Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the six months ended June 30, 2018 and 2017

Horizon Group Properties, Inc.

Condensed Consolidated Financial Statements

(Unaudited)

Contents

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

	June 30, 2018	December 31, 2017
	(In thousands)	
ASSETS		
Real estate – at cost:		
Land	$ 15,590	$ 15,590
Buildings and improvements	46,106	45,680
Less accumulated depreciation	(6,346)	(4,204)
	55,350	57,066
Construction in progress	5,438	3,848
Land held for investment	22,374	22,526
Total net real estate	83,162	83,440
Investment in and advances to joint ventures	36,122	29,822
Investment in and advances to joint ventures, at fair value	48,360	49,237
Cash and cash equivalents	1,637	4,003
Restricted cash	3,552	7,162
Marketable securities, at fair value	-	9,312
Tenant and other accounts receivable, net	1,019	1,316
Deferred costs (net of accumulated amortization of $89 and $46, respectively)	252	267
Other assets	1,061	927
Total assets	$ 175,165	$ 185,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt	$ 64,014	$ 64,478
Accounts payable and other accrued expenses	12,297	17,764
Prepaid rents and other tenant liabilities	321	304
Total liabilities	76,632	82,546
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, 8,742 and 8,735 shares issued and outstanding)	87	87
Additional paid-in capital	81,699	81,668
Accumulated deficit	(24,756)	(18,291)
Total stockholders' equity attributable to the controlling interest	57,030	63,464
Noncontrolling interests in consolidated subsidiaries	41,503	39,476
Total stockholders' equity	98,533	102,940
Total liabilities and stockholders' equity	$ 175,165	$ 185,486

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended June 30, 2018	Three months ended June 30, 2017
	(In thousands)	
REVENUE		
Base rent	$ 1,914	$ 2,201
Percentage rent	23	48
Expense recoveries	192	203
Restaurant revenue	847	936
Other	944	2,123
Total revenue	3,920	5,511
EXPENSES		
Property operating	710	683
Real estate taxes	359	303
Other operating	228	145
Depreciation and amortization	1,083	969
General and administrative	1,906	1,981
Restaurant operating	951	1,040
Interest	766	755
Total expenses	6,003	5,876
OTHER INCOME AND EXPENSE		
Income (loss) from investment in joint ventures	(491)	66
Gain on sale of real estate	234	-
Loss on abandonment of assets	(452)	-
Total other income and expense	(709)	66
Consolidated net loss	(2,792)	(299)
Less net loss (income) attributable to the noncontrolling interests	736	(96)
Net loss attributable to the Company	$ (2,056)	$ (395)

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Six Months June 30, 2018	Six Months June 30, 2017
	(In thousands)	
REVENUE		
Base rent	$ 3,770	$ 3,979
Percentage rent	65	131
Expense recoveries	450	416
Restaurant revenue	1,534	1,614
Other	1,435	4,263
Total revenue	7,254	10,403
EXPENSES		
Property operating	1,529	1,513
Real estate taxes	657	613
Other operating	390	299
Depreciation and amortization	2,167	1,593
General and administrative	4,138	4,387
Restaurant operating	1,814	1,819
Interest	1,526	1,526
Total expenses	12,221	11,750
OTHER INCOME AND EXPENSE		
Income (loss) from investment in joint ventures	(825)	630
Gain on sale of real estate	217	-
Loss on abandonment of assets	(2,522)	-
Total other income and expense	(3,130)	630
Consolidated net loss	(8,097)	(717)
Less net loss (income) attributable to the noncontrolling interests	1,632	(18)
Net loss attributable to the Company	$ (6,465)	$ (735)

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Stockholders' Equity

Six Months Ended June 30, 2018 and 2017

(unaudited, in thousands)

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2018	$ 87	$ 81,668	$ (18,291)	$ 63,464	$ 39,476	$ 102,940
Net loss	-	-	(6,465)	(6,465)	(1,632)	(8,097)
Stock issued to related parties	-	31	-	31	-	31
Contributions from noncontrolling interests	-	-	-	-	4,453	4,453
Distributions to noncontrolling interests	-	-	-	-	(794)	(794)
Balance, June 30, 2018	$ 87	$ 81,699	$ (24,756)	$ 57,030	$ 41,503	$ 98,533

