our tenants and business partners, in our networks. Notwithstanding the security measures undertaken, our information technology may be vulnerable to attacks or breaches resulting in proprietary information being publicly disclosed, lost or stolen. There can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Protected information, networks, systems and facilities remain vulnerable because the techniques used in such attempted security breaches evolve and may not be recognized or detected until launched against a target. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

Data and security breaches could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of our client tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;

- result in our inability to maintain the building systems relied upon by our client tenants for the efficient useo of their leased space;o
- require significant management attention and resources to remedy any damages that result;o
- subject us to claims for breach of contract, damages, credits, penalties, or termination of leases or othero agreements; and/oro
- damage our reputation among our client tenants and investors.o

Competition may impede our ability to attract or retain tenants or re-let space, which could materially and adversely affect us.

We face significant competition for tenants from other owners and operators of office, industrial and retail properties in the Minneapolis-St. Paul area and expect to experience similar significant competition in areas where we acquire additional properties. These competitors may possess more substantial resources and access to capital than we have, as well as greater expertise or flexibility in designing space to meet prospective tenants' needs, or may be more willing, especially in difficult economic times, to make space available to prospective tenants at lower prices than comparable spaces in our properties. Thus, competition could negatively affect our ability to attract and retain tenants and may reduce the rents we are able to charge, which could materially and adversely affect us.

Compliance or failure to comply with federal, state and local regulatory requirements could result in substantial costs.

Our properties are subject to various federal, state and local regulatory requirements, such as the Americans with Disabilities Act and state and local fire, health and life safety requirements. Compliance with these regulations may involve upfront expenditures and ongoing costs. If we fail to comply with these requirements, we could incur fines or other monetary damages. We do not know whether existing requirements will change or whether compliance with existing or future requirements will require significant unanticipated expenditures that will affect our cash flows and results of operations.

We may face risks associated with property acquisitions.

We intend to invest in property acquisitions, which carry certain risks including:

- we may have difficulty finding properties that are consistent with our strategy and that meet ouro standards;o
- we may have difficulty negotiating with new or existing tenants;o
- the extent of competition for a particular market for attractive acquisitions may hinder our desired levelo of property acquisitions;o
- the actual costs and timing of repositioning or redeveloping acquired properties may be greater thano our estimates;o
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse,o with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmentalo contamination, claims by tenants, vendors or other persons dealing with the former owners of theo properties, liabilities incurred in the ordinary course of business and claims for indemnification byo general partners, directors, officers and others indemnified by the former owners of the properties;o
- the occupancy levels, lease-up timing and rental rates may not meet our expectations;o
- the acquired property may be in a market that is unfamiliar to us and could present additionalo unforeseen business challenges;o
- acquired properties may fail to perform as expected;o
- the timing of property acquisitions may lag the timing of property dispositions, leading to periods ofo time where projects proceeds are not invested as profitably as we desire;o
- we may be unable to obtain financing for acquisitions on favorable terms or at all; ando
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations,o and significant levels of management's time and attention could be involved in these projects,o diverting their time from our day-to-day operations.o

Any of these risks could have an adverse effect on our results of operations and financial condition. In addition, we may acquire properties subject to liabilities, and with no or limited recourse against the prior owners or other third parties. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our business, results of operations and cash flow.

Pursuant to the Formation Transactions, our Operating Partnership acquired a 49% interest in an entity that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area. However, affiliates of MG Kaminski, our Chief Executive Officer, own the other 51% interest in the entity. Talon RE, a wholly owned subsidiary of our Operating Partnership, entered into a contribution agreement with Mr. Kaminski to acquire his remaining interest in the entity, subject to receiving consent to the transfer from the entity's lender, but there can be no assurance that the lender will consent to the transfer or that we will ever acquire a controlling interest in the entity that owns the complex.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in dilution and limit our ability to sell such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in the Operating Partnership, which may dilute our interest in our properties. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the respective contributor's ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties or the allocation of partnership debt to the contributor to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business we acquire and store sensitive data, including intellectual property, our proprietary business information and personally identifiable information of our prospective and current tenants, our employees and third-party service providers in our branch offices and on our networks and website. The secure processing and maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, which could adversely affect our results of operations and competitive position.

RISKS RELATED TO FEDERAL INCOME TAX

If we elect to be taxed as a REIT, any failure to qualify as a REIT for federal income tax purposes could have a material adverse impact on us and our shareholders.

Once we meet the specific criteria to qualify as a REIT and it is advantageous to the shareholders to do so, we intend to elect to be treated as a REIT for federal income tax purposes and operate in a manner to continue to qualify as a REIT. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code (the "Code"), for which there are only limited judicial or administrative interpretations. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, we can provide no assurance that legislation, new regulations, administrative interpretations or court decisions will not adversely affect our qualification as a REIT or the federal income tax consequences of our REIT status.

If we were to fail to qualify as a REIT or maintain our REIT status, we would not be allowed a deduction for distributions to shareholders in computing our taxable income. In this case, we would be subject to federal

income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be disqualified from operating as a REIT for the four taxable years following the year during which qualification was lost. As a result, we would be subject to federal and state income taxes which could adversely affect our results of operations and distributions to shareholders. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke the REIT election.

In order to qualify as a REIT, under current law, we generally are required each taxable year to distribute to our shareholders at least 90% of our net taxable income (excluding any net capital gain). To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our other taxable income, we are subject to tax on the undistributed amounts at regular corporate rates. In addition, we are subject to a 4% nondeductible excise tax to the extent that distributions paid by us during the calendar year are less than the sum of the following:

- 85% of our ordinary income;
- 95% of our net capital gain income for that year; and
- 100% of our undistributed taxable income (including any net capital gains) from prior years.

We generally intend to make distributions to our shareholders to comply with the 90% distribution requirement to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Distributions could be made in cash, stock or in a combination of cash and stock. Differences in timing between taxable income and cash available for distribution could require us to borrow funds to meet the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Satisfying the distribution requirements may also make it more difficult to fund new investment or development projects.

If we elect to be taxed as a REIT, certain property transfers may be characterized as prohibited transactions, resulting in a tax on any gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, if we elect to be taxed as a REIT, any gains resulting from transfers or dispositions, from other than a taxable REIT subsidiary, that are deemed to be prohibited transactions would be subject to a 100% tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale to customers in the ordinary course of business. Since we intend to acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property will be deemed to be prohibited transactions. However, whether or not a transfer or sale of property qualifies as a prohibited transaction depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service (the "IRS") may contend that certain transfers or disposals of properties by us are prohibited transactions. If the IRS were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100% of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

The stock ownership limit imposed by the Code for REITs and our articles as we intend to amend it may restrict business combination opportunities.

To qualify as a REIT under the Code, not more than 50% in value of our outstanding stock 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 our first year in which we qualify as a REIT. We anticipate amending our articles such that, with certain exceptions, it would authorize our board of directors to take the actions that are necessary or appropriate to preserve our qualification as a REIT once we elect REIT status. Unless an exemption is granted by our board of directors, our articles are expected to prohibit the actual, beneficial or constructive ownership by any person of more than 10% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 10% in value of the aggregate outstanding shares of all classes and series of our stock. In addition, our articles would generally prohibit beneficial or constructive ownership of shares of our capital stock by any person that owns, actually or constructively, an interest in any of our tenants that

would cause us to own, actually or constructively, 10% or more of any of our tenants. Our board of directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine.

These ownership limitations in our articles are common in REIT charters and are intended, among other purposes, to assist us in complying with the tax law requirements and to minimize administrative burdens. However, these ownership limits might also delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our shareholders. Our board of directors may grant MG Kaminski, our Chief Executive Officer, and his affiliates an exemption from the ownership limits.

If we elect to be taxed as a REIT, complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our shareholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the federal income tax treatment of an investment in us. The federal income tax rules relating to REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in federal tax laws and interpretations thereof could adversely affect us or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

RISKS RELATED TO OUR SECURITIES

Our common stock is considered a "penny stock." The application of the "penny stock" rules to our common stock could limit the trading and liquidity of our common stock, adversely affect the market price of our common stock and increase the transaction costs to sell those shares.

Our common stock is a "low-priced" security or "penny stock" under rules promulgated under the Securities Exchange Act of 1934, as amended. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document which describes the risks associated with such stocks, the broker-dealers' duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, broker-dealers must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely decrease the willingness of broker-dealers to make a market in our common stock, will decrease liquidity of our common stock and will increase transaction costs for sales and purchases of our common stock as compared to other securities.

Shareholders may be diluted significantly through our efforts to obtain financing or complete acquisitions through the issuance of additional shares of our common stock or limited partnership units of the Operating Partnership, which are redeemable for shares of our common stock.

We are authorized to issue up to (1) 90,000,000 shares of common stock and (2) 10,000,000 shares of preferred stock. Our board of directors has the authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock and preferred stock with various preferences and other rights. Additionally, the limited partnership units of the Operating Partnership are redeemable for shares of our common stock, and we, as the sole general partner, are authorized to issue additional interests in the Operating Partnership in the form of such units. Moving forward, we may attempt to conduct acquisitions and/or mergers of other entities or assets using our common stock or limited partnership units of the Operating Partnership as payment for such transactions. If such transactions occur, this may result in substantial dilution of the ownership interests of existing shareholders, and dilute the book value of our common stock.

The Over-the-Counter Bulletin Board is a quotation system, not an issuer listing service, market or exchange. Therefore, buying and selling stock on the OTC Bulletin Board is not as efficient as buying and selling stock through an exchange. As a result, it may be difficult for you to sell your common stock or you may not be able to sell your common stock for an optimum trading price.

Our common stock is quoted on the Over the Counter Bulletin Board (the "OTCBB"). The OTCBB is a regulated quotation service that displays real-time quotes, last sale prices and volume limitations in over-the-counter securities. Because trades and quotations on the OTCBB involve a manual process, the market information for such securities cannot be guaranteed. In addition, quote information, or even firm quotes, may not be available. The manual execution process may delay order processing and intervening price fluctuations may result in the failure of a limit order to execute or the execution of a market order at a significantly different price. Execution of trades, execution reporting and the delivery of legal trade confirmations may be delayed significantly. Consequently, one may not be able to sell shares of our common stock at the optimum trading prices.

When fewer shares of a security are being traded on the OTCBB, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Lower trading volumes in a security may result in a lower likelihood of an individual's orders being executed, and current prices may differ significantly from the price one was quoted by the OTCBB at the time of the order entry. Orders for OTCBB securities may be canceled or edited like orders for other securities. All requests to change or cancel an order must be submitted to, received and processed by the OTCBB. Due to the manual order processing involved in handling OTCBB trades, order processing and reporting may be delayed, and an individual may not be able to cancel or edit an order. Consequently, one may not be able to sell shares of common stock at the optimum trading prices.

The dealer's spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of securities on the OTCBB if the common stock or other security must be sold immediately. Further, purchasers of securities may incur an immediate "paper" loss due to the price spread. Moreover, dealers trading on the OTCBB may not have a bid price for securities bought and sold through the OTCBB. Due to the foregoing, demand for securities that are traded through the OTCBB may be decreased or eliminated.

In addition, we have made multiple filings of our reports under the Securities Exchange Act of 1934 following the required filing date. This could result in our delisting from the OTC Bulletin Board.

We expect volatility in the price of our common stock, which may subject us to securities litigation resulting in substantial costs and liabilities and diverting management's attention and resources.

The market for our common stock may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be a target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention from our day-to-day operations and consume resources.

We are an "emerging growth company," under federal securities laws and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. The JOBS Act also permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to U.S. public companies. We are electing to use the extended transition period for complying with these new or revised accounting standards. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates. We could be an emerging growth company for up to five years after our first sale of equity securities pursuant to an effective registration statement under the Securities Act, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three-year period, or if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

We will be generally required to distribute to our shareholders at least 90% of our taxable income each year for us to qualify as a REIT under the Internal Revenue Code, or the Code, for which we currently do not qualify. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described herein. All distributions will be made at the discretion of our board of directors and will depend on our earnings, financial condition, maintenance of our REIT qualification and other factors that our board of directors may deem relevant from time to time. As a result, no assurance can be given that we will be able to make distributions to our shareholders at any time or that the level of any distributions will achieve any specific market yield or will increase or be maintained over time. Any failure to achieve expected distributions could materially and adversely affect the price of our common stock.

We may employ leverage in the future which could expose us to additional risks, may impair our ability to pay dividends and may adversely affect the market price of our common stock.

If we incur indebtedness in the future to fund our growth or operations, it is likely that the instruments governing such indebtedness will contain covenants restricting our operating flexibility. We may incur debt that is secured by all or a portion of the properties in our portfolio. We will bear the costs and fees associated with any such occurrence and ongoing interest expense that will reduce the amount of funds available to common shareholders. Because our decision to issue debt will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future occurrence and any such occurrence could reduce the market price of our common stock.

Certain provisions of our articles may make a takeover difficult even if such takeover could be beneficial to some of our shareholders.

Our articles of incorporation authorize the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, our board is empowered, without further shareholder action, to issue shares or series of preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights, including the ability to receive dividends, of our common shareholders. The issuance of such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control. Although we have no present intention of issuing any shares or series of preferred stock, we cannot guarantee that we will not make such an issuance in the future.

A significant portion of our shares are subject to resale restrictions. This could cause low trading volume and liquidity of our common stock for the near future.

All 19,880,981 of the shares of our common stock outstanding as of December 31, 2017 including 86,000 of such shares issued in restricted stock grants to our executive officers and directors were subject to resale restrictions as a result of securities laws (including Rule 144 of the Securities Act) or lock-up agreement at issuance. As of December 31, 2017, 4.0 million units of the Operating Partnership are exchangeable at the Company's discretion, for common shares of stock on a one-for-one basis, are subject to such resale restrictions. Because many of our shares are still subject to resale restrictions, there may be limited liquidity and trading volume of our common stock, which may lead to increased transaction costs for sales and purchases of our common stock as compared to other securities and the possible inability to identify a buyer for your shares.

Certain of our officers and directors have sufficient voting power to make corporate governance decisions that could have a significant effect on us and the other shareholders.

MG Kaminski, our Chief Executive Officer, beneficially owns approximately 54% of our outstanding common stock on a fully diluted basis. As a result, Mr. Kaminski, alone will be able to exert a significant degree of influence over our management and affairs and over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in our control and might affect the market price of our common stock, even when a change in control may be in the best interest of all stockholders. Furthermore, the interests of this concentration of ownership may not always coincide with our interests or the interests of other shareholders.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

Conflicts exist or could arise in the future between the interests of our shareholders and the interests of the holders of limited partnership units in our Operating Partnership, which may impede business decisions that could benefit our shareholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Minnesota law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership in connection with the management of our Operating Partnership and its limited partners under Minnesota law and the partnership agreement of our Operating Partnership. Our fiduciary duties and obligations as general partner to our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our company. If we become subject to and are unable to resolve any conflicts of interests, our business and results of operations could be materially and adversely impacted.

The partnership agreement of our Operating Partnership provides that neither we nor our directors and officers are liable to our Operating Partnership for losses sustained, liabilities incurred or benefits not derived as a result of any act or omission, so long as such person acted in good faith and in the belief that such conduct or omission was in the best interests of our Operating Partnership. The partnership agreement provides for indemnification of us, our affiliates and each of our respective officers and directors to the extent those persons

would be indemnified by us pursuant to our articles of incorporation if such persons were directors, officers, agents or employees of our company. The provisions of Minnesota law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court ofdaw, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement. As a result, our shareholders may have limited rights against us in connection with addressing conflicts of interest, which could limit their recourse against us in the event of actions we take with which our shareholders do not agree.

Our organizational documents may inhibit a takeover that shareholders consider favorable.

