Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the three months ended March 31, 2017 and 2016

Horizon Group Properties, Inc.

Condensed Consolidated Financial Statements

(Unaudited)

Contents

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2017	December 31, 2016
	(In thousands)	
ASSETS		
Real estate		
Land	$ 19,182	$ 11,764
Buildings and improvements	44,154	43,748
Less accumulated depreciation	(782)	-
	62,554	55,512
Construction in progress	1,665	35
Land held for investment	22,383	22,300
Total net real estate	86,602	77,847
Investment in and advances to joint ventures	102,754	105,537
Cash and cash equivalents	7,955	7,623
Restricted cash	1,830	1,985
Tenant and other accounts receivable, net	1,684	994
Deferred costs net of accumulated amortization of $14 at March 31, 2017	280	261
Other assets	6,457	9,817
Total assets	$ 207,562	$ 204,064
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt - net	$ 66,257	$ 63,562
Accounts payable and other accrued expenses	14,948	15,393
Prepaid rents and other tenant liabilities	328	335
Total liabilities	81,533	79,290
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, 8,605 shares issued and outstanding)	86	86
Additional paid-in capital	82,294	81,271
Accumulated deficit	(1,068)	0
Total stockholders' equity attributable to the controlling interest	81,312	81,357
Noncontrolling interests in consolidated subsidiaries	44,717	43,417
Total stockholders' equity	126,029	124,774
Total liabilities and stockholders' equity	$ 207,562	$ 204,064

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three Months March 31, 2017	Three Months March 31, 2016
	(In thousands)	
REVENUE		
Base rent	$ 1,776	$ 2,058
Percentage rent	83	103
Expense recoveries	213	252
Restaurant revenue	678	680
Other	2,140	517
Total revenue	4,890	3,610
EXPENSES		
Property operating	830	762
Real estate taxes	310	294
Other operating	155	105
Depreciation and amortization	624	657
General and administrative	2,372	2,011
Restaurant operating	779	679
Interest	772	910
Total expenses	5,842	5,418
Income (loss) from investment in joint ventures	(702)	874
Consolidated net loss	(1,654)	(934)
Less net loss (income) attributable to the noncontrolling interests	586	(90)
Net loss attributable to the Company	$ (1,068)	$ (1,024)

See accompanying notes to condensed consolidated financial statements.

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

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2017	$ 86	$ 81,271	$ -	$ 81,357	$ 43,417	$ 124,774
Net loss	-	-	(1,068)	(1,068)	(586)	(1,654)
Stock issued to related parties	-	23	-	23	-	23
Distributions to noncontrolling interests	-	-	-	-	(45)	(45)
Consolidation of Woodstock GA Investments and Ridgewalk Holdings	-	1,000	-	1,000	1,931	2,931
Balance, March 31, 2017	$ 86	$ 82,294	$ (1,068)	$ 81,312	$ 44,717	$ 126,029

	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, 2016	$ 47	$ 37,058	$ (20,476)	$ 16,629	$ 10,754	$ 27,383
Net income	-	-	(1,040)	(1,040)	90	(950)
Stock granted to or purchased by officer	-	91	-	91	-	91
Distributions to noncontrolling interests	-	-	-	-	(2,154)	(2,154)
Balance, March 31, 2016	$ 47	$ 37,149	$ (21,516)	$ 15,680	$ 8,690	$ 24,370

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Cash Flows

unaudited)

	Three Months March 31, 2017	Three Months March 31, 2016
Cash flows provided by operating activities:	*(In thousands)*	
Net loss attributable to the Company	$ (1,068)	$ (1,040)
Adjustments to reconcile net income attributable to the Company to net cash provided by operating activities:		
Distributions from joint ventures included in income	861	896
Net income (loss) attributable to the noncontrolling interests	(586)	90
(Income) loss from investment in joint ventures	702	(874)
Depreciation	624	591
Amortization	14	66
Interest expense from deferred finance costs	33	-
Changes in assets and liabilities:		
Restricted cash	155	(134)
Tenant and other accounts receivable	(690)	(345)
Deferred costs and other assets	3,539	119
Accounts payable and other accrued liabilities	(1,320)	1,552
Prepaid rents and other tenant liabilities	(7)	(122)
Net cash provided by operating activities	2,257	799
Cash flows used in investing activities:		
Investment in future developments	(212)	(591)
Expenditures for buildings and improvements	(907)	(2,823)
Net cash used in investing activities	(1,119)	(3,414)
Cash flows provided by (used in) financing activities:		
Distributions to noncontrolling interests	(45)	(2,154)
Principal payments on mortgages and other debt	(784)	(55)
Proceeds from borrowings	-	2,485
Stock issued	23	91
Net cash provided by (used in) financing activities	(806)	367
Net increase in cash and cash equivalents	332	(2,248)
Cash and cash equivalents:		
Beginning of year	7,623	4,326
End of year	$ 7,955	$ 2,078

See accompanying notes to condensed consolidated financial statements.

