Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the nine months ended September 30, 2015 and 2014

Horizon Group Properties, Inc.

Condensed Consolidated Financial Statements

(Unaudited)

Contents

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2015	December 31, 2014
	(In thousands)	
ASSETS		
Real estate – at cost:		
Land	$ 18,334	$ 18,334
Buildings and improvements	57,303	57,470
Less accumulated depreciation	(17,677)	(16,042)
	57,960	59,762
Construction in progress	2,893	1,281
Land held for investment	18,236	18,253
Total net real estate	79,089	79,296
Investment in and advances to joint ventures	5,761	5,359
Cash and cash equivalents	2,020	2,930
Restricted cash	2,069	2,353
Tenant and other accounts receivable, net	1,215	1,115
Deferred costs (net of accumulated amortization of $268 and $558, respectively)	1,263	384
Other assets	3,962	1,789
Total assets	$ 95,379	$ 93,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt	$ 64,443	$ 60,980
Accounts payable and other accrued expenses	4,117	4,435
Prepaid rents and other tenant liabilities	410	400
Total liabilities	68,970	65,815
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, 4,668 issued and outstanding)	47	47
Additional paid-in capital	37,046	37,046
Accumulated deficit	(20,917)	(21,548)
Total stockholders' equity attributable to the controlling interest	16,176	15,545
Noncontrolling interests in consolidated subsidiaries	10,233	11,866
Total stockholders' equity	26,409	27,411
Total liabilities and stockholders' equity	$ 95,379	$ 93,226

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended September 30, 2015	Three months ended September 30, 2014
	(In thousands)	
REVENUE		
Base rent	$ 2,112	$ 2,212
Percentage rent	149	135
Expense recoveries	265	250
Other	1,715	2,654
Interest	-	265
Total revenue	4,241	5,516
EXPENSES		
Property operating	853	772
Real estate taxes	345	325
Other operating	208	77
Depreciation and amortization	623	704
General and administrative	2,430	3,156
Interest	859	961
Total expenses	5,318	5,995
Income from investment in joint ventures	1,988	1,431
Consolidated net income before gain on sale of real estate	911	952
Gain on sale of land held for investment	-	2,784
Consolidated net income	911	3,736
Less net income attributed to the noncontrolling interests	(1,033)	(2,489)
Net income (loss) attributable to the Company	$ (122)	$ 1,247

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(In thousands)	
REVENUE		
Base rent	$ 6,299	$ 6,337
Percentage rent	447	397
Expense recoveries	786	753
Other	4,948	5,880
Interest	-	265
Total revenue	12,480	13,632
EXPENSES		
Property operating	2,599	2,229
Real estate taxes	1,013	993
Other operating	340	280
Depreciation and amortization	1,963	1,978
General and administrative	6,574	7,268
Interest	2,499	2,862
Total expenses	14,988	15,610
Income from investment in joint ventures	3,975	2,458
Consolidated net income before gain on sale of real estate and loss on extinguishment of debt	1,467	480
Gain on sale of land held for investment	2,311	3,725
Loss on extinguishment of debt	(1,761)	-
Consolidated net income	2,017	4,205
Less net income attributed to the noncontrolling interests	(1,386)	(3,227)
Net income attributable to the Company	$ 631	$ 978

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.
Condensed Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2015 and 2014
(unaudited, 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, 2015	$ 47	$ 37,046	$ (21,548)	$ 15,545	$ 11,866	$ 27,411
Net income	-	-	631	631	1,386	2,017
Distributions to noncontrolling interests	-	-	-	-	(7,000)	(7,000)
Contributions from noncontrolling interests	-	-	-	-	3,981	3,981
Balance, September 30, 2015	$ 47	$ 37,046	$ (20,917)	$ 16,176	$ 10,233	$ 26,409

	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, 2014	$ 47	$ 36,865	$ (21,926)	$ 14,986	$ 16,428	$ 31,414
Net income	-	-	978	978	3,227	4,205
Purchase of minorty interest in El Portal Center	-	11	-	11	(1,736)	(1,725)
Other	-	170	11	181	-	181
Distributions to noncontrolling interests	-	-	-	-	(3,517)	(3,517)
Contributions to noncontrolling interests	-	-	-	-	952	952
Balance, September 30, 2014	$ 47	$ 37,046	$ (20,937)	$ 16,156	$ 15,354	$ 31,510

