Consolidated Financial Statements

Horizon Group Properties, Inc.

For the years ended December 31, 2017 and 2016

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For the years ended December 31, 2017 and 2016

Contents

Cohen & Co

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. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, 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, 2017 and 2016, 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.

May 7, 2018
Akron, Ohio

HORIZON GROUP PROPERTIES, INC.

Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
	(In thousands)	
ASSETS		
Real estate		
Land	$ 15,590	$ 11,764
Buildings and improvements	45,680	43,748
Less accumulated depreciation	(4,204)	-
	57,066	55,512
Construction in progress	3,848	35
Land held for investment	22,526	22,300
Total net real estate	83,440	77,847
Investment in and advances to joint ventures	29,822	56,700
Investment in and advances to joint ventures, at fair	49,237	48,837
Cash and cash equivalents	4,003	7,623
Restricted cash	7,162	1,985
Marketable securities, at fair value	9,312	-
Tenant and other accounts receivable, net	1,316	994
Deferred costs, (net of accumulated amortization of $46 at December 31, 2017)	267	261
Other assets	927	9,817
Total assets	$ 185,486	$ 204,064
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt, net	$ 64,478	$ 63,562
Accounts payable and other accrued expenses	17,764	15,393
Prepaid rents and other tenant liabilities	304	335
Total liabilities	82,546	79,290
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares 8,735 and 8,605 issued and outstanding, respectively)	87	86
Additional paid-in capital	81,668	81,271
Accumulated deficit	(18,291)	-
Total stockholders' equity attributable to the controlling interest	63,464	81,357
Noncontrolling interests in consolidated subsidiaries	39,476	43,417
Total stockholders' equity	102,940	124,774
Total liabilities and stockholders' equity	$ 185,486	$ 204,064

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

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Operations

	Year Ended December 31, 2017	Year Ended December 31, 2016
	(In thousands)	
REVENUE		
Base rent	$ 8,133	$ 8,405
Percentage rent	266	335
Expense recoveries	795	952
Restaurant revenue	3,578	3,159
Other	5,825	7,688
Total revenue	18,597	20,539
EXPENSES		
Property operating	2,908	2,859
Real estate taxes	1,194	1,216
Other operating	950	771
Depreciation and amortization	4,260	2,455
General and administrative	8,527	8,328
Restaurant operating	3,567	3,074
Interest	3,063	3,254
Total expenses	24,469	21,957
Net loss before other income and expense and income tax expense	(5,872)	(1,418)
OTHER INCOME AND EXPENSE		
Income from investment in joint ventures	1,094	6,215
Gain on deconsolidation of subsidiary	-	1,858
Loss on sale of real estate	(1,312)	-
Loss on abandonment of assets	(14,888)	-
Total other income and expense	(15,106)	8,073
Net (loss) income before income tax expense	(20,978)	6,655
Income tax expense	(1,102)	-
Consolidated net income (loss)	(22,080)	6,655
Less net loss (income) attributable to the noncontrolling interests	3,789	(3,863)
Net income (loss) attributable to the Company	$ (18,291)	$ 2,792

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, 2017	$ 86	$ 81,271	$ -	$ 81,357	$ 43,417	$ 124,774
Net loss	-	-	(18,291)	(18,291)	(3,789)	(22,080)
Stock issued to related parties	1	397	-	398	-	398
Distributions to noncontrolling interests	-	-	-	-	(2,083)	(2,083)
Consolidation of Woodstock GA Investments	-		-	-	1,931	1,931
Balance, December 31, 2017	$ 87	$ 81,668	$ (18,291)	$ 63,464	$ 39,476	$ 102,940

	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	-	-	2,792	2,792	3,863	6,655
Stock issued to related parties	3	552	-	555	-	555
Stock issued for purchase of noncontrolling interests in consolidated entities	36	1,616	-	1,652	(1,652)	-
Step up in value due to change in control (see Note 1)		42,045	17,684	59,729	34,319	94,048
Distributions to noncontrolling interests	-	-	-	-	(3,867)	(3,867)
Balance, December 31, 2016	$ 86	$ 81,271	$ -	$ 81,357	$ 43,417	$ 124,774