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

Supplemental Information

	Year Ended March 31, 2017
	(In thousands)

The following represents supplemental disclosure of noncash activity for the purchase of the membership interest and consolidation of the assets and liabilities Woodstock GA Investments (WGI) and Ridgewalk Property Investments, LLC (RPI) on March 29, 2017, by Horizon Atlanta (see Note 4):

Land	$ 7,418
Construction in progress	1,041
Mortgage and other debt	(3,446)
Accounts payable and other accrued expenses	(862)
Investment in joint venture	(1,220)
Non-controlling interest	(1,931)
Purchase of membership interest	$ 1,000
Seller financed note included in Mortgage and other debt	$ 1,000

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

Note 1 – Organization and Basis of Presentation

Horizon Group Properties, Inc. ("HGPI" or, together with its subsidiaries "HGP" or the "Company") is a Maryland corporation that was established on June 15, 1998. The operations of the Company are conducted primarily through a subsidiary limited partnership, Horizon Group Properties, L.P. ("HGP LP") of which HGPI is the sole general partner. As of March 31, 2017 and December 31, 2016, HGPI owned approximately 80% of the partnership interests (the "Common Units") of HGP LP. In general, Common Units are exchangeable for shares of Common Stock on a one-for-one basis (or for an equivalent cash amount at HGPI's election).

The accompanying unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, among other factors, the results for the interim period ended March 31, 2017 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, 2016.

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.

Change in Control

Howard Amster (Amster) is a shareholder of HGPI and a member of the Board of Directors (the Board). Under the charter of HGPI, Amster is allowed to own up to 29.9% of HGPI shares. The charter grants the Board authority to allow higher ownership limits. In 2005, the Board granted Amster an exception to own up to 49% on a temporary basis, subject to a requirement for Amster to dispose of his ownership over 29.9% under certain conditions, as defined.

In October 2016, the Board voted to allow Amster to increase his temporary ownership from 49% to 80%. In conjunction with this temporary increase, Amster increased his ownership to approximately 65% through a contribution of interest in certain entities in exchange for HGPI shares .

Effective December 31, 2016, the Board voted to remove restrictions on Amster's ownership limit of 80% allowing Amster to own the shares without the requirement to dispose under certain conditions. This removal of the temporary restriction and disposition condition created a change in control as of December 31, 2016. The Company elected to apply FASB Accounting Standards Codification (ASC) 805 "Business Combinations" and pushdown accounting to value assets and liabilities at fair value at the date of change of control. As a result of the election, the net assets of the Company as of December 31, 2016 have increased by $94,048 as follows:

Real estate	$12,277
Investments in and advances to joint ventures	90,051
Other assets	2,500
Accounts payable and other accrued expenses	(10,780)
	$94,048

A corresponding pushdown accounting adjustment was recorded through stockholders' equity as follows:

Additional paid-in capital	$42,045
Accumulated deficit	17,684
Noncontrolling interests	34,319
	$94,048

The fair value of the other assets and liabilities approximates their carrying value prior to the change in control.

As part of the push down accounting adjustment, deferred tax liabilities increased by $23,294 and the valuation allowance decreased by $23,294.

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 March 31, 2017 predevelopment costs classified as Other Assets and Construction in Progress included projects in Woodstock, Georgia, Hartford, Connecticut, and Malaysia and totaled $6.6 million and $1.7 million, respectively. At December 31, 2016, 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.

Restaurant Revenue and Operating Expense

The Company owns three Johnny Rockets restaurants at the outlet malls in Oshkosh WI, Atlanta GA, and Louisville KY. Revenue is derived from sales of various food products, and operating expenses are primarily from cost of sales, supplies, payroll, franchise fees, and rent.

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. Rents 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, and revenue from the Series C TIF bonds.

Income Taxes

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

As of March 31, 2017 and December 31, 2016 and for the periods then ended, the Company did not have a net liability for any unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest or general and administrative expense in the statement of operations. For the periods ended March 31, 2017 and 2016, the Company did not incur any interest or penalties.