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(In thousands)	
Cash flows from operating activities:		
Net income attributable to the Company	$ 631	$ 978
Adjustments to reconcile net income attributable to the Company to net cash used in operating activities:		
Gain on sale of land	(2,311)	(3,725)
Loss on extingushment of debt	1,761	-
Net income attributable to the noncontrolling interests	1,386	3,227
Income from investment in joint ventures	(3,975)	(2,458)
Depreciation	1,918	1,768
Amortization	45	226
Changes in assets and liabilities:		
Restricted cash	284	(455)
Tenant and other accounts receivable	(100)	404
Deferred costs and other assets	(260)	(1,331)
Accounts payable and other accrued liabilities	(318)	(224)
Prepaid rents and other tenant liabilities	10	100
Net cash used in operating activities	(929)	(1,490)
Cash flows provided by investing activities:		
Investments in joint ventures	(698)	-
Distributions from joint ventures	4,271	3,629
Investment in future developments	(1,911)	-
Net proceeds from sale of real estate	2,370	3,938
Expenditures for buildings and improvements	(1,770)	(1,919)
Net cash provided by investing activities	2,262	5,648
Cash flows used in financing activities:		
Distributions to noncontrolling interests	(7,000)	(3,517)
Contributions from noncontrolling interests	3,981	952
Principal payments on mortgages and other debt	(4,880)	(4,024)
Deferred financing costs	(926)	(30)
Proceeds from borrowings	6,582	470
Stock issued	-	178
Net cash used in financing activities	(2,243)	(5,971)
Net decrease in cash and cash equivalents	(910)	(1,813)
Cash and cash equivalents:		
Beginning of year	2,930	3,164
End of year	$ 2,020	$ 1,351

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2015	September 30, 2014
	(In thousands)	
Noncash activity for the purchase of the minority interest in El Portal Center		
Mortgages and other debt		$1,725
Additional paid in capital		11
Noncontrolling interests in consolidated subsidiaries		$1,736
Noncash financing activity		
Refinance of long-term debt	$ 46,331	
Noncash activity related to the disposal of fully depreciated or amortized assets		
Building and improvements	$283	
Deferred costs	335	
	$618	

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2015 and 2014
(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 September 30, 2015 and December 31, 2014, HGPI owned approximately 78.7% 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 September 30, 2015 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, 2014.

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. In accordance with GAAP, the Company also consolidates variable interest entities if it is that entity's primary beneficiary.

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 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 those costs are determined to be non-recoverable. At September 30, 2015, pre-development costs classified as Other Assets and Construction in Progress totaled $3.2 million and $2.9 million, respectively. At December 31, 2014, pre-development costs classified as Other Assets and Construction in Progress totaled $1.3 million and $1.2 million, respectively.

Fair Value Measurements

The various inputs that may be used to determine the fair value of the Company's assets are summarized in three broad levels:

- Level 1 - Quoted prices in active markets for identical securities
- Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 - Significant unobservable inputs (including Company's own assumptions used to determine value)

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 which 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, income from tenants with lease terms of less than one year proceeds from TIF bonds, and restaurant income (see note 6)

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 September 30, 2015 and December 31, 2014 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 September 30, 2015 and 2014 the Company did not incur any interest or penalties. The Company is not subject to examination by U.S. federal tax authorities for tax years before 2011.

Subsequent Events

The Company has evaluated subsequent events through November 25, 2015, the date the condensed consolidated financial statements were available to be issued.

Note 3 – Investment in Real Estate

The following table contains information on the operating properties 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 September 30, 2015 (in thousands):

Property Name	Location	Property Type	Gross Leasable Area (Sq. Ft.)	Net Carrying Value (in thousands)	Ownership Percentage
The Outlet Shoppes at Burlington	Burlington, WA	Outlet Retail	174,660	$ 9,676	51.0%
The Outlet Shoppes at Fremont (Phases II & III)	Fremont, IN	Outlet Retail	110,510	5,299	51.0%
The Outlet Shoppes at Fremont (Phase I)	Fremont, IN	Outlet Retail	118,422	4,582	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	24,093	51.0%
El Portal Center	Laredo, TX	Retail	345,106	10,808	60.8%
Village Green Shopping Center	Huntley, IL	Retail	22,204	2,387	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	616	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	N/A	450	100.0%
Corporate Assets	Norton Shores, MI	Miscellaneous	-	49	100.0%
	Total		**1,041,414**	**$57,960**	

			Acres		
Land Held for Investment	Fruitport, MI	Land	14	$ 394	100.0%
Land Held for Investment	Huntley, IL	Land	383	17,842	100.0%
	Total		**397**	**$ 18,236**	

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 September 30, 2015. In addition, the joint ventures' own out parcels and other land for development.