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

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flows provided by operating activities:	*(In thousands)*	
Net income (loss) attributable to the Company	$ (18,291)	$ 2,792
Adjustments to reconcile net income (loss) attributable to the Company to net cash provided by operating activities:		
Gain from deconsolidation of subsidiary	-	(1,858)
Net loss on sale of real estate	1,312	-
Operating distributions from joint ventures	4,156	5,714
Net income (loss) attributable to the noncontrolling interests	(3,789)	3,863
Income from investment in joint ventures	(1,094)	(6,215)
Abandonment of future developments	14,888	-
Depreciation	4,214	2,381
Amortization	46	74
Interest expense from deferred finance costs	129	179
Changes in assets and liabilities:		
Restricted cash	263	359
Tenant and other accounts receivable	(322)	331
Deferred costs and other assets	224	(449)
Accounts payable and other accrued liabilities	2,007	(846)
Prepaid rents and other tenant liabilities	(31)	(115)
Net cash provided by operating activities	3,712	6,210
Cash flows used in investing activities:		
Investment in future developments	(8,769)	(2,123)
Restricted cash	(5,440)	-
Purchases of marketable securities	(22,530)	-
Proceeds from sale of marketable securities	13,218	-
Distributions from joint ventures - return of capital	20,692	3,345
Net proceeds from sale of real estate	4,781	-
Expenditures for buildings and improvements	(4,940)	(2,929)
Net cash used in investing activities	(2,988)	(1,707)
Cash flows used in financing activities:		
Distributions to noncontrolling interests	(2,083)	(3,867)
Principal payments on mortgages and other debt	(2,659)	(234)
Deferred financing costs	-	(91)
Proceeds from borrowings	-	2,581
Stock issued	398	405
Net cash used in financing activities	(4,344)	(1,206)
Net increase (decrease) in cash and cash equivalents	(3,620)	3,297
Cash and cash equivalents:		
Beginning of year	7,623	4,326
End of year	$ 4,003	$ 7,623

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

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Cash Flows, continued

Supplemental Information	Year ended December 31, 2017	Year ended December 31, 2016
	(In thousands)	
Noncash financing activity		
Refinance of long-term debt		$ 6,900
Noncash activity related to the disposal of fully depreciated or amortized assets		
Building and improvements	$10	$783
Deferred costs	-	62
	$10	$845

The following represents supplemental disclosure of noncash activity for the sale and de-consolidation of the assets and liabilities of the Outlet Shoppes of Laredo on May 10, 2016 eliminated from the consolidated balance sheet (see Note 4):

Land	$ 7,214
Building	1,931
Construction in progress	7,400
Mortgages and other debt	(5,280)
Gain from deconsolidation of subsidiary	1,858
Investment in joint venture	$13,123

Noncash activity related to the conversion of debt to equity:	
Mortgages and other debt	$ 150
Common shares	(1)
Additional paid-in capital	(149)
	$ -

Noncash activity related to the stock issued for the purchase of noncontrolling interests in consolidated entities:	
Noncontrolling interests in consolidated subsidiaries	$ 1,652
Common shares	(36)
Additional paid-in capital	(1,616)
	$ -

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

Land	$ 6,418
Construction in progress	1,041
Mortgage and other debt	(2,446)
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 noted included in Mortgage and other debt	$ 1,000

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, 2017 and 2016, HGPI owned approximately 87% and 80% of the partnership interests (the "Common Units") of HGP LP, respectively. 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 that do not meet these criteria using the cost or equity methods. The entities referred to herein are consolidated subsidiaries of the Company excluding the entities 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). Prior to October 2016, Amster was allowed to own up to 29.9% of HGPI shares.

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 interests in certain entities in exchange for HGPI shares (See Note 11).

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.

Effective December 31, 2016, in connection with the change in control, the Company elected the fair value option with respect to the accounting for the entities that own Outlet Shoppes at Atlanta and Louisville. This election will result in a change to the accounting prospectively for the investment in these joint ventures. As of and for the year ended December 31, 2016, there was no effect on the consolidated balance sheet or statement of operations related to this election.

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 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 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 because 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 fair 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. No impairment loss was recorded for the years ended December 31, 2017 and 2016.

Pre-Development Costs

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

At December 31, 2017, predevelopment costs classified as Other Assets and Construction in Progress totaled $181,000 and $1.5 million, respectively. At December 31, 2016, predevelopment costs classified as Other Assets and Construction in Progress included projects in Hartford, Connecticut, and Malaysia and totaled $6.0 million and $35,000, respectively.

