

Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the three months ended March 31, 2019 and 2018

Horizon Group Properties, Inc.  
Condensed Consolidated Financial Statements  
(Unaudited)

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HORIZON GROUP PROPERTIES, INC.  
**Condensed Consolidated Balance Sheets**  
*(unaudited)*

	March 31, 2019	December 31, 2018
	<i>(In thousands)</i>	
<b>ASSETS</b>		
Real estate		
Land	\$ 11,574	\$ 11,574
Buildings and improvements	47,011	47,006
Less accumulated depreciation	(9,654)	(8,566)
	48,931	50,014
Construction in progress	120	93
Land held for investment	33,018	32,909
Total net real estate	82,069	83,016
Investment in and advances to joint ventures	33,837	34,216
Investment in and advances to joint ventures, at fair value	50,449	50,449
Cash and cash equivalents	1,127	1,398
Restricted cash	2,715	2,751
Tenant and other accounts receivable, net	1,180	1,764
Deferred costs, (net of accumulated amortization of \$130 and \$116, respectively)	246	233
Other assets	1,064	1,374
Total assets	\$ 172,687	\$ 175,201
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Mortgages and other debt	\$ 62,194	\$ 62,512
Accounts payable and other accrued expenses	12,451	12,790
Prepaid rents and other tenant liabilities	578	724
Total liabilities	75,223	76,026
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common shares (\$.01 par value, 50,000 shares authorized, 8,742 shares issued and outstanding)	87	87
Additional paid-in capital	81,697	81,697
Accumulated deficit	(25,979)	(24,561)
Total stockholders' equity attributable to the controlling interest	55,805	57,223
Noncontrolling interests in consolidated subsidiaries	41,659	41,952
Total stockholders' equity	97,464	99,175
Total liabilities and stockholders' equity	\$ 172,687	\$ 175,201

*See accompanying notes to condensed consolidated financial statements.*

HORIZON GROUP PROPERTIES, INC.  
**Condensed Consolidated Statements of Operations**  
*(unaudited)*

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<i>(In thousands)</i>		
<b>REVENUE</b>		
Base rent	\$ 1,705	\$ 1,865
Percentage rent	14	42
Expense recoveries	188	258
Restaurant revenue	676	687
Other	625	491
Total revenue	3,208	3,343
<b>EXPENSES</b>		
Property operating	705	819
Real estate taxes	294	298
Other operating	185	162
Depreciation and amortization	1,115	1,084
General and administrative	1,495	2,258
Restaurant operating	855	863
Interest	747	760
Total expenses	5,396	6,244
<b>OTHER INCOME AND EXPENSE</b>		
Income (loss) from investment in joint ventures	498	(334)
Loss on abandonment of assets	-	(2,070)
Total other income and expense	498	(2,404)
Consolidated net loss	(1,690)	(5,305)
Less net loss attributable to the noncontrolling interests	272	896
Net loss attributable to the Company	\$ (1,418)	\$ (4,409)

*See accompanying notes to condensed consolidated financial statements.*

HORIZON GROUP PROPERTIES, INC.  
**Condensed Consolidated Statements of  
Stockholders' Equity**  
*(In thousands)*

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2019	\$ 87	\$ 81,697	\$ (24,561)	\$ 57,223	\$ 41,952	\$ 99,175
Net loss	-	-	(1,418)	(1,418)	(272)	(1,690)
Contributions from noncontrolling interests	-	-	-	-	178	178
Distributions to noncontrolling interests	-	-	-	-	(199)	(199)
Balance, March 31, 2019	<u>\$ 87</u>	<u>\$ 81,697</u>	<u>\$ (25,979)</u>	<u>\$ 55,805</u>	<u>\$ 41,659</u>	<u>\$ 97,464</u>

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2018	\$ 87	\$ 81,668	\$ (18,291)	\$ 63,464	\$ 39,476	\$ 102,940
Net loss	-	-	(4,409)	(4,409)	(896)	(5,305)
Stock issued to related parties	-	30	-	30	-	30
Distributions to noncontrolling interests	-	-	-	-	(633)	(633)
Balance, March 31, 2018	<u>\$ 87</u>	<u>\$ 81,698</u>	<u>\$ (22,700)</u>	<u>\$ 59,085</u>	<u>\$ 37,947</u>	<u>\$ 97,032</u>

