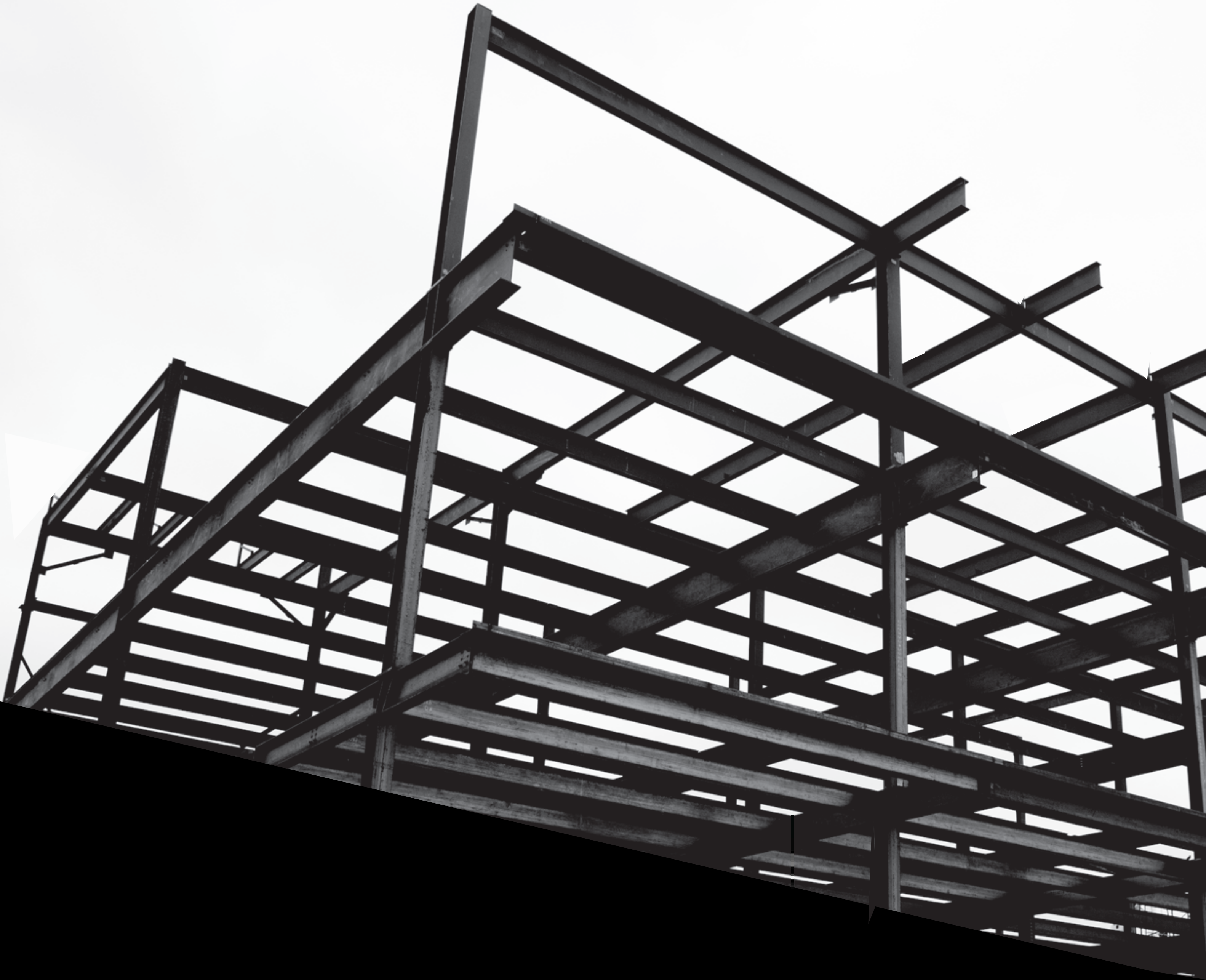
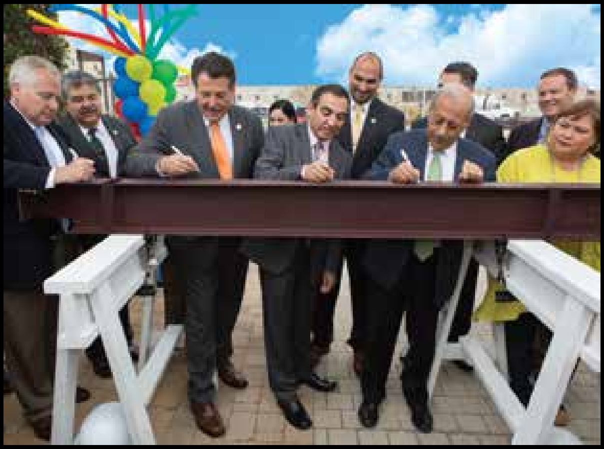


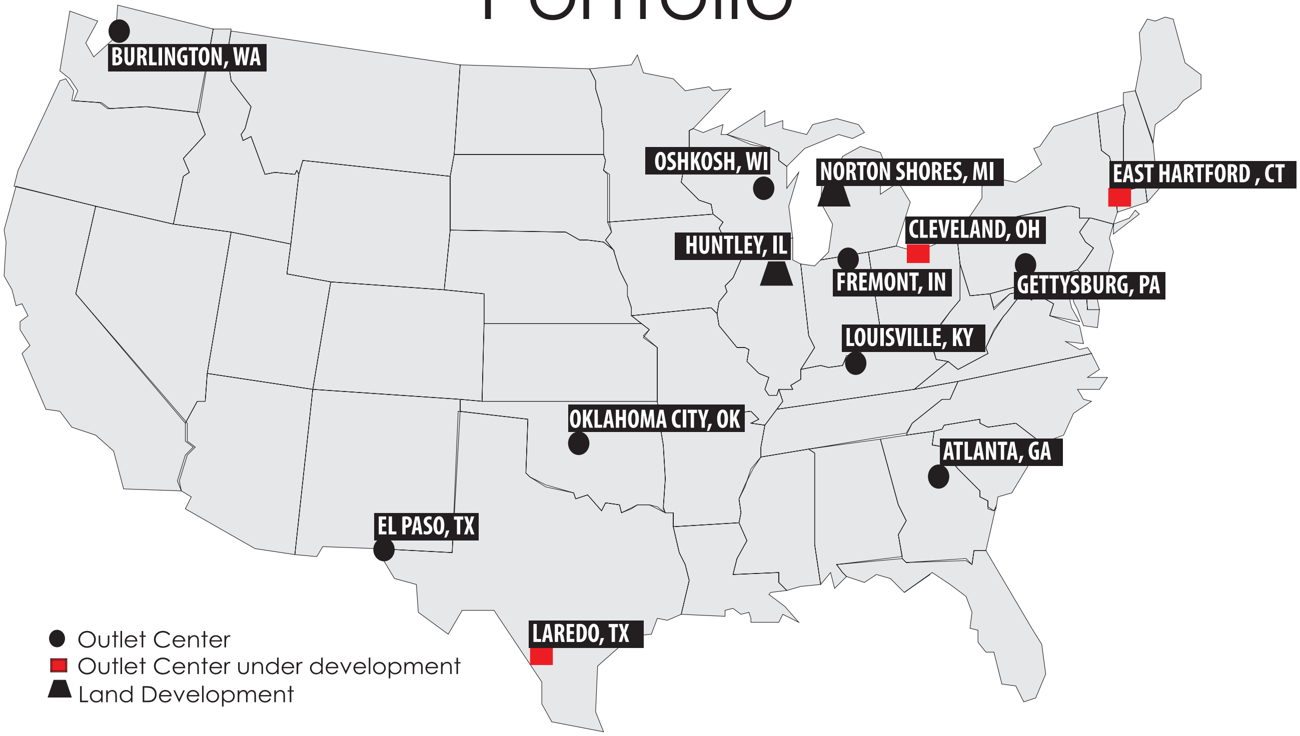


Laredo, TX

HGP
Horizon Group Properties

HGP
Horizon Group Properties
www.Horizongroup.com

Portfolio



Horizon Group Properties, Inc.
Based in Norton Shores, MI, with executive offices in Rosemont, IL, Horizon Group Properties, Inc. is an owner and developer of outlet shopping centers in eight states, developer of a master planned community in suburban Chicago, and owner and developer of Horizon Village Outlets, a 400,000 square foot outlet shopping center in Kuala Lumpur, Malaysia.