During March of 2018, the Company decided to cease development of projects in Hartford, CT, and Malaysia. Because of the abandonment of these projects, the Company recognized a loss on abandonment of $14.8 million in 2017.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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 in accounts with the Company's primary lenders in connection with certain loans and funds escrowed to be used for the development of the Ridgewalk property in Woodstock, GA as a condition of a land sale agreement (see Notes 4, 8 & 9). At December 31, 2017 and 2016, the escrow accounts related to the Company's primary lenders included approximately $273,000 and $469,000 in capital improvement and tenant allowance reserves, respectively, $849,000 and $718,000 in real estate tax and insurance escrows, respectively, and approximately $557,000 and $755,000 for cash collateral accounts, respectively. At December 31, 2017 and 2016, the Huntley interest, infrastructure and expense escrow accounts totaled $43,000. At December 31, 2017 the Ridgewalk development escrow totaled $5.44 million.

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. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance.

At December 31, 2017 total tenant accounts receivable is reflected net of reserves of $109,000. The bad debt expense was $109,000 and $59,000 for the years ended December 31, 2017 and 2016, 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 costs consist of fees and direct internal costs incurred to initiate and renew operating leases.

Restaurant Revenue and Operating Expense

The Company owns four Johnny Rockets restaurants at the outlet malls in Oshkosh WI, Atlanta GA, Louisville KY and Laredo, TX. 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. As a result of recording rental revenue on a straight-line basis, tenant accounts receivable include $371,000 and $269,000 as of December 31, 2017 and 2016, respectively, which is expected to be collected over the remaining lives of the leases. Rents that represent basic occupancy costs, including fixed amounts and amounts computed as a function of sales, are classified as base rent. Amounts which may become payable in addition to base rent and which are computed as a function of sales in excess of certain thresholds are classified as percentage rents and are accrued after the reported tenant sales exceed the applicable thresholds. Expense recoveries based on common area maintenance expenses and certain other expenses are accrued in the period in which the related expense is incurred.

Other Revenue

Other revenue consists of income from management, leasing and development agreements, 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. The effect on deferred taxes and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of December 31, 2017 and 2016, 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 2017 and 2016, the Company did not incur any interest or penalties.

Investments in Joint Ventures

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

As a result of the change in control event discussed in Note 1, the Company elected the fair value option for its investment in the Outlet Shoppes in Woodstock and Louisville. Due to the nature of these investments, including consideration of the project lifecycle and geographic location, the Company elected the fair value option to more accurately present the Company's portion of the value and changes thereof in the underlying investments. Changes in the fair value of the joint ventures are recorded as a component of income from investment in joint ventures on the consolidated statement of operations. The unrealized gain recorded on these investments totaled approximately $2.8 million.

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.

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.

Marketable Securities

As of December 31, 2017, the Company held approximately $9.3 million in marketable securities that are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, net of taxes, are recorded within accumulated other comprehensive income, a component of stockholders' equity. Realized gains and losses are recorded in other income. Purchases of marketable securities for the year ended December 31, 2017, totaled approximately $22.5 million. The cost of securities sold is based on the specific identification method. Proceeds from sales of available-for-sale securities for the year ended December 31, 2017, were approximately $13.5 million. For the year ended December 31, 2017, unrealized gains and losses were immaterial.

Subsequent Events

Management has evaluated events through May 7, 2018, 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, 2017.

Property Name	Location	Property Type	Gross Leasable Area (Sq. Ft.)	Net Carrying Value (in thousands)	Ownership Percentage
The Outlet Shoppes at Burlington	Burlington, WA	Outlet Retail	174,660	$ 9,667	51.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,932	7,899	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	30,266	51.0%
Village Green Center	Huntley, IL	Retail	22,204	3,431	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	282	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	N/A	311	100.0%
Johnny Rockets	Louisville, KY	Restaurant	N/A	500	100.0%
Johnny Rockets	Laredo, TX	Restaurant	N/A	631	100.0%

Ridgewalk	Woodstock, GA	Development	N/A	4,016	100.0%
Corporate Assets	Chicago, IL	Various	N/A	63	100.0%
	Total		696,308	$57,066	

			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	355	20,226	100.0%
	Total		371	$ 22,526	

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 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, 2017. In addition, the joint ventures own out parcels and other land for development not included in the leasable area.