Property Name	Location	Property Type	Leasable Area (Sq. Ft.)	Ownership Percentage
The Outlet Shoppes at El Paso	El Paso, TX	Outlet Retail	433,045	10.29%
The Outlet Shoppes at Oklahoma City	Oklahoma City, OK	Outlet Retail	394,661	8.71%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	19.06%
The Outlet Shoppes at Atlanta	Woodstock, GA	Outlet Retail	380,838	12.08%
The Outlet Shoppes of the Bluegrass	Louisville, KY	Outlet Retail	374,046	15.64%
Total			1,832,527	

El Paso Entities

The Company owned 48.68% of the preferred interests and 41.2% of the common interests in Horizon El Paso, LLC ("Horizon El Paso"), which owned a 25% joint venture interest in El Paso Outlet Center Holding, LLC ("El Paso Holding"), at September 30, 2015 and December 31, 2014, respectively. El Paso Holding owns an entity that owns an approximate 380,000 square foot 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 expansion land for the shopping center (the "Expansion Land"). Horizon El Paso owns a 50% joint venture interest in El Paso Outlet Outparcels, LLC which owns several outparcels and ancillary land adjacent to the shopping center (the "Outparcels").

The shopping center owned by El Paso Center secures a loan originated by NATIXIS Commercial Mortgage Funding, LLC which had a principal balance of $64.0 million and $64.5 million at September 30, 2015 and December 31, 2014, respectively, bears interest at 7.06%, requires principal payments over a 30-year amortization schedule and is due December 5, 2017.

During August 2014, an additional 54,090 square feet of retail space, which is owned by El Paso Outlet Center II Expansion, LLC, was opened. El Paso Outlet Center II Expansion is 100% owned by El Paso Outlet Center II, LLC, which is owned 25% by Horizon El Paso and 75% by CBL & Associates Properties, Inc. ("CBL"). The construction was financed by a 48 month construction loan with an interest rate of LIBOR plus 2.75%. The loan balance was $6.8 million and $5.1 million at September 30, 2015 and December 31, 2014, respectively.

The Company received management, leasing and similar fees from El Paso Center that totaled $368,000 and $108,000 during the three months ended September 30, 2015 and 2014, respectively, and $823,000 and $660,000 during the nine months ended September 30, 2015 and 2014, respectively.

Distributions in excess of the Company's net investments in entities accounted for using the equity method are recognized as income if the Company is not obligated to make future contributions to those entities or budgeted capital contributions that would require the return of such excess distributions. Such distributions are included in Income from Investment in Joint Ventures on the consolidated statements of operations. During the nine months ended September 30, 2015 income recognized from distributions in excess of equity investments in the El Paso Entities totaled $706,000. There were no similar amounts recognized for the nine months ended September 30, 2014.

Summary financial information (stated at 100%) for the entities that own the El Paso Center, the Outparcels and the Expansion Land as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014 are as follows (in thousands):

	As of September 30, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 101,593	$ 103,392
Cash and cash equivalents	1,405	1,673
Restricted cash	4,387	4,324
Other assets	3,392	3,279
Total assets	$ 110,777	$ 112,668
Liabilities and members' equity		
Mortgages and other debt	$ 70,638	$ 69,566
Other liabilities	3,639	3,260
Members' equity	36,500	39,842
Total liabilities and members' equity	$ 110,777	$ 112,668

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statements of Operations				
Revenue	$ 4,724	$ 3,855	$ 12,235	$ 10,224
Operating expenses	2,191	2,850	4,494	3,165
General and administrative expenses	293	244	858	785
Depreciation and amortization expense	1,095	977	3,291	2,931
Interest expense	1,299	1,262	3,836	3,724
Propery tax refund	-	(1,637)	-	(1,637)
Total expenses	4,878	3,696	12,479	8,968
Gain on sale of land	-	-	425	-
Net income (loss)	$ (154)	$ 159	$ 181	$ 1,256

Oklahoma City Entities

In October 2010, the Company formed OKC JV, LLC (the "OKC Joint Venture") with an affiliate of CBL to develop The Outlet Shoppes at Oklahoma City. The Company formed a subsidiary entity ("Horizon OKC") to be CBL's partner in the OKC Joint Venture. Horizon OKC owns 25% of OKC Joint Venture. The Company leases and manages The Outlet Shoppes at Oklahoma City, which opened in August 2011.

In December 2011, the OKC Joint Venture obtained a $60.0 million loan from an affiliate of Goldman Sachs (the "OKC Loan"). The OKC Loan has a term of 10 years maturing March 2021, bears interest at 5.73% and requires amortization based on a 25-year schedule. The OKC Loan is secured by a mortgage on The Outlet Shoppes at Oklahoma City. The loan is generally non-recourse. The Company and an affiliate of CBL have entered into guaranties to the lender with respect to certain environmental issues and customary “bad-boy” acts. The majority of the proceeds of the OKC Loan were used to repay the construction loan from US Bank related to the project. The loan balance was $55.6 million and $56.6 million at September 30, 2015 and December 31, 2014 respectively.