*See accompanying notes to condensed consolidated financial statements.*

HORIZON GROUP PROPERTIES, INC.  
**Condensed Consolidated Statements of Cash Flows**  
*(unaudited)*

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Cash flows provided by (used in) operating activities:</b>	<i>(In thousands)</i>	
Net loss attributable to the Company	\$ (1,418)	\$ (4,409)
Adjustments to reconcile net loss attributable to the Company to net cash provided by (used in) operating		
Operating distributions from joint ventures	1,182	312
Net loss attributable to the noncontrolling interests	(272)	(896)
(Income) loss from investment in joint ventures	(498)	334
Abandonment of future development	-	2,070
Depreciation	1,105	1,054
Amortization	10	30
Interest expense from deferred finance costs	33	33
Changes in assets and liabilities:		
Restricted cash	36	-
Tenant and other accounts receivable	584	223
Deferred costs and other assets	250	64
Accounts payable and other accrued liabilities	(339)	(4,047)
Prepaid rents and other tenant liabilities	(146)	(86)
<b>Net cash provided by (used in) operating activities</b>	<b>527</b>	<b>(5,318)</b>
<b>Cash flows provided by (used in) investing activities:</b>		
Investment in future developments	33	(2,050)
Investment in joint ventures	(537)	-
Restricted cash	-	2,050
Net proceeds from sale of real estate	-	5,642
Distributions from joint ventures, return of capital	232	206
Expenditures for real estate	(154)	(490)
<b>Net cash provided by (used in) investing activities</b>	<b>(426)</b>	<b>5,358</b>
<b>Cash flows provided by (used in) financing activities:</b>		
Distributions to noncontrolling interests	(199)	(633)
Contributions from noncontrolling interests	178	-
Principal payments on mortgages and other debt	(351)	(340)
Stock issued	-	30
<b>Net cash provided by (used in) financing activities</b>	<b>(372)</b>	<b>(943)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(271)</b>	<b>(903)</b>
<b>Cash and cash equivalents:</b>		
<b>Beginning of year</b>	<b>1,398</b>	<b>4,003</b>
<b>End of year</b>	<b>\$ 1,127</b>	<b>\$ 3,100</b>

*See accompanying notes to condensed consolidated financial statements.*

HORIZON GROUP PROPERTIES, INC.  
**Consolidated Statements of Cash Flows, continued**  
*(unaudited)*

	Three Months Ended <u>March 31, 2019</u>	Three Months Ended <u>March 31, 2018</u>
	<i>(In thousands)</i>	
Noncash activity related to the disposal of fully depreciated or amortized assets:		
Building and improvements	\$13	\$9

*See accompanying notes to condensed consolidated financial statements..*

HORIZON GROUP PROPERTIES, INC.  
Notes to Condensed Consolidated Financial Statements  
Three Months Ended March 31, 2019 and 2018  
(*unaudited*)

Note 1 – Organization and Basis of Presentation

Horizon Group Properties, Inc. (“HGPI” or, together with its subsidiaries “HGP” or the “Company”) is a Maryland corporation that was established on June 15, 1998. The operations of the Company are conducted primarily through a subsidiary limited partnership, Horizon Group Properties, L.P. (“HGP LP”) of which HGPI is the sole general partner. As of March 31, 2019 and December 31, 2018, HGPI owned approximately 87% of the partnership interests (the “Common Units”) of HGP LP. In general, Common Units are exchangeable for shares of Common Stock on a one-for-one basis (or for an equivalent cash amount at HGPI’s election).

The accompanying unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, among other factors, the results for the interim period ended March 31, 2019 are not necessarily indicative of the results that may be obtained for the full fiscal year.

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and include selected information and disclosures for the interim periods. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2018.