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 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			1,882,877	

El Paso Entities

The Company owned 97.4% of the preferred interests and 92.8% of the common interests at December 31, 2017 and 2016, in Horizon El Paso, LLC ("Horizon El Paso"), which owns a 25% joint venture interest in El Paso Outlet Center Holding, LLC ("El Paso Holding"). El Paso Holding owns an entity that owns the outlet shopping center in El Paso, TX (the "El Paso Center"). Horizon El Paso owns a 25% joint venture interest in El Paso Outlet Center II, LLC, which owns Phase II of the shopping center (Phase II). Horizon El Paso owns a 50% joint venture interest in El Paso Outlet Outparcels, LLC that owns several outparcels and ancillary land adjacent to the shopping center (the "Outparcels").

On September 5, 2017, the loan on phase I of Outlet Shoppes at El Paso was refinanced by Mortgage Holdings, LLC, an affiliate of CBL & Associates Properties, Inc. ("CBL"). Phase I of Outlet Shoppes at El Paso secures the loan. The new loan, for $61.5 million, bears interest at 7.05% per year. Payments of $468,500 per month are based on a 30 year amortization schedule. The new loan matures on September 5, 2018. The balance at December 31, 2017 was $61.3 million. The prior loan had a balance of $62.4 million at December 31, 2016.

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. The construction was financed by a 48-month construction loan with an interest rate of LIBOR plus 2.75%. The principal balance was $6.6 million and $6.7 million at December 31, 2017 and 2016, respectively.

The Company received management, leasing and similar fees from El Paso Center and El Paso Outlet Centers II, LLC that totaled $818,000 and $933,000 during the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Company's investment in the entities that own the Outlet Shoppes at El Paso, the Outparcels, and Phase II exceeded its proportional share of the underlying equity as reflected in the entities financial statements by approximately $11.2 million and $18.1 million, respectively.

Summary financial information (stated at 100%) for the El Paso Entities as of December 31, 2017 and 2016, and for the years ended December 31, 2017 and 2016, are as follows (in thousands):

	As of December 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 93,154	$ 97,099
Cash and cash equivalents	770	964
Restricted cash	3,239	6,386
Other assets	1,311	2,465
Total assets	$ 98,474	$ 106,914
Liabilities and members' equity		
Mortgages and other debt	$ 67,865	$ 69,100
Other liabilities	3,166	4,246
Members' equity	27,443	33,568
Total liabilities and members' equity	$ 98,474	$ 106,914

	Year Ended December 31, 2017	Year Ended December 31, 2016
Statements of Operations		
Revenue	$ 14,796	$ 16,410
Operating expenses	3,752	6,690
General and administrative expenses	955	991
Depreciation and amortization expense	4,231	4,218
Interest expense	5,146	5,052
Total expenses	14,084	16,951
Gain on sale of land	-	502
Net income (loss)	$ 712	$ (39)

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.

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 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%.

Prior to the sale, the Company consolidated the results of operations and the assets and liabilities of Horizon OKC, which used the equity method to account for its investment in the OKC Joint Venture.

The Company received development, leasing, management and similar fees from the OKC Joint Venture that totaled $974,000 and $600,000 during the years ended December 31, 2017 and 2016, respectively.

Summary financial information (stated at 100%) of the OKC Joint Venture as of December 31, 2016, for the period from January 1, 2017 to April 28, 2017 and for the year ended December 31, 2016, are as follows (in thousands):

	As of December 31, 2016
Assets	
Real estate - net	$ 48,520
Cash and cash equivalents	942
Restricted cash	782
Other assets	3,912
Total assets	$ 54,156
Liabilities and members deficit	
Mortgages and other debt	$ 62,208
Other liabilities	751
Members' deficit	(8,803)
Total liabilities and members' deficit	$ 54,156

	For the period from January 1, 2017 to April 28, 2017	Year ended December 31, 2016
Statement of Operations		
Revenue	$ 2,708	$ 14,186
Operating expenses	484	3,415
General and administrative expenses	384	534
Depreciation and amortization expense	1,048	4,627
Interest expense	1,182	3,500
Total expenses	3,098	12,076
Net income (loss)	$ (390)	$ 2,110

Gettysburg Entities

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

The mortgage loan for Gettysburg Outlet Center, LP is secured by the shopping center, had an initial balance of \$38.5 million, bears interest at 4.8% and matures in 2025. The mortgage balance was \$38.3 and \$38.5 million at December 31, 2017 and 2016, respectively.