During 2012, an additional 27,986 square feet of retail space, which is owned by OK City Outlets II, LLC (OKC II), was developed at The Outlet Shoppes at Oklahoma City. OKC II is owned by OKC Joint Venture. OKC II opened in November of 2012. OKC II secures a mortgage loan from US Bank with a principal balance of $5.8 million and $5.9 million at September 30, 2015 and December 31, 2014, respectively. The loan term is 5 years, plus 2 one-year extension options and bears interest at LIBOR plus 2.75%.

During 2014, an additional 18,237 square feet of retail space, which is owned by OK City Outlets III, LLC (OKC III) was developed at The Outlet Shoppes at Oklahoma City. OKC III is owned by OKC Joint Venture. OKC III secures a construction loan with a maximum balance of $5.4 million and a principal balance of $2.9 million and $2.6 million at September 30, 2015 and December 31, 2014, respectively. The loan term is 5 years, plus 2 one year extension options, bears interest at LIBOR plus 2.75%.

The Company has voting control over Horizon OKC and owns, directly and indirectly, approximately 34% of the preferred interests in Horizon OKC. The other preferred members include Somerset, L.P., and Pleasant Lake Apts. Limited Partnership (“PLA LP”) (affiliates of Howard Amster), and Gary Skoien and Andrew Pelmoter. Howard Amster is a significant shareholder and director of the Company. The Company also granted common interests in Horizon OKC (the “OKC Net Profits Interests”) to Gary Skoien, Thomas Rumptz and Andrew Pelmoter, all officers of the Company. Holders of the OKC Net Profits Interests are not entitled to any distributions until the holders of the preferred interests have received a return of their capital plus interest thereon calculated at an annual rate of 12.0%, compounded quarterly. The Company consolidates the results of operations and the assets and liabilities of Horizon OKC which uses the equity method to account for its investment in the OKC Joint Venture.

The Company received management, leasing and similar fees from OKC Joint Venture that totaled $203,000 and $169,000 during the three months ended September 30, 2015 and 2014, respectively, and $572,000 and $472,000 during the nine months ended September 30, 2015 and 2014, respectively.

Distributions in excess of the Company’s net investments in entities accounted for using the equity method are recognized as income if the Company is not obligated to make future contributions to those entities or budgeted capital contributions that would require the return of such excess distributions. Such distributions are included in Income from Investment in Joint Ventures on the consolidated statements of operations. During the nine months ended September 30, 2015, income recognized from distributions in excess of equity investments in the Oklahoma City Entities totaled $301,000. There were no similar amounts recognized for the nine months ended September 30, 2014.

Summary financial information (stated at 100%) of the OKC Joint Venture as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014 are as follows (in thousands):

	As of September 30, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 52,749	$ 57,675
Cash and cash equivalents	2,992	649
Restricted cash	1,280	591
Other assets	3,738	3,779
Total assets	$ 60,759	$ 62,694
Liabilities and members' deficit		
Mortgages and other debt	$ 64,279	$ 65,051
Other liabilities	1,671	1,133
Members' deficit	(5,191)	(3,490)
Total liabilities and members' equity	$ 60,759	$ 62,694

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statements of Operations				
Revenue	$ 3,359	$ 3,411	$ 10,050	$ 9,395
Operating expenses	720	702	2,439	2,140
General and administrative expenses	131	124	388	347
Depreciation and amortization expense	1,311	1,266	5,622	3,761
Interest expense	891	903	2,711	2,700
Total expenses	3,053	2,995	11,160	8,948
Gain on sale of land	453	-	616	-
Net income (loss)	$ 759	$ 416	$ (494)	$ 447

Gettysburg Entities

On April 17, 2012, an entity owned by an affiliate of CBL and an affiliate of Howard Amster and Gary Skoien acquired 62.63% ownership in Gettysburg Outlet Center Holding, LLC and Gettysburg Outlet Center LLC (the Gettysburg entities). The Company owns 19.06% of the Gettysburg entities and Bright Horizons, an affiliate of Howard Amster, owns the remaining 18.31% interest in the Gettysburg entities. 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 Company uses the equity method of accounting with respect to the Gettysburg entities.

On September 11, 2015, Gettysburg Outlet Center, LP refinanced its mortgage loan. The new loan, secured by the shopping center, has an initial principal balance of $38,450,000, bears interest at 4.8%, and matures in 2025. The loan balance was $38.5 million and $38.7 million at September 30, 2015 and December 31, 2014, respectively.