COVER - THE OUTLET SHOPPES AT LAREDO

Dear Stockholder,

This past year has been one of the best, yet most challenging, years for Horizon Group Properties. On the positive side, we expanded two existing centers, commenced construction on a new center, generated sales increases at several centers, refinanced two loans, announced a terrific new outlet site and signed a letter of intent to sell two of our better centers. However, we discontinued development of a potential new project due to a competing site, saw the deterioration of sales at our centers on the Mexican and Canadian borders, and experienced tenant bankruptcies amidst a stagnant economy and uncertain retail environment.

In terms of retail development, outlets and perhaps grocery-anchored strip centers are, and have been since the onset of the recession, the only retail asset classes producing significant new development. In 2015, ten outlet centers, containing approximately 3.5 million square feet of space, opened nationally. While it is still too early in the lives of these projects to determine their long-term success, it is striking that nearly half of these centers opened to less-than-stellar reviews. It is hard to remember a time when that was the case. This year, four outlet centers are projected to open.

It's hard to pick up the business section of a newspaper (I still pick up a newspaper) and not read of another struggling retailer. Our centers have been negatively affected by retailer bankruptcies and decisions to exit the outlet business including those by Aeropostale, Pac Sun, Jos. A. Bank, Easy Spirit, Heartstrings, Naartjie and Love Culture. Interestingly, the bad retail news does not necessarily spell trouble for outlets as it might for other retail channels. Struggling retailers often need outlets to sell excess inventory. More important, often a retailer will report trouble on a consolidated financial basis but its outlet division may be performing quite well.

As I wrote in my last few letters, the level of competition to develop outlet centers has increased dramatically. There are more qualified organizations developing outlets today than there ever have been in the history of the business. One of the results of this competition is a slowing of the increase in rental rates. Outlet retailers make decisions on a national basis and therefore all outlet centers are competing for a limited number of new stores. The rent charged in an area with high costs is not necessarily proportionally higher than the rent in a low cost location. Further, certain developers have now started to accept rents that result in financial returns far below what we - and I believe most prudent investors - think is proper on a risk-adjusted basis. The net effect is downward pressure on rents at all projects. The current low-interest-rate environment might make these deals seem attractive today, but any significant upward movement in rates will have a devastating impact on these projects' returns.

Rent compression is only one negative factor in the projected financial performance of a center. Construction costs are also facing upward pressure. The recession caused construction prices to plummet as construction businesses closed and their workers left the industry. With the economy significantly improved from 2008, reduced competition and labor shortages in the construction industry have caused costs to rise—dramatically in some markets. Typically, the challenge of diminished financial returns can only be overcome with assistance from governments that understand the significant tourist and tax benefits that outlet centers provide.

Despite the competition, the pressure on returns and the struggles that retailers face, I remain optimistic about the business. The Outlet Shoppes at Laredo is currently under construction, The Outlet Shoppes at

Rentschler Field is nearing construction, we announced The Outlet Shoppes at Cleveland in May and we hope to announce shortly another great site pending gaining control of the land for the center. I firmly believe that the site under construction along with the new sites will be terrific assets when completed.

NEW DEVELOPMENT

Last November, we opened second phases at both The Outlet Shoppes at Atlanta and The Outlet Shoppes of the Bluegrass. The 33,000 square-foot addition in Atlanta brings the total area of the center to 404,000 square feet. The addition is 93% leased with tenants that include GAP, Banana Republic, Eddie Bauer and The Limited. The 53,000 square-foot addition in Louisville brings the total area of the center to 428,000 square feet. This addition includes a Company-owned Johnny Rockets restaurant, H&M, Van's, Express, Abercrombie & Fitch, Campus Wearhouse and Maurices.

The Outlet Shoppes at Laredo is under construction with its grand opening scheduled for March 16, 2017. This project has faced many obstacles over the years, including the rejection by retailers of our original plan for the rehabilitation of the existing mall on the site, the violent drug war that created havoc across the Rio Grande and the recession.

The center will contain approximately 80 stores with 358,507 square feet of leasable area and five hundred parking spaces on its first level. Our partnership with the City of Laredo will provide the center with an additional seventeen hundred public parking spaces and also includes a sales tax rebate to compensate us for the additional costs of developing this site and to provide adequate marketing funds for the center. The site can accommodate an additional 100,000 square feet of future retail.

I am very confident in the success of this project. It is located steps from a pedestrian bridge to Mexico and a few blocks from the I-35 vehicular bridge to Mexico. Over 4.2 million pedestrians and 4.5 million vehicles cross these bridges each year. I also believe the center's proximity to Monterrey, Mexico – one of the wealthiest and largest cities in Mexico - will drive its success. We have had several events over the past year including a groundbreaking; each one drew strong interest from the Monterrey press and tourist organizations.

CBL & Associates Properties will again be our partner on this project. We formed our joint venture with CBL on May 10, 2016 and closed on a construction loan for the project shortly thereafter. The project is currently 74.4% leased with a strong roster of tenants.

We continue to move apace with the development of The Outlet Shoppes at Rentschler Field in East Hartford, CT. The Hartford metropolitan area is home to over two million people and is close to Springfield, MA. The project site is located in the heart of the market, minutes from downtown Hartford, and in very close proximity to middle and upper middle income residents. The center will be part of United Technologies' (UT) Pratt and Whitney complex. The site is adjacent to a Cabela's outdoor recreational store, and is in close proximity to the 40,000-seat University of Connecticut football stadium and the 15,000 employees at UT.

The center will contain approximately eighty five stores in 348,710 square feet of space. It will contain more dining options than our typical project because of the large number of employees in close proximity to the center. Expansion land is available to add an additional 32,470 square feet of retail. The center has achieved the leasing required to commence construction.

Hartford is a very expensive market in which to build a shopping center and our site has some extraordinary costs. As a result, we required substantial financial subsidies from the State of Connecticut and the Town of East Hartford. We commenced construction last December based on certain assumptions about the timing of these subsidies. Unfortunately, procuring the subsidies has taken longer than anticipated so we were forced to suspend construction pending their approval. Significant progress has been made and we now believe they will be in place within the next 60 days, allowing us to open the center in the spring of 2018.

In 2015, we announced that we had stopped the development of The Outlet Shoppes at Tulsa. Despite having a superior site and approval from the City of Tulsa for $16 million of tax increment financing proceeds, we were not able to secure tenants because of a competing site.