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

The Company received management, leasing, and similar fees from the Gettysburg Entities that totaled \$188,000 and \$252,000 during the years ended December 31, 2017 and 2016, respectively.

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

	As of December 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 41,656	$ 41,779
Cash and cash equivalents	527	785
Restricted cash	1,020	1,148
Other assets	1,221	1,165
Total assets	$ 44,424	$ 44,877
Liabilities and members' equity		
Mortgages and other debt	$ 38,354	$ 38,450
Other liabilities	498	683
Members' equity	5,572	5,744
Total liabilities and members' equity	$ 44,424	$ 44,877

	Year Ended December 31, 2017	Year Ended December 31, 2016
Statements of Operations		
Revenue	$ 6,359	$ 6,645
Operating expenses	2,443	2,494
General and administrative expenses	308	305
Depreciation and amortization expense	1,540	1,512
Interest expense	1,880	1,866
Total expenses	6,171	6,177
Net income	$ 188	$ 468

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 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, the funds 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 107 acres of vacant land near The Outlet Shoppes at Atlanta that the Company is currently developing. The Company previously accounted for its interest in WGI using the equity method of accounting, see additional discussion in Note 3.

On October 11, 2013, the Atlanta JV obtained an \$80.0 million loan from an affiliate of Goldman Sachs (the "Atlanta Loan"). The Atlanta Loan has a term of 10 years and bears interest at 4.9%. Payments are based on a 30-year amortization. The Atlanta Loan is secured by a mortgage on The Outlet Shoppes at Atlanta and had a balance of \$74.7 million and \$76.1 million at December 31, 2017 and 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. The loan balance was \$4.7 million and \$4.8 million at December 31, 2017 and 2016, respectively.

In December of 2013, Horizon Atlanta met the return of investment and internal rate of return criteria stipulated in the joint venture agreement with CBL; therefore, Horizon Atlanta'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 \$401,000 and \$485,000 for the years ended December 31, 2017 and 2016, respectively.

Summary financial information at cost (stated at 100%) of the Atlanta entities as of December 31, 2017 and 2016, and for the years ended December 31, 2017 and 2016 are as follows (in thousands):

	As of December 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 54,940	$ 58,230
Cash and cash equivalents	1,155	911
Restricted cash	669	285
Other assets	5,181	10,348
Total assets	$ 61,945	$ 69,774
Liabilities and members' deficit		
Mortgages and other debt	$ 79,407	$ 80,937
Other liabilities	948	871
Members' deficit	(18,410)	(12,034)
Total liabilities and members' deficit	$ 61,945	$ 69,774

	Year Ended December 31, 2017	Year Ended December 31, 2016
Statements of Operations		
Revenue	$ 14,213	$ 15,048
Operating expenses	3,680	3,501
General and administrative expenses	534	544
Depreciation and amortization expense	4,740	5,591
Interest expense	4,022	4,045
Total expenses	12,976	13,681
Gain on sale of land	-	1,636
Net income	$ 1,237	$ 3,003

Bluegrass Entities

During 2013, the Company entered into a joint venture (the "Louisville JV") with an affiliate of CBL and developed an outlet center in Louisville, Kentucky named The Outlet Shoppes of the Bluegrass. The Company formed a subsidiary entity (Horizon Louisville) to be CBL's partner in the Louisville JV. The Company owns 44.7% of the preferred interests and 34.4% of the common interests in Horizon Louisville, but maintains voting control over Horizon Louisville. The Louisville JV is owned 25% by Horizon Louisville and 75% by CBL. The Company is responsible for the leasing and management of the center. In May of 2013, and again in December of 2014, Horizon Louisville met certain return of investment and internal rate of return criteria stipulated in the joint venture agreement with CBL; therefore, the Company's share of future distributions from the Louisville JV increased from 25% to 50%.