	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 income (loss)	-	-	(735)	(735)	18	(717)
Stock issued to related parties	-	76	-	76	-	76
Distributions to noncontrolling interests	-	-	-	-	(711)	(711)
Consolidation of Woodstock GA Investments	-	-	-	-	1,931	1,931
Balance, June 30, 2017	$ 86	$ 81,347	$ (735)	$ 80,698	$ 44,655	$ 125,353

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows provided by (used in) operating activities:	*(In thousands)*	
Net loss attributable to the Company	$ (6,465)	$ (735)
Adjustments to reconcile net loss attributable to the Company to net cash provided by (used in) operating activities:		
Operating distributions from joint ventures	1,334	1,162
Net income (loss) attributable to the noncontrolling interests	(1,632)	18
(Income) Loss from investment in joint ventures	825	(630)
Net gain on sale of real estate	(217)	-
Abandonment of future development	2,522	-
Depreciation	2,124	1,568
Amortization	43	25
Interest expense from deferred finance costs	64	-
Changes in assets and liabilities:		
Tenant and other accounts receivable	297	131
Deferred costs and other assets	(399)	3,466
Accounts payable and other accrued liabilities	(5,467)	(2,934)
Prepaid rents and other tenant liabilities	17	(71)
Net cash provided by (used in) operating activities	(6,954)	2,000
Cash flows provided by investing activities:		
Investment in future developments	(2,597)	(833)
Investment in joint ventures	(7,859)	-
Restricted cash	3,610	258
Proceeeds from sale of marketable securities	9,312	-
Proceeeds from sale of real estate	450	-
Distributions from joint ventures, return of capital	589	21,068
Expenditures for buildings and improvements	(2,079)	(1,803)
Net cash provided by investing activities	1,426	18,690
Cash flows provided by (used in) financing activities:		
Distributions to noncontrolling interests	(794)	(711)
Contributions from noncontrolling interests	4,453	-
Principal payments on mortgages and other debt	(528)	(1,290)
Stock issued	31	76
Net cash provided by (used in) financing activities	3,162	(1,925)
Net increase (decrease) in cash and cash equivalents	(2,366)	18,765
Cash and cash equivalents:		
Beginning of year	4,003	7,623
End of year	$ 1,637	$ 26,388

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(In thousands)	
Noncash activity related to the disposal of fully depreciated or amortized assets:		
Building and improvements	$18	
Deferred costs	-	
	$18	

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

See accompanying notes to condensed 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 June 30, 2018 and December 31, 2017, HGPI owned approximately 87% of the partnership interests (the "Common Units") of HGP LP. In general, Common Units are exchangeable for shares of Common Stock on a one-for-one basis (or for an equivalent cash amount at HGPI's election).

The accompanying unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, among other factors, the results for the interim period ended June 30, 2018 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, 2017.

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

Note 2 - Summary of Significant Accounting Policies

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

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

Principles of Consolidation

The condensed consolidated financial statements include the accounts of HGPI and all subsidiaries that HGPI controls, including HGP LP. The Company considers itself to control an entity if it is the majority owner of or has voting control over such entity. All significant intercompany balances and transactions have been eliminated in consolidation. In accordance with GAAP, the Company also consolidates variable interest entities if it is that entity's primary beneficiary.

Pre-Development Costs

The pre-development stage of a project involves certain costs to ascertain the viability of a potential project and to secure the necessary land. Direct costs to acquire the assets are capitalized 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 June 30, 2018, pre-development costs classified as Other Assets and Construction in Progress for projects in Cleveland, OH and Woodstock, GA totaled $330,000 and $5.4 million respectively. At December 31, 2017, predevelopment costs classified as Other Assets and Construction in Progress for projects in Cleveland, OH and Woodstock, GA totaled $181,000 and $3.8 million, respectively.

During March of 2018, the Company decided to cease development of projects in Hartford, CT, and Malaysia. The Company recognized a loss on abandonment of $2.5 million for the six months ended June 30, 2018. The Company also recognized a loss on abandonment of $14.8 million during 2017.