While we are disappointed about Tulsa, we are very excited about our newest site in Cleveland, which is adjacent to Burke Airport on Lake Erie and the Rock & Roll Hall of Fame. It is within walking distance of many of the new and redeveloped hotels in downtown and other tourist attractions. It is also a short distance from the famed Cleveland Clinic and Case Western University. Over 2.2 million people live within 30 miles of the site, including an ever-increasing number of apartment dwellers in the downtown area.

We are proposing a multilevel center with parking on the lower levels and enclosed or semi-enclosed shopping on the top two levels. It will contain approximately 350,000 square feet of rentable area. We are in the early stages of the design phase and are working to determine costs. There is no question that the site will be more costly to develop than our typical site and will thus require some type of public-private partnership. Our discussions to date with city, county and airport officials have been very positive but we have a number of tasks to complete before we can begin. We are also encouraged by the positive reception of the project from retailers.

Finally, we are working on a site in the southwestern area of the US. It, too, has some great attributes and we are anxious to get the site under control and cost estimates finalized so we will be in a position to announce the center to retailers.

PROPERTY DISPOSITIONS

Last August, we and our partner, CBL, decided that it would be prudent to sell The Outlet Shoppes at El Paso and The Outlet Shoppes at Oklahoma City. We and CBL believe that we can achieve much better returns on capital through new development opportunities rather than having that capital invested in those properties. Both properties are performing extremely well, with the exception of a minor decline in sales at El Paso related to the decline of the value of the peso against the dollar.

In January, we hired a third-party broker to market the properties nationally. We have entered into a letter of intent with a reputable buyer to purchase both properties. We are negotiating a purchase agreement and hope to have the sale completed later this year. If the sale occurs on the terms outlined in the letter of intent, we would receive a substantial amount of cash for deployment in our new projects.

PROPERTY OPERATIONS

Strong sales are the primary driver of success at our centers. We strive to offer an appealing tenant mix, an environment with amenities that induce shoppers to prolong their visits and marketing that attracts as many customers as possible. While we think we do a good job in all of these areas, we are subject to factors beyond our control. In my introduction, I discussed the uncertain retail environment which, in my view, is the single largest factor restraining sales at our centers. Weak exchange rates of the Canadian dollar and the Mexican peso are negatively affecting sales at The Outlet Shoppes at Burlington and The Outlet Shoppes at El Paso. In both markets we have re-directed marketing efforts to maximize visits by US residents to make up for the decline in cross-border shoppers.

We pay a great deal of attention to the physical environments to make our centers more appealing places to shop. We completely revamped the landscaping at The Outlet Shoppes at Atlanta and The Outlet Shoppes at Oklahoma City to make the centers more inviting. At The Outlet Shoppes of the Bluegrass, we added dozens of lush, colorful hanging baskets. At The Outlet Shoppes at Gettysburg we participated in the Journey Through Hallowed Ground Living Legacy Tree Planting Program by adding nearly 100 new trees to the property. In addition to our focus on aesthetics, we added massive outdoor fans in Atlanta to improve the comfort of shoppers at the center.

Sales at our centers in Oklahoma City, Gettysburg, Oshkosh and Louisville remain very strong but flat. The Outlet Shoppes at Atlanta has seen a 7.8% increase in sales over the last 12 months ending in May. This increase coincides with the opening of Phase 2 in Atlanta, the improved tenant mix and a general increase in customer awareness of the center in the market. We recently opened the first Starbucks store in our portfolio in an outdoor pavilion adjacent to the new GAP store. We have also added Express, The Cosmetics Company Store and Francesca's to the center. I believe that The Outlet Shoppes at Atlanta is poised to be the strongest of the five outlet centers in the Atlanta market and will be in the upper quartile of outlet centers nationally.

We continue to improve the tenant mix at The Outlet Shoppes at Oklahoma City. Last year I wrote that we were in the process of replacing Saks Fifth Avenue Off 5th with The North Face, Charlotte Russe and Express. All of those stores are now open in the former Saks space, as is Great American Cookies. This re-tenanting has generated a spectacular increase in sales and significantly improved the tenant mix of the center. The center will reach its five year anniversary in October 2016, the point at which many tenant renewals occur. It gives us the opportunity to replace weak tenants with strong new ones. We have added The Cosmetics Company Store, Charming Charlie, Crocs, Sperry Top-Sider, Torrid and Zales stores to an already great tenant mix. As of this writing, we are close to signing a lease with Old Navy which leads the list of most-requested tenants by center customers. We also sold two restaurant outparcels with combined proceeds of over $2 million during the past year.

While The Outlet Shoppes at El Paso has been affected by the weak peso, sales remain strong and the tenant mix continues to improve. While we were disappointed to lose Williams-Sonoma and The Pottery Barn stores in Phase 2 of the center, we leased their former spaces to The North Face and Columbia Sportswear. The North Face is currently open and performing well and Columbia is expected to open in August. These additions will result in a significant increase in rents for the property as well as improve the tenant mix. We also added ASICS and Express to the center as well as Mattress Firm in Phase 2. During the year, we also sold one restaurant outparcel for $800,000.

The Outlet Shoppes at Oshkosh continues to produce strong sales and good traffic. We are convinced that we have the opportunity to further increase sales, occupancy and improve the tenant mix. We are extremely disappointed to be losing two unique tenants: American Girl (the only outlet store for the retailer) and one of the few Lands' End Outlet stores in the country. We take solace in the fact that both stores are leaving for reasons other than their performance at the center. I am delighted to report that The North Face opened early this year and is performing quite well. Columbia Sportswear recently signed a lease at the center with an opening planned in September. We intend to focus our efforts on Oshkosh as we believe that we still have substantial room to grow sales and improve the tenant mix at the center.

At The Outlet Shoppes at Gettysburg, we continue to pursue the tourist customer who we feel is under-represented amongst our shoppers. This takes on additional importance as a new outlet center opens in Clarksburg, MD. Adidas and Under Armour are "right sizing" their existing stores with Under Armour moving into 10,133 square feet of the existing 13,550 square foot Adidas space, and Adidas moving to a different 5,500 square foot space. In addition, we have added a Tools & More store and our first Beef Jerky Outlet.

Last year I wrote that we had signed a lease to add a Coleman store to The Outlet Shoppes at Burlington (WA). Since then, the store has opened and has been quite successful. In an effort to deal with the impact of the weak Canadian dollar, we are promoting all of the stores in the outdoor category including Coleman, Filson, Eddie Bauer and Helly Hansen. We are also reaching out to other retailers in this category who might consider opening in the center. We believe that this provides us with a unique niche as we compete for customers.

FINANCING

When I wrote last year, the Company and CBL had selected a lender to refinance the $38 million loan secured by The Outlet Shoppes at Gettysburg. I am happy to report that on September 11, 2015 we closed on a loan originated by Starwood Mortgage Capital LLC. This $38.45 million loan matures in October 2025. It has an interest rate of 4.804% compared to 5.87% on the prior loan and an amortization schedule of 30 years. It is has no amortization during the first two years of the term.