On November 24, 2014, the Louisville JV obtained a $77.5 million loan from JP Morgan (the "Louisville Loan"). The Louisville Loan has a term of 10 years and bears interest at 4.045%. Payments are based on a 30 year amortization. The Louisville Loan is secured by a mortgage on phase I of The Outlet Shoppes of the Bluegrass. The loan balance was $73.2 million and $74.7 million at December 31, 2017 and 2016, respectively.

During 2015, the Louisville JV established the 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%. At December 31, 2017 and 2016, the loan balance was $9.7 million and $10.1 million, respectively.

The Company received management, leasing, and similar fees from the Louisville JV that totaled $479,000 and $373,000 for the years ended December 31, 2017 and 2016, respectively.

Summary financial information at cost (stated at 100%) of the Bluegrass entities as of December 31, 2017 and 2016, and for the years ended December 31, 2017 and 2016, is as follows (in thousands):

	As of December 31, 2017	As of December 31, 2016
Assets		
Real estate - net	$ 66,232	$ 70,386
Cash and cash equivalents	1,814	1,037
Restricted cash	867	830
Other assets	4,884	5,152
Total assets	$ 73,797	$ 77,405
Liabilities and members' deficit		
Mortgages and other debt	$ 82,990	$ 84,837
Other liabilities	1,082	855
Members' deficit	(10,275)	(8,287)
Total liabilities and members' equity	$ 73,797	$ 77,405

	Year Ended December 31, 2017	Year Ended December 31, 2016
Statements of Operations		
Revenue	$ 13,689	$ 14,152
Operating expenses	3,045	2,928
General and administrative expenses	545	555
Depreciation and amortization expense	5,549	5,052
Interest expense	3,576	3,456
Total expenses	12,715	11,991
Gain on sale of land	15	-
Net income	$ 989	$ 2,161

Laredo Entities

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

On May 13, 2016, Laredo JV closed on a construction loan to finance the construction of the center. The loan has a maximum principal balance of $91.3 million, a 36-month term and one 24-month extension option. Interest accrues on the loan at LIBOR plus 2.5% until the development reaches 90% occupancy, at which time the interest rate will drop to LIBOR plus 2.25%. At December 31, 2017, and 2016, the loan balance was $80.1 million and $39.3 million, respectively.

The Company received management, leasing, development and similar fees from the Laredo JV that totaled $1.8 million and $3.7 million for the years ended December 31, 2017 and 2016, respectively.

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

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

	As of December 31, 2017	As of December 31, 2016
Assets		
Real estate, net	$105,425	$ -
Construction in progress	-	72,382
Cash and cash equivalents	1,131	1,852
Restricted cash	294	-
Other assets	3,764	-
Total assets	$110,614	$74,234
Liabilities and members' equity		
Construction loan	$ 80,145	$39,346
Other liabilities	1,911	4,355
Members' equity	28,558	30,533
Total liabilities and members' equity	$110,614	$74,234

	Year Ended December 31, 2017
Statement of Operations	
Revenue	$7,513
Operating expenses	3,286
General and administrative expenses	300
Depreciation and amortization expense	3,481
Interest expense	2,420
Total expense	9,487
Net loss	($1,974)

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, 2017 and 2016, consisted of the following (in thousands):

Current expense:	2017	2016
Federal	$ 277	$ -
State	825	-
Net provision	$1,102	$ -

For federal income tax purposes, HGPI had net operating loss carryforwards ("NOLs") of approximately $63.6 million and $73.6 million at December 31, 2017 and 2016, respectively. The NOLs expire from 2021 to 2033.

Deferred income tax liabilities and assets are determined based on the temporary 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, 2017 and 2016 (in thousands):

Deferred Tax Assets:	**2017**	**2016**
NOL carryforwards – federal and state	$14,606	$27,285
Tax basis of assets in excess of book basis:		
Fixed/intangible assets	64	-
Other	983	18
Book basis of liabilities in excess of tax basis:		
Prepaid rental revenue	34	54
Profits interest	8	12
Gross deferred tax assets	15,695	27,369
Less: valuation allowance	(8,214)	(3,163)
Gross deferred tax assets	7,481	(24,206)
Deferred Tax Liabilities:		
Book basis of assets in excess of tax basis:		
Fixed/intangible assets	-	(2,153)
Investments in and advances to joint ventures	(7,481)	(21,240)
Other	-	(813)
Gross deferred tax liabilities	(7,481)	(24,206)
Net deferred tax asset	$ -	$ -

The valuation allowance related to the net deferred tax assets increased by approximately $5.1 million in 2017, and decreased by approximately $24 million in 2016.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017, which reduced the maximum federal corporate income tax rate from 35% to a flat rate of 21%. This reduced rate resulted in a reduction of the deferred tax assets and liabilities. There was no impact of this re-measurement on the income tax expense recognized in the consolidated statement of operations.