Provisions of our articles of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that our shareholders might otherwise deem to be in their best interests. These provisions:

- o permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights,o privileges and preferences as our board may designate, including the right to approve an acquisition oro other change in our control;o
- o provide that the authorized number of directors may be changed by an amendment to our bylaws byo our board of directors;o
- o permit the division of our board of directors into up to three classes;o
- o provide that all vacancies, including newly created directorships, may, except as otherwise required byo law, be filled by the affirmative vote of a majority of directors then in office, even if less than ao quorum; ando
- o do not provide for cumulative voting rights.o

Also, to assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, we intend to amend our articles to prohibit any stockholder from beneficially or constructively owning more than 10% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 10% by value or number of shares, whichever is more restrictive, of our outstanding capital stock. Only our board of directors, in its sole discretion, may waive the 10% ownership limit with respect to a particular stockholder.

Our board of directors and management team may change our investment and financing policies without shareholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors and management team. Accordingly, our shareholders do not control these policies. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter our policy on borrowing at any time without shareholder approval and we could become more highly leveraged, which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and the trading price of our common stock.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our shareholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and will conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we will rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We will also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as shareholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our shareholders only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

If we elect to be taxed as a REIT, dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from "qualified dividends" payable to U.S. shareholders that are individuals, trusts and estates is 15% (20% in the case of taxpayers whose income exceeds certain thresholds). Dividends payable by REITs, however, are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock.

Our Operating Partnership may issue additional partnership interests to third parties without the consent of our shareholders, which would reduce our ownership percentage in our Operating Partnership and may have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our shareholders.

In connection with future acquisitions of properties or otherwise, we expect to issue additional partnership interests to third parties. Such issuances will reduce our ownership percentage in our Operating Partnership and may affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our shareholders. Because you will not directly own partnership interests, you will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

In order to elect to be taxed as a REIT, we may seek to be amend provisions of our articles of incorporation, which requires shareholder approval. We may not be able to receive that shareholder approval.

In order to elect to be taxed as REIT, we would likely seek to make certain amendments to our articles of incorporation. Under Utah law, those amendments require shareholder approval. We may not be able to obtain the necessary approvals or, the cost of seeking the approvals, may be too costly and prohibit us from seeking the approvals. In such instance, we would not elect to be taxed as a REIT and the taxable income to our shareholders may be higher.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The information set forth under Item 1 "Business – Our Current Property Interests" is incorporated herein by reference.

Item 3. Legal Proceedings

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. The defendant has responded and filed a counterclaim and third-party complaint against Talon Bren Road, LLC and Talon OP, LP on July 7, 2016. On November 9, 2016 the matter came before the court on the Defendant's motion for partial summary judgment. Subsequently, on February 27, 2017 the Hennepin County District Court issued a Findings of Fact and Order for Judgment on the counter claim against the Company in the amount of $719,365, plus post judgment interest which pursuant to our 10301 Bren Road and 180 E 5th Street loan agreements, constitutes an event of default. On June 23, 2017, we satisfied the judgment using proceeds obtained in a refinancing of the debt on the property. On March 27, 2017 our complaint in the amount of $771,408 went to trial in Hennepin County District Court. On July 21, 2017 a judgment was ordered in favor of Talon Bren Road LLC and Talon O.P. LP in the amount of $594,076.

On September 23, 2016, Kevin Lind filed a complaint in Hennepin County District Court against the Company. The complaint alleges breach of contract pursuant to a $500,000 promissory notes dated January 12, 2015 and a $500,000 promissory note dated May 19, 2015, and subsequent extensions thereof, plus accrued interest. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498.

On October 18, 2016, Curtis Marks filed a complaint in Hennepin County District Court against the Company. The complaint alleges breach of contract pursuant to a $500,000 promissory note dated August 12, 2014, and subsequent extensions thereof, plus accrued interest. In April 2017, this matter went to trial and the plaintiff was awarded a judgment in the amount of $897,695. On May 31, 2017, the Court granted a Charging Order against the Company and Talon O.P. LP where the Company and Talon O.P LP is required to pay all profits and distributions to Mr. Marks until the full amount of the judgment is paid and satisfied.

On January 25, 2017, in the matter of Swervo Management Division, LLC, as plaintiff, versus Talon Real Estate Holding Corp, Talon First Trust, LLC and Talon Bren Road, LLC, as defendant, the Company executed a $1,330,167 amended and restated promissory note, plus interest on the unpaid balance at 10%. This note has been amended and restated on a quarterly basis since April 25, 2017 based on periodic partial payments and capitalization of due interest. The current amended and restated note has a balance of $927,586 with interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of January 24, 2018 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

The common stock of our predecessor, Guide Holdings, Inc., was listed for quotations on the OTCBB on December 28, 2010, under the symbol "GHGD." Our shares of common stock continued to be quoted on the OTCBB subsequent to June 7, 2013 under the symbol "TALR." There currently is no established trading market for shares of our common stock. We cannot give any assurance that any market for our common stock will develop or be maintained. If an established trading market ever develops in the future, the sale of shares of our common stock that are deemed to be "restricted securities" pursuant to Rule 144 under the Securities Act of 1933, as amended, by members of management or others may have a substantial adverse impact on any such market. In general, pursuant to Rule 144, non-affiliate stockholders may sell freely after six months subject only to the current public information requirement. Affiliates may sell after six months subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. All current holders of shares of our common stock have satisfied the six-month holding period requirement of Rule 144.

The following table sets forth, for the periods indicated over the last two years, the high and low prices of actual transactions on the OTCBB instead of bid and ask quotations due to limited trading volume. In the event there were no shares traded during the period, the last actual transaction price from a previous period was used.

	Closing Bid	
	High	Low
2017		
January 1 - March 31, 2017	0.55	0.08
April 1 - June 30, 2017	0.12	0.05
July 1 - September 30, 2017	0.05	0.02
October 1 - December 31, 2017	0.020	0.0054
2016		
January 1 - March 31, 2016	1.350	1.00
April 1 - June 30, 2016	1.000	1.00
July 1 - September 30, 2016	1.000	0.55
October 1 - December 31, 2016	0.980	0.98

These prices were obtained from www.NASDAQ.com and do not necessarily reflect actual transactions, retail markups, mark downs or commissions.

Stockholders of Record. As of December 31, 2017, we had over 108 stockholders of record of our common stock, excluding holders whose stock is held either in nominee name and/or street name brokerage accounts.

Dividends. Our predecessor did not declare any cash dividends and we have not declared any cash dividend subsequent to June 7, 2013. We intend to elect to be taxed as a REIT for federal income tax purposes no earlier than with our taxable year ending December 31, 2018. In connection with electing to be taxed to qualify as a REIT, each year we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our shareholders in an aggregate amount at least equal to the sum of:

- 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain or loss, and
- 90% of our after-tax net income, if any, from foreclosure property, minus
- the sum of certain items of non-cash income.

If we elect to be taxed as a REIT, we must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (i) we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration or (ii) we declare the distribution in October, November or December of the taxable year, payable to shareholders of record on a specified day in any such month, and we actually pay the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the shareholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

If we elect to be taxed as a REIT, we will pay federal income tax on taxable income, including net capital gain, which we do not distribute to shareholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year we will be taxed on, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain income for such year, and
- any undistributed taxable income from prior periods.

It is possible that we may not have sufficient cash to meet the distribution requirements discussed above. This could result because of competing demands for funds, or because of timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, we may need to borrow funds, raise funds through the issuance of additional shares of common stock or, if possible, pay taxable dividends of our common stock or debt securities.

Unregistered Sales of Equity Securities

No private placement of the Company's shares of common stock was completed in 2017 that was not previously disclosed in a Form 10-Q or Form 8-K.

Stock Repurchases

None.

Item 6. Selected Financial Data

Not required for a smaller reporting company.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our audited financial statements and related notes which are included elsewhere in this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

Overview

Talon Real Estate Holding Corp is a publicly traded real estate corporation that invests primarily in single and multi-tenant office, industrial and retail properties within the Midwest and South Central regions of the United States. It currently owns four properties located in and around Minneapolis-St. Paul metropolitan area of Minnesota. Headquartered in Minneapolis, MN and founded in June 2013, Talon's primary objective is to provide shareholders with attractive returns from investments in real estate through dividend distribution and growth.

On June 7, 2013 we acquired a 49% interest in an entity that owns an industrial complex consisting of two buildings with approximately 171,639 square feet located in the Minneapolis-St. Paul metropolitan area. We have entered into a contribution agreement to acquire the remaining interest in this entity, subject to receiving consent to the transfer from the entity's lender. The two buildings currently have a combined occupancy of 85%.

In 2014, we completed two acquisitions totaling approximately $58 Million and over one million in gross building square feet. On May 29, 2014, we completed the acquisition of a 227,000 square foot building situated on 20 acres of land in Minnetonka, MN that was 100% leased by over 100 tenants who are wholesale distributors. This property contributes to our core stable income investment strategy. On July 2, 2014, we completed the acquisition of a thirteen-story office tower located in downtown St. Paul, MN totaling 856,223 total building square feet that was 62% occupied by corporate and government tenants at time of acquisition and is currently 60% occupied. Management acquired the St. Paul property for its attractive value-add and growth potential. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease, which as amended, is expected to commence on January 1, 2018.

We plan to invest in both core income-producing properties requiring relatively small improvements or enhancements and value-added properties that will require more significant investments of capital or management attention (including, but not limited to, leasing vacant space or extending expiring leases) that we expect to provide current income as well as the increased potential for higher long-term value to our company. Our long-term plan is to invest in value-added properties while maintaining a significant part of our portfolio in core properties. Our investment allocation between these two types of properties may significantly fluctuate in the short term as we seek the best opportunities.

Factors That May Influence Our Operating Results

Acquisition Strategy. We plan to grow our business through the acquisition of new properties, initially targeting properties that meet the criteria described above under "—Overview" and elsewhere in this report. We expect the properties we acquire will be subject to mortgage financing and other indebtedness that we will assume or refinance. Debt service on such indebtedness will have a priority over any distributions with respect to our common stock.

Rental Revenue. The amount of net rental revenue generated by our properties depends primarily on our ability to maintain the occupancy rates of currently leased space and to lease space that becomes available. As of December 31, 2017, our properties were 73% leased. We believe that the average rental rates for our properties are generally equal to the current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns affecting the Minneapolis-St. Paul metropolitan area or downturns in our tenants' businesses that impair our ability to renew leases or re-let space or the ability of our tenants to fulfill their lease commitments could adversely affect our revenues. In addition, growth in rental revenue primarily will depend on our ability to acquire additional properties that meet our investment criteria.

Conditions in Our Markets. Our current properties are located in the Minneapolis-St. Paul metropolitan area. Positive or negative changes in economic or other conditions in this area, or areas in our prospective properties, including employment and wage rates, natural disasters and other factors, may impact our overall performance.

Operating Expenses. Our operating expenses primarily consist of property taxes, management fees, utilities, insurance and site maintenance costs. As of December 31, 2017, some of our leases require tenants to reimburse us for a share of our operating expenses. Increases or decreases in any unreimbursed operating expenses, either due to the nature of the expenses not requiring reimbursement from our tenants or due to a reduction in leased square footage requiring tenant reimbursement of a portion of our operating expenses, will impact our overall performance. Legal fees incurred in 2017 and 2016 were significant due to the Company's acquisition and refinancing activities. We expect legal fees to continue to be primarily associated with such activities and business matters customary to a public real estate company.

Interest Expense. Our interest expense will depend on the amounts we borrow as well as the interest rates charged by our lenders. Our current loan agreements are a mix of both fixed and floating rates, as well as secured and unsecured by our properties. Our aggregate interest expense may increase as we acquire properties and could fluctuate between periods based on the variable rate loan arrangements, if we do not hedge any such interest rate risk.

Liquidity. Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing in 2018 or liquidate one or more of our property holdings.

Critical Accounting Policies and Estimates

Our discussion and analysis of the historical financial condition and results of our operations are based upon our financial statements which have been prepared in accordance with U.S. generally accepted accounting principles, or US GAAP.

The preparation of these financial statements in conformity with US GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements of our company elsewhere in this report. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies. There have been no significant changes to those policies during the year ended December 31, 2017.

Investment in Real Estate and Fixed Assets

Investment in real estate and fixed assets are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction, and tenant allowances and improvements. Maintenance and repairs are expensed as incurred, and major improvements are capitalized. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible asset and identifiable intangibles based on their relative fair values. We assess fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market economic conditions.

We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for building, improvements, and furniture and equipment, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 yearso
Building	25-30 yearso
Building Improvements	10-20 yearso
Tenant Improvements	1-12 yearso
Furniture and Equipment	3 yearso

Intangible Assets

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. Amortization of other intangibles is recorded in depreciation and amortization expense.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of Talon Real Estate Holding Corp. ("TREHC") and Talon OP, our Operating Partnership. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Company's interest in the Operating Partnership was 80% and 65% of the common units of the Operating Partnership as of December 31, 2017 and December 31, 2016, respectively. The Operating Partnership's income is allocated to holders of common units based upon the ratio of their holdings to the total units outstanding during the period. Holders of preferred units receive certain distributions based on a percentage of the liquidation preference. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related leases, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rental income earned and amounts due according to the respective lease agreements are credited or charged to deferred rent receivable, as applicable.

Tenant recoveries related to reimbursement ofireal estate taxes, insurance, repairs and maintenance and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. Recoveries are billed monthly using estimated operating costs and an additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Impairment of Long-Lived Assets

We assess the carrying value of investment property and related intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with US GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

Income Taxes

We intend to elect to be taxed as a REIT under the Internal Revenue Code after we meet REIT qualifications but no sooner than with our taxable year ending December 31, 2018. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with US GAAP. As a REIT, we generally will not be subject to federal income tax to the extent we distribute qualifying dividends to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to shareholders. However, we intend to organize and operate in such a manner as to qualify for treatment as a REIT.

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position.

Accounting Standards Applicable to Emerging Growth Companies

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. Section 102(b)(1) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use the extended transition period for complying with these new or revised accounting standards. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates. If we were to elect to comply with these public company effective dates, such election would be irrevocable pursuant to Section 107 of the JOBS Act.

Market Conditions and Outlook

Our recent acquisitions were accomplished utilizing a 721 Exchange tax deferral methodology or "UPREIT" providing several unique advantages over a 1031 exchange or selling to cash buyers. This strategy is advantageous for real estate owners seeking to mitigate and defer their immediate tax obligations, stay invested in real estate, diversify their holdings, and seek potential future growth and liquidity by accepting Talon OP common units which can later be converted 1:1 for Talon common stock under the ticker "TALR" and their capital gains tax obligations are deferred until the common stock is ultimately sold in the public market.

Our strategy is to continue offering these tax-deferred solutions to real estate owners as part of diversifying our shareholder base creating liquidity and shareholder value. We continue to believe office and industrial properties offer the best return on equity metrics as part of our investment strategy. Retail will also be part our overall portfolio with an average overall target portfolio contribution of nearly 20% over the long-term.

The middle corridor of the United States continues to offer higher cap rates compared to the west and east coasts and we will continue to explore additional investment options within this region to continue our mission to provide return on equity targets of 8-15% per asset or portfolio.

Results of Operations

There were no new acquisitions or dispositions of any of the Company's properties in 2016 or 2017. We expect our revenues, tenant reimbursements and many expenses will continue to increase on an absolute basis in the future as we seek to acquire additional properties, assume or refinance indebtedness in connection with the acquisitions and build the infrastructure necessary to grow our business. In the near term, we expect to incur higher legal and other professional fees in pursuit of acquisitions.