On June 29, 2016, we closed on a $7 million loan originated by Heartland Bank and Trust Company which is secured by the land the Company owns in Huntley, IL. It replaced the loan from US Bank that we originally closed on in March 2007. The new loan has an interest rate of Prime +1.5% with a floor of 5.25% and a term of three years with a two-year extension option. The new loan has required principal pay downs of $700,000 per year, substantially below the $2.6 million pay down required in the coming year under the existing loan which, when originated, had a principal balance of $22.3 million.

The El Paso loan is the next significant maturity in December 2017. We hope to have completed the sale of the property well in advance of this maturity.

JOHNNY ROCKETS

In November, we opened our third Johnny Rockets restaurant in the expansion at The Outlet Shoppes of the Bluegrass. As of this writing, we have surpassed the million dollar mark in sales and results continue to be strong. It serves as a great amenity to the center and is already a profitable business.

We opened our first Johnny Rockets at The Outlet Shoppes at Oshkosh in May 2014. During the first year or so, the store was not profitable, as the cost of labor and cost of goods sold were significantly above industry norms. As the result of a concerted effort by our restaurant team, these costs are now in line with industry norms. Despite this fact, we have yet to make a profit at the store and are focused on increasing revenue to address this deficiency. There is no question that the store has added a much-needed amenity to the center.

Likewise, our store in The Outlet Shoppes at Atlanta is struggling to make a profit. Again, we are making progress in reducing labor costs and the cost of goods sold, but those efforts have not been as successful here as in Oshkosh. We recently changed management of the store. The store is located in a food court that has weak traffic and there is a substantial amount of food competition on outparcels located on the perimeter of the center. New management, increasing traffic to the center and additional promotional activity allow us to remain optimistic that we will be able to right the ship and make a profit. It will continue to receive command focus.

Our goal is for every store to be profitable, and I am encouraged by the progress being made to achieve this goal. It is worth noting that on a consolidated basis, the stores are currently making a profit.

We will open our next Johnny Rockets at The Outlet Shoppes at Laredo in March 2017, allowing us time to continue our efforts to improve the existing stores without the distraction of opening a new one. We are excited about the prospects for this restaurant because it will have access from the busy street adjacent to the center, as well as from inside the center. More importantly, we think it will do well because we know that Mexican families shop as a unit, spending more time at centers and eating together. Johnny Rockets will be a unique experience for these customers.

A year after Laredo, we will open another Johnny Rockets in The Outlet Shoppes at Rentschler Field. This restaurant will benefit from the close proximity to 13,000 employees at Pratt & Whitney as well as from the shoppers at the center.

HUNTLEY

Interest in our land in Huntley, which we hold for sale, remains high since the completion of the four-way interchange and now that the worst of the recession is over. New development has significantly increased in the area. Unfortunately, the increased activity has not translated into new sales of the approximately 375 acres of land we own. We continue to evaluate the best means to market this land. On a positive note, we have now received a total of $2.18 million in payments from the TIF bonds associated with the project and anticipate another $1.8 million at the expiration of the TIF district in December 2016.

INTERNATIONAL

As I write this letter, I am preparing to head to Kuala Lumpur, Malaysia to meet with our partners and to understand the progress we have made on the Horizon Village Outlets. In past letters, I have talked of the great opportunity of developing an outlet in this retail and tourist-intense city of six million. The site for the 350,000 square foot center has terrific access and visibility. It is also adjacent to the new Xiamen University which, when fully operational, will have an enrollment of 10,000 international students including many Chinese nationals. My enthusiasm for the project has not diminished but the time involved in bringing it to fruition is frustrating at best.

In large part, the delay is caused by our desire to have adequate leasing in place prior to the commencement of construction. This is consistent with the practice of most US developers, but in Malaysia (and Asia in general) retailers often demand to see bricks and mortar in place prior to making a lease commitment. Despite this fact, we have reached an agreement with one of the largest licensees of brands in Malaysia to bring 17 brands to the center, which would occupy 42,000 square feet. Each brand has great market awareness and appeal. This group will also make an investment in the venture and we anticipate that its involvement will be a strong inducement to other groups to join the project. By the time I pen next year's letter, I hope we will be well underway on the construction of this center.

We continue to evaluate opportunities in China that do not require us to invest significant capital in the country at this time. In my view, the potential risks associated with China dictate that we pursue opportunities in which we will earn fees rather than make large equity investments. We are currently working with a Chinese group, which we like, on several projects, but continue our activities with a cautious approach as we move forward.

GROWTH

I am always amazed by the number of times a business person will ask me how many people we employ. The person asking is probably equally amazed when I say I can not give them an exact count. This is a metric that I find meaningless in the operation of a business. We have taken a "go slow" approach when it comes to adding to our overhead. It is easy to hire new people but difficult to unwind the infrastructure when times are lean. Having said that, we are currently working on multiple projects and managing and leasing an ever-expanding portfolio, all of which require adequate resources. We are in the midst of an effort to evaluate the scalability of the Company and we are seeking to bolster our staff particularly in the area of development.

In December, we consolidated our Rosemont staff into one office and moved our accounting operations from Norton Shores, MI to the Rosemont office. We were fortunate to have certain key staff make the move and the transition has gone well. I already sense an improvement in our communication and the integration of our work effort.

CONCLUSION

Challenges aside, I remain optimistic about the Company's future, am excited about the new opportunities before us and am thankful for our dedicated staff, supportive Board and your continued confidence in all of us.

Sincerely,

Gary J Skoien
President and CEO
Chairman of the Board

Consolidated Financial Statements

Horizon Group Properties, Inc.

For the years ended December 31, 2015 and 2014

Horizon Group Properties, Inc.

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

Contents

TO THE BOARD OF DIRECTORS
HORIZON GROUP PROPERTIES, INC.

Independent Auditors' Report

We have audited the accompanying consolidated financial statements of Horizon Group Properties, Inc. ("the Company") and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Horizon Group Properties, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cohen & Company Ltd.

April 29, 2016
Cleveland, Ohio

HORIZON GROUP PROPERTIES, INC.

Consolidated Balance Sheets
(In thousands)

	December 31, 2015	December 31, 2014
ASSETS		
Real estate – at cost:		
Land	$ 18,334	$ 18,334
Buildings and improvements	58,040	57,470
Less accumulated depreciation	(18,300)	(16,042)
	58,074	59,762
Construction in progress	5,241	1,281
Land held for investment	18,253	18,253
Total net real estate	81,568	79,296
Investment in and advances to joint ventures	5,207	5,359
Cash and cash equivalents	4,326	2,930
Restricted cash	2,344	2,353
Tenant and other accounts receivable, net	1,325	1,115
Deferred costs (net of accumulated amortization of $343 and $558, respectively)	1,221	384
Other assets	4,787	1,789
Total assets	$ 100,778	$ 93,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt	$ 67,486	$ 60,980
Accounts payable and other accrued expenses	5,459	4,435
Prepaid rents and other tenant liabilities	450	400
Total liabilities	73,395	65,815
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, 4,672 and 4,668 issued and outstanding, respectively)	47	47
Additional paid-in capital	37,058	37,046
Accumulated deficit	(20,476)	(21,548)
Total stockholders' equity attributable to the controlling interest	16,629	15,545
Noncontrolling interests in consolidated subsidiaries	10,754	11,866
Total stockholders' equity	27,383	27,411
Total liabilities and stockholders' equity	$ 100,778	$ 93,226

The accompanying notes are an integral part of these consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Income