The Company’s primary assets are its investments in subsidiary entities that own real estate. HGPI consolidates the results of operations and the balance sheets of those entities of which the Company owns the majority interest and of those variable interest entities of which the Company is the primary beneficiary. The Company accounts for its investments in entities which do not meet these criteria using the equity or cost method. The entities referred to herein are consolidated subsidiaries of the Company, unless they are discussed in Note 4; those entities are accounted for using the equity method of accounting or the cost method, as identified.

Note 2 - Summary of Significant Accounting Policies

The condensed consolidated financial statements have been prepared in conformity with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including disclosure of contingent assets and liabilities) at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, all adjustments necessary for a fair statement of the financial position and results of operations for the interim periods presented have been included in these condensed consolidated financial statements and are of a normal and recurring nature.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of HGPI and all subsidiaries that HGPI controls, including HGP LP. The Company considers itself to control an entity if it is the majority owner of or has voting control over such entity. All significant intercompany balances and transactions have been eliminated in consolidation.

Pre-Development Costs

The pre-development stage of a project involves certain costs to ascertain the viability of a potential project and to secure the necessary land. Direct costs to acquire the assets are capitalized as future development costs once the acquisition becomes probable. These costs are carried in Other Assets until conditions are met that indicate that development is forthcoming, at which point the costs are reclassified to Construction in Progress. In the event a development is no longer deemed probable and costs are deemed to be non-recoverable, the applicable costs previously capitalized are expensed when the project is abandoned or these costs are determined to be non-recoverable.



HORIZON GROUP PROPERTIES, INC.  
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At March 31, 2019 and December 31, 2018, predevelopment costs classified as Other Assets included projects in Cleveland, OH and Woodstock, GA totaled \$532,000 and \$470,000, respectively.

During March of 2018, the Company decided to cease development of projects in Hartford, CT, and Malaysia. Because of the abandonment of these projects, the Company recognized a loss on abandonment of approximately \$2.0 million for the three months ended March 31, 2018.

Restaurant Revenue and Operating Expense

The Company owns four Johnny Rockets restaurants at the outlet malls in Oshkosh WI, Atlanta GA, Louisville KY and Laredo TX. The Company also owns a Stone and Stein restaurant in Laredo TX. Revenues are derived from sales of various food products, and operating expenses are primarily from cost of sales, supplies, payroll, franchise fees, and rent.

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. Rents that represent basic occupancy costs, including fixed amounts and amounts computed as a function of sales, are classified as base rent. Amounts which may become payable in addition to base rent and which are computed as a function of sales in excess of certain thresholds are classified as percentage rents and are accrued after the reported tenant sales exceed the applicable thresholds. Expense recoveries based on common area maintenance expenses and certain other expenses are accrued in the period in which the related expense is incurred.

Other Revenue

Other revenue consists of income from management, leasing and development agreements, and income from tenants with lease terms of less than one year.

Income Taxes

Deferred income taxes are recorded based on enacted statutory rates to reflect the tax consequences in future years of the differences between the tax bases of assets and liabilities and their financial reporting amounts. Deferred tax assets, such as net operating loss carryforwards which will generate future tax benefits, are recognized to the extent that realization of such benefits through future taxable earnings or alternative tax strategies in the foreseeable future is more likely than not.

As of March 31, 2019 and December 31, 2018 and for the periods then ended, the Company did not have a net liability for any unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest or general and administrative expense in the statement of operations. For the periods ended March 31, 2019 and 2018, the Company did not incur any interest or penalties.

Investments in Joint Ventures

The Company uses the equity method of accounting for its investments in Joint Ventures, as the Company is able to significantly influence the operations of the underlying investment, but does not control the underlying investment. The investments are recorded at initial cost and adjusted for the Company's proportionate share of income or loss. Contributions and distributions are treated as additions or reductions of the investments' cost basis.

The Company elected the fair value option for its investment in Horizon Atlanta and Horizon Louisville. Due to the nature of these investments, the Company elected the fair value option to more accurately present the Company's portion of the value and changes thereof in the underlying investments. Changes in the fair value of the joint ventures are recorded as a component of income from investment in joint ventures on the consolidated statement of

HORIZON GROUP PROPERTIES, INC.  
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operations.

Distributions are reported in cash flows from operations unless the facts and circumstances of a specific distribution clearly indicate that it is a return of capital, which would then be presented as cash flows from investing activities.