Comparison of year ended December 31, 2016 to the year ended December 31, 2015

Revenues and Expenses

Rental revenues decreased $1,507,538, or 20.7%, to $5,761,214 for 2017, compared to $7,268,752 for the prior year. The primary driver of the decrease was acceleration of the above-market lease intangible asset amortization related to a tenant that renounced its lease as of September 30, 2017 as part of its Chapter 11 bankruptcy. Other factors causing the net rental revenue decrease relate to minor tenant losses across the portfolio as well as rate renegotiations on lease renewals with no significant new lease activity. In addition, rent received from one tenant that previously was not split between rent and tenant reimbursement was adjusted to split out a portion of

rent to tenant reimbursement beginning July 1, 2017. This had the effect of decreasing rent revenue and increasing tenant reimbursement in the year ended December 30, 2017 compared to the prior year.

Tenant reimbursements decreased $264,434, or7.4%, to $3,304,323 for2017 compared to $3,268,757 for the prior year. The smaller decrease in tenant reimbursement compared to rent revenue reflects a reclassification of rent to tenant reimbursement as described above under rent revenue. Without this change, tenant reimbursements would have declined consistent with the change in rent revenue and stable operating expenses.

Other income decreased $585, or 0.2%, to 280,400 for 2017 compared to $280,985 for the prior year. Other income was lower than comparable prior year amounts through the first three quarters due to lower recorded amounts related to an income guarantee on one of the properties owned and lower revenue from an event center located in the 180 East 5th Street property in St. Paul. In the fourth quarter, we recognized $182,767 of other income related to the judgment against Bren Road L.L.C.

General and administrative expenses decreased $864,147 or 79.5% to $222,311 for 2017 compared to $1,086,458 for 2016. The decrease is primarily due to $845,703 in due diligence costs and break-up fees for unsuccessful deals in 2016 with no comparable costs on 2017.

Salary and compensation expense decreased by $361,540, or 36.4% to $631,028 for 2017, compared to $992,568 in 2016. The decrease in salary and compensation expense is primarily attributable to the immediate vesting of certain non-cash stock compensation for awards granted in 2016.

Professional fees increased $247,811, or 22.2% to $1,363,890 for 2017, compared to $1,116,079 for 2016. The increase is primarily due to an increase in legal services related to our legal proceedings in 2017 compared to the prior year.

Property operating expenses increased by $51,311, or 1.1% to $4,707,709 for 2017, compared to $4,656,398 for 2016. The modest increase in property operating expenses compared to the prior year is primarily attributable to one-time, non-tenant reimbursable charges in June 2017 related to the refinancing of the debt secured by the Talon Bren Road, LLC owned property offset by decreases in property operating expenses across the portfolio in 2017 compared to 2016.

Real estate taxes and property insurance increased by $87,201, or 4.9% to $1,863,865 for 2017, compared to $1,776,664 for 2016. The increase primarily relates to real estate taxes and is consistent with our expectations.

Depreciation and amortization expense increased by $827,633, to $5,724,858 for 2017, compared to $4,897,225 for 2016. The increase is primarily related to a $1,134,029 acceleration of in-place lease intangible asset amortization related to a tenant that renounced its lease as part of its Chapter 11 bankruptcy.

Interest expense increased by $6,706,325, or 137.9% to $11,570,365 for 2017, compared to $4,864,040 for 2016. The increase is primarily related to the refinancing of the debt secured by the 180 East 5th Street property in January, 2017 and the refinancing of the debt secured by the 10301 Bren Road property in June, 2017. The weighted average interest rate increased to 11.85% for 2017 compared to 6.59% for 2016 and outstanding debt increased by over $22,500,000. In addition, significant new deferred financing costs were incurred which had predominantly a one-year amortization period.

Funds from Operations and Non-GAAP Reconciliation

The National Association of Real Estate Investment Trusts, or NAREIT, defines funds from operations, or FFO, as net income (loss) available to common shareholders computed in accordance with US GAAP, excluding gains or losses from sales of operating real estate assets and extraordinary items, plus depreciation and amortization of operating properties including the add back of real property depreciation, amortization of capitalized lease expenses, tenant allowances or improvements, and the like. We intend to calculate FFO in a manner consistent with the NAREIT definition.

Management intends to use FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using US GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with US GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Because real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that use historical cost accounting is insufficient by itself. In addition, securities analysts, investors, and other interested parties use FFO as the primary metric for comparing the relative performance of equity REITs. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs.

FFO should not be considered as an alternative to net income or other measurements under US GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

We define adjusted funds from operations, or AFFO, as FFO excluding the non-cash effects of straight-line rent, amortization ofdease inducements and deferred financing costs, depreciation of non-real estate, and non-cash compensation charges. US GAAP requires rental revenues related to non-contingent leases that contain specified rental increases over the life of the lease to be recognized evenly over the life of the lease. This method may result in rental income in the early years of a lease that is higher than actual cash received, creating a deferred rent receivable asset or lower income than actual cash received, creating a deferred rent revenue liability included in our consolidated balance sheet. At some point during the lease, depending on its terms, cash rent payments may exceed or be lower than the straight-line rent which results in the deferred rent receivable asset or liability, respectively, decreasing to zero over the remainder of the lease term. By excluding the non-cash portion of straight-line rental revenue and amortization of lease inducement and deferred financing costs as well as non-cash compensation expense, investors, analysts and our management can compare AFFO between periods. Our management utilizes this measurement to analyze our operating performance.

Below is the calculation of FFO and AFFO and the reconciliation to net income (loss), which we believe is the most comparable GAAP financial measure:

Reconciliation of Net Loss Attributable to Talon Real Estate Holding Corp. to Funds from Operations

In thousands (except per share amounts)	Year Ended December 31, 2017			2016		
	Amount	Weighted Avg. Shares and Units (1)	Per Share and Unit (2)	Amount	Weighted Avg. Shares and Units (1)	Per Share and Unit (2)
Net loss attributable to TREHC	$(11,824)	19,583	$ (0.60)	$ (5,307)	17,027	$ (0.31)
Adjustments:						
Non-controlling interest Operating Partnership	(4,867)	8,000		(2,856)	9,200	
Consolidated depreciation and amortization	5,725	-		4,897	-	
adjust for non-real estate depreciation	(1)	-		(5)	-	
adjust for amortization to revenue	633	-		224	-	
adjust for non-controlling real estate owned depreciation	(105)	-		(111)	-	
Net adjustments	1,385	8,000		2,149	9,200	
Funds from operations applicable to common shares	$(10,439)	27,583	$ (0.53)	$ (3,158)	26,227	$ (0.12)

Reconciliation of Net Loss Attributable to Talon Real Estate Holding Corp. to Adjusted Funds from Operations

	Year ended December 31,					
	2017			2016		
Adjusted funds from operations	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]	Amount	Weighted Avg. Shares and Units [1]	Per Share and Unit [2]
FFO available to common shares	$ (10,439)	27,583	$ (0.53)	$ (3,158)	26,227	$ (0.12)
Adjustments:						
Straight-line rents in excess of, or less than, contract rents	6	-		(166)	-	
Non-real estate depreciation	1	-		5	-	
Amortization of deferred financing costs net of non-controlling real estate	3,791	-		617	-	
Non-cash stock compensation charges	167	-		411	-	
AFFO available to common shares	$ (6,474)	27,583	$ (0.33)	$ (2,291)	26,227	$ (0.09)

(1)dNon-controlling units of the Operating Partnership are exchangeable for cash, or at the Company's discretion, for commono shares of stock on a one-for-one basis.o
(2) Net income is calculated on a per share basis. FFO and AFFO are calculated on a per share and unit basis.o

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain our operations and assets, acquire properties, make distributions to our shareholders and other general business needs. We have incurred significant expenses related to operating as a public corporation, building and tenant improvements at our properties, and preparation for and execution of our acquisition strategy creating a cash shortfall from operations through December 31, 2017.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have insufficient cash flow from current operations to pursue our strategy without further financing. As of December 31, 2017, we had unrestricted cash of approximately $71,183 and current liabilities including tenant improvement allowances, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and increased cash flow from future operations to fund our ongoing business. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and future operations to fund our ongoing business. If the amount of capital we are able to raise together with our cash flows from operations are not sufficient to satisfy our operational or capital needs, we may be required to sell our real estate assets, cease our operations or alter our growth plans.

In addition, in 2017 several judgments have been entered against the Company in various legal proceedings related to the non-repayment of outstanding unsecured note obligations, as follows:

- On February 27, 2017 a judgment was ordered against Talon Bren Road LLC and Talon OP L.P. in the amount of $719,365o
- On April 7, 2017, a judgment in the amount of $897,695 was ordered against Talon Real Estateo Holding Corp and Talon O.P., LP.o
- On May 19, 2017, a judgment in the amount of $1,476,498 was ordered against the Companyo

Judgments against the borrower in excess of $100,000 or against the guarantors of our loans in excess of $250,000 that remain unpaid after 30 days constitute an event of default under our 10301 Bren Road loan agreements, and judgments against the borrowers or guarantors of our loans in excess of $250,000 that remain unpaid after 60 days constitute an event of default under our 180 E. 5th Street loan. On June 23, 2017, the $719,365 judgment against Talon Bren Road LLC and Talon OP L.P. was paid from the proceeds of a refinancing described below.

On April 13, 2017, the Company, together with its subsidiaries Talon OP and Talon Bren Road, LLC ("TBR"), received written notice from Bell Bank ("Bell") that an event of default has occurred with respect to that the Loan Agreement dated as of May 29, 2014 (the "Loan Agreement") by and between Bell in its capacity as lender thereunder, and TBR, as the borrower thereunder (the "Notice"). The Company and Talon OP have guaranteed the payment and performance of TBR under the Loan Agreement pursuant to a Guaranty dated May 29, 2014 made by each guarantor in favor of Bell.

The Notice provides that (a) Bell demands immediate payment in full of the amount due under the Loan Agreement, which as of April 13, 2017 was $10,773,144 and (b) Bell may exercise its rights to seek the appointment of a receiver to take control of TBR's property located at 10301 Bren Road West, Minnetonka, MN and commence a foreclosure action to foreclose its lien on the property. On March 27, 2017, Talon Bren Road, LLC also received a notice of default under the terms of our second mortgage agreement, the outstanding balance of which was $2 million as of the date of the filing of this report.

On June 21, 2017, TBR LLC, entered into a transaction to refinance its first and second mortgages on the property via an issuance of a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15.2 million, which is comprised of the unpaid principle balance of $15.1 million and the unpaid interest only payment of $0.1 million. The proceeds of the refinancing were used to redeem amounts outstanding under the first, second and third mortgages totaling $14.0 million, to pay the outstanding judgment against the property described above, and to pay closing costs.

On April 8, 2017, the Company had a balloon payment of $4.3 million due on the mortgage one of its properties. The Company expects to refinance this property but as of the date of this report has been unable to do so. Failure to refinance would further impact our liquidity, and would allow the lender to exercise its rights under the loan agreement, including acceleration of the mortgage note and initiation of a foreclosure proceeding.

If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment.

Our long-term liquidity requirements consist primarily of funds to pay for past due and scheduled debt maturities, non-recurring capital expenditures that need to be made periodically and continued expansion of our business through acquisitions. Although we plan to aggressively pursue acquisitions to grow our business, there is no assurance that we will be able to acquire additional properties in the future.

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and are not expected to provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing or asset sales during 2018. Additional financing or asset sales are necessary for our company to continue as a going concern.

In the future, we anticipate using a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

Outstanding Indebtedness

5130 LLC, an entity in which our Operating Partnership owns a 49% interest and that owns an industrial complex located in the Minneapolis-St. Paul metropolitan area, is party to a loan agreement secured by such industrial complex. The loan agreement provides for two term loans, the A loan and the B loan. The term loans had a balloon payment due on April 8, 2017 and is past due. The Company expects to refinance this loan but as of the filing of this document has been unable to do so.

Talon Bren Road, LLC, an entity through which our Operating Partnership acquired the property located at 10301 Bren Road West, Minnetonka, MN on May 29, 2014, is party to a loan agreement secured by such property. The loan agreement contains certain financial and non-financial events of default. On February 27, 2017, a judgment in the amount of $719,365 was ordered against Talon Bren Road, LLC and Talon O.P. LP which constitutes a non-financial event of default under the loan agreement. On March 31, 2017 the Company received a notice from the lender stating that the Company was in nonmonetary default on the loan agreement. On June 21, 2017, Talon Bren Road, LLC entered into a transaction to refinance its first and second mortgages on the property via issuance of a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15.1 million. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018.

Talon First Trust, LLC, an entity through which our Operating Partnership acquired the property located at 180 East 5th Street St. Paul, MN on July 2, 2014, is party to a loan agreement secured by such property. On January 27, 2017 we completed the refinance of this loan. The new loan, in the principal amount of $51,600,000 matures January 26, 2018 and is secured by the property, an assignment of lease and rents, 100% of the membership and ownership interests in Talon OP, L.P., and other collateral as described in the loan agreement. The following table summarizes the Company's notes payable as of December 31, 2017 and 2016:

Loan Description	Loan Type	Maturity Date	Interest Rate	Principal Balance At December 31, 2017	Principal Balance At December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.50%	51,600,000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	January 24, 2018	10.00%	927,586	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	NA	10.00%	-	59,489
Talon First Trust, LLC. – Sale of Future Receivable [3]	See below [3]	See below [3]	[4]	539,334	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,0000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28, 2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan[5]	Unsecured fixed rate	June 1, 2019	8.00%	-	84,472
Talon Bren Road, LLC Roof Loan[5]	Unsecured fixed rate interest only	June 1, 2019	8.00%	-	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note[4]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	50,782	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	-	81,800
				$ 76,034,606	$ 53,449,711
Less: unamortized deferred financing costs				(684,012)	(496,063)
Notes payable, net				$ 75,350,594	$ 52,953,648

(1) This note has been amended and restated on a quarterly basis since January 25, 2017 based on periodic partial payments and capitalization of due interest. The current amended and restated note has a balance of $927,586 with interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of January 24, 2018 or upon a time that the Company refinances or sells its property located at 10301 Bren Road.

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from 14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.

(3) During 2016 the Company received funds from four different sources. As of December 31, 2016, the total outstanding balance was $430,500 for the sale of future receivables at the property located at 180 E. Fifth Street. The agreements require payments totaling $644,039 over 120 days. In the fourth quarter of 2017, a similar funding arrangement was entered into with a remaining balance due of $539,334 with payments of $____ due over ___ days. Per FASB ASC 470-10-25, which provides guidance on funds received from sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(4) On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015 and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to the plaintiff until the full amount of the judgment is paid and satisfied.

(5) On October 16, 2017, these notes were satisfied as part of a judgment against Bren Road L.L.C. in favor of Talon OP and Talon Bren Road, LLC relating to a net operating income guarantee.

Off Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements.

Inflation

As of December 31, 2017, most of our leases required tenants to reimburse us for a share of our operating expenses. As result, we are able to pass on much of any increases to our property operating expenses that might occur due to inflation by correspondingly increasing our expense reimbursement revenues. During 2017 and 2016, inflation did not have a material impact on our revenues or net income.