(In thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014
REVENUE		
Base rent	$ 8,566	$ 8,581
Percentage rent	415	551
Expense recoveries	1,034	1,001
Other	7,083	6,973
Total revenue	17,098	17,106
EXPENSES		
Property operating	3,564	3,017
Real estate taxes	1,291	1,299
Other operating	710	662
Depreciation and amortization	2,600	2,629
General and administrative	9,545	9,221
Interest	3,331	3,902
Total expenses	21,041	20,730
Income from investment in joint ventures	6,448	4,964
Consolidated net income before gain on sale of real estate and loss on extinguishment of debt	2,505	1,340
Gain on sale of land held for investment	2,311	3,430
Loss on extinguishment of debt	(1,761)	-
Consolidated net income	3,055	4,770
Less net income attributed to the noncontrolling interests	(1,983)	(4,403)
Net income attributable to the Company	$ 1,072	$ 367

The accompanying notes are an integral part of these consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

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, 2015	$ 47	$ 37,046	$ (21,548)	$ 15,545	$ 11,866	$ 27,411
Net income	-	-	1,072	1,072	1,983	3,055
Stock issued	-	12	-	12	-	12
Distributions to noncontrolling interests	-	-	-	-	(7,076)	(7,076)
Contributions from noncontrolling interests	-	-	-	-	3,981	3,981
Balance, December 31, 2015	$ 47	$ 37,058	$ (20,476)	$ 16,629	$ 10,754	$ 27,383

	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	-	-	367	367	4,403	4,770
Purchase of minorty interest in El Portal Center	-	11	-	11	(1,736)	(1,725)
Other	-	170	11	181	-	181
Distributions to noncontrolling interests	-	-	-	-	(8,181)	(8,181)
Contributions from noncontrolling interests	-	-	-	-	952	952
Balance, December 31, 2014	$ 47	$ 37,046	$ (21,548)	$ 15,545	$ 11,866	$ 27,411

The accompanying notes are an integral part of these consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014 *
Cash flows provided by operating activities:		
Net income attributable to the Company	$ 1,072	$ 367
Adjustments to reconcile net income attributable to the Company to net cash provided by operating activities:		
Gain on sale of land	(2,311)	(3,430)
Loss on extinguishment of debt	1,761	-
Loss on abandonment of assets	425	-
Distributions from joint ventures included in income	6,398	4,818
Net income attributable to the noncontrolling interests	1,983	4,403
Income from investment in joint ventures	(6,448)	(4,964)
Depreciation	2,540	2,443
Amortization	60	186
Changes in assets and liabilities:		
Restricted cash	9	(426)
Tenant and other accounts receivable, net	(210)	492
Deferred costs and other assets	91	(349)
Accounts payable and other accrued liabilities	1,024	352
Prepaid rents and other tenant liabilities	50	18
Net cash provided by operating activities	6,444	3,910
Cash flows provided by (used in) investing activities:		
Investments in joint ventures	(139)	(101)
Distributions from joint ventures not included in income	341	7,954
Investment in future developments	(3,348)	(984)
Net proceeds from sale of land	2,370	3,960
Expenditures for buildings and improvements	(4,871)	(3,016)
Net cash provided by (used in) investing activities	(5,647)	7,813
Cash flows provided by (used in) financing activities:		
Distributions to noncontrolling interests	(7,076)	(8,181)
Contributions from noncontrolling interests	3,981	952
Principal payments on mortgages and other debt	(5,020)	(5,507)
Proceeds from borrowings	9,765	601
Net increase in deferred financing costs from borrowings	(1,051)	-
Stock issued	-	178
Net cash provided by (used in) financing activities	599	(11,957)
Net increase (decrease) in cash and cash equivalents	1,396	(234)
Cash and cash equivalents:		
Beginning of year	2,930	3,164
End of year	$ 4,326	$ 2,930

* **Reclassified to conform with current year presentation**

The accompanying notes are an integral part of these consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Cash Flows, continued

(In thousands)

	Year ended December 31, 2015	Year ended December 31, 2014
Supplemental Information		

The following represents supplemental disclosure of noncash activity for the disposal of fully depreciated or amortized assets during the years ended December 31, 2015 and 2014

Buildings and improvements	$282	$ 39
Deferred costs	275	-
	$557	$ 39

The following represents supplemental disclosure of noncash activity for the purchase of the minority interest in El Portal Center (see note 11) during the year ended December 31, 2014

Mortgages and other debt	$ 1,725
Additional paid in capital	11
Noncontrolling interests in consolidated subsidiaries	$(1,736)

The following represents supplemental disclosure of noncash activity for the refinance of BFO's long-term debt (see note 9) during the year ended December 31, 2015

Mortgages and other debt	$46,331

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Organization and Principles of Consolidation

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 December 31, 2015 and 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 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 cost or equity methods. 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

Principles of Consolidation

The 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.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment in Real Estate

The Company allocates the purchase price of properties to net tangible and intangible assets acquired based on their fair values in accordance with the provisions of GAAP. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing, and leasing activities, in estimating the fair value of the tangible and intangible assets acquired.

The Company allocates a portion of the purchase price to above-market and below-market lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between: (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over the remaining non-cancelable term of the lease. In the case of below-market leases, the Company considers the remaining contractual lease period and renewal periods, taking into consideration the likelihood of the tenant exercising its renewal options. The capitalized above/below-market lease values (included in Deferred Costs or Prepaid Rents and Other Tenant Liabilities on the consolidated balance sheets) are amortized as either a reduction of, or addition to, rental income over the remaining noncancelable terms of the respective leases. Should a tenant terminate its lease prior to its scheduled expiration, the unamortized portion of the related lease intangibles would be added to income or charged to expense, as applicable.

The Company allocates a portion of the purchase price to the value of leases acquired based on the difference between: (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. The Company utilizes independent appraisals or its internally developed estimates to determine the respective in-place lease values. The Company's estimates of value are made using methods similar to those used by independent appraisers. Factors management considers in its analysis include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases including leasing commissions, legal and other related expenses.

The value of in-place leases (included in Buildings and Improvements on the consolidated balance sheets) is amortized over the remaining initial terms of the respective leases. Should a tenant terminate its lease prior to its scheduled expiration, the unamortized portion would be charged to expense.

Real Estate and Depreciation

Costs incurred for the acquisition, development, construction and improvement of properties, as well as significant renovations and betterments to the properties, are capitalized. Maintenance and repairs are charged to expense as incurred. Interest costs incurred with respect to qualified expenditures relating to the construction of assets are capitalized during the construction period.

Amounts included under Buildings and Improvements on the consolidated balance sheets include the following types of assets which are depreciated on the straight-line method over estimated useful lives, which are:

Buildings and improvements	31.5 years
Tenant improvements / origination costs	10 years or lease term, if less
Furniture, fixtures and equipment	3 - 7 years

In accordance with GAAP, the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated over their expected holding periods are less than the carrying amounts of those assets. For assets held in the portfolio, impairment losses are measured as the difference between carrying value and fair value. For assets to be sold, impairment is measured as the difference between carrying value and fair value, less cost to dispose. Fair value is based upon estimated cash flows discounted at a risk-adjusted rate of interest, comparable or anticipated sales in the marketplace, or estimated replacement cost, as adjusted to consider the costs of retenanting and repositioning those properties which have significant vacancy issues, depending on the facts and circumstances of each property.