Investments in Joint Ventures

The Company accounts for its investment in joint ventures using the equity method, as the Company is able to significantly influence the operations of the underlying investment. The investments are recorded at initial cost and adjusted for the Company’s proportionate share of income or loss. Contributions and distributions are treated as additions or reductions of investments cost basis.

At December 31, 2016, the cost basis of the investments in joint ventures was adjusted to fair value, in accordance with the change in control event. This adjustment created a difference between the carrying value of the Company’s investment in joint venture and its underlying equity as reflected in the joint ventures’ financial statements.

Investments in joint ventures are assessed for impairment if current events or circumstances, such as significant adverse changes in general market conditions, decreases in property net operating income, or reductions in expected future cash flows, indicate that the carrying value may not be recoverable. The Company assesses investment in joint ventures for other than temporary impairment by comparing the fair value of the investments to their carrying value. No impairment was recorded for the three months ended March 31, 2017 and 2016.

For presentation of distributions received from investment in joint ventures on the condensed consolidated statement of cash flows, the Company utilizes the “look-through” approach. Distributions are reported in cash flows from operations unless the facts and circumstances of a specific distribution clearly indicate that it is a return of capital, which would then be presented as cash flows from investing activities.

Subsequent Events

The Company has evaluated subsequent events through October 30, 2017, the date the condensed consolidated financial statements were available to be issued.

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2017 and 2016
(unaudited)

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 March 31, 2017 (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	$10,208	51.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,932	8,639	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	31,022	51.0%
Village Green Center	Huntley, IL	Retail	22,204	3,495	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	-	388	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	-	355	100.0%
Johnny Rockets	Louisville, KY	Restaurant	-	566	100.0%
Johnny Rockets	Laredo, TX	Restaurant	-	381	100.0%
Ridgewalk	Woodstock, GA	Development	-	8,569	48.3%
Corporate Assets	Chicago, IL	Various	-	82	100.0%
	Total		696,308	$63,705	
			Acres		
Land Held for Investment	Fruitport, MI	Land	14	$ 300	100.0%
Laredo Phase II Land	Laredo, TX	Land	2	2,000	60.8%
Land Held for Investment	Huntley, IL	Land	375	20,083	100.0%
	Total		391	$ 22,383	

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

Note 4 - Investment in Joint Ventures

The following table contains information and the effective ownership percentage attributable to the Company for the joint venture outlet centers in operation or development as of March 31, 2017. 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	24.41%
The Outlet Shoppes at Oklahoma City	Oklahoma City, OK	Outlet Retail	394,661	33.76%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	19.06%
The Outlet Shoppes at Atlanta	Woodstock, GA	Outlet Retail	413,969	22.07%
The Outlet Shoppes of the Bluegrass	Louisville, KY	Outlet Retail	428,060	30.78%
The Outlet Shoppes at Laredo	Laredo, TX	Outlet Retail	357,866	21.30%
Total			**2,277,538**	

El Paso Entities

The Company owned 97.4% and 45.0% of the preferred interests and 92.8% and 41.2% of the common interests at March 31, 2017 and December 31, 2016, respectively in Horizon El Paso, LLC ("Horizon El Paso"), which owns a 25% joint venture interest in El Paso Outlet Center Holding, LLC ("El Paso Holding"). El Paso Holding owns an entity that owns the outlet shopping center in El Paso, TX (the "El Paso Center"). Horizon El Paso owns a 25% joint venture interest in El Paso Outlet Center II, LLC, which owns 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 30 year loan from NATIXIS Commercial Mortgage Funding, LLC which had a principal balance of $62.0 million and $62.4 million at March 31, 2017 and December 31, 2016, respectively, bears interest at 7.06%, and is due December 5, 2017. CBL paid off this loan in September 2017. (see Note 9)

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 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 $6.7 million at both March 31, 2017 and December 31, 2016.

The Company received management, leasing and similar fees from El Paso Center that totaled $170,000 and $159,000 during the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and December 31, 2016, The Company's investment in the entities that own the El Paso Center, the Outparcels, and the Expansion Land exceeded its equity investment by approximately $17.9 and $18.1, respectively.