Recent Accounting Pronouncements

See Note 3 to the consolidated financial statements

Item 8. Financial Statements and Supplementary Data

TALON REAL ESTATE HOLDING CORP.
Minneapolis, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2017 and 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
Talon Real Estate Holding Corp.
Minneapolis, MN

We have audited the accompanying consolidated balance sheets of Talon Real Estate Holding Corp. as of December 31, 2017 and 2016, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Talon Real Estate Holding Corp. as of December 31, 2017 and 2016 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 16 to the consolidated financial statements, the company has suffered recurring losses from operations and as described in Note 16, has defaulted on the terms of certain of its secured and unsecured loan agreements. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/

Minneapolis, MN
___________, 2018

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Land and improvements	$ 8,302,447	$ 8,302,447
Building and improvements	51,959,753	51,192,059
Furniture and equipment	32,193	30,571
Total property and equipment	60,294,393	59,525,077
Less: accumulated depreciation	(10,983,141)	(8,506,290)
Net property & equipment	49,311,252	51,018,787
Cash	71,183	108,418
Rents and other receivables, net	300,817	428,176
Prepaid expenses and other assets	115,614	104,855
Restricted escrows & reserves	4,271,084	3,001,232
Deferred leasing costs, net	2,036,120	2,003,221
Intangible assets, net	1,743,428	5,465,603
TOTAL ASSETS	$ 57,849,498	$ 62,130,292
LIABILITIES		
Notes payable	$ 76,034,606	$ 53,449,711
Less: unamortized deferred financing costs	(684,012)	(496,063)
Notes payable, net	75,350,594	52,953,648
Accounts payable	2,966,639	6,167,516
Tenant improvement allowance	1,881,838	5,639,752
Accrued expenses and other liabilities	1,314,139	1,329,742
Tenant security deposits	159,523	167,242
Deferred rent revenue	124,464	121,710
Prepaid rent	355,296	175,758
Accrued interest	938,222	1,029,911
Below-market leases, net	36,789	150,638
Mandatorily redeemable Operating Partnership preferred units	-	3,000,000
Total Liabilities	83,127,504	70,735,917
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred shares outstanding at $.001 par value; authorized 10,000,000 shares; none issued or outstanding as of both December 31, 2017 and 2016	-	-
Common shares outstanding at $.001 par value; authorized 90,000,000 shares; 19,880,981 issued and outstanding as of December 31, 2017 and 17,265,981 as of December 31, 2016	19,880	17,265
Additional paid in capital	2,428,374	2,261,281
Accumulated loss	(26,349,668)0	(14,525,598)
Total Talon Real Estate Holding Corp. shareholders' equity (deficit)	(23,901,414)0	(12,247,052)
Non-controlling interests - Operating Partnership; 4,000,001 common units issued and outstanding as of December 31, 2017 and 9,200,001 issued and outstanding as of December 31, 2016	282,215	5,253,704
Non-controlling interests - consolidated real estate entities	(1,658,807)	(1,612,277)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(25,278,006)	(8,605,625)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT)	$ 57,849,498	$ 62,130,292

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years ended December 31, 2017 and 2016

	2017	2016
REVENUE		
Rent	$ 5,761,214	$ 7,268,752
Tenant reimbursements	3,304,323	3,568,757
Other income	280,400	280,985
Total Revenue	9,345,937	11,118,494
EXPENSES		
General & administrative	222,311	1,086,458
Salary and compensation	631,028	992,568
Professional	1,363,890	1,116,079
Property operating expenses	4,707,709	4,656,398
Real estate taxes & insurance	1,863,865	1,776,664
Depreciation and amortization	5,724,858	4,897,225
Total Expenses	14,513,661	14,525,392
Operating Loss	(5,167,724)	(3,406,898)
Interest expense	11,570,365	4,864,040
NET LOSS	(16,738,089)	(8,270,938)
Net loss attributable to non-controlling interest - Operating Partnership	4,867,489	2,855,745
Net loss attributable to non-controlling interests - consolidated real estate entities	46,530	108,398
NET LOSS ATTRIBUTABLE TO TALON REAL ESTATE HOLDING CORP.	$ (11,824,070)	$ (5,306,795)
Loss per common share basic and diluted	$ (0.60)	$ (0.31)

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2017 and 2016

	Number of Common Shares	Common Shares ($)	Additional Paid In Capital	Accumulated Loss	Total Controlling interests	Number of OP Common Units	Operating Partnership Common Units ($)	Non-controlling Interests in Real Estate	Total Equity
December 31, 2015	17,057,680	$ 17,057	$ 1,850,382	$ (9,218,803)	$ (7,351,364)	9,200,001	$ 8,109,449	$ (1,503,879)	$ (745,794)
Forfeited restricted shares	(341,699)	(342)	342	-	-	-	-	-	-
Shares issued as stock compensation	550,000	550	410,557	-	411,107	-	-	-	411,107
Shares issued for guarantee of note payable	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	(5,306,795)	(5,306,795)	-	(2,855,745)	(108,398)	(8,270,938)
December 31, 2016	17,265,981	17,265	2,261,281	(14,525,598)	(12,247,052)	9,200,001	5,253,704	(1,612,277)	(8,605,625)
Correction of error	(130,000)	(130)	130	-	-	-	-	-	-
Operating Partnership unit redeemed	-	-	-	-	-	(5,200,000)	(104,000)	-	(104,000)
Share-based compensation	-	-	133,958	-	133,958	-	-	-	133,958
Vesting of restricted stock awards	160,000	160	(160)	-	-	-	-	-	-
Shares issued to employees	2,585,000	2,585	33,165	-	33,750	-	-	-	33,750
Net loss	-	-	-	(11,824,070)	(11,824,070)	-	(4,867,489)	(46,530)	(16,738,089)
December 31, 2017	19,880,981	$ 19,880	$ 2,428,374	$ (26,349,668)	$ (23,901,414)	4,000,001	$ 282,215	$ (1,658,807)	$ (25,728,806)

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	For the Years Ended December 31,			
		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(16,738,089)	$	(8,270,938)
Adjustments to reconcile net loss to net cash flows from operating assets and liabilities:				
Depreciation and amortization		6,373,455		5,119,081
Amortization of deferred financing		3,792,856		623,549
Stock-based compensation expense		133,958		411,107
Provision for doubtful accounts		67,212		36,485
Financing costs		25,750		168,253
Settlement costs added to notes payable		152,400		-
Settlement award reducing notes payable		(287,500)		-
Changes in operating assets and liabilities:				
Rents and other receivables		(43,853)		(89,310)
Prepaid expenses and other assets		(10,759)		53,429
Deferred leasing costs		(321,177)		-
Accounts payable		(2,932,305)		2,325,335
Accrued expenses and other liabilities		(15,603)		193,499
Tenant security deposits		(7,719)		1,034
Deferred rent revenue		2,754		(167,324)
Prepaid rent		179,538		(272,015)
Accrued interest		789,719		634,622
Net cash flows from operating activities		(8,839,363)		766,807
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases or improvements of land, building, intangible assets		(4,525,608)		(1,707)
Purchase of equipment, furniture and fixtures		(1,622)		-
Deposits to restricted escrows and reserves		(13,333,598)		(2,846,674)
Payments from restricted escrows and reserves		12,063,746		1,984,622
Net cash flows from investing activities		(5,797,082)		(863,759)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		70,719,150		1,256,498
Principal payments on notes payable		(49,139,135)		(1,077,141)
Deposits or cash paid for financing costs		(3,980,805)		(314,372)
Redemption of Operating Partnership preferred units		(3,000,000)		-
Net cash flows from financing activities		14,599,210		(135,015)
Net Change in Cash		(37,235)		(231,967)
CASH - BEGINNING OF PERIOD		108,418		340,385
CASH - END OF PERIOD	$	71,183	$	108,418
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Purchases of building and land improvements included in accounts payable and tenant improvement allowance	$	-	$	164,981
Leasing and finance fees included in accounts payable and other liabilities		-		9,938
Issuance of common stock included in financing costs		25,750		-
Accounts payable converted to notes payable		258,572		1,483,970
Accrued interest converted to notes payable		881,408		-
Redemption of Operating Partnership units in satisfaction of judgment		104,000		-
Issuance of common stock in satisfaction of accounts payable		10,000		-
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the period for interest on mortgages and preferred Operating Partnership preferred units	$	7,869,198	$	3,738,709

See accompanying notes to consolidated financial statements.

TALON REAL ESTATE HOLDING CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Talon Real Estate Holding Corp. ("TREHC") previously established an Operating Partnership ("Talon OP") and transferred all of its assets and liabilities to the operating partnership in exchange for general partnership units. As the sole general partner of Talon OP we have the exclusive power to manage and conduct the business and affairs for the operating partnership. TREHC owned approximately 80% and 65% of the Operating Partnership as of December 31, 2017 and December 31, 2016, respectively. The Operating Partnership owned 49% of 5130 Industrial Street, LLC ("5130 LLC"), 100% of Talon Bren Road, LLC, 100% of Talon First Trust, LLC, and 100% of Talon Real Estate, LLC ("Talon RE") as of December 31, 2017 and 2016. Talon Bren Road, LLC, and Talon First Trust, LLC, are both limited liability companies organized under the laws of the state of Delaware, and were formed on May 9, 2014 and April 21, 2014, respectively, to purchase real estate. Talon RE was incorporated in the state of Minnesota on December 20, 2012 and began operations in 2013 for the purpose of acquiring real estate properties.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

The accompanying consolidated financial statements include the accounts of TREHC and its interest in the Operating Partnership. The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests ("Units") for TREHC common shares of stock on a one-for-one basis, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

Correction of Error

In reconciling issued and outstanding shares to the records of our stock transfer agent during 2017, we discovered minor historical errors in the number of issued and outstanding shares of our common stock. A correcting adjustment was recorded effective January 1, 2017 in order properly reflect common shares issued and outstanding. This resulted in a reduction of common shares outstanding per Company records of 130,000 shares and a reclassification of $130 between additional paid in capital and common stock. This error did not have an impact on reported earnings per share in any prior reporting period.

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES

The Company owns, through its subsidiary Talon First Trust, LLC, real estate property located at 180 E. Fifth Street, St. Paul, MN. The building has 659,577 net rentable square feet and is primarily leased to tenants for commercial use. As of December 31, 2017, the Company had tenants occupying approximately 60% of the rentable space. In April 2015, the Company executed a lease for a significant new tenant that would increase the occupancy by over 21% in the St. Paul building upon commencement of the lease. The lease was subsequently amended on January 27, 2017 to resolve certain disputes between the Company and the tenant and as amended, the lease is scheduled to commence on January 1, 2018 (see Note 4).

NOTE 2 – INVESTMENT IN REAL ESTATE PROPERTIES AND ENTITIES (continued)

The Company owns, through its subsidiary Talon Bren Road, LLC, real estate property located on 20 acres of land at 10301 Bren Road West, Minnetonka, MN. This property has 164,472 net rentable square feet and is primarily leased to tenants who are wholesale product sales representatives. These leases are subject to a master lease agreement entered into between Talon Bren Road, LLC and Upper Midwest Allied Gifts Association, Inc. ("UMAGA"), a Minnesota nonprofit corporation. As of December 31, 2017, the Company had 100% of the rentable space leased.

The Company owns and operates the following real estate properties through its subsidiary, 5130 LLC:

5130 Industrial Street, Maple Plain, MN
1350 Budd Ave, Maple Plain, MN

The properties have combined 171,639 net rentable square feet and are primarily leased to tenants for mixed commercial and industrial usage. As of December 31, 2017, the Company had tenants occupying approximately 85% of the rentable space.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Principles of Consolidation

In determining whether we have a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which we are the primary beneficiary. The accompanying consolidated financial statements include the accounts of TREHC and Talon OP, our Operating Partnership, and all subsidiaries in which it maintains a controlling interest. Talon OP also consolidates 5130 LLC, an entity in which it has a 49% ownership interest, based on its ability to control the operating and financial decisions of 5130 LLC. All significant intercompany balances have been eliminated in consolidation.

Real Estate Property and Fixed Assets

Investment in real estate and fixed assets with a useful life of longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes cost of acquisitions, development, and construction and tenant allowances and improvements. We allocate the cost of an acquisition, including the assumption of liability, to the acquired tangible assets (including land, buildings and personal property) determined by valuing the property as if it were vacant, and identifiable intangibles based on their relative fair values. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price to management's assessment of the fair value of tangible and intangible assets and any assumed liabilities acquired which are subject to adjustment as additional information is obtained up to one year after the date of acquisition.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate Property and Fixed Assets (continued)

Management's fair value assessment includes the use of readily accepted fair value techniques such as discounted cash flow analysis and comparable sales analysis including management's reliance on independent market analysis.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and land improvements, and the term of the lease for tenant improvements. The estimated useful lives being used are as follows:

Land Improvements	3-15 years
Buildings	25-30 years
Building Improvements	10-20 years
Tenant Improvements	1-12 years
Furniture and Equipment	3 years

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Cash

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents. The Company believes it is not exposed to any significant credit risk on cash.

Rents and other Receivables

Rents receivable and deferred rent are recorded at their estimated net realizable value. The Company follows a policy of providing an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with our credit terms. Accounts considered uncollectible are written off. Receivables have been reduced by an allowance for doubtful accounts of $196,542 and $129,330 as of December 31, 2017 and 2016, respectively.

Derivative Instruments

The Company records all derivative instruments on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. If the Company does not apply hedge accounting, all changes in the fair value of derivatives are recognized directly in earnings in the period of change. Currently, the Company has not elected hedge accounting treatment and all changes in fair value of the Company's derivatives are recognized in current period earnings.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Escrows and Reserves

The Company is required to hold cash in restricted escrow accounts for insurance, real estate taxes and a replacement reserve. The escrows are used to pay periodic charges of real estate taxes and assessments, tenant improvements, and leasing commissions. The balances in the escrow accounts were $4,271,084 and $3,001,232 as of December 31, 2017 and 2016, respectively.

Deferred Leasing Costs and Incentives

Direct and indirect costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and amortized on a straight-line basis over the term of the related lease as amortization expense. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed.

The Company had amortization expense for deferred leasing costs of $272,393 and $293,337 for the year ended December 31, 2017 and 2016, respectively. The Company had accumulated amortization for deferred leasing costs of $1,049,751 and $777,358 as of December 31, 2017 and 2016, respectively.

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, for accounting purposes, the tenant allowance is considered to be a lease incentive and is capitalized as a deferred leasing cost and is amortized over the lease term as a reduction of rental revenue on a straight-line basis.

The Company had amortization expense for deferred lease incentives of $15,885 and $39,635 for the year ended December 31, 2017 and 2016, respectively. The Company had accumulated amortization for deferred lease incentives of $74,892 and $59,007 as of December 31, 2017 and 2016, respectively.

Intangible Assets and Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above- and below-market leases and value of acquired in-place leases), and any assumed liabilities, and allocates the purchase price based on these fair value assessments. The Company records intangible assets and liabilities acquired at their estimated fair value apart from goodwill for acquisitions of real estate. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above- and below-market leases) are amortized over the term of the related lease. Above and below-market leases are amortized as a reduction in (addition to) rent revenue. The Company amortized $632,711 and $183,929 to rent revenue for above and below-market leases for the years ended December 31, 2017 and 2016, respectively. Amortization of other intangibles is recorded in depreciation and amortization expense.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are capitalized and are being amortized on a straight-line basis over the financing term and are included in interest expense. The Company had amortization expense of $3,792,856 and $623,549 for the years ended December 31, 2017 and 2016, respectively. The Company had accumulated amortization of $4,931,069 and $2,126,444 as of December 31, 2017 and 2016, respectively.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tenant Improvement Allowance

In leasing tenant space, the Company may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, the Company determines whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If the Company is considered the owner of the leasehold improvements for accounting purposes, the Company capitalizes the amount of the tenant allowance as building improvements and depreciates it over the shorter of the useful life of the leasehold improvements or the related lease term. For tenant allowances committed at lease inception and recorded as building improvements but not yet performed or completed, the corresponding liability will be recorded as tenant improvement allowance payables.

As of December 31, 2017, the Company had tenant improvement allowances recorded as building improvements of $5,639,752 that did not have amortization expense in the year ended December 31, 2017 due to lease terms that have not commenced as of that date.

Impairment of Long-Lived Assets

Long-lived assets, such as real estate property, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. As of September 30, 2017, a significant tenant of the 801 East 5th Street property in St. Paul terminated its lease as part of its bankruptcy proceedings. This resulted in a $500,102 reduction of revenue from the acceleration of amortization of the above market rent intangible. In addition, amortization and depreciation expense increased by $1,134,029 for the year ended December 31, 2017 due to the acceleration of amortization for acquired in place lease intangible assets. No impairment charges were recognized in 2016.