Restaurant Operations

Costs incurred for the acquisition, development, construction and improvement of restaurants are capitalized. Inventory is included in other assets. Operating revenue is included in other revenue and operating expenses are included in property operating, and general and administrative expenses.

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 these costs are determined to be non-recoverable.

At December 31, 2015, predevelopment costs classified as Other Assets and Construction in Progress included projects in Hartford, Connecticut, Laredo, Texas and Malaysia and totaled $4.3 million and $5.2 million, respectively. At December 31, 2014, predevelopment costs classified as Other Assets and Construction in Progress totaled $1.3 million and $1.2 million, respectively. During 2015, costs related to a development in Tulsa, Oklahoma, totaling $425,000, were written off to general and administrative expense, as management believes that it is unlikely that this development will be completed.

Cash Equivalents

The Company considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company's cash is held in accounts with balances, which at times, exceed federally insured limits. The Company has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Restricted Cash consists of amounts deposited (i) in accounts with the Company's primary lenders in connection with certain loans (see Note 9), and (ii) in escrow accounts for infrastructure and interest payments in Huntley. At December 31, 2015 and 2014, the escrow accounts related to the Company's primary lenders included approximately $363,000 and $744,000 in capital improvement and tenant allowance reserves, respectively, $571,000 and $520,000 in real estate tax and insurance escrows, respectively, and approximately $769,000 and $448,000 for cash collateral accounts, respectively. At December 31, 2015 and 2014, the Huntley interest, infrastructure and expense escrow accounts totaled $641,000.

Tenant Accounts Receivable

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for uncollectability. These reserves are established on a tenant-specific basis and are based upon, among other factors, the period of time an amount is past due and the financial condition of the obligor.

At December 31, 2015 and 2014, total tenant accounts receivable is reflected net of reserves of $91,000 and $105,000, respectively. The provision for doubtful accounts was $23,000 and $35,000 for the years ended December 31, 2015 and 2014, respectively. This charge is included in the line items entitled "Other operating" and "General and administrative" in the consolidated statements of operations.

Deferred Costs

Deferred leasing costs consist of fees and direct internal costs incurred to initiate and renew operating leases, as well as allocated purchase price related to above and below market lease values, and are amortized on the straight-line method over the initial lease term or renewal period. Deferred financing costs are amortized as interest expense over the life of the related debt.

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. As a result of recording rental revenue on a straight-line basis, tenant accounts receivable include $255,000 and $260,000 as of December 31, 2015 and 2014, respectively, which is expected to be collected over the remaining lives of the 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, revenue from the Series C TIF bonds and restaurant income.

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 December 31, 2015 and 2014, and for the years 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 consolidated statements of operations. During 2015 and 2014, the Company did not incur any interest or penalties.

Subsequent Events

Management has evaluated events through April 29, 2016, the date the 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 December 31, 2015.

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	174,260	$ 9,532	51.0%
The Outlet Shoppes at Fremont (Phases II & III)	Fremont, IN	Outlet Retail	110,500	5,223	51.0%
The Outlet Shoppes at Fremont (Phase I)	Fremont, IN	Outlet Retail	118,422	4,540	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	23,848	51.0%
El Portal Center	Laredo, TX	Development	345,106	10,809	60.8%
Village Green Center	Huntley, IL	Retail	22,204	2,363	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	569	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	N/A	433	100.0%
Johnny Rockets	Louisville, KY	Restaurant	N/A	663	100.0%
Corporate Assets	Chicago, IL	Various	-	94	100.0%
	Total		**1,041,004**	**$58,074**	

			Acres		
Land Held for Investment	Fruitport, MI	Land	14	$ 349	100.0%
Land Held for Investment	Huntley, IL	Land	375	17,904	100.0%
	Total		**389**	**$ 18,253**	

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 consolidated statements of operations and such parties' portion of the net equity in such subsidiaries is reported on the Company's consolidated balance sheets as Noncontrolling Interests in Consolidated Subsidiaries.

Note 4- Investment in and Advances to 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 December 31, 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	413,969	12.08%
The Outlet Shoppes of the Bluegrass	Louisville, KY	Outlet Retail	428,060	15.64%
Total			**1,919,672**	

El Paso Entities

The Company owned 45.0% 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 December 31, 2015 and 2014. 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 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").

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 in 2014. CBL paid the increase to Horizon El Paso on July 2, 2014").

The shopping center owned by El Paso Center secures a 30 year loan from NATIXIS Commercial Mortgage Funding, LLC which had a principal balance of $63.5 million and $64.5 million at December 31, 2015 and 2014, respectively, bears interest at 7.06%, and is due December 5, 2017.

During 2014, additional retail space owned by El Paso Outlet Center II Expansion, LLC, was developed at the Outlet Shoppes at EL Paso. El Paso Outlet Center II Expansion LLC 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 principal balance was $6.8 million and $5.1 million at December 31, 2015 and 2014, respectively.

The Company received management, leasing and similar fees from El Paso Center that totaled $807,000 and $1.0 million during the years ended December 31, 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 year ended December 31, 2015, income recognized from distributions in excess of equity investments in the El Paso Entities totaled $994,000. There were no similar amounts recognized for the year ended December 31, 2014.

Summary financial information (stated at 100%) for the El Paso Entities as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, are as follows (in thousands):

	As of December 31, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 100,559	$ 103,392
Cash and cash equivalents	1,069	1,673
Restricted cash	5,058	4,324
Other assets	2,582	3,279
Total assets	$ 109,268	$ 112,668
Liabilities and members' equity		
Mortgages and other debt	$ 70,335	$ 69,566
Other liabilities	3,839	3,260
Members' equity	35,094	39,842
Total liabilities and members' equity	$ 109,268	$ 112,668

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statements of Operations		
Revenue	$ 16,403	$ 14,255
Operating expenses	6,141	2,875
General and administrative expenses	1,181	1,092
Depreciation and amortization expense	4,473	4,001
Interest expense	5,108	5,015
Total expenses	16,903	12,983
Gain on sale of land	425	-
Net income (loss)	$ (75)	$ 1,272

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”) with a term of 10 years maturing March 2021, bearing interest at 5.73% and an amortization of 25-year. The OKC Loan is secured by a mortgage on The Outlet Shoppes at Oklahoma City and 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 had a principal balance of $55.3 million and $56.5 million at December 31, 2015 and 2014, respectively.

During 2012, additional retail space, which is owned by OK City Outlets II, LLC (OKC II), was developed at The

Outlet Shoppes at Oklahoma City. OKC II, which is owned by OKC Joint Venture, secures a mortgage loan from US Bank with a principal balance of $5.7 million and $5.9 million at December 31, 2015 and 2014, respectively. The loan term is five years, plus two one-year extension options and bears interest at LIBOR plus 2.75%.

During 2014, an additional 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 December 31, 2015 and 2014, respectively. The loan term is five years, plus two one year extension options, bears interest at LIBOR plus 2.75% and is guaranteed by CBL & Associates Limited Partnership until construction is completed.

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.

In December of 2015, Horizon OKC 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 OKC Joint Venture increased from 25% to 30%.

The Company received development, leasing, management and similar fees from the OKC Joint Venture that totaled $854,000 and $654,000 during the years ended December 31, 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 year ended December 31, 2015, income recognized from distributions in excess of equity investments in the OKC Joint Venture totaled $1.6 million. There were no similar amounts recognized for the year ended December 31, 2014.