Members accrue a 10% return (Returns) on capital contributions. Cash distributions go first to CBL and Somerset Outlet Center, L.P., ("Somerset, L.P."), then to The Company and Bright Horizons of South Florida, LLC ("Bright Horizons") to pay any accrued Returns.

The Company received management, leasing and similar fees from Gettysburg entities that totaled $159,000 and $109,000 during the three months ended September 30, 2015 and 2014, respectively, and $272,000 and $225,000 during the nine months ended September 30, 2015 and 2014, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014 is as follows (in thousands):

	As of September 30, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 43,608	$ 44,078
Cash and cash equivalents	545	389
Restricted cash	545	937
Other assets	1,384	1,072
Total assets	$ 46,082	$ 46,476
Liabilities and members' equity		
Mortgages and other debt	$ 38,450	$ 38,659
Other liabilities	968	1,052
Members' equity	6,664	6,765
Total liabilities and members' equity	$ 46,082	$ 46,476

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statements of Operations				
Revenue	$ 1,766	$ 1,678	$ 5,258	$ 5,072
Operating expenses	532	626	1,819	2,255
General and administrative expenses	98	89	282	256
Depreciation and amortization expense	390	434	1,168	1,240
Interest expense	566	600	1,731	1,788
Total expenses	1,586	1,749	5,000	5,539
Loss on sale of land	(11)	-	(11)	-
Net income (loss)	$ 169	$ (71)	$ 247	$ (467)

Atlanta Entities

On May 11, 2012, the Company entered into a joint venture (the "Atlanta JV") with an affiliate of CBL and began the development of an outlet center in Woodstock, Georgia to be named The Outlet Shoppes at

Atlanta. 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. The Horizon Atlanta owns 25% of the Atlanta JV and CBL owns 75% of the Atlanta JV. In December of 2013, the Company met return of investment and internal rate of return criteria stipulated in the joint venture agreement; therefore, the Company's share of future distributions increased from 25% to 35%. The Company is responsible for the leasing and management of the center.

On October 11, 2013, the Atlanta JV obtained an $80.0 million loan from an affiliate of Goldman Sachs (the "Atlanta Loan"). The proceeds from the Atlanta Loan were used to repay the construction 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. The loan balance was $77.7 million and $78.7 million at September 30, 2015 and December 31, 2014 respectively.

On December 19, 2014, the Atlanta JV obtained a construction loan with a maximum balance of $2,435,000 from US Bank. The loan, guaranteed by CBL, bears interest at LIBOR plus 2.5% and matures on December 19, 2019. Proceeds will be used to construct a strip center (Outparcel 5) at The Outlet Shoppes at Atlanta. The loan balance was $1.8 million and $454,000 at September 30, 2015 and December 31, 2014, 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. This loan was cross-defaulted and cross-collateralized with the Outparcel 5 loan which closed on December 19, 2014. Proceeds will be used to construct Atlanta Outlet Shoppes Phase II. The loan balance was $2.8 million at September 30, 2015.

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 an affiliate of CBL own 25% and 75%, respectively of Woodstock GA Investments (WGI). WGI lent RPI $6.0 million, which was contributed to Holding and, together with the proceeds from the sale of the parcel to Atlanta JV, were used to retire 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. After the sale of the parcel to Atlanta JV, Holding owns approximately 123 acres of vacant land near The Outlet Shoppes at Atlanta. On September 2, 2015, WGI purchased a 25% special member membership interest in Holding from another investor for $2,075,000. In conjunction with the purchase, WGI lent Holding an additional $264,000.

In December of 2013, the Company met return of investment and internal rate of return criteria stipulated in the joint venture agreement; therefore, the Company's share of future distributions increased from 25% to 35%.

The Company received management, leasing and similar fees from the Atlanta JV that totaled $161,000 and $132,000 during the three months ended September 30, 2015 and 2014, respectively, and $413,000 and $314,000 during the nine months ended September 30, 2015 and 2014, respectively.

Distributions in excess of the Company's net investments in entities accounted for using the equity method are recognized as income if the Company is not obligated to make future contributions to those entities or budgeted capital contributions that would require the return of such excess distributions. Such distributions are included in Income from Investment in Joint Ventures on the consolidated statements of operations. During the nine months ended September 30, 2015 and 2014, income recognized from distributions in excess of equity investments in the Atlanta JV totaled $1.4 million and $468,000 respectively.