Stock-based Compensation

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to Directors under a director compensation plan. Granted shares are considered issued and outstanding as of the vesting date of the grants. Stock-based compensation is expensed on a straight-line basis over the vesting period and is valued at fair value on the date of the grant. The Company has recognized $133,959 and $411,109 of compensation expense for the years ended December 31, 2017 and 2016, respectively.

The Company may also issue common stock in exchange for goods or services of non-employees. These shares are either fully vested at date of grant or vest over a certain period during which services are provided. The Company expenses the fair market value of the services over the period in which they are received.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was 80% and 65% of the common units of the Operating Partnership as of December 31, 2017 and 2016, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, syndication costs, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement. The significant change in ownership percentage resulted from the foreclosure of 5,200,000 units issued to Bren Road L.L.C. related to the contribution of the 10301 Bren Road Property to Talon OP in 2014. The units were foreclosed at fair value in connection with implementing the judgment entered against Bren Road L.L.C. in favor of Talon Bren Road, LLC and Talon OP (See Note 8).

The portion of membership interests in 5130 LLC not held by Talon OP is reported as non-controlling interest. Capital contributions, distributions, and profits and losses are allocated to the non-controlling interest based on membership percentages and terms of the operating agreement.

Revenue Recognition

Base rental income is recognized on a straight-line basis over the terms of the related lease agreement, inclusive of leases which provide for scheduled rent increases or rent concessions. Differences between rent income earned and base rent amounts due per the respective lease agreements are credited or charged to deferred rent revenue or deferred rent receivable as applicable. When the Company enters into lease modifications or extensions with current tenants, the deferred rent at the time of the extension is amortized over the remaining term of the lease, and the revised terms are considered a new lease.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance and other operating expenses are billed monthly based on current year estimated operating costs for applicable expenses. An additional billing or a refund is made to tenants in the following year after actual operating expenses are determined.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry forwards are expected to reverse. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company has examined the tax positions taken in its tax returns and determined that there are no uncertain tax positions. As a result, the Company has recorded no uncertain tax liabilities in its consolidated balance sheet.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2013. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as general and administrative expense and any related interest as interest expense in the Company's consolidated statements of operations.

Net Income (Loss) or Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average common and potential dilutive common shares outstanding in accordance with the treasury stock method.

Given that the Company has incurred operating losses for all periods presented, diluted earnings per share is not presented. The weighted average outstanding shares used in the basic earnings per share computation is 19,583,465 and 17,027,312 for the years ended December 31, 2017 and 2016, respectively.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This new standard will eliminate all industry-specific guidance and replace all current U.S. GAAP guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the new accounting guidance. This guidance will be effective for the Company beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact on the Company's consolidated financial statements.

During February 2016, FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU 2016-08 – "Revenue from Contracts with Customers: Principal versus Agent Considerations." The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for ASU 2016-08 is the same as the effective date for ASU 2014-09 and ASU 2015-14. The Company is currently evaluating the impact that ASU 2016-08 will have on its statement of financial position or financial statement disclosures.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In March 2016, the FASB issued ASU 2016-09—Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 modifies the accounting for share-based payment awards, including income tax consequences, classification of awards as equity or liabilities, and classification on the statement of cash flows. The effective date for ASU 2016-09 is for annual periods beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted ASU 2016-09 effective January 1, 2017. There was no impact of adoption on the results of operations, financial position or cash flows as a result of adoption.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this new standard on its financial statements.

In January 2017, the FASB issued ASU 2017-01 – "Business Combinations (Topic 805): Clarifying the Definition of a Business." The amendment is intended to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The effective date for ASU 2017-01 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company currently anticipates that it will adopt the new guidance effective January 1, 2018 and that the guidance will result in acquisitions of operating properties being accounted for as asset acquisitions instead of business combinations. The adoption of this guidance will change the Company's accounting for the transaction costs for acquisitions of operating properties such that transaction costs will be capitalized as part of the purchase price of the acquisition instead of being expensed as acquisition-related expenses. The ASU is required to be applied prospectively.

NOTE 4 – TENANT LEASES

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to twelve years. Some of the leases have renewal options for additional terms. The leases expire at various dates from April 2017 to September 2025. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

NOTE 4 – TENANT LEASES (continued)

The Company has the following future minimum base rentals on non-cancellable leases as of December 31, 2017:

2018	$ 6,751,980
2019	7,368,786
2020	7,012,022
2021	3,981,868
2022	2,698,666
Thereafter	6,749,983
Total	$ 34,563,305

Included in the above table are base lease payments due beginning January 1, 2018 totaling $10,724,284 for a significant tenant that has not occupied space yet, but for which we have an executed lease agreement.

NOTE 5 – NOTES PAYABLE

The following table summarizes the Company's notes payable.

				Principal Balance At	
Loan Description	Loan Type	Maturity Date	Interest Rate	December 31, 2018	December 31, 2016
Talon First Trust, LLC Mortgage	Secured floating rate interest only	July 5, 2017	6.04%	$ -	$ 32,000,000
Talon First Trust, LLC Mortgage	Secured floating rate interest only	January 26, 2018	13.50%	51,600,0000	
Talon First Trust, LLC. – Promissory Note[1]	Unsecured fixed rate interest only	January 24, 2018	10.00%	927,586	1,008,908
Talon First Trust, LLC. – Promissory Note	Unsecured fixed rate interest only	See below	10.00%	-	59,489
Talon First Trust, LLC. – Sale of Future Receivable [3]	See below [3]	See below [3]	[3]	539,334	430,500
Talon Bren Road, LLC Mortgage	Secured fixed rate	July 1, 2018	9.50%	15,127,000	-
Talon Bren Road, LLC Mortgage 1	Secured fixed rate	May 28,2019	4.65%	-	10,858,648
Talon Bren Road, LLC Mortgage 2	Secured fixed rate interest only	March 1, 2017	16.00%	-	2,000,000
Talon Bren Road, LLC HVAC Loan[5]	Unsecured fixed rate	June 1, 2019	8.00%	-	84,472
Talon Bren Road, LLC Roof Loan[5]	Unsecured fixed rate interest only	June 1, 2019	8.00%	-	225,000
5130 Industrial Street, LLC Mortgage 1	Secured fixed rate	April 8, 2017	6.05%	3,968,876	3,981,740
5130 Industrial Street, LLC Mortgage 2	Secured fixed rate	April 8, 2017	12.75%	292,609	292,941
Talon OP, L.P. – Promissory Note[4]	Unsecured fixed rate interest only	June 30, 2016	10.00%	896,995	500,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate interest only	July 31, 2017	3.00%	654,926	654,926
Talon OP, L.P. – Promissory Notes[2]	Unsecured fixed rate interest only	June 30, 2016	10.00%	1,476,498	1,000,000
Talon OP, L.P. – Promissory Note	Unsecured fixed rate	January 15, 2018	15.00%	50,782	271,287
Other	Unsecured fixed rate interest only	July 1, 2018	4.50%	500,000	-
Other	Unsecured fixed rate interest only	June 30, 2016	24.00%	-	81,800
				$ 76,034,606	$ 53,449,711
Less: unamortized deferred financing costs				(684,012)	(496,063)
Notes payable, net				$ 75,350,594	$ 52,953,648

NOTE 5 – NOTES PAYABLE (continued)

(1) This note has been amended and restated on a quarterly basis since January 25, 2017 based on periodic partial payments and capitalization of due interest. The current amended and restated note has a balance of $927,586 with interest on the unpaid balance at 10%. The entire principal balance shall be due and payable on the earlier of January 24, 2018 or upon a time that the Companyo refinances or sells its property located at 10301 Bren Road.o

(2) In 2015, the Company entered into two separate $500,000 unsecured promissory notes with the same unrelated party. The notes bore interest at rates from14% to 24% annually through June 30, 2016 after which time the notes accrued interest at 26%. On May 19, 2017, a judgment was entered against the Company in the amount of $1,476,498. As of the date of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes.

(3) During 2016 the Company received funds from four different sources. As of December 31, 2016, the total outstanding balance was $430,500 for the sale of future receivables at the property located at 180 E. Fifth Street. The agreements require payments totaling $644,039 over 120 days. In the November 2017, a similar funding arrangement was entered into with a remaining balance due of o $539,334 with payments of $____ due over ___ days. Per FASB ASC 470-10-25, which provides guidance on funds received fromo sales of future receivables, this transaction has been classified as debt and included in notes payable. The agreements are guaranteed by a shareholder of the Company.

(4)o On August 2014, the Company entered into a $500,000 unsecured promissory note with a related party, one of its then current directors. The note had an original maturity date of February 8, 2015. The Company extended the maturity date of the note in 2015o and 2016. In October 2016, the former director filed a summons and complaint in the State of Minnesota claiming that the Company breached its obligation under the note. In April 2017, this matter went to trial and the plaintiff was awarded $897,695. As of the dateo of the judgment, the interest rate on the note changed to 10% under Minnesota Statutes. On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits ando distributions to the plaintiff until the full amount of the judgment is paid and satisfied.o

(5)o On October 16, 2017, these notes were satisfied as part of a judgment against Bren Road L.L.C. in favor of Talon OP and Talon Bren Road, LLC relating to a net operating income guarantee (see Note 8).o

The Company is required to make the following principal payments on our outstanding notes payable for each of the succeeding fiscal as follows:

		Amount
2018	$	53,069,635
2019		131,837
2020		248,239
	$	53,449,711

The Company is required to periodically fund and maintain escrow accounts to make future real estate tax and insurance payments, as well as to fund certain capital expenditures.

On January 27, 2017, Talon First Trust, LLC entered into a Loan Agreement (the "Gamma Loan") with Gamma Real Estate Capital LLC (the "Lender"), a Delaware limited liability company, in the principal amount of $51,600,000. The loan bears an interest rate equal to the sum of (i) the greater of (x) the Prime Rate as published in the Wall Street Journal, and (y) the LIBOR Floor, plus (ii) a margin of 9.00% per annum, and has an initial maturity date of January 26, 2018 with two 6-month options for the Company to extend upon satisfaction of certain conditions. Pursuant to the Gamma Loan, approximately $5,298,000 has been deposited into an interest reserve account to be applied toward monthly interest payments to the Lender. The Gamma Loan is secured by (i) a mortgage on the Company's interest in its building located at 180 East 5th Street, St. Paul, Minnesota, (ii) an assignment of lease and rents, (iii) 100% of the membership and ownership interests in the Parent, and (iv) other collateral specified in the Gamma Loan documents. The Gamma Loan documents contain events of default that are customary for loans of this type. The loan proceeds were used to pay-off the existing mortgage on the 180 East 5th Street property, redeem the Talon OP preferred units, and fund various escrows and reserves related to the property.

In addition to a personal guarantee by the Company's Chief Executive Officer, a guarantee was secured from First Tracks, LLC (see Note 14).

NOTE 5 – NOTES PAYABLE (continued)

On June 21, 2017, Talon Bren Road, LLC, entered into a transaction that included a Promissory Note Secured by a Mortgage and Collateral Security Agreement with MCREIF SubREIT LLC, in the principal amount of $15,127,000. The Note bears interest at a rate equal to 9.5% per annum and has an initial maturity date of June 1, 2018. The Note is subject to a balloon payment upon maturity in the amount of $15,246,755, which is comprised of the unpaid principle balance of $15,127,000 and the unpaid interest only payment of $119,755. The loan is guaranteed personally by the Company's Chief Executive Officer. The transaction closed and funds were transferred on June 23, 2017. In addition, we entered into an unsecured Promissory Note with MCC Capital, in the principal amount of $165,000 and agreed to pay the principal balance plus 10% on July 10, 2017. Proceeds from the Promissory Notes were used to satisfy the events of default on the 10301 Bren Road property.

NOTE 6 – CONCENTRATIONS

The Company has three tenants that rent approximately 34% of the Company's total rentable space as of December 31, 2017 with base rent representing 62% of total base rent revenues for the year ended December 31, 2017. For the same period in 2016, three tenants rented approximately 34% of the total rentable space as of December 31, 2016 with base rent representing 62% of total base rent revenues for the year ended December 31, 2016. The largest tenant rents approximately 16% of the rentable space and represents 25% of total base rent revenues for the year ended December 31, 2017. The Company had two parties who accounted for 83% of the total outstanding rents and other receivables balance as of December 31, 2017 and the same two parties accounted for 83% of the total outstanding rents and other receivables balance as of December 31, 2016.

NOTE 7 – RESTRICTED ESCROWS AND RESERVES

According to the terms of the Company's notes payable agreements (Note 5), the Company is required to make monthly and quarterly deposits to various escrow and reserve accounts for the payment of real estate taxes, tenant improvements and leasing commissions. The balances in these restricted escrows and reserve accounts are as follows:

	December 31, 2017	December 31, 2016
Real estate tax escrow	$ 342,271	$ 306,487
Replacement reserve escrow	-	110,849
Property insurance escrow	27,504	92,285
Interest reserve escrow	841,692	-
General escrow	79,420	94,109
Tenant improvements & leasing cost escrow	2,980,197	2; 397,502
	$ 4,271,084	$ 3,001,232o

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On June 7, 2013, Talon RE entered into a contribution agreement with the remaining interest holder of 5130 LLC pursuant to which it will acquire the remaining 51% interest in 5130 LLC in exchange for 2,820,810 shares of our common stock, subject to receiving consent to the transfer from 5130 LLC's lender.

The Company entered into a property lease agreement relating to rental of office space. This non-cancellable lease has a remaining term of 30 months. The Company incurred $91,106 and $89,984 of rent expense for the years ended December 31, 2017 and 2016, respectively. The lease is subject to periodic adjustments for operating expenses. The future net minimum rental payments for this lease are as follows:

Years ending December 31,		
2018	$	84,664
2019		89,187
2020		45,876
	$	219,727

On May 31, 2017, the Court granted a Charging Order against the Company and Talon OP L.P. where the Company and Talon OP L.P are required to pay all profits and distributions to a former director until the full amount of an $897,695 judgment related to a 2014 promissory note is paid and satisfied.

Legal Proceedings

The Company is sometimes involved in lawsuits and other legal proceedings arising in the normal course of business. Currently the Company is a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. Other than as described below, we do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties.

The Company filed a complaint in the State of Minnesota on June 10, 2016 to enforce the NOI Payment Agreement and other documents issued in conjunction with the Contribution Agreement entered into on May 29, 2014 with Bren Road, L.L.C. On March 27, 2017 our complaint in the amount of $771,408 went to trial in Hennepin County District Court. On July 21, 2017, a judgment was ordered in favor of Talon Bren Road, LLC and Talon O.P LP in the amount of $594,176. On October 16, 2017, the Company took action to implement the judgment resulting in the satisfaction of the HVAC and Roof Loans owing to Bren Road L.L.C. (see Note 5), foreclosure of the 5,200,000 Operating Partnership units issued to Bren Road L.L.C. at fair value and recognition of other income related to the NOI guarantee that had not been recognized pending outcome of the litigation. After those actions, the remaining amount owed by Bren Road L.L.C. under the judgment is $101,115 which has been fully reserved for as December 31, 2017.

[Gamma?]

[Other new items?]

NOTE 9 – RESTRICTED STOCK

The Company has granted restricted stock to employees under an approved employee equity incentive plan and to directors under a director compensation plan. The 2013 Equity Incentive Plan dated June 7, 2013 (the "Plan") allows up to 1,500,000 shares to be issued and granted to employees, non-employee directors and consultants. Authorized shares automatically increase on January 1 of each year by three percent of the outstanding shares of common stock as of December 31 of the immediately preceding year. Employee awards granted are subject to various vesting periods from immediate to 60 months. Vesting provisions have included monthly vesting and various forms of cliff vesting.

The Non-Employee Director Compensation Plan allows shares of restricted common stock to be granted to board members and is included under the Plan. Director awards granted have included various vesting periods from immediate to 19 months. Vesting provisions are generally cliff vesting at various dates specified in the awards.