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

	As of December 31, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 52,004	$ 57,675
Cash and cash equivalents	1,321	649
Restricted cash	657	591
Other assets	3,486	3,779
Total assets	$ 57,468	$ 62,694
Liabilities and members' deficit		
Mortgages and other debt	$ 63,875	$ 65,051
Other liabilities	991	1,134
Members' deficit	(7,398)	(3,491)
Total liabilities and members' deficit	$ 57,468	$ 62,694

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statements of Operations		
Revenue	$ 13,230	$ 12,646
Operating expenses	3,383	2,993
General and administrative expenses	518	470
Depreciation and amortization expense	6,882	5,296
Interest expense	3,600	3,626
Total expenses	14,383	12,385
Gain on sale of land	906	488
Net income (loss)	$ (247)	$ 749

Gettysburg Entities

On April 17, 2012, an entity owned by an affiliate of CBL and Somerset Outlet Center, L.P., (Somerset L.P.), 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 of South Florida, LLC ("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, had an initial balance of $38.5 million, bears interest at 4.8% and matures in 2025. The Gettysburg entities mortgage balance was $38.5 million and $38.7 million at December 31, 2015 and 2014, respectively.

Members accrue a 10% return (Returns) on capital invested. Cash distributions go first to CBL and Somerset L.P., then to the Company and Bright Horizons to pay accrued returns.

The Company recognized as other revenue management, leasing, and similar fees from the Gettysburg Entities that totaled $359,000 and $319,000 during the years ended December 31, 2015 and 2014, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, are as follows (in thousands):

	As of December 31, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 42,728	$ 44,078
Cash and cash equivalents	867	389
Restricted cash	1,118	937
Other assets	1,247	1,072
Total assets	$ 45,960	$ 46,476
Liabilities and members' equity		
Mortgages and other debt	$ 38,450	$ 38,659
Other liabilities	1,375	1,052
Members' equity	6,135	6,765
Total liabilities and members' equity	$ 45,960	$ 46,476

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statements of Operations		
Revenue	$ 7,059	$ 6,260
Operating expenses	2,514	3,075
General and administrative expenses	360	334
Depreciation and amortization expense	1,561	1,625
Interest expense	2,231	2,384
Total expenses	6,666	7,418
Loss on sale of land	(44)	-
Net income (loss)	$ 349	$ (1,158)

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, but maintains voting control over Horizon Atlanta. The Atlanta JV is owned 25% by Horizon Atlanta and 75% by CBL. The Company and CBL are co-developers of the project; 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 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 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 and had a balance of $77.4 million and $78.7 million at December 31, 2015 and 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 were 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 December 31, 2015 and 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 is cross-defaulted and cross-collateralized with the Outparcel 5 loan. Proceeds were used to construct Atlanta Outlet Shoppes Phase II. The loan balance was $4.0 million at December 31, 2015.

In December of 2013, Horizon Atlanta 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 Atlanta JV increased from 25% to 35%.

The Company received development, management, leasing, and similar fees from Atlanta JV that totaled $825,000 and $419,000 for the years ended December 31, 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 years ended December 31, 2015 and 2014, income recognized from distributions in excess of equity investments in the Atlanta Entities totaled $1.4 million and $829,000, respectively.

Summary financial information (stated at 100%) of the Atlanta entities as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, are as follows (in thousands):

	As of December 31, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 64,657	$ 62,860
Cash and cash equivalents	1,678	1,035
Restricted cash	481	1,426
Other assets	9,777	9,564
Total assets	$ 76,593	$ 74,885
Liabilities and members' deficit		
Mortgages and other debt	$ 83,246	$ 79,149
Other liabilities	912	923
Members' deficit	(7,565)	(5,187)
Total liabilities and members' deficit	$ 76,593	$ 74,885

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statements of Operations		
Revenue	$ 14,350	$ 15,293
Operating expenses	3,237	3,959
General and administrative expenses	567	512
Depreciation and amortization expense	4,862	4,233
Interest expense	3,970	3,971
Total expenses	12,636	12,675
Gain on sale of land	-	271
Net income	$ 1,714	$ 2,889

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 $76.1 million and $77.5 million at December 31, 2015 and 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 additional retail space at 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 December 31, 2015 the loan balance was $10.1 million.

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 received development, management, leasing, and similar fees from the Louisville JV that totaled $1.0 million and $2.6 million for the years ended December 31, 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 years ended December 31, 2015 and 2014, income recognized from distributions in excess of equity investments of the Louisville Entities totaled $2.2 and $1.2 million, respectively.

Summary financial information (stated at 100%) of the Louisville entities as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, is as follows (in thousands):

	As of December 31, 2015	As of December 31, 2014
Assets		
Real estate - net	$ 72,782	$ 65,524
Cash and cash equivalents	3,288	2,114
Restricted cash	893	4,156
Other assets	4,977	4,410
Total assets	$ 81,940	$ 76,204
Liabilities and members' deficit		
Mortgages and other debt	$ 86,222	$ 77,614
Other liabilities	1,193	1,693
Members' deficit	(5,475)	(3,103)
Total liabilities and members' deficit	$ 81,940	$ 76,204

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statements of Operations		
Revenue	$ 12,784	$ 5,028
Operating expenses	2,594	816
General and administrative expenses	471	202
Depreciation and amortization expense	4,418	1,362
Interest expense	3,203	1,026
Total expenses	10,686	3,406
Loss on sale of land	(19)	(55)
Net income	$ 2,079	$ 1,567

Note 5 – Income Taxes

HGPI is taxable as a corporation under the provisions of Subchapter C of the Internal Revenue Code. The net provision for income taxes after the change in the valuation reserve for the years ended December 31, 2015 and 2014, consisted of the following (in thousands):

	2015	2014
Federal	$ -	$ -
State	-	-
Net provision	$ -	$ -

For federal income tax purposes, HGPI had net operating loss carryforwards ("NOLs") of approximately $76.0 million and $75.9 million at December 31, 2015 and 2014, respectively. The NOLs expire from 2021 to 2033.

Deferred income tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities. The components of the Company's gross deferred tax assets and liabilities are as follows as of December 31, 2015 and 2014 (in thousands):

	2015	2014
Deferred Tax Assets:		
NOL carryforwards – federal and state	$28,120	$27,986
Tax basis of assets in excess of book basis:		
Fixed/intangible assets	255	245
Other	16	23
Book basis of liabilities in excess of tax basis:		
Prepaid rental revenue	65	58
Profits interest	40	37
Gross deferred tax assets	28,496	28,349
Less: valuation allowance	(27,497)	(27,604)
Gross deferred tax liabilities	999	745
Deferred Tax Liabilities:		
Book basis of assets in excess of tax basis:		
Investment in and advances to joint ventures	(974)	(714)
Other	(25)	(31)
Gross deferred tax liabilities	(999)	(745)
Net deferred tax asset	$ -	$ -

The valuation allowance related to the net deferred tax assets decreased by $107,000 in 2015 and increased by $772,000 in 2014.

Note 6 – Leases

Space in the Company's centers is leased to various tenants under operating leases, which are generally for one to ten year periods. Some leases contain renewal options and may also provide for the payment of a tenant's share of certain operating expenses. Leases may also obligate a tenant to pay rent based on a percentage of sales in excess of certain thresholds. Minimum future rentals to be received under non-cancelable leases are summarized as follows (in thousands):

2016	$ 6,256
2017	4,337
2018	3,324
2019	2.488
2020	1,779
Thereafter	2,192
	$20,376

The above scheduled rentals are subject to the usual business risks associated with collection.