Summary financial information (stated at 100%) for the entities that own the El Paso Center, the Outparcels and the Expansion Land as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016 are as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 96,123	$ 97,099
Cash and cash equivalents	586	964
Restricted cash	5,223	6,386
Other assets	2,203	2,465
Total assets	$ 104,135	$ 106,914
Liabilities and members' equity		
Mortgages and other debt	$ 68,760	$ 69,100
Other liabilities	2,076	4,246
Members' equity	33,299	33,568
Total liabilities and members' equity	$ 104,135	$ 106,914

	Three Months March 31, 2017	Three Months March 31, 2016
Statements of Operations		
Revenue	$ 4,021	$ 3,917
Operating expenses	1,640	1,543
General and administrative expenses	252	232
Depreciation and amortization expense	1,058	1,065
Interest expense	1,258	1,256
Total expenses	4,208	4,096
Gain on sale of land	-	-
Net loss	$ (187)	$ (179)

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 years. 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 $53.5 million and $53.9 million at March 31, 2017 and December 31, 2016, 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 $5.6 million at both March 31, 2017 and December 31, 2016. 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 principal balance of $2.7 million at both March 31, 2017 and December 31, 2016. The loan term is five years, plus two one year extension options, and the loan bears interest at LIBOR plus 2.75%.

The Company has voting control over Horizon OKC and owns, directly and indirectly, approximately 95% and 34% of the preferred interests in Horizon OKC as of March 31, 2017 and December 31, 2016, respectively. 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.

During 2016, the Horizon OKC met the 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 $75,000 during the three months ended March 31,2017 and 2016.

As of March 31, 2017 and December 31, 2016, The Company's investment in the entities that own the OKC Joint Venture exceeded its equity investment by approximately $23.4 and $23.7, respectively.

Summary financial information (stated at 100%) of the OKC Joint Venture as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016 are as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 47,939	$ 48,520
Cash and cash equivalents	1,080	942
Restricted cash	1,004	782
Other assets	4,059	3,922
Total assets	$ 54,082	$ 54,166
Liabilities and members' deficit		
Mortgages and other debt	$ 61,779	$ 62,208
Other liabilities	905	751
Members' deficit	(8,602)	(8,803)
Total liabilities and members' deficit	$ 54,082	$ 54,156

	Three Months March 31, 2017	Three Months March 31, 2016
Statements of Operations		
Revenue	$ 3,263	$ 3,368
Operating expenses	831	873
General and administrative expenses	125	125
Depreciation and amortization expense	808	1,305
Interest expense	867	889
Total expenses	2,631	3,192
Loss on sale of land	(8)	-
Net income	$ 624	$ 176

Gettysburg Entities

An affiliate of CBL and PL Skoien, an affiliate of Howard Amster and Gary Skoien, own 62.63% of Gettysburg Outlet Center Holding, LLC and Gettysburg Outlet Center LLC (the Gettysburg entities). Howard Amster is a significant shareholder and director of the Company. Gary Skoien is Chairman of the Board, Chief Executive Officer, President, and a shareholder of the Company. 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.

On September 11, 2015, Gettysburg Outlet Center, LP refinanced its mortgage loan. The new loan, secured by the shopping center, bears interest at 4.8% and matures in 2025. The Gettysburg entities mortgage balance was $38.5 million at both March 31, 2017 and December 31, 2016.

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

The Company received management, leasing, and similar fees from the Gettysburg Entities that totaled $51,000 and $78,000 for the three months ended March 31, 2017 and 2016, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016 is as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 41,997	$ 41,779
Cash and cash equivalents	289	785
Restricted cash	1,290	1,148
Other assets	1,096	1,165
Total assets	$ 44,672	$ 44,877
Liabilities and members' equity		
Mortgages and other debt	$ 38,450	$ 38,450
Other liabilities	564	683
Members' equity	5,658	5,744
Total liabilities and members' equity	$ 44,672	$ 44,877

	Three Months March 31, 2017	Three Months March 31, 2016
Statements of Operations		
Revenue	$ 1,664	$ 1,640
Operating expenses	693	605
General and administrative expenses	72	72
Depreciation and amortization expense	377	388
Interest expense	469	459
Total expenses	1,611	1,524
Loss on sale of land	-	-
Net income	$ 53	$ 116

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 CBL then formed Woodstock GA Investments ("WGI"), owned 25% by the Company and 75% by CBL, which lent RPI $6.0 million. RPI then contributed $6.0 million to Holding and, together with the proceeds from the sale of the parcel to Atlanta JV, 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. During 2015, WGI purchased an additional direct interest in Holding and became the managing member of Holding. It was then determined that WGI controlled Holding. On March 29, 2017, CBL sold their 75% interest in WGI to the Company for a $1.0 million seller financed note. The note is payable when the south parcel of the Holdings land is sold. After the purchase of CBL's interest, the Company owns 100% of WGI. Holdings owns approximately 123 acres of vacant land near The Outlet Shoppes at Atlanta that the Company is currently developing. The Company previously accounted for its interest in WGI using the equity method of accounting, see additional discussion in Note 3. This acquisition has been recorded as an asset acquisition in accordance with Accounting Standards Update 2017-01, Business Combinations - *Clarifying the Definition of a Business.*

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 $75.8 million and $76.1 million at March 31, 2017 and December 31, 2016, 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. Proceeds were used to construct Atlanta Outlet Shoppes Phase II. The loan balance was $4.8 million at both March 31, 2017 and December 31, 2016.