Subsequent Events

The Company has evaluated subsequent events through May 14, 2019, the date the condensed consolidated financial statements were available to be issued.

Note 3 - Investment in Real Estate and Restaurants

The following table contains information on the operating properties, restaurants, and land held for investment owned by the Company and for which the Company consolidates the results of operations and the assets and liabilities as of March 31, 2019.

<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Gross Leasable Area (Sq. Ft.)</u>	<u>Net Carrying Value (in thousands)</u>	<u>Ownership Percentage</u>
The Outlet Shoppes at Burlington	Burlington, WA	Outlet Retail	174,660	\$ 8,612	51.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,932	6,843	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	28,677	51.0%
Village Green Center	Huntley, IL	Retail	22,204	3,218	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	109	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	N/A	243	100.0%
Johnny Rockets	Louisville, KY	Restaurant	N/A	392	100.0%
Johnny Rockets	Laredo, TX	Restaurant	N/A	476	100.0%
Border Dogz	Laredo, TX	Restaurant	N/A	17	100.0%
Stone and Stein	Laredo, TX	Restaurant	N/A	317	100.0%
Corporate Assets	Chicago, IL	Various	<u>N/A</u>	<u>27</u>	100.0%
	Total		<u>696,308</u>	<u>\$48,931</u>	
			<u>Acres</u>		
Land held for Investment	Fruitport, MI	Land	6	\$ 156	100.0%
Laredo Phase II Land	Laredo, TX	Land	2	2,000	60.8%
Ridgewalk Land	Woodstock, GA	Land	107	10,623	100.0%
Land Held for Investment	Huntley, IL	Land	<u>355</u>	<u>20,239</u>	100.0%
	Total		<u>470</u>	<u>\$ 33,018</u>	

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The portion of the net income or loss of HGPI's subsidiaries owned by parties other than HGPI is reported as Net Income or Loss Attributable to the Noncontrolling Interests on the Company's condensed consolidated statements of operations and such parties' portion of the net equity in such subsidiaries is reported on the Company's condensed consolidated balance sheets as Noncontrolling Interests in Consolidated Subsidiaries.

Note 4 - Investment in Joint Ventures

The following table contains information and the effective ownership percentage attributable to the Company for the joint venture outlet centers in operation or development as of March 31, 2019. In addition, the joint ventures own out parcels and other land for development not included in the leasable area.

<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Leasable Area (Sq. Ft.)</u>	<u>Ownership Percentage</u>
The Outlet Shoppes at El Paso	El Paso, TX	Outlet Retail	433,045	24.41%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	19.06%
The Outlet Shoppes at Atlanta	Woodstock, GA	Outlet Retail	413,969	22.07%
The Outlet Shoppes of the Bluegrass	Louisville, KY	Outlet Retail	428,060	30.78%
The Outlet Shoppes at Laredo	Laredo, TX	Outlet Retail	<u>357,866</u>	21.30%
Total			<u>1,882,877</u>	

El Paso Entities

The Company owned 97.4% of the preferred interests and 92.8% of the common interests at March 31, 2019 and December 31, 2018 in Horizon El Paso, LLC ("Horizon El Paso"), which owns a 25% joint venture interest in El Paso Outlet Center Holding, LLC ("El Paso Holding"). El Paso Holding owns an entity that owns the outlet shopping center in El Paso, TX (the "El Paso Center"). Horizon El Paso owns a 25% joint venture interest in El Paso Outlet Center II, LLC, which owns Phase II of the shopping center (Phase II). Horizon El Paso owns a 50% joint venture interest in El Paso Outlet Outparcels, LLC that owns several outparcels and ancillary land adjacent to the shopping center (the "Outparcels").

On September 10, 2018, Deutsche Bank refinanced the loans on Phases I and II of the shopping center in the amount of \$75 million. The shopping center secures the loan. The loan, bears interest at 5.103%. Payments of \$407,350 per month are based on a 30-year amortization. The loan matures on October 6, 2028. The principal balance at March 31, 2019 and December 31, 2018, was \$74.6 million and \$74.8 million, respectively.