As of December 31, 2017, the Company had granted 1,093,759 shares to employees and 480,000 shares to Directors, net of forfeitures, under the Plan. Of the employee shares granted, 200,000 remain unvested as of December 30, 2017.

The following table sets forth a summary of restricted stock:

Total Restricted Stock	Number of Restricted Shares		Weighted-average Grant Date Fair Value
Granted and not vested, January 1, 2016	306,967	$	1.17
Granted	900,000		0.99
Vested	(385,268)		1.00
Forfeited or rescinded	(461,699)		1.10
Granted and not vested, December 31, 2016	360,000	$	0.98
Granted	-		-
Vested	(160,000)		0.99
Forfeited or rescinded	-		-
Granted and not vested, December 31, 2017	200,000	$	0.98

Total unrecognized compensation expense related to the outstanding restricted stock as of December 31, 2017 and 2016 was $187,834 and $318,000, respectively, which is expected to be recognized over a weighted average period of 23 months. The Company recognized $133,959 and $411,107 of stock-based compensation expense for the years ended December 31, 2017 and 2016, respectively, that is included in salary and compensation in the consolidated statements of operations. The Company used 0% for both the discount factor and forfeiture rate for determining the fair value of restricted stock. The Company has limited history to determine forfeiture trends and the Company considers the discount rate to be immaterial.

NOTE 9 – RESTRICTED STOCK (continued)

2013 Equity Incentive Plan Restricted Stock	Number of Restricted Shares
Authorized but not granted or issued, January 1, 2016	**1,312,331**
Authorized increase in Plan shares	502,521
Granted	(900,000)
Forfeited	461,699
Authorized but not granted or issued, December 31, 2016	**1,376,551**
Authorized increase in Plan shares	514,079
Granted	-
Forfeited	-
Authorized but not granted or issued, December 31, 2017	**1,890,630**

NOTE 10 – INCOME TAXES

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company does not expect to pay any federal or state income tax for 2017 because it projects losses to exceed operating income in 2017. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon the generation of sufficient future taxable income. Management has determined that sufficient uncertainty exists regarding realizability of its net deferred tax assets and has provided a full valuation allowance of approximately $2,552,000 and $2,552,000 against the net deferred tax assets as of December 31, 2017 and 2016, respectively. The net change in the total valuation allowance was an increase of approximately $864,000 and $864,000 for the Years Ended December 31, 2017 and 2016, respectively. Based on these requirements no provision or benefit for income taxes has been recorded for deferred taxes. There were no unrecognized tax benefits at the end of the reporting period.

The Company calculated its estimated annualized effective tax expense rate at 0% for December 31, 2017. The Company had no income tax expense based on its pre-tax loss for the years ended December 31, 2017 and 2016.

Deferred tax assets (liabilities) consist of the following components as of:

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Loss carry forwards	$ 2,552,000	$ 2,552,000
Valuation allowance for deferred tax assets	(2,552,000)	(2,552,000)
Net deferred tax assets	$ -	$ -

NOTE 10 – INCOME TAXES (continued)

The statutory income tax rate reconciliation for continuing operations to the effective rate is as follows:

	2017	2016
Statutory U.S. income tax rate	34.00 %	34.00 %
State taxes, net of federal tax effect	6.47	6.47
Change in valuation allowance	(17.08)	(17.08)
Other, including permanent differences	(23.39)	(23.39)
Effective income tax benefit rate	- %	- %

At December 31, 2017, the Company had net operating loss carryforwards for federal purposes of $6,307,000 and $6,303,000 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2029. At December 31, 2016, the Company had net operating loss carryforwards for federal purposes of $6,307,000 and $6,303,000 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2029.

The future utilization of federal net operating loss carryforwards is subject to certain limitations under Section 382 of the Internal Revenue Code. This section generally relates to a 50 percent change in ownership of a company over a three-year period. The issuance of additional shares could result in an "ownership change" under Section 382. Therefore, the ability to apply our net operating losses in the future may become limited.

NOTE 11 – INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and liabilities at December 31, 2017 and December 31, 2016 were as follows:

	December 31, 2017	December 31, 2016
Identified intangible assets:		
In-place leases	$ 10,078,055	$ 10,078,055
Above-market leases	1,832,939	1,832,939
Accumulated amortization	(10,167,566)	(6,445,391)
Net carrying amount	$ 1,743,428	$ 5,465,603

	December 31, 2017	December 31, 2016
Identified intangible liabilities:		
Below-market leases	507,746	507,746
Accumulated amortization	(470,957)	(357,108)
Net carrying amount	$ 36,789	$ 150,638

The effect of amortization of acquired intangible assets and liabilities was $3,608,326 and $2,276,542 for the years ended December 31, 2017 and 2016, respectively. Above-market leases, included in intangible assets, are amortized as a reduction of rent revenue and totaled $746,560 and $299,518 for the years ended December 31, 2017 and 2016, respectively. Amortization of below-market leases as an addition to rent revenue was $113,849 and $115,590 for the years ended December 31, 2017 and 2016, respectively. Amortization of in-place leases was $2,975,614 and $1,977,024 the year ended December 31, 2017 and 2016, respectively. In-place leases, and above and below-market leases had a weighted average amortization period of 4.5 years in the year acquired.

NOTE 11 – INTANGIBLE ASSETS AND LIABILITIES (continued)

Above-market and in-place lease intangible amortization was significantly impacted by the departure of a major tenant from the 801 East 5th Street property in St. Paul. The tenant filed for Chapter 11 bankruptcy in March 2017 and ultimately renounced its lease effective September 30, 2017. Above-market lease intangible amortization increased by $500,102 and in-place lease intangible amortization increased by $1,134,029 reflecting the write-off of unamortized intangible assets related to this tenant. These two amounts are reflected as a reduction to rent revenue and increase to depreciation and amortization, respectively, in the consolidated statement of operations for the year ended December 31, 2017.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

Years ending December 31,		Assets		Liabilities
2018	$	1,654,921	$	36,789
2019		1,175,158		-
2020		388,021		-
	$	1,743,428	$	36,789

NOTE 12 – HEDGING ACTIVITIES

The Company may use derivative instruments as part of its interest rate risk management strategy to minimize significant unanticipated earnings fluctuations that may arise from variable interest rates associated with existing borrowings. On July 2, 2014, the Company entered into an interest rate cap contract for the notional amount of $33,000,000 with a strike rate of 2.5% on one month LIBOR as a hedge for a floating rate debt entered into on that date. The interest rate cap expired on July 5, 2016. The interest rate cap was issued at approximate market terms and thus no fair value adjustment was recorded at inception and the rate cap had no value as of December 31, 2015. The Company did not elect hedge accounting treatment for the rate cap and as such, changes in fair value are recorded directly to earnings.

NOTE 13 – MANDATORILY REDEEMABLE PREFERRED OPERATING PARTNERSHIP UNITS

On July 2, 2014, the Company issued 30,000 preferred units, at a price of $100 per unit, totaling $3,000,000. These preferred unit holders are entitled to distributions at a rate of 6% per annum of their liquidation preference amount of $100 per unit which are cumulative from the date of issuance and are payable monthly (to the extent there are sufficient distributable proceeds). The preferred units have been classified as a liability in the consolidated balance sheet as the preferred liquidation preference amount is mandatorily redeemable in specific amounts at specific dates in the future. The preferred units were redeemed on January 27, 2017.

NOTE 14 – RELATED PARTY TRANSACTIONS

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were paid by the Company to First Tracks during 2016 pursuant to this agreement.

NOTE 14 – RELATED PARTY TRANSACTIONS (continued)

First Tracks, LLC also provided a guarantee on the issuance of debt secured by the property owned by Talon Bren Road, LLC. Fees of $55,000 was paid to First Tracks, LLC on January 5, 2017 for this guarantee.

The Gamma Loan (see Note 5) entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company will issue First Tracks LLC 2,500,000 shares of its common stock on January 27, 2017 and was paid a fee of $750,000.

In connection with the merchant agreement financings in November 2017, First Tracks, LLC provided a guarantee of the amounts due and received a fee of $95,000.

NOTE 15 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for items that require recognition or disclosure in the Company's financial statements through the date these financial statements were issued. In addition to those items disclosed in Notes 5 and 8, the following matters constitute material subsequent events through the date of this filing.

[TBD based in issuance date.]

NOTE 16 – GOING CONCERN

These financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company has incurred significant losses. The Company incurred a net loss for the year ended December 31, 2017 of $16,738,089 (2016: $8,270,938), and as of December 31, 2017 had a total shareholders' deficit of $25,278,006 (2016: $8,605,625).

Our short-term liquidity requirements consist primarily of funds needed to pay for operating expenses and other expenditures directly associated with our properties, pay off maturing debt, and to pursue our strategy of near-term growth through acquisition of properties as well as general and administrative expenses operating as a public company.

We currently do not have available cash and cash flows from current operations to provide us with adequate liquidity for the foreseeable future. Our current liabilities exceed our unrestricted cash and we have very limited cash flow from current operations. As of December 31, 2017, we had unrestricted cash of $73,423 and current liabilities including tenant improvement allowances, maturing mortgage debt, unsecured debt, accounts payable and accrued expenses substantially in excess of the available cash. We therefore will require additional capital and/or increased cash flow from future operations to fund our ongoing business.

On April 8, 2017, the Company had a balloon payment of $4.3 million due on the mortgage of its properties held by 5130 LLC. The Company expects to refinance this obligation but as of the date of this report has been unable to do so. Failure to refinance this obligation would further impact our liquidity, and would allow the lender to exercise its rights under the loan agreement, including acceleration of the mortgage note and initiation of a foreclosure proceeding.

In the future, we may use a number of different sources to finance our liquidity needs, including cash flows from operations, issuance of debt securities or equity securities (which might be common or preferred stock), private financing (such as additional bank credit facilities, which may or may not be secured by our assets), asset sales, seller financing, property-level mortgage debt, or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, and other costs. Although we have successfully raised equity capital in the past, we cannot be assured that we will be able to continue to be successful in raising capital through issuance of securities. Our ability to obtain needed financing may be impaired by such factors as the capital markets, our status as a new enterprise without significant assets or demonstrated operating history, and/or the loss of key management. There is no guarantee that we will be able to raise any required additional capital or generate sufficient cash flow from our current and proposed operations to fund our ongoing business.

If adequate funds are not available on terms that are acceptable when required by the Company, the Company may be required to significantly reduce or refocus its operations, which could have a material adverse effect on its business, financial condition and results of operations, which could result in insolvency. In addition, the Company may have to delay, reduce the scope or eliminate some of our business development activities, which could reduce our revenue growth potential, if such adequate funds are not available. In addition, we have determined that our internal controls over financial reporting are ineffective and we likely do not have adequate processes and will need to change or implement new processes and controls. The Company therefore needs to raise additional capital or incur indebtedness to continue to fund its future operations, which may come from one or a number of public or private sources.

Although we plan to aggressively pursue acquisitions to grow our business there is no assurance that we will be able to acquire additional properties in the future or obtain the necessary financing to acquire such properties.

NOTE 15 – GOING CONCERN (continued)

Since our available cash and cash flows from current operations do not provide us with adequate cash to satisfy current liabilities and do not provide us with adequate liquidity for the foreseeable future, we anticipate that we will undertake future debt or equity financing in 2018 or liquidate one or more of our property holdings.

If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017, the end of the period covered by this Annual Report on Form 10-K. This evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Disclosure controls and procedures means controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed such that information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

As a result of such evaluation and this conclusion, our CEO and CFO also have concluded that our disclosure controls and procedures were not effective as of December 31, 2017 in ensuring that (1) information required to be disclosed in our reports filed under the Securities Exchange Act was recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and (2) such information was accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that:

- o pertain to the maintenance of records that in reasonable detail accurately and fairly reflect theo transactions and dispositions of our assets;o
- o provide reasonable assurance that transactions are recorded as necessary to permit preparation of o financial statements in accordance with generally accepted accounting principles, and that our receiptso and expenditures are being made only in accordance with authorizations of our management ando directors; ando
- o provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, useo or disposition of our assets that could have a material effect on our financial statements.o

Under the supervision and with the participation of management, including our principal executive and financial officers, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2017, based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on this assessment, management identified material weaknesses in our internal control over financial reporting, as described below. As a result of these material weaknesses, management concluded that, as of December 31, 2017, our internal control over financial reporting was not effective based on the Framework.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The following control deficiencies were identified and were determined to be material weaknesses in our internal control over financial reporting as of December 31, 2017:

1.o Internal Control Environmento
2.o Period end Financial Reporting Processo

The material weaknesses occurred as a result of a significant turnover in the Company's accounting personnel in the latter part of the year, which, despite having established policies and procedures, the company lacked adequate controls regarding training in in the internal control environment. In addition, we did not maintain a sufficient complement of personnel with the appropriate accounting knowledge, experience and training, commensurate with our financial reporting requirements in order to execute a timely close, which resulted in incomplete disclosures, unreconciled accounts, incomplete accounting for certain events and transactions and inaccurate conclusions. This resulted in misstatements that were corrected by the Company prior to the issuance of the annual consolidated financial statements, and for which a reasonable possibility existed that a material misstatement in the Company's consolidated financial statements would not be prevented or detected on a timely basis.

Management also identified multiple significant deficiencies in its review. These could also lead to potential misstatements in our financial statements or prevent the Company from timely completing its financial statement preparation

Management Remediation Plan

Due to the material weaknesses reported as of December 31, 2017, management performed additional analysis and procedures to ensure that our consolidated financial statements and schedules included in this Annual Report were presented fairly in conformity with generally accepted accounting principles and fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management will implement changes to our internal control over financial reporting to remediate the control deficiencies that gave rise to the material weaknesses. We are undertaking the following remediation plans and actions:

- •o Develop and deliver Internal Controls ("COSO") training to Executives and finance/accounting resources.o The training will include a review of management's and individual roles and responsibilities related too internal controls;o
- •o hire accounting personnel with the appropriate level of knowledge to properly record transactions in theo general ledger and prepare financial statements in accordance with generally accepted accountingo principles; ando
- •o augment our existing staff with external consultants with the requisite knowledge and expertise too supplement our accounting staff to ensure that transactions are recorded in accordance with generallyo accepted accounting principles and that are disclosures are accurate and complete; ando
- •o provide increased board level oversight to ensure established policies and procedures are adhered to.o

Because of its inherent limitations, internal control over financial reporting may not prevent or detecto 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.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company, as a smaller reporting company, to provide only management's report in its annual report.

Changes in Internal Control over Financial Reporting

There were the following changes in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2017 which have the potential to have materially affected, or is reasonably likely to have materially affect, the Company's internal control over financial reporting.

[TBD]

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to executive officers is contained in Item 1 of this Annual Report on Form 10-K under the heading "Executive Officers."

Directors

The following table sets forth certain information regarding each of our directors:

Name	Age	Position	Director Since
MG Kaminski	57	Chief Executive Officer and Chairman of the Board of Directors	June 2013
Marc P. Agar	46	Director	Sept 2016
Kristian G. Wyrobek	64	Director	Sept 2016

Our board of directors has established an audit committee, a compensation committee and a governance and nominating committee. Mr. Agar and Mr. Wyrobek are the sole members of each of our committees.

Marc P. Agar

Mr. Agar is the founder and CEO of CA Communications, Inc., a nationally recognized partner telecom since 2002. From 1997 to 2002, Mr. Agar was a regional GM/Vice President of sales and operations for the McLeod IBS Group. Mr. Agar has also consulted with senior level executives for a variety of companies ranging in size from $20 million to $6 billion in revenue.

Kristian G. Wyrobek

Mr. Wyrobek is the owner and CEO of 7-SIGMA Inc., a successful Manufacturer Headquartered in Minneapolis since 1973. Mr. Wyrobek has a MBA from St Thomas University. Over the past 40+ years he has led 7-SIGMA to be a leader in High Value Polymer Products with shipment to customers worldwide. Mr. Wyrobek installed significant process controls including ISO 9000 and 14001 standards. Mr. Wyrobek also owns and manages real estate mainly for his own manufacturing needs.