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 $87,000 and $79,000 for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and December 31, 2016, The Company's investment in the entities that own the Atlanta JV exceeded its equity investment by approximately $20.4 and $20.7, respectively.

Summary financial information (stated at 100%) of the Atlanta JV as of March 31, 2017 and of the Atlanta JV and Woodstock GA Investments as of December 31, 2016 and for the three months ended March 31, 2017 and 2016 is as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 57,269	$ 58,230
Cash and cash equivalents	1,007	911
Restricted cash	441	285
Other assets	5,548	10,348
Total assets	$ 64,265	$ 69,774
Liabilities and members' deficit		
Mortgages and other debt	$ 80,561	$ 80,937
Other liabilities	822	871
Members' deficit	(17,118)	(12,034)
Total liabilities and members' deficit	$ 64,265	$ 69,774

	Three Months March 31, 2017	Three Months March 31, 2016
Statements of Operations		
Revenue	$ 3,514	$ 3,438
Operating expenses	837	760
General and administrative expenses	139	125
Depreciation and amortization expense	1,127	1,988
Interest expense	992	1,016
Total expenses	3,095	3,889
Gain on sale of land	-	15
Net income (loss)	$ 419	$ (436)

Bluegrass 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 $74.4 million and $74.7 million at March 31, 2017 and December 31, 2016, 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 interest rate of LIBOR plus 2.35%. The loan balance was $10.1 million at both March 31, 2017 and December 31, 2016.

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 $86,000 and $75,000 for the three months ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and December 31, 2016, The Company's investment in the entities that own the Louisville JV exceeded its equity investment by approximately $27.8 and $28.2, respectively.

Summary financial information (stated at 100%) of the Louisville JV as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 is as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 69,243	$ 70,386
Cash and cash equivalents	1,459	1,037
Restricted cash	1,030	830
Other assets	5,177	5,152
Total assets	$ 76,909	$ 77,405
Liabilities and members' deficit		
Mortgages and other debt	$ 84,868	$ 84,837
Other liabilities	930	855
Members' deficit	(8,889)	(8,287)
Total liabilities and members' deficit	$ 76,909	$ 77,405

	Three Months March 31, 2017	Three Months March 31, 2016
Statements of Operations		
Revenue	$ 3,314	$ 3,345
Operating expenses	679	687
General and administrative expenses	127	129
Depreciation and amortization expense	1,265	1,268
Interest expense	863	868
Total expenses	2,934	2,952
Net income	$ 380	$ 393

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<u>*Laredo Outlet Shoppes*</u>

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

On May 13, 2016, Laredo JV closed on a construction loan to finance the construction of the center. The loan has a maximum principal balance of $91.3 million, a 36 month term and one 24 month extension option. Interest will accrue on the loan at LIBOR plus 2.5% until the development reaches 90% occupancy, at which time the interest rate will drop to LIBOR plus 2.25%. At March 31, 2017 and December 31, 2016, the loan balance was $56.2 million and $39.3 million, respectively.

The Company received management, leasing development and similar fees from the Laredo JV that totaled $1.5 million and $3.0 million for the three months ended March 31, 2017. There was no such income for the three months ended March 31, 2016.

Prior to the formation of the Laredo JV, the Company consolidated the results of operations and the assets and liabilities of the Laredo JV. For periods after the formation, May 10, 2016, the Company uses the equity method of accounting with respect to the Laredo JV.

Summary financial information (stated at 100%) of the Laredo JV as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 is as follows (in thousands): There is no significant operating activity for the Laredo JV for the three months ended March 31, 2016.