The Company received management, leasing, and similar fees from El Paso Center and El Paso Outlet Centers II, LLC that totaled \$188,000 and \$373,000 during the three months ended March 31, 2019 and 2018, respectively.

Summary financial information (stated at 100%) for the El Paso entities as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, are as follows (in thousands):

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	As of March 31, 2019	As of December 31, 2018
<b>Assets</b>		
Real estate - net	\$ 89,143	\$ 89,976
Cash and cash equivalents	540	850
Restricted cash	970	2,743
Other assets	2,708	2,913
Total assets	\$ 93,361	\$ 96,482
<b>Liabilities and members' equity</b>		
Mortgages and other debt	\$ 74,554	\$ 74,823
Other liabilities	1,397	3,684
Members' equity	17,410	17,975
Total liabilities and members' equity	\$ 93,361	\$ 96,482

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Statements of Operations</b>		
Revenue	\$ 3,769	\$ 3,747
Operating expenses	1,374	1,417
General and administrative expenses	210	209
Depreciation and amortization expense	1,014	989
Interest expense	974	1,176
Total expenses	3,572	3,791
Net income (loss)	\$ 197	\$ (44)

Gettysburg Entities

Gettysburg Outlet Center Holding, LLC and Gettysburg Outlet Center LLC (the Gettysburg entities) are owned (1) 50% by an affiliate of CBL, (2) 29.8% by Pleasant Lake – Skoien Investments, LLC (PL Skoien), (3) 1.1% by other entities, and (4) 19.1% by the Company. Howard Amster and Gary Skoien own PL Skoien. Howard Amster is a significant shareholder and director of the Company. Gary Skoien is Chairman of the Board, Chief Executive Officer, President, and a shareholder of the Company. Gettysburg Outlet Center Holding, LLC, owns Gettysburg Outlet Center, LP, which owns the shopping center. Gettysburg Outlet Center LLC owns vacant land around the shopping center.

The mortgage loan for Gettysburg Outlet Center, LP is secured by the shopping center, had an initial balance of \$38.5 million, bears interest at 4.8% and matures in 2025. The mortgage balance was \$37.6 and \$37.8 million at March 31, 2019 and December 31, 2018, respectively.

The members of the Gettysburg entities accrue a 10% preferred return on capital invested. Cash distributions go first to CBL and PL Skoien, then to the Company and Tom Berlin.

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The Company received management, leasing, and similar fees from the Gettysburg Entities that totaled \$62,000 and \$56,000 during the three months ended March 31, 2019 and 2018, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows (in thousands):

	As of March 31, 2019	As of December 31, 2018
<b>Assets</b>		
Real estate - net	\$ 40,415	\$ 40,685
Cash and cash equivalents	54	261
Restricted cash	994	879
Other assets	1,250	1,217
Total assets	\$ 42,713	\$ 43,042
<b>Liabilities and members' equity</b>		
Mortgages and other debt	\$ 37,609	\$ 37,762
Other liabilities	894	922
Members' equity	4,210	4,358
Total liabilities and members' equity	\$ 42,713	\$ 43,042
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Statements of Operations</b>		
Revenue	\$ 1,579	\$ 1,540
Operating expenses	795	649
General and administrative expenses	82	73
Depreciation and amortization expense	391	371
Interest expense	459	467
Total expenses	1,727	1,560
Net loss	\$ (148)	\$ (20)

Atlanta Entities

On May 11, 2012, the Company entered into a joint venture (the "Atlanta JV") with an affiliate of CBL to develop The Outlet Shoppes at Atlanta in Woodstock, Georgia. The Company formed a subsidiary entity, Horizon Atlanta Outlet Shoppes, LLC (Horizon Atlanta) to be CBL's partner in Atlanta JV. The Company owns 48.3% of the preferred interests and 44.3% of the common interests in Horizon Atlanta, but maintains voting control over Horizon Atlanta. The Atlanta JV is owned 25% by Horizon Atlanta and 75% by CBL. In December of 2013, Horizon Atlanta met return of investment and internal rate of return criteria stipulated in the joint

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venture agreement; therefore, Horizon Atlanta's share of future distributions from the Atlanta JV increased from 25% to 35%. The Company is responsible for the leasing and management of the center.