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 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):

2018	$ 6,221
2019	5,225
2020	3,917
2021	2,668
2022	1,497
Thereafter	3,749
	$23,277

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 2017 and 2016 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, 2017, in the amount of $181,000, which are not reflected on the consolidated balance sheet as of December 31, 2017.

The Company also has outstanding commitments for the development of land held by RPI in accordance with a land sale agreement originally dated October 22, 2015. As a requirement of the land sale, the purchaser has required the Company to perform site development on land surrounding the land they purchased. As of December 31, 2017, the Company estimates this obligation of approximately $2.9 million, which is not reflected on the consolidated balance sheet. These expenditures, when incurred, will be included as a component of construction in progress and are expected to be paid during 2018.

Note 9 – Mortgages and Other Debt

	Principal Balance as of:	
	December 31, 2017	December 31, 2016
Mortgage loan to Village Green Associates, LLC, from First Personal Bank with an interest rate of 6.5%, a maturity date of March 1, 2019, 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.	$ 1,967	$ 2,105
Mortgage loan to BFO Factory Shoppes LLC, from Starwood Mortgage Capital, LLC secured by The Outlet Shoppes at Burlington and Oshkosh, and Phases II and III of the Outlet Shoppes at Fremont, with an interest rate of 4.509%. Monthly payments of interest only through March 6, 2017. Starting on April 6, 2017, principal and interest payments of $277,300 are due each month, and a balloon payment is due at maturity on March 6, 2025.	54,053	54,675
Mortgage loan to Huntley Development Limited Partnership, from Heartland Bank and Trust bearing interest at prime plus 1.5% and maturing on July 1, 2019. The loan is secured by approximately 355 acres of vacant land in Huntley, IL and guaranteed by the Company. 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.	5,523	6,973
Term loan to Johnny Rockets Oshkosh, LLC, from Bank First National as of May 23, 2014, for $470,000 bearing interest at 4.25% per annum, guaranteed by the Company and secured by substantially all of the assets of Johnny Rockets Oshkosh, LLC. Subsequent to year-end, this term loan was refinanced through February 2022 under substantially similar terms.	293	350
Unsecured, non-interest bearing, seller financed note to CBL for their 75% interest in WGI. The note is payable when the south parcel of the Holdings land is sold. (see note 4)	1,000	-
Note payable to Brand Bank bearing interest at the monthly LIBOR rate plus 4.5%, and the principal amortized over 10 years. A balloon payment is due on		

June 23, 2019. The note is secured by 80 acres of land in Woodstock, GA. (see note 4)	2,355	-
Working capital loan for the development of an outlet center in Hartford, Connecticut from Mortgage Holdings, LLC, an affiliate of CBL, bearing interest at 7% and with a maturity date of July 13, 2017. The loan is secured by HGP's interest in Horizon Louisville. This loan was paid in full during 2017.	-	300
	65,191	64,403
Debt issuance cost	(713)	(841)
	$64,478	$63,562

Cash interest payments for the years ended December 31, 2017 and 2016, totaled $3.1million and $2.9 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, an entity which owns approximately 400 acres of land in a master planned community in Huntley, Illinois (the "Huntley Project"). The Company assumed this obligation 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 December 31, 2016, the liability of the Skoien Net Profits Interests was $42,000. There was no liability at December 31, 2017

Debt Maturities

Debt maturities and principal payments due subsequent to December 31, 2017, are as follows (in thousands):

Due in:		
2018		$ 2,993
2019		9,775
2020		1,024
2021		1,079
2022		1,061
Thereafter		49,259
	Total	$65,191

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 expects to pay the remaining scheduled principal payments in the normal course of business during 2018.