Summary financial information (stated at 100%) of the Atlanta JV and Woodstock GA Investments as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014 is as follows (in thousands):

	As of September 30, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 64,617	$ 62,860
Cash and cash equivalents	1,160	1,035
Restricted cash	621	1,426
Other assets	11,818	9,564
Total assets	$ 78,216	$ 74,885
Liabilities and members' deficit		
Mortgages and other debt	$ 82,376	$ 79,149
Other liabilities	1,215	923
Members' deficit	(5,375)	(5,187)
Total liabilities and members' equity	$ 78,216	$ 74,885

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statements of Operations				
Revenue	$ 3,526	$ 3,288	$ 10,944	$ 10,788
Operating expenses	635	596	2,343	2,207
General and administrative expenses	138	98	408	370
Depreciation and amortization expense	1,095	1,015	3,749	3,117
Interest expense	999	989	2,969	2,984
Total expenses	2,867	2,698	9,469	8,678
Gain (loss) on sale of land	-	274	-	274
Net income	$ 659	$ 864	$ 1,475	$ 2,384

Louisville Entities

On May 6, 2013, the Company entered into a joint venture (the "Louisville JV") with an affiliate of CBL and began the development of an outlet center in Louisville, Kentucky to be named The Outlet Shoppes of the Bluegrass. The Company formed a subsidiary entity (Horizon Louisville) to be CBL's partner in the Louisville JV. On May 7, 2013, Horizon Louisville exercised its option to increase its ownership of the Louisville JV from 25% to 35%.

On November 24, 2014, the Louisville JV obtained a $77.5 million loan from JP Morgan (the “Louisville Loan”). The proceeds from the Louisville Loan were used to repay the construction 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 The Outlet Shoppes of the Bluegrass. The loan balance was $76.5 million and $77.6 million at September 30, 2015 and December 31, 2014, respectively.

On July 15, 2015, the Louisville JV established Bluegrass Outlet Shoppes II, LLC and closed on an $11,320,000 construction loan to develop a 47,000 square foot addition to the Outlet Shoppes of the Bluegrass. The loan has a term of 60 months and an initial interest rate of libor plus 2.5%. When the project reaches 90% occupancy, the interest rate is reduced to libor plus 2.35%. At September 30, 2015 the loan balance was $5.7 million.

Prior to the formation of the Louisville JV, the Company consolidated the results of operations and the assets and liabilities of the Louisville JV; for periods after the conversion, the Company uses the equity method of accounting with respect to the Louisville JV.

The Company received management, leasing and similar fees from the Louisville JV that totaled $206,000 and $1.6 million during the three months ended September 30, 2015 and 2014, respectively, and $418,000 and $2.7 million during the nine months ended September 30, 2015 and 2014, respectively.

Distributions in excess of the Company’s net investments in entities accounted for using the equity method are recognized as income if the Company is not obligated to make future contributions to those entities or budgeted capital contributions that would require the return of such excess distributions. Such distributions are included in Income from Investment in Joint Ventures on the consolidated statements of operations. During the nine months ended September 30, 2015, income recognized from distributions in excess of equity investments in the Louisville JV totaled $1.4 million. There was no such income for the nine months ended September 30, 2014.

Summary financial information (stated at 100%) of the Louisville JV as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 is as follows (in thousands):

	As of September 30, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 72,200	$ 65,524
Cash and cash equivalents	1,415	2,114
Restricted cash	1,503	4,156
Other assets	4,359	4,410
Total assets	$ 79,477	$ 76,204
Liabilities and members' deficit		
Mortgages and other debt	$ 82,191	$ 77,614
Other liabilities	1,586	1,693
Members' deficit	(4,300)	(3,103)
Total liabilities and members' equity	$ 79,477	$ 76,204

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	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Statements of Operations				
Revenue	$ 3,247	$ 2,007	$ 9,423	$ 2,007
Operating expenses	642	319	1,833	319
General and administrative expenses	128	73	355	73
Depreciation and amortization expense	1,163	510	3,243	510
Interest expense	788	174	2,369	174
Total expenses	2,721	1,076	7,800	1,076
Loss on sale of land	(1)	(63)	(19)	(50)
Net income	$ 525	$ 868	$ 1,604	$ 881

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 September 30, 2015 in the amount of $63.7 million and $9.8 million, respectively, which are not reflected on the condensed consolidated balance sheet as of September 30, 2015. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2015 and 2016, 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 $64.4 million and $61.0 million at September 30, 2015 and December 31, 2014, respectively. Cash paid for interest for the nine months ended September 30, 2015 and 2014 was $2.5 million and $2.9 million, 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 2015.