Audit Committee of our Board of Directors

Mr. Agar and Mr. Wyrobek comprise our audit committee, and Mr. Agar currently serves as chair. The purpose of our audit committee is to oversee the accounting and financial reporting processes of our company and the audits of the financial statements of our company. Our audit committee's function is one of oversight and, in that regard, our audit committee meets with our management and our independent registered public accounting firm to review and discuss our financial reporting and our controls regarding accounting and risk of material loss.

Director Independence and Audit Committee Financial Expert

All of our directors, except for MG Kaminski are "independent" as that term is defined in Rule 5605(a) of the NASDAQ Stock Market Marketplace Rules, which is the standard for independence we have chosen for purposes of the disclosure required in this report by SEC rules (even though our common stock is not listed on the NASDAQ Stock Market) and as that term is defined by Section 301 of the Sarbanes-Oxley Act of 2002. Our board of directors has determined that Mr. Agar, the chair of our audit committee, is an "audit committee financial expert" as defined by SEC regulations.

Code of Ethics

We have adopted a code of business conduct applicable to our directors, officers (including our principal executive officer and principal financial officer) and employees. The Code of Business Conduct is available on our website at *www.talonreit.com* under the Corporate Governance section. We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 and the regulations promulgated there under require directors and certain officers and persons who own more than ten percent of our common stock to file reports of their ownership of our common stock and changes in their ownership with the SEC. To our knowledge, all reports required to be filed under Section 16(a) of the Securities and Exchange Act of 1934 were filed on a timely basis during 2016, except: (a) Neil Brown, a former director, failed to timely file a Form 4 reporting the vesting of 140,000 shares of restricted common stock, (b) Curtis Marks, a former director, failed to timely file a Form 4 reporting the vestingof 100,000 shares of restricted common stock, (c) Eun Stowell, our former Chief Financial Officer, failed to timely file a Form 4 reporting the vesting of 100,000 shares of restricted common stock, and (d) Marc Agar and Kristian Wyrobek, two of our directors, failed to file Form 3s reporting their initial beneficial ownership of the Company's securities.

Item 11. Executive Compensation

This section contains a discussion of the material elements of the compensation program covering our chief executive officer and chief financial officer named in the Summary Compensation Table elsewhere in this report, who are referred to in this report as the named executives.

Executive Compensation Objectives

The goal of our executive compensation program is to attract and retain motivated individuals who will lead our company to achieve long-term success and growth in shareholder value. In pursuit of this goal, we shall seek executive compensation commensurate with the level of job responsibility, individual performance and company performance and to align the interest of the named executives with those of our shareholders. We seek to motivate current and long-term performance through cash and equity incentive awards and to remain competitive with the compensation of other leading employers who compete with us for talent.

Compensation Committee Process

Our compensation committee consists of our independent directors, Mr. Agar and Mr. Wyrobek, who meet periodically to review compensation for each executive officer. The chairman of the committee is Mr. Wyrobek. The committee members consider all elements of compensation and utilize their experience and judgment in determining the total compensation elements appropriate for each executive consistent with our compensation objectives. The compensation committee has determined that our compensation programs do not create inappropriate or excessive risk that is likely to have a material adverse effect on the company.

Our compensation committee consults with our management, and our chief executive officer makes recommendations to the committee regarding compensation of our executive officers. Our chief executive officer participates in the compensation committee's deliberations regarding compensation for executive officers other than our chief executive officer, although all determinations are made by the committee. The compensation committee's charter provides that our chief executive officer may not be present during the committee's voting or deliberations regarding the chief executive officer's compensation, and he does not participate in such voting or deliberations.

Determining Executive Compensation for 2017

Our executive compensation program for 2017 consisted of three main elements:

- Base salary
- Equity awards
- Other benefits

We have a long-term equity incentive program that we have used in the past to encourage the creation of long-term value for our shareholders, retain our key executives and build equity ownership among participants in the program. We believe stock grants can align the interests of the named executives with those of our shareholders and enhance retention of key executives and provide value only if the employee remains with our company until his or her stock grants vest.

Elements of Executive Officer Compensation for 2017

Base Salary

Base salary is a set amount of cash compensation that is not variable in nature. Base salaries for the executive officers are reviewed annually by the compensation committee, but are not automatically increased if the committee believes that the executive's total compensation opportunity from all elements of compensation is appropriate in light of our compensation objectives. Adjustments are based on each executive officer's performance for the prior year; his or her experience, expertise and position within our company; overall company performance; and compensation levels for comparable positions at other companies in the real estate industry with whom our company competes, as reported in external compensation sources. Although the compensation committee may use comparative data as a tool to assess reasonableness and competitiveness of base salaries, the members of the committee exercised their subjective judgment in view of our compensation objectives.

The aggregate base salaries earned by the named executives in fiscal 2017 are listed in the Summary Compensation Table below. Our compensation committee did not approve any increases in base salary for executive officers in 2017.

Equity Awards

Equity incentive award compensation is a key component of our company's executive compensation strategy. The 2013 Equity Incentive Plan (the "2013 Plan") allows us to grant stock options, stock appreciation rights (or SARs), restricted stock, stock units, other stock-based awards and cash incentive awards. Each award will be evidenced by an agreement with the award recipient setting forth the terms and conditions of the award, except for awards that involve only the immediate issuance of unrestricted shares of our common stock. Awards under the 2013 Plan have a maximum term of ten years from the date of grant. The compensation committee may provide that the vesting or payment of any award will be subject to the attainment of specified performance measures in addition to the satisfaction of any continued service requirements, and the compensation committee will determine whether such measures have been achieved. The compensation committee may generally amend the terms of any award previously granted, except that no stock option or SAR may be amended to decrease its exercise price or in any other way be "repriced" without the approval of our shareholders, and no award may be amended in a way that materially impairs the rights of a participant without the participant's consent (unless the amendment is necessary to comply with applicable law or stock exchange rules or any compensation recovery policy adopted by our board of directors or the compensation committee). Under the 2013 Plan, our compensation committee may structure any "full value award" (an award other than an option, SAR or cash incentive award) or any cash incentive award in a manner designed to qualify the award as performance-based compensation that is not subject to the $1,000,000 limitation on the federal income tax deductibility of compensation paid to any covered executive officer that is imposed by Section 162(m) of the Code.

In 2016, we granted our Chief Financial Officer, Mr. Gruebele, 50,000 shares of common stock upon joining our company, as well as 300,000 shares of restricted common stock that vest as to one-third of the shares on each of the first three anniversaries of the date of grant. We made this grant to induce Mr. Gruebele to join our company, as well as to align his personal financial interests with those of our shareholders.

Other Benefits

The compensation committee believes that we must offer a competitive benefits program to attract and retain our executive officers. During 2017, we provided medical and other benefits to our executive officers that are generally available to our other employees.

Other Agreements and Policies

Employment Agreements

MG Kaminski

We are party to an employment agreement with MG Kaminski, our Chief Executive Officer. The initial term of the agreement is for three years beginning on June 7, 2013, and the agreement will automatically renew for additional one-year terms unless terminated by us or Mr. Kaminski by providing at least 90 days written notice of termination prior to the end of the then-current term. Pursuant to the agreement his base salary will be determined by our board of directors or the compensation committee and reviewed annually. Mr. Kaminski earned an annual base salary of $23,660 for 2015, 2016 and 2017. Mr. Kaminski is eligible to receive bonus compensation in the form of cash and stock in the discretion of our board of directors or the compensation committee if he meets or exceeds performance goals mutually agreed upon by him and us. Such bonus compensation will be determined by our boardc of directors or the compensation committee on an annual basis. No bonus compensation was paid to Mr. Kaminski in 2017. As of the date of this report, we have not agreed on any performance goals for 2018 with Mr. Kaminski.

Mr. Kaminski's employment agreement requires he not disclose our confidential information during the term of the agreement or thereafter. He also is prohibited from competing with us or soliciting any of our employees during the term of his employment with us and for a period of one year following termination of his employment.

Equity Award Approval Policy

Our board of directors has adopted a policy regarding the approval of equity awards under the 2013 Plan. Equity awards are generally determined annually by a meeting of the compensation committee.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer or its other four most highly paid executive officers. This limitation does not apply to compensation that meets the requirements under Section 162(m) for "qualifying performance-based" compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by shareholders). We believe that all executive compensation in 2015 is deductible under current federal income tax laws. We believe there may be circumstances in which our interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m). We also believe that the amount of any loss of a tax deduction under Section 162(m) will be insignificant to our company's overall tax position.

Summary Compensation Table

The following table shows, for our named executives, information concerning compensation earned for services in all capacities during fiscal years 2017 and 2016.

		Salary ($)	Stock Awards ($) (1)	Other Compensation ($)(2)	Total ($)
MG Kaminski, Chief Executive Officer	2017	23,660	—	12,000	35,660
	2016	23,660	—	12,000	35,660
Keith Gruebele(3)	2017	20,000	48,000	—	68,000
	2016	20,000	48,000	-	68,000
Eun Stowell, Chief Financial Officer(4)	2016	127,499	—	6,731	134,231

(1) Values expressed represent the actual compensation cost recognized by our company during the years presented for stock awards granted and utilizing the assumptions discussed in Note 9 to our company's financial statements for 2017.o
(2)o Consists of the amounts paid for insurance and other employee benefits for the benefit of the named executives.o
(3)o Mr. Gruebele was appointed Chief Financial Officer on November 1, 2016o
(4)o Ms. Stowell resigned as our Chief Financial Officer on August 18, 2016o

Grants of Plan-Based Awards

350,000 of awards were granted under the 2013 Plan to the named executive officers during 2016.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding awards granted under the 2013 Plan to the named executive officers as of December 31, 2017.

Name	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested
Keith Gruebele	200,000	$1,080

(1)o Market value of shares determined using the price of limited shares traded on December 8, 2017. The stock has not been traded on the Over the Counter Bulletin Board since that date through December 31, 2017.o

Potential Payments Upon Termination or Change-in-Control

Employment Agreement Provisions

Change in Control

Unless otherwise provided in an award agreement, if a change in control, as defined below, occurs that involves a sale of all or substantially all of our assets or a merger, consolidation, reorganization or statutory share exchange involving our company, our board of directors or compensation committee are to take one or more of the following actions with respect to outstanding awards under the 2013 Plan:

- Arrange for the surviving or successor entity to continue, assume or replace some or all of the outstandingo awards under the 2013 Plan.o
- Accelerate the vesting and exercisability of outstanding awards prior to and conditioned upon the occurrenceo of the event and provide that unexercised options and SARs will be terminated at the effective time of theo event.o
- Cancel any outstanding award in exchange for payment to the holder of the amount of the consideration thato would have been received in the event for the number of shares subject to the award, less the aggregateo exercise price (if any) of the award.o
- Provide that if an award is continued, assumed or replaced in connection with such an event and if within 18o months after the event a participant experiences an involuntary termination of service other than for cause,o

the participant's outstanding awards will vest in full, will immediately become fully exercisable and will remain exercisable for one year following termination.

- Make adjustments to awards as described below under the caption "Adjustment of Awards."

Director Compensation for 2017

The following table shows information concerning compensation provided to each of our non-employee directors for services provided during 2017.

Name	Stock Awards ($) (1)	Fees earned or paid in cash ($)	Total Compensation ($)
Marc P. Agar(2)	-	-	-
Kristian G. Wyrobek(2)	-	-	-

(1) Valuation for restricted stock awards is based on the compensation cost we recognized during the year for financial statement purposes under generally accepted accounting principles for awards granted utilizing the assumptions noted in Note 9 to our consolidated financial statements for 2017.

(2) Mr. Agar and Mr. Wyrobek were named to our Board of Directors effective September 16, 2016

As of June 7, 2013, we adopted our director compensation plan included in the 2013 Plan. Under the Plan, in addition to reimbursing directors for their out-of-pocket expenses in connection with attending meetings of our board of directors and board committees, we may grant each non-employee director shares of restricted common stock. No shares of restricted common stock have been granted to our current directors in 2017. We provided no other compensation to our employee directors for service on our board of directors or committees of the board.

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

Outstanding Equity Awards

The following table provides information as of December 31, 2017 for our 2013 Equity Incentive Plan under which securities may be issued:

Plan	Number of shares granted but not vested	Weighted-average price of stock grants (1)	Number of shares remaining available for future issuance
2013 Equity Incentive Plan (approved by shareholders)	200,000	$0.98	1,890,630
Equity compensation plans not approved by shareholders	-	-	-

(1) The weighted-average price of stock grants was determined using the price at which our common stock last traded on the Over the Counter Bulletin Board prior to the stock awards granted.

Security Ownership of Principal Shareholders and Management

The following table sets forth certain information regarding the ownership of our common stock as of August __, 2018 by each shareholder whom we know to be the beneficial owner of more than 5% of our common stock, each director, each named executive officer, and all executive officers and directors as a group. At the close of business on August __, 2018, there were 19,880,981 shares of common stock issued and outstanding, each of which is entitled to one vote.

Unless otherwise indicated, the listed beneficial owner has sole voting power and investment power with respect to such shares and the mailing address for each person listed in the table is 5500 Wayzata Blvd., Suite 1070, Minneapolis, Minnesota 55416.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Outstanding Shares
Directors and Executive Officers:		
MG Kaminski	10,805,000[1]	54.3%[1]
Keith Gruebele	150,000	0.8%
Marc P. Agar	1,050,000	5.3%
Kristian Wyrobek	800,000	4.0%
All directors and executive officers as a group (4 persons)	12,805,000	64.4%
Other Beneficial Owners:		
First Tracks, LLC	7,775,000[2]	39.1%
Thomas F. Dougherty	2,040,000[3]	10.3%

(1)e Includes 2,820,810 shares issuable to The Kaminski Trust in connection with our anticipated acquisition of the remaining 51% interest in 5130 LLC and 209,190 shares owned by The Kaminski Trust for which MG Kaminski and his wife, Brenda H. Kaminski, serve as trustee. Also includes 7,775,000 shares owned by First Tracks, LLC which is wholly owned by Ms. Kaminski. Mr. Kaminski may be deemed to have shared voting and investment power over the shares held by the First Tracks, LLC, but disclaims beneficial ownership of such shares.e

(2) First Tracks, LLC is wholly owned by Brenda H. Kaminski, the wife of MG Kaminski. The address for First Tracks, LLC is 80 South Eighth Street, Minneapolis, Minnesota, 55402.

(3) Includes 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Mikhail Gregory Kaminski, 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Kylie Elizabeth Kaminski, 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Katrina Johanna Kaminski, and 500,000 shares owned by the First Tracks, LLC Irrevocable Trust FBO Colette Christine Kaminski (the "Kaminski Kid Trusts"), all for which Thomas F. Dougherty serves as the trustee. The address for Mr. Dougherty is 80 South Eighth Street, Minneapolis, Minnesota, 55402. Mr. Dougherty may be deemed to have shared voting and investment power over the shares held by the Kaminski Kid Trusts, but disclaims beneficial ownership of such shares.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In October 2016, the Company entered into a loan guaranty agreement with one of our shareholders, First Tracks LLC, to guaranty additional debt financing on behalf of the Company. Total fees of approximately $70,000 were made by the Company to First Tracks pursuant to this agreement.

First Tracks, LLC also provided a guarantee on the issuance of debt secured by the property owned by Talon Bren Road, LLC. Fees of $55,000 was paid to First Tracks, LLC on January 5, 2017 for this guarantee.

The Gamma Loan entered into on January 27, 2017, is guaranteed by First Tracks, LLC. As consideration for the guarantee, Talon Real Estate Holding Company issued First Tracks LLC 2,500,000 shares of its common stock and paid a fee of $750,000. These shares were issued in a transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Exchange Act of 1933.