	As of March 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 93,331	$ 72,382
Cash and cash equivalents	1,007	1,852
Other assets	229	-
Total assets	$ 94,567	$ 74,234
Liabilities and members' equity		
Mortgages and other debt	$ 56,243	$ 39,346
Other liabilities	7,751	4,355
Members' equity	30,573	30,533
Total liabilities and members' equity	$ 94,567	$ 74,234

	Three Months March 31, 2017
Statements of Operations	
Revenue	$160,000
Operating expenses	33,000
Interest expense	87,000
Total expenses	120,000
Net income	$ 40,000

Note 5 – Commitments

The Company has outstanding commitments for construction costs and tenant allowances on leases signed (which amounts become payable when the spaces are delivered to the tenants) at March 31, 2017 in the amount of $940,000 million and $5.9 million, respectively, which are not reflected on the condensed consolidated balance sheet as of March 31, 2017. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2017 and 2018, 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 $65.3 million and $63.6 million at March 31, 2017 and December 31, 2016, respectively. Cash paid for interest for the three months ended March 31, 2017 and 2016 was $765,000 and $910,000, respectively. The mortgages and other debt is presented net of debt issuance cost on the condensed consolidated balance sheet of $809,000 and $841,000 at March 31, 2017 and December 31, 2016, 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 2017.

In 2016, the Company refinanced the mortgage loan to Huntley Development Limited Partnership. The new mortgage from Heartland Bank and Trust bears interest at prime plus 1.5% and matures on July 1, 2019. Payments consist of 35 monthly interest payments beginning on August 1, 2016, principal payments of $750,000 on January

31, 2017, annual principal payments of $700,000 starting on June 30, 2017 and a balloon payment on July 1, 2019. This loan is guaranteed by 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 March 31, 2017, a liability of $42,000 was recorded to reflect the estimated current fair value of the Skoien Net Profits Interests. At March 31, 2016, the estimated fair value of the Skoien Net Profits Interests was $166,000.

In 1993, the Village of Huntley (the "Village") created a Tax Increment Financing District (the "TIF District"). On June 3, 2016, HDLP received payment of $663,000 from the Series C TIF bonds, which is recorded as other income. On January 5, 2017, HDLP received the final payment of $2.5 million from the Series C TIF bonds. In connection with the push down accounting related to the change in control, this was recorded as part of other assets as of December 31, 2016.

Note 7 - Related Party Transactions

At December 31, 2015, 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. During 2016, these ownership interests were exchanged for shares of the Company.

At March 31, 2017 and December 31, 2016, 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. During 2015, Bright Horizons owned 43.2% of Horizon El Paso, LLC. During 2016, the ownership interest in Horizon El Paso was exchanged for shares of the Company.

At March 31, 2017 and December 31, 2016, Somerset Outlet Center, L.P. ("Somerset L.P."), another affiliate of Howard 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, 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. During 2016, these ownership interests were exchanged for shares of the Company.

At March 31, 2017 and December 31, 2016, Amster Skoien L.P owned jointly by Howard Amster and Gary Skoien owned 14.7% of Horizon El Portal, LLC.

At December 31, 2016 and 2015, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At March 31, 2017 and December 31, 2016, 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 - 3.5%, to Andrew Pelmoter, (2) Horizon OKC - 2.5%, 2.5% and 3% to Gary Skoien, Tom Rumptz and Andrew Pelmoter, respectively; (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and James Harris, respectively, (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and Harris, respectively, and (5) Horizon El Portal, - 1.52%, 1.52%, 1.22% and .61% to Messers Skoien, Pelmoter, Rumptz and Harris, respectively.

On August 31, 2016, Gary Skoien exercised his option to convert the $150,000 principal balance of a note due from the Company into 150,000 shares of stock in Horizon Group Properties, Inc.

On October 1, 2016, Howard Amster, Gary Skoien, and certain affiliates of Howard Amster and Gary Skoien, exchanged their membership interest in Horizon El Paso and Horizon OKC for 3,520,000 shares of stock in Horizon Group Properties, Inc.

Note 8 – Subsequent Events

On April 28, 2017, OKC JV, LLC sold the OKC Joint Venture for approximately $130 million. The portion allocated to the Company approximated the carrying value of the Company's investment in OKC JV, LLC. Prior to the sale and subsequent to year end Horizon OKC met the return of investment and internal rate of return criteria stipulated in the joint venture agreement with CBL, increasing the Company's share of distributions from the OKC Joint Venture increased from 30% to 35%.

On September 5, 2017, the loan on phase I of the Outlet Shoppes at El Paso was refinanced by Mortgage Holdings, LLC, an affiliate of CBL. The new loan, in the amount of $61.5 million, bears interest at 7.05% per year. Payments in the amount of $468,500 per month are based on a 30 year amortization schedule. The new loan matures on June 5, 2018.