Effective July 1, 2015, US Bank extended the maturity date of the Huntley Development Limited Partnership loan to July 1, 2016, with an additional one year extension available. The Company agreed to make principal payments of $20,000 per month and cumulative minimum principal payments of $1.4 million by June 30, 2016. The amendment requires the Company to make principal payments in amounts equal to 100% of the positive net cash flow distributed to the Company from the Oklahoma City Entities, the El Paso Entities, and the Atlanta Entities (see Note 4). As additional collateral, the Company was also required to pledge its interest in Horizon OKC and Horizon El Paso, LLC. At August 28, 2015, the Company had made $1.4 million of principal payments to qualify for an additional one year extension on July 1, 2016.

On March 6, 2014, Village Green Associates, LLC refinanced its Mortgage loan. The new loan is secured by the shopping center in Huntley, Illinois and guaranteed by the Company. The new loan with a principal amount of $2,486,400 bears interest at 6.5% and matures March 1, 2019.

On February 17, 2015, BFO Factory Shoppes, LLC refinanced its mortgage loan. The new loan from Starwood Mortgage Capital, LLC has an initial principal balance of $54,675,000 and bears interest at 4.509%. Monthly payments of interest only are required through March 6, 2017. Starting on April 6, 2017, principal and interest payments of $277,300 are due each month, and a balloon payment is due at maturity on March 6, 2025. The loan is secured by The Outlet Shoppes at Burlington and Oshkosh, and Phases II and III of the Outlet Shoppes at Fremont. Phase I of the Outlet Shoppes at Fremont was excluded from the collateral for the loan, and was transferred to a new entity, which is still under control of the Company.

Huntley Net Profits Interests and TIF Bonds

Gary J. Skoien was formerly the Executive Vice President and Chief Operating Officer of The Prime Group, Inc. ("Prime Group"). In connection with his employment with Prime Group, Mr. Skoien was previously granted an interest (the "Skoien Net Profits Interest") in the net profits generated by HDLP, an entity which owns approximately 400 acres of land in a master planned community in Huntley, Illinois (the "Huntley Project"), which obligation the Company assumed in connection with the purchase of the Huntley Project from Prime Group. The Skoien Net Profits Interest consists of a 9.675% participation in the Net Cash Flow (as defined in Mr. Skoien's Net Profits Agreement) distributed to the Company (excluding distributions of all amounts contributed or advanced by the Company to the Huntley Project plus interest per the terms of the agreement) from the Huntley Project. At September 30, 2015, a liability of $154,000 was recorded to reflect the estimated current fair value of the Skoien Net Profits Interests. At September 30, 2014, the estimated fair value of the Skoien Net Profits Interests was zero.

In 1993, the Village of Huntley (the "Village") created a Tax Increment Financing District (the "TIF District"). In 1995, the Village sold $7.0 million of Series A TIF bonds and $14.0 million of Series B TIF bonds and issued to HDLP Series C TIF bonds with a principal amount of $24.4 million. In May 2009, the Village sold $14.3 million of Series 2009 TIF Bonds (the "Series 2009 TIF Bonds"), the proceeds of which were used to retire the Series A and B TIF bonds.

In connection with the issuance of the Series 2009 TIF Bonds, HDLP assigned a portion of the tax increment allocable to the Series C TIF bonds to the Village. The assignment agreement provides that payments made with respect to the Series C TIF bonds will be distributed in the following order of priority: (i) HDLP will receive the first $204,285 annually until it has received a total of $1.43 million; (ii) the next $3.04 million will be allocated 75% to HDLP and 25% to the Village; and (iii) amounts in excess of those in (i) and (ii) will be allocated 25% to HDLP and 75% to the Village. The Series C bonds are subordinate to the Series 2009 TIF Bonds. Currently, no portion of the tax increment is available to the Series C TIF bonds and no value has been ascribed to them by the Company. On June 18, 2014, HDLP received a payment of $637,000 from the Series C TIF bonds, which is recorded as other income. The funds were used to make a principal payment to U S Bank on the Huntley debt. On June 15, 2015, HDLP received a payment of $840,000 from the Series C TIF bonds, which is recorded as other income. The funds will be used to make a principal payment to U S Bank on the Huntley debt.

The TIF District contains approximately 900 acres of land currently or previously owned by HDLP or Huntley Meadows Residential Venture. The source of repayment for the Series 2009 TIF Bonds and Series C TIF bonds is (a) 100% of the increase in real estate taxes on the land in the TIF District above the taxes in place when the TIF District was created, (b) one-half of the Village's one percent (1%) sales tax collected on retail sales occurring within the TIF District and (c) reserves associated with the Series 2009 TIF Bonds. The repayment of the Series 2009 TIF Bonds is not an obligation of the Company and thus is not reflected on the Company's condensed consolidated balance sheets as a liability.