The Atlanta JV purchased approximately 50 acres of land for the project from Ridgewalk Holding, LLC ("Holding"). Ridgewalk Property Investments, LLC ("RPI") is the managing member of Holding. The Company and CBL then formed Woodstock GA Investments ("WGI"), owned 25% by the Company and 75% by CBL, which lent RPI \$6.0 million. RPI then contributed \$6.0 million to Holding and, together with the proceeds from the sale of the parcel to Atlanta JV, retired a loan secured by the land owned by Holding. In connection with its loan to RPI, WGI acquired an equity interest in RPI that is entitled to 30% of the economic interest in Holding. During 2015, WGI purchased an additional direct interest in Holding and became the managing member of Holding. It was then determined that WGI controlled Holding.

On March 29, 2017, CBL sold their 75% interest in WGI to the Company for a \$1.0 million seller financed note. The note is payable when the south parcel of the Holdings land is sold. After the purchase of CBL's interest, the Company owns 100% of WGI. Holdings owns approximately 107 acres of vacant land near The Outlet Shoppes at Atlanta that the Company is currently developing. The Company previously accounted for its interest in WGI using the equity method of accounting.

On October 11, 2013, the Atlanta JV obtained an \$80.0 million loan from an affiliate of Goldman Sachs (the "Atlanta Loan"). The Atlanta Loan has a term of 10 years and bears interest at 4.9%. Payments are based on a 30-year amortization. The Atlanta Loan is secured by a mortgage on The Outlet Shoppes at Atlanta and had a balance of \$72.9 million and \$73.2 million at March 31, 2019 and December 31, 2018, respectively.

On May 13, 2015, the Atlanta JV closed on a \$6,200,000 construction loan for Atlanta Outlet Shoppes Phase II. The loan carries an initial interest rate of LIBOR plus 2.5%, and matures on December 19, 2019. The loan balance was \$4.5 million and \$4.6 million at March 31, 2019 and December 31, 2018, respectively.

The Company received development, management, leasing, and similar fees from Atlanta JV that totaled \$142,000 and \$131,000 for the three months ended March 31, 2019 and 2018, respectively.

Summary financial information (stated at 100%) of the Atlanta entities as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows (in thousands):

	As of March 31, 2019	As of December 31, 2018
<b>Assets</b>		
Real estate - net	\$ 50,843	\$ 51,734
Cash and cash equivalents	522	1,855
Restricted cash	425	388
Other assets	3,977	3,919
Total assets	<u>\$ 55,767</u>	<u>\$ 57,896</u>
<b>Liabilities and members' deficit</b>		
Mortgages and other debt	\$ 77,397	\$ 77,808
Other liabilities	752	1,039
Members' deficit	(22,382)	(20,951)
Total liabilities and members' deficit	<u>\$ 55,767</u>	<u>\$ 57,896</u>

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	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Statements of Operations</b>		
Revenue	\$ 3,491	\$ 3,597
Operating expenses	885	869
General and administrative expenses	111	136
Depreciation and amortization expense	1,002	1,154
Interest expense	986	996
Total expenses	2,984	3,155
Net income	\$ 507	\$ 442

Bluegrass Entities

During 2013, the Company entered into a joint venture (the “Louisville JV”) with an affiliate of CBL to develop The Outlet Shoppes of the Bluegrass in Louisville, Kentucky. The Company formed a subsidiary entity (Horizon Louisville) to be CBL’s partner in the Louisville JV. The Company owns 44.7% of the preferred interests and 34.4% of the common interests in Horizon Louisville, but maintains voting control over Horizon Louisville. The Louisville JV is owned 35% by Horizon Louisville and 65% by CBL. In May of 2013, and again in December of 2014, Horizon Louisville met certain return of investment and internal rate of return criteria stipulated in the joint venture agreement with CBL; therefore, the Company’s share of future distributions from the Louisville JV increased from 35% to 50%. The Company is responsible for the leasing and management of the center.