In connection with the merchant agreement financings in November 2017, First Tracks, LLC provided a guarantee of the amounts due and received a fee of $95,000.

Review, Approval or Ratification of Related Person Transactions

On June 7, 2013, our board of directors adopted a written related person transaction approval policy which sets forth our company's policies and procedures for the review and approval of any transaction required to be reported in our filings with the SEC. This policy applies to any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which we are a participant and in which a related person has a direct or indirect interest where such person's interest in the transaction(s), in aggregate, involves at least $120,000 in value in a fiscal year of the Company. In order for the transaction, arrangement or relationship to be subject to this policy, there must a financial aspect to the transaction, which may, for example, involve payments between us and the related person or otherwise providing value to one of the parties.

"Related Persons" include:

- all directors and executive officers of the Company;o
- any nominee for director of the Company;o
- any immediate family member of a director, nominee for director or executive officer of theo Company; ando
- any beneficial owner of more than 5% of any class of the Company's voting securities, or ano immediate family member of such holder.o

"Immediate family members" include children, stepchildren, parents, stepparents, spouses, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and any other person (other than a tenant or employee) sharing the household of one of the individuals listed above.

An "indirect" interest of a Related Person in a transaction includes a Related Person serving as an officer or general partner of, or being a significant investor or equity holder in, an entity that is a party to a transaction with the Company.

The following transactions are exempt from this policy:

- payment of compensation by the Company to a Related Person for the Related Person's service too the Company in the capacity or capacities that give rise to the person's status as a "Relatedo Person;"o
- transactions available to all employees or all stockholder of the Company on the same terms; ando
- transactions, which when aggregated with the amount of all other transactions between theo Company and the Related Person or any entity in which the Related Person has an interest, involveo less than $120,000 in a fiscal year of the Company.o

The Audit Committee of the Board of Directors of the Company (the "Committee") is to approve any Related Person Transaction subject to this policy before commencement of the Related Person Transaction or if applicable, before stockholder approval of the Related Person Transaction. The Related Person Transaction should be presented to the Committee by an executive officer of the Company requesting that the Committee consider the Related Person Transaction at its next meeting.

The Committee will analyze the following factors, in addition to any other factors the Committee deems appropriate, in determining whether to approve a Related Person Transaction:o

- •o whether the terms are fair to the Company;
- •o whether the transaction is material to the Company;
- •o the role the Related Person has played in arranging the Related Person Transaction;o
- •o the structure of the Related Person Transaction; and
- the interests of all Related Persons in the Related Person Transaction.o

A Related Person Transaction will only be approved by the Committee if the Committee determines that the Related Person Transaction is beneficial to the Company and the terms of the Related Person Transaction are fairo to the Company.

Director Independence

All of our directors, except for MG Kaminski are "independent" as that term is defined in Rule 5605(a) of o the NASDAQ Stock Market Marketplace Rules, which is the standard for independence we have chosen for purposes of the disclosure required in this report by SEC rules (even though our common stock is not listed on the NASDAQ Stock Market).

Item 14.o Principal Accounting Fees and Services

In addition to reimbursement for certain out-of-pocket expenses, the following table presents the aggregate fees billed for professional services by Baker Tilly Virchow Krause, L.L.P. in 2016 and 2015 for these various services:

Description of Fees	Year Ended December 31, 2017	Year Ended December 31, 2016
Audit fees [1]	$ 102,500	$ 102,500o
Audit-related fees [2][3]		-
All other fees [4]		-
	$ 102,500	$ 102,500o

(1)o*Audit Fees* are the aggregate fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements and review of financial statements included in the registrant's Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. This includes fees related to the review of the Company's Form S-8 filings.

(2)o*Audit-Related Fees* are the aggregate fees billed for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the registrant's financial statements and are not reportedo under "Audit". No audit-related fees were billed in 2017 or 2016.o

(3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning.o

(4) All Other Fees were not paid in years presented.o

Approval of Independent Registered Public Accounting Firm Services and Fees.

The Audit Committee Charter requires that our audit committee approve the retention of our independent registered public accounting firm for any non-audit service and consider whether the provision of these non-audit services by our independent registered public accounting firm is compatible with maintaining our independent registered public accounting firm's independence, prior to engagement for these services. Our audit committee actively monitors the relationship between audit and non-audit services provided. All of the services listed under the heading Audit-Related Fees were pre-approved by our audit committee pursuant to our Audit Committee Charter.

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

(a) Financial Statements: The financial statements filed as a part of this report are listed in Part II, Item 8.e

(b)eFinancial Statement Schedules: The schedules are either not applicable or the required information ise presented in the consolidated financial statements or notes thereto.e

(c) Exhibits: The exhibits incorporated by reference or filed as a part of this Annual Report on Form 10-Ke are listed in the Exhibit Index immediately following the signatures to this report.e

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.

Dated: __________, 2018

TALON REAL ESTATE HOLDING CORP.

By: /s/ MG Kaminski
MG Kaminski
Chief Executive Officer

Each of the undersigned hereby appoints MG Kaminski and Keith Gruebele , and each of them (with full power to act alone), as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1934, any and all amendments and exhibits to this annual report on Form 10-K and any and all applications, instruments, and other documents to be filed with the Securities and Exchange Commission pertaining to this annual report on Form 10-K or any amendments thereto, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable. 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 indicated on __________, 2018.

Name and Signature	Title
/s/ MG Kaminski MG Kaminski	*Chief Executive Officer and Director (principal executive officer)*
/s/ Keith Gruebele Keith Gruebele	*Chief Financial Officer (principal financial and accounting officer)*
/s/ Marc P. Agar Marc P. Agar	*Director*
/s/ Kristian G. Wyrobek Kristian G. Wyrobek	*Director*

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated By Reference: Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
2.1	Stock Purchase Agreement, dated June 7, 2013 by and among Guide Holdings, Inc., The Guidebook Company, Inc. and Kim McReynolds	8-K	000-53917	June 7, 2013	2.1	
2.2	Subscription Agreement, dated June 7, 2013, by and between MG Kaminski and Talon Op, L.P.	8-K	000-53917	June 7, 2013	2.2	
2.3	Contribution Agreement, dated June 7, 2013, by and among Guide Holdings, Inc. and the parties listed on Schedule A thereto	8-K	000-53917e	June 7, 2013	2.3	
2.4	Contribution Agreement, dated June 7, 2013, by and among Guide Holdings, Inc. and the parties listed on Schedule A thereto	8-K	000-53917	June 7, 2013	2.4	
2.5	Contribution Agreement, dated June 7, 2013, by and among Talon Real Estate, LLC and the parties listed on Schedule A thereto	8-K	000-53917	June 7, 2013	2.5	
3.1	Amended and Restated Articles of Incorporation	8-K	000-53917	June 7, 2013	3.1	
3.2	Amended and Restated Bylaws	8-K	000-53917	June 7, 2013	3.2	
4.1	Form of Specimen Common Stock Certificate	8-K	000-53917	June 7, 2013	4.1	
10.1	2013 Equity Incentive Plan**	8-K	000-53917	June 7, 2013	10.1	
10.2	Form of Restricted Stock Award Agreement under the 2013 Equity Incentive Plan**	8-K	000-53917	June 7, 2013	10.2	
10.3	Form of Non-Statutory Stock Option Agreement under the 2013 Equity Incentive Plan**	8-K	000-53917	June 7, 2013	10.3	
10.4	Employment Agreement with MG Kaminski**	8-K	000-53917	June 7, 2013	10.5	

10.5	Form of Indemnification Agreement**	8-K	000-539170	June 7, 2013	10.6
10.6	Non-Employee Director Compensation Policy**	8-K0	000-539170	June 7, 2013	10.7
10.7	Loan Agreement, dated March 22, 2007, by and between 5130 Industrial Street, LLC and Merrill Lynch Mortgage Lending, Inc.	8-K0	000-539170	June 7, 2013	10.8
10.8	Limited Partnership Agreement of Talon OP, L.P.	8-K0	000-539170	June 7, 2013	10.9
10.9	Common Stock Purchase Agreement dated as of August 20, 2013 by and among Talon Real Estate Holding Corp. and the purchasers listed on Exhibit A thereto	8-K0	000-539170	August 20, 2013	10.1
10.10	First Amendment, dated November 13, 2013, to Contribution Agreement dated June 7, 2013	10-Q	000-539170	September 30, 2013	10.1
10.11	Common Stock Purchase0 Agreement dated as of December 30, 2013 by and among the Company and the purchasers listed on Exhibit A thereto	8-K0	000-539170	December 30, 2013	10.10
10.12	Promissory Note to Curtis Marks from the Company	8-K0	000-539170	December 30, 2013	10.2
10.13	Promissory Note to Curtis Marks from the Company, dated March 25, 2014	8-K0	000-539170	March 26, 2014	10.1
10.14	Contribution Agreement between Talon OP, L.P. and Bren Road, LLC, dated May 29, 2014.	8-K0	000-539170	June 3, 2014	10.1
10.15	Assignment and Assumption Agreement and Consent between Bren Road, LLC, Talon Bren Road, LLC, and Bell State Bank & Trust, dated May 29, 2014.	8-K0	000-53917	June 3, 2014	10.2
10.16	Promissory Note between Talon Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014.	8-K0	000-539170	June 3, 2014	10.3

10.17	Loan Agreement between Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014, as amended.	8-K	000-539170	June 3, 2014	10.4
10.18	Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Filing between Bren Road, LLC and Bell State Bank & Trust, dated May 29, 2014, as amended.	8-K	000-539170	June 3, 2014	10.5
10.19	Contribution Agreement between Talon OP, L.P. and the Contributors identified on Exhibit A thereto, dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.1
10.20	Promissory Note between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-53917	July 9, 2014	10.2
10.21	Reserve and Security Agreement between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-53917	July 9, 2014	10.3
10.22	Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Filing between Talon First Trust, LLC and RCC Real Estate, Inc., dated July 2, 2014.	8-K	000-539170	July 9, 2014	10.4
10.23	Promissory Note between Talon Bren Road, LLC and Jackson I, LLC, dated July 2, 2014.	8-K	000-53917	July 9, 2014	10.5
10.24	Mortgage and Security Agreement and Future Financing Statement between Talon Bren Road, LLC and Jackson I, LLC, dated July 2, 2014.	8-K	000-53917	July 9, 2014	10.6
10.25	Promissory Note to Curtis Marks from the Company, dated August 12, 2014.0	10-Q	000-539170	August 14, 2014	10.6
10.26	Second Amendment, dated August 10, 2015, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				
10.27	Third Amendment, dated November 5, 2015, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				
10.28	Fourth Amendment, dated March 8, 2016, to Promissory Note to Curtis Marks from the Company, dated August 12, 2014.				

10.29	Loan Modification Agreement by and among Jackson I, LLC, 4330 LLC, 3014-20 LLC, Fairfield Apartments, LLC, Lakes Area Properties, LLC and Talon Bren Road, LLC, effective as of September 25, 2014.	8-K	000-53917	October 2, 2014	10.1	
10.30	Agreement of Purchase and Sale between Hoopeston I, L.L.C. and Broadmoor Place Associates, LLC and Talon OP, L.P. dated January 23, 2015.	8-K	000-53917	January 29, 2015	10.1	
10.31	Promissory Note to US Income Partners, LLC from Talon OP, dated February 10, 2015.	8-K	000-53917e	February 10, 2015	10.1	
10.32	Loan Agreement by and between Talon First Trust, LLC and Gamma Real Estate Capital LLC, dated January 27, 2017	8-K	000-53917	February 6, 2017	10.1	
10.33	Amended and Restated Promissory Note between Talon First Trust, LLC and Gamma Real Estate Capital LLC, dated January 27, 2017	8-K	000-53917	February 6, 2017	10.2	
10.34	Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing by Talon First Trust, LLC dated January 27, 2017	8-K	000-53917e	February 6, 2017	10.3	
10.35	Amended and Restated Promissory Note between the Company and Swervo Management Division, LLC					X
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Baker Tilly Virchow Krause LLP					X
24.1	Power of Attorney (included on signature page)					
31.1e	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as amended					X

32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T	X

** Indicates management contract or compensatory plan or arrangement.

Exhibit E

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

SECURITIES EXCHANGE ACT OF 1934

Release No. 85150/February 15, 2019

Admin. Proc. File No. 3-18811

In the Matter of	:
	:
CEELOX, INC., TALON REAL ESTATE HOLDING CORP., VIRTUAL SOURCING, INC., AND WINDSTREAM TECHNOLOGIES, INC.	:

DECLARATION OF DAN BAUER IN SUPPORT OF RESPONDENT TALON REAL ESTATE HOLDING CORP'S OPPOSITION TO THE DIVISION OF ENFORCEMENT'S MOTION FOR AN ORDER OF SUMMARY DISPOSITION

I, Dan Bauer, being duly sworn, affirm the following under the penalties of perjury:

1. I have personal knowledge of the facts affirmed herein.

2. During March, 2018, I was a contract consultant performing services for Talon Real Estate Holding Corp.

3. I performed those services, which included summarizing information from Talon's accounting records for insertion into pro-forma filing documents, under the direction of the Company's Chief Financial Officer (Keith Gruebele).

4. I assisted Mr. Gruebele in the drafting of the December 31, 2016 10K Annual Report, but has not approved the 10K for filing at the time of this submission. A copy of that filing is attached as Exhibit 1.

5. I assisted Mr. Gruebele with preparing a draft of the March 31, 2017 10Q Quarterly Report, but has not approved the 10Q for filing at the time of this submission. A copy of that filing is attached as Exhibit 2.

6. I assisted Mr. Gruebele with preparing a draft of the June 30, 2017 10Q Quarterly Report, but has not approved the 10Q for filing at the time of this submission. A copy of that filing is attached as Exhibit 3.

7. I assisted Mr. Gruebele with preparing a draft of the September 30, 2017 10Q Quarterly Report, but has not approved the 10Q for filing at the time of this submission. A copy of that filing is attached as Exhibit 4.

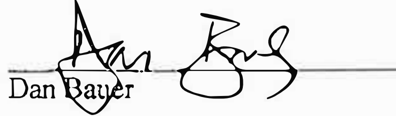
8. I assisted Mr. Gruebele with preparing a draft of the December 31, 2017 10K Quarterly

Report, but has not approved the 10K for filing at the time of this submission. A copy of that filing is attached as Exhibit 5.

9. I am prepared to give testimony to the fact affied in this Affidavit.

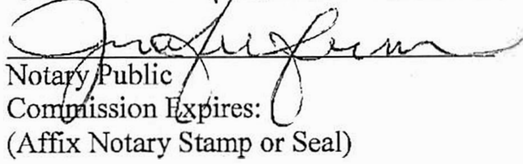
10. Further the deponent sayeth naught.

Dated: Minneapolis, Minnesota
March 22, 2019



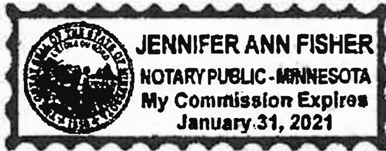
Dan Bauer

Sworn to before me this



22 day of March

Notary Public
Commission Expires:
(Affix Notary Stamp or Seal)



CERTIFICATE OF SERVICE

I hereby certify that true copies of the Respondent Talon Real Estate Holding Corp's opposition to the Division on Enforcement's Motion for Summary Disposition and supporting affidavits were served on the following on this 25th day of March 2019, in the manner indicated below:

By Overnight Mail and Facsimile:

The Office of the Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

James Carlson
David S. Frye
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-6010

Robert Schroeder
Division of Enforcement
U.S. Securities and Exchange Commission
950 East Paces Ferry Road NE, Suite 900
Atlanta, Georgia 30326

By Email:

APFilings@sec.gov

carlsonja@sec.gov

fryed@sec.gov

SchroederR@SEC.GOV