Note 7 - Long Term Stock Incentive Plan, Grants of Common Units and Grants of Common Shares

During 2014, the Board of Directors granted common shares of stock to the board members, excluding Howard Amster and Gary Skoien (Non-Executive Members) as compensation for service. The three Non-Executive Members were each granted 4,000 shares of common stock with vesting of 1,334 shares on September 9, 2015, 1,333 shares on September 9, 2016 and 1,334 shares on September 9, 2017. The amount of compensation as a result of shares vesting during 2015 is considered immaterial.

Note 8 - 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 December 31, 2015 and 2014, in the amount of $74.4 million and $2.8 million, respectively, which are not reflected on the consolidated balance sheet as of December 31, 2015. These capital expenditures are expected to be paid during 2016 and 2017, and are anticipated to be funded from capital improvement escrows, construction financing, equity contributions and additional borrowings.

Note 9 – Mortgages and Other Debt

	Principal Balance as of:	
	December 31, 2015	December 31, 2014
	(in thousands)	
Mortgage loan to Village Green Associates, LLC, from First Personal Bank in the amount of $2,486,400 bears interest at 6.5% and matures March 1, 2019. It is secured by the shopping center in Huntley, Illinois and guaranteed by the Company. The loan will be paid through 59 monthly payments of $23,633 and one balloon payment of $1,789,000.	$ 2,247	$ 2,380
Mortgage loan to BFO Factory Shoppes LLC, from Wachovia Bank, National Association, with an original principal amount of $54.0 million, bearing interest at 5.58%, and secured by The Outlet Shoppes at Burlington, Fremont, and Oshkosh. This loan was refinanced in February of 2015.	-	46,418
Mortgage loan to BFO Factory Shoppes LLC, from Starwood Mortgage Capital, LLC with an initial principal balance of $54.7 million and bearing interest at 4.509%. Monthly interest payments are due through March 6, 2017. Starting April 6, 2017, monthly principal and interest payments of $277,300 are due. 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.	54,675	-
Mortgage loan to Huntley Development Limited Partnership, from US Bank in the maximum principal amount of $23.4 million, bearing interest at LIBOR plus 4.5% with a floor of 5.5%, due July 1, 2016, secured by approximately 383 acres of vacant land in Huntley, Illinois, the Huntley Series C TIF bonds and guaranteed by the Company (see below).	6,903	10,995
Capital lease between BFO Factory Shoppes LLC and First Bank & Trust Leasing Services, bearing interest at 17.5%, due March 1, 2016, secured by an LED sign at The Outlet Shoppes at Burlington and guaranteed by HGPI.	4	17
Convertible promissory note to HGP LP, from newAX, Inc., in the amount of $150,000, bearing interest at 5.0%, matures on August 31, 2016, secured by the Company's interest in Horizon El Portal, LLC and convertible into partnership units of HGP LP at newAX, Inc.'s election at a conversion price per unit of $1.00, subject to adjustment per the terms of the Convertible Promissory Note dated August 9, 2011 (see note 10).	150	150
Real Estate Note to Horizon El Portal, LLC from Morgan Stern Realty Holdings, LLC (Morgan Stern), in the amount of $1,725,000, bearing interest at .33% per annum, to purchase Morgan Stern's interest in El Portal Center, LLC. As of December 31, 2015, the debt had been repaid.	-	525
Term loan to Johnny Rockets Oshkosh, LLC, from Bank First National as of May 23, 2014, in the amount of $470,000, bearing interest at 4.25% per annum, with monthly payments of $20,500, due May 23, 2017, guaranteed by the Company, and collateralized by substantially all of the assets of Johnny Rockets Oshkosh, LLC.	411	470

Note 9 – Mortgages and Other Debt, continued

	Principal Balance as of:	
	December 31, 2015	December 31, 2014
	(in thousands)	
Working Capital loan for the development of an outlet center in Laredo, Texas to HGP LP from Mortgage Holdings, LLC, an affiliate of CBL, with a maximum principal amount of $5.3 million, secured by HGP LP's interest in Louisville Outlet Shoppes, LLC, bearing interest at 7%, and with a maturity date of November 21, 2016. Monthly interest payments are due on the first of each month, and the outstanding principal balance and any accrued interest are due on the maturity date.	3,096	-
Loan for Directors and Officers Insurance. This loan was paid off during 2015.	-	25
	$67,486	$60,980

In March of 2015, BFO Factory Shoppes, LLC refinanced its mortgage prior to the stated maturity date. Management made the decision to refinance early to take advantage of a favorable lending environment and lower interest rates. The defeasance of the mortgage resulted in a loss of $1,761,000 which is shown as Loss on extinguishment of debt in the Consolidated Statements of Income.

Effective July 1, 2015, US Bank extended the maturity date of the Huntley Development Limited Partnership (HDLP) 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) until the required minimum principal payments have been made. As additional collateral, the Company also pledged 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 until July 1, 2017.

Cash interest payments for the years ended December 31, 2015 and 2014, totaled $3.1 million and $3.5 million, respectively.

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, the entity which owns approximately 378 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. As of December 31, 2015 and 2014, a liability of $166,000 and $154,000, respectively, was recorded to reflect the estimated current fair value of the Skoien Net Profits Interests.

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 HD LP 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. Prior to 2014, no value has been ascribed to the Series C TIF bonds by the Company. In 2015 and 2014, HDLP received payments of $840,000 and $637,000, respectively, from the Series C TIF bonds, which is recorded as other income. The funds were used to make principal payments 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 is not reflected on the Company's consolidated balance sheets as a liability.

Debt Maturities

Debt maturities and principal payments due subsequent to December 31, 2015, are as follows (in thousands):

Due in:		
2016		$ 3,561
2017		7,915
2018		1,035
2019		2,712
2020		952
Thereafter		51,311
	Total	$67,486

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 remaining scheduled principal amortization in the normal course of business during 2016.

Note 10 - 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 December 31, 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 December 31, 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 December 31, 2015 and 2014 Amster Skoien L.P owned jointly by Howard Amster and Gary Skoien owned 14.7% of Horizon El Portal, LLC.

At December 31, 2015 and 2014, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At December 31, 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.

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 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 on unsecured loans from newAX, Inc. in the amount of $9,000 for the years ended December 31, 2015 and 2014, respectively. 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 December 31, 2015, $150,000 has been repaid.

BOARD OF DIRECTORS

Howard M. Amster
President
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Gov. Jim Edgar
Former Governor
of the State of Illinois

Margaret A. Gilliam
President
Gilliam & Co.

Gary J. Skoien
Chairman, President and
Chief Executive Officer
Horizon Group Properties, Inc.

E. Thomas Thilman
Consultant to and former Chairman
Willis of Illinois, Inc.

CORPORATE OFFICERS

Gary J. Skoien
Chairman, President and
Chief Executive Officer

David R. Tinkham
Chief Financial Officer
and Secretary

Andrew F. Pelmoter
Executive Vice President
Leasing

Thomas A. Rumptz
Executive Vice President
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STOCK TRADING
The Company's common stock trades in the
over the counter market under the symbol
"HGPI.PK".

EAST HARTFORD, CT

HGP
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