On November 24, 2014, the Louisville JV obtained a \$77.5 million loan from JP Morgan (the “Louisville Loan”). The Louisville Loan has a term of 10 years and bears interest at 4.045%. Payments are based on a 30 year amortization. The Louisville Loan is secured by a mortgage on phase I of The Outlet Shoppes of the Bluegrass. The loan balance was \$71.3 million and \$71.7 million at March 31, 2019 and December 31, 2018, respectively.

During 2015, the Louisville JV established the Bluegrass Outlet Shoppes II, LLC and closed on an \$11.3 million construction loan to develop additional retail space at the Outlet Shoppes of the Bluegrass. The loan has a term of 60 months and an interest rate of LIBOR plus 2.35%. The loan balance was \$9.4 million and \$9.5 million, at March 31, 2019 and December 31, 2018, respectively.

The Company received management, leasing, and similar fees from the Louisville JV that totaled \$120,000 and \$149,000 for the three months ended March 31, 2019 and 2018, respectively.

Summary financial information (stated at 100%) of the Louisville JV as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows (in thousands):

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	<u>As of</u> <u>March 31, 2019</u>	<u>As of</u> <u>December 31, 2018</u>
<b>Assets</b>		
Real estate - net	\$ 61,289	\$ 62,459
Cash and cash equivalents	938	1,356
Restricted cash	1,706	1,658
Other assets	4,144	4,302
Total assets	<u>\$ 68,077</u>	<u>\$ 69,775</u>
<b>Liabilities and members' deficit</b>		
Mortgages and other debt	\$ 80,769	\$ 81,221
Other liabilities	698	920
Members' deficit	(13,390)	(12,366)
Total liabilities and members' deficit	<u>\$ 68,077</u>	<u>\$ 69,775</u>

	<u>Three Months Ended</u> <u>March 31, 2019</u>	<u>Three Months Ended</u> <u>March 31, 2018</u>
<b>Statements of Operations</b>		
Revenue	<u>\$ 3,043</u>	<u>\$ 3,639</u>
Operating expenses	703	783
General and administrative expenses	116	145
Depreciation and amortization expense	1,347	1,287
Interest expense	891	886
Total expenses	<u>3,057</u>	<u>3,101</u>
Loss on sale of land	<u>(7)</u>	<u>-</u>
Net income (loss)	<u>\$ (21)</u>	<u>\$ 538</u>

Laredo Outlet Shoppes

On May 10, 2016, the Company, CBL, and Lawrence Friedman formed a joint venture, Laredo Outlet JV, LLC (Laredo JV) to develop an outlet shopping center in Laredo, Texas. The venture is owned 65% by CBL and 35% by Horizon El Portal a subsidiary which is 60.8% owned by the Company. Lawrence Friedman is a Class B member of the Laredo JV and will participate in distributions after certain internal rate of return hurdles are met. The outlet center opened in March of 2017.

On May 13, 2016, Laredo JV closed on a construction loan to finance the construction of the center. The loan has a maximum principal balance of \$91.3 million, a 36-month term and one 24-month extension option. Interest accrues on the loan at LIBOR plus 2.5% until the development reaches 90% occupancy, at which time the interest rate will drop to LIBOR plus 2.25%. Monthly principal payments of \$150,000 began on October 1, 2018. The loan balance was \$54.1 million and \$54.5 million, at March 31, 2019 and December 31, 2018, respectively.



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The loan contains certain provisions requiring principal pay-downs subject to certain conditions. As a result, on May 31, 2018, the Company and its partner, CBL, made a \$22.4 million principal payment through capital contribution on the construction loan. Horizon El Portal's share of the payment was \$7.9 million. In December of 2018, an additional \$5 million principal payment was made, which was funded through capital contribution. Horizon El Portal's share of the capital contribution was \$1.7 million. Horizon El Portal and CBL expect to refinance or negotiate a modification to the extension option on the construction loan prior to maturity.

The Company received management, leasing, and similar fees from the Laredo JV that totaled \$51,000 and \$149,000 for the three months ended March 31, 2019 and 2018, respectively.