Note 10 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access
Level 2	Other significant observable inputs including: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally

from or corroborated by observable market data by correlation or other means

Level 3 Inputs are significant and unobservable (including the Company's own assumptions used to determine value)

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Marketable Securities

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

1 month U.S. treasury bills*:* Valued by a pricing service using observable market prices for similar securities, relevant broker quotes, and information about credit spreads.

Investment in joint ventures*:* The Company prepares detailed valuations based on their evaluations of financial and operating data, specific operating developments for the investment, market valuations of comparable properties and transactions, changes in key unobservable inputs, as well as changes in economic and other factors.

The methodology utilized by the Company to estimate fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the report date.

Assets measured at fair value by level, in thousands, within the fair value hierarchy, are comprised of the following at December 31, 2017:

Description	Level 1	Level 2	Level 3
1 Month U.S. Treasury bills	$ -	$ 6,962	$ -
Common Stock	1,674	-	-
Other	676	-	-
Investments in joint ventures	-	-	49,237
Total	$ 2,350	$ 6,962	$ 49,237

Assets measured at fair value by level, in thousands, within the fair value hierarchy, are comprised of the following at December 31, 2016:

Description	Level 1	Level 2	Level 3
Investments in joint ventures	$	$	$ 48,837

Following is a reconciliation of activity, in thousands, for the year ended December 31, 2017, for the fair value of the Company's Level 3 assets:

Balance, beginning of period	$ 48,837
Unrealized gains	2,845
Distributions	(2,445)
Balance, end of period	$ 49,237

Quantitative information about the Company's Level 3 inputs is as follows:

Valuation Technique	Significant Unobservable Input
Income approach	Capitalization rate – 6.74% - 7%

Note 11 - Related Party Transactions

Prior to October 1, 2016, affiliates of Howard Amster, owned the following interests: (1) 5.9% of the preferred and common interests in Horizon El Paso, LLC, (2) 7.88% of the preferred and common interests in Horizon OKC and (3) 43.2% of Horizon El Paso, LLC. Prior to October 1, 2016, Gary Skoien owned the following interests (excluding the Net Profits Interests discussed below): (1) 5.9% of Horizon El Paso, LLC; and (2) 0.95% of Horizon OKC. 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.

At December 31, 2017 and 2016, another affiliate of Howard Amster owned 49% of the interests in the entities that own the outlet centers and related assets in Burlington, WA; Fremont, IN; and Oshkosh, WI.

At December 31, 2017 and 2016 PL Skoien, owns (1) 12.6% of the interests in the entities that own the outlet center and related assets in Gettysburg, PA, (2) 46.4% of Horizon Atlanta, (3) 47.54% of Horizon Louisville and (4) 14.7% of Horizon El Portal, LLC.

Howard Amster is a financial consultant employed with McDonald Partners, LLC. The Company has an investment account with McDonald Partners, LLC.

At December 31, 2017 and 2016, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At December 31, 2016, Andrew Pelmoter, an officer of the Company, owned 4.955% of Horizon OKC. At December 31, 2017 and 2016, Andrew Pelmoter owned 2.12% of Horizon Atlanta, and 4.31% of Horizon Louisville, in addition to the Net Profits Interests discussed below.

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

At December 31, 2016, because of the change in control event discussed in Note 1, the Net Profits Interests were adjusted to fair value and recorded as a component of accounts payable and other accrued expenses on the accompanying balance sheet in the approximate amount of $10.8 million. The Net Profits Interests associated with Horizon Atlanta and Horizon Louisville continue to be adjusted associated with the Company’s fair value election on these investments discussed in Note 1. As of December 31, 2017, the Net Profits Interest liability approximated $7.9 million.

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

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

During 2016, the Company issued 150,000 new common shares of Horizon Group Properties, Inc. to Pleasant Lake – Skoien Investments, LLC pursuant to an option held by Pleasant Lake– Skoien Investments.

During 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.

During May of 2017, the Board issued a compensatory stock grant to Gary Skoien for 20,000 shares of the Company’s stock.

During July of 2017, Gary Skoien obtained 100,000 shares of the Company’s stock pursuant to the exercise of a stock option.

Note 12 – Subsequent Events

During 2018, the Company incurred an additional $1.9 million of expense related to the abandonment of the project in Hartford, CT. (see note 2)