Note 7 - Related Party Transactions

In December 2009, the Company sold noncontrolling interests in the entities that owned five of its outlet centers to Bright Horizons of South Florida, LLC ("Bright Horizons"). The centers subject to the transaction are located in Burlington, Washington; El Paso, Texas; Fremont, Indiana; Gettysburg, Pennsylvania and Oshkosh, Wisconsin. Bright Horizons acquired a 22.5% interest in the entities that own the outlet centers (excluding the entity that owns the center in El Paso, in which it acquired a 19.6% preferred interest and a 17.8% common interest). In May 2010, Bright Horizons acquired an additional 26.5% interest in the entities that own the outlet centers (excluding the entity that owns the center in El Paso, in which it acquired an additional 23.6%, preferred interest and an additional 21.8 common interest. Bright Horizons is controlled by Somerset Outlet Center, L.P., ("Somerset, L.P.") of which Howard Amster, owns a controlling interest and Gary Skoien, owns a non-controlling interest. Howard Amster is a significant shareholder and director of the Company. Gary Skoien is Chairman of the Board, Chief Executive Officer, President, and a stockholder of the Company.

At September 30, 2015 and 2014, an affiliate of Howard Amster, PLA LP, owned the following interests: (1) 5.9% of the preferred and common interests in Horizon El Paso, LLC; and (2) 7.88% of the preferred and common interests in Horizon OKC. Another affiliate of Howard Amster, Bright Horizons, owns 49% of the interests owned by the Company in the entities that own the outlet centers and related assets in Burlington, WA; Fremont, IN; Gettysburg, PA and Oshkosh, WI and 43.2% of Horizon El Paso, LLC. Somerset Outlet Center, L.P. ("Somerset L.P."), another affiliate of Mr. Amster, 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, and (3) 47.54% of Horizon Louisville.

At September 30, 2015 and 2014, Gary Skoien owned the following interests (excluding the Net Profits Interests discussed below): (1) 5.9% of Horizon El Paso, LLC; (2) 0.95% of Horizon OKC. Mr. Skoien also owns 9.28% of Bright Horizons and 9.66% of Somerset LP.

At September 30, 2015 and 2014, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At September 30, 2015 and 2014, Andrew Pelmoter, an officer of the Company, owned 4.955% of Horizon OKC, 2.12% of Horizon Atlanta, and 4.31% of Horizon Louisville, in addition to the Net Profits Interests discussed below.

At September 30, 2015, Amster Skoien L.P owned jointly by Howard Amster and Gary Skoien owned 14.7% of Horizon El Portal, LLC.

The Company has granted Common interests in Horizon El Paso, Horizon OKC and Horizon Atlanta, LLC (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 plus a 12% return thereon. Amounts distributed to holders of the Net Profits Interests are accounted for as profit sharing arrangements with compensation expense being recognized for distributions related to such interests. Net profits interests have been granted as follows: (1) Horizon El Paso - 1.3%, 2.6% and 3.5%, to Gary Skoien, Thomas Rumptz and Andrew Pelmoter, respectively (2) Horizon OKC - 2.5%, 2.5% and 3% to Messers. Skoien, Rumptz and Pelmoter, respectively; (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and James Harris, respectively and (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and Harris, respectively.

The Company incurred interest expense in the amount of $3,500 for the nine months ended September 30, 2015 and 2014 on loans from newAX, Inc. newAX, Inc. is an affiliate of Howard Amster.

On June 10, 2013, the Company sold 1,350,000 and 450,000 additional shares of stock to PLA, LP and Gary Skoien respectively. The shares were sold at a price of $1.25 per share netting the Company $2,250,000 in proceeds. In conjunction with the sale, the Company entered into a loan agreement with Gary Skoien in the amount of $220,500 bearing interest at 2%, maturing in 2018, and secured by a pledge of his securities. As of September 30, 2015, $150,000 has been repaid.

Note 8 – Recent Developments

On June 27, 2014 Horizon El Portal agreed to make payments totaling $1,725,000 to Morgan Stern for its interest in El Portal Center, LLC. As of September 30, 2015, all of the payments had been made.

On April 12, 2012, the Company sold CBL 75% of the El Paso Center and the Expansion Land and 50% of the Outparcels. On July 2, 2014, the Company and CBL agreed to a $2,783,285 increase of CBL's purchase price for their interest in the El Paso Entities. The adjustment related to an increase in value of the El Paso Entities due to a favorable property tax settlement and has been recorded as a gain on investment in joint venture. CBL paid the increase to Horizon El Paso on July 2, 2014.