Summary financial information (stated at 100%) of the Laredo JV as of March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018, is as follows (in thousands):

	As of March 31, 2019	As of December 31, 2018
<b>Assets</b>		
Real estate - net	\$ 101,746	\$ 102,942
Cash and cash equivalents	1,321	378
Restricted cash	421	465
Other assets	3,326	3,103
Total assets	<u>\$ 106,814</u>	<u>\$ 106,888</u>
<b>Liabilities and members' equity</b>		
Mortgages and other debt	\$ 54,100	\$ 54,550
Other liabilities	3,286	3,138
Members' equity	49,428	49,200
Total liabilities and members' equity	<u>\$ 106,814</u>	<u>\$ 106,888</u>
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Statements of Operations</b>		
Revenue	<u>\$ 2,395</u>	<u>\$ 2,230</u>
Operating expenses	1,158	1,230
General and administrative expenses	80	76
Depreciation and amortization expense	1,334	1,286
Interest expense	897	969
Total expenses	<u>3,469</u>	<u>3,561</u>
Net loss	<u>\$ (1,074)</u>	<u>\$ (1,331)</u>

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Note 5 – Commitments

The Company has outstanding commitments for construction costs and tenant allowances on leases signed (which amounts become payable when the spaces are delivered to the tenants) at March 31, 2019 in the amount of \$997,167 which are not reflected on the condensed consolidated balance sheet as of March 31, 2019. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2019 and 2020, and are anticipated to be funded from capital improvement escrows, construction financing, equity contributions and additional borrowings.

Note 6 – Mortgages and Other Debt

Total secured indebtedness was \$62.2 million and \$62.5 million at March 31, 2019 and December 31, 2018, respectively. Cash paid for interest for the three months ended March 31, 2019 and 2018 was \$626,000 and \$640,000, respectively.

The Company's ability to secure new loans is limited by the fact that most of the Company's real estate assets are currently pledged as collateral for its current loans. The Company will pay the scheduled principal amortization in the normal course of business during 2019.

Note 7 - Related Party Transactions

At March 31, 2019 and December 31, 2018, another affiliate of Howard Amster owned 49% of the interests in the entities that own the outlet centers and related assets in Burlington, WA; Fremont, IN; and Oshkosh, WI.

At March 31, 2019 and December 31, 2018, PL Skoien, owns (1) 12.6% of the interests in the entities that own the outlet center and related assets in Gettysburg, PA, (2) 46.4% of Horizon Atlanta, (3) 47.54% of Horizon Louisville and (4) 14.7% of Horizon El Portal, LLC.

At March 31, 2019 and December 31, 2018, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At March 31, 2019 and December 31, 2018, Andrew Pelmoter, an officer of the Company, owned 2.12% of Horizon Atlanta, and 4.31% of Horizon Louisville, in addition to the Net Profits Interests discussed below.

The Company has granted Common interests in Horizon El Paso, Horizon OKC, Horizon Atlanta, and Horizon Louisville (the "Net Profits Interests") to certain officers of the Company. Holders of the Net Profits Interests are not entitled to any distributions until the holders of the preferred interests have received their capital and a 12% return thereon.

Net Profits Interests are recorded as a component of accounts payable and other accrued expenses on the accompanying balance sheet. The Net Profits Interests associated with Horizon Atlanta and Horizon Louisville continue to be adjusted associated with the Company's fair value election on these investments discussed in Note 1. As of March 31, 2019 and December 31, 2018, the Net Profits Interest liability approximated \$8.2 million.

Net profits interests have been granted to officers of the Company as follows: (1) Horizon El Paso - 3.5%, to Andrew Pelmoter, (2) Horizon OKC - 2.5%, 2.5% and 3% to Gary Skoien, Tom Rumptz and Andrew Pelmoter, respectively; (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and James Harris, respectively, (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and Harris, respectively, and (5) Horizon El Portal, - 1.52%, 1.52%, 1.22% and .61% to Messers Skoien, Pelmoter, Rumptz and Harris, respectively.

During 2016, the Company granted 20,000 common shares of Horizon Group Properties, Inc. to Gary Skoien. The shares will vest annually over a three-year period with 6,667 shares vesting in March 2018 and 2017. Compensation expense recognized during 2018 related to these shares is immaterial.