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. Rents that represent basic occupancy costs, including fixed amounts and amounts computed as a function of sales, are classified as base rent. Amounts which may become payable in addition to base rent and which are computed as a function of sales in excess of certain thresholds are classified as percentage rents and are accrued after the reported tenant sales exceed the applicable thresholds. Expense recoveries based on common area maintenance expenses and certain other expenses are accrued in the period in which the related expense is incurred.

Other Revenue

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

Income Taxes

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

As of June 30, 2018 and December 31, 2017 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 June 30, 2018 and 2017, the Company did not incur any interest or penalties.

Investments in Joint Ventures

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

The Company elected the fair value option for its investment in 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.

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. There were no marketable securities as of June 30, 2018. 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. The cost of securities sold is based on the specific identification method. Proceeds from sales of available-for-sale securities for the six months ended June 30, 2018 were approximately $9.3 million. There was no sales activity for the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017 unrealized gains and losses were immaterial.

Subsequent Events

The Company has evaluated subsequent events through August 17, 2018, the date the condensed consolidated financial statements were available to be issued.

Note 3 - Investment in Real Estate and Restaurants

The following table contains information on the operating properties, restaurants, and land held for investment owned by the Company and for which the Company consolidates the results of operations and the assets and liabilities as of June 30, 2018.

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	$ 9,210	51.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,932	7,435	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	29,744	51.0%
Village Green Center	Huntley, IL	Retail	22,204	3,346	100.0%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	213	100.0%
Johnny Rockets	Woodstock, GA	Restaurant	N/A	282	100.0%
Johnny Rockets	Louisville, KY	Restaurant	N/A	435	100.0%
Johnny Rockets	Laredo, TX	Restaurant	N/A	597	100.0%
Ridgewalk	Woodstock, GA	Development	N/A	4,016	100.0%
Corporate Assets	Chicago, IL	Various	N/A	72	100.0%
	Total		696,308	$55,350	

			Acres		
Land held for Investment	Fruitport, MI	Land	6	$ 156	100.0%
Laredo Phase II Land	Laredo, TX	Land	2	2,000	60.8%
Ridgewalk Land	Woodstock, GA	Land	107	43	51.0%
Land Held for Investment	Huntley, IL	Land	355	20,175	100.0%
	Total		470	$ 22,374	

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 June 30, 2018. 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 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 June 30, 2018 and December 31, 2017 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 principal balance at June 30, 2018 and December 31, 2017 was $60.6 million and $61.3 million, respectively. (see Note 8)

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 at both June 30, 2018 and December 31, 2017.

The Company received management, leasing and similar fees from El Paso Center that totaled $210,000 and $242,000 during the three months ended June 30, 2017 and 2016, respectively, and $583,000 and $439,000 during the six months ended June 30, 2017 and 2016, respectively.

Summary financial information (stated at 100%) for the entities that own the El Paso Center, the Outparcels and the Expansion Land as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 are as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Assets		
Real estate - net	$ 91,751	$ 93,154
Cash and cash equivalents	659	770
Restricted cash	135	3,239
Other assets	1,899	1,311
Total assets	$ 94,444	$ 98,474
Liabilities and members' equity		
Mortgages and other debt	$ 67,165	$ 67,865
Other liabilities	2,308	3,166
Members' equity	24,971	27,443
Total liabilities and members' equity	$ 94,444	$ 98,474

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statements of Operations				
Revenue	$ 3,587	$ 3,739	$ 7,334	$ 7,760
Operating expenses	1,481	599	2,901	2,201
General and administrative expenses	226	260	435	512
Depreciation and amortization expense	1,000	1,129	1,990	2,188
Interest expense	1,186	1,379	2,362	2,637
Total expenses	3,893	3,367	7,688	7,538
Net income (loss)	$ (306)	$ 372	$ (354)	$ 222

<u>*Oklahoma City Entities*</u>

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%.

The Company received development, leasing, management and similar fees from the OKC Joint Venture that totaled $974,000 for the period through April 28, 2017.

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

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Statements of Operations		
Revenue	$ (686)	$ 2,577
Operating expenses	(92)	773
General and administrative expenses	47	172
Depreciation and amortization expense	240	1,048
Interest expense	315	1,182
Total expenses	510	3,175
Net loss	$ (1,197)	$ (598)

<u>*Gettysburg Entities*</u>

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 $38.0 and $38.3 million at June 30, 2018 and December 31, 2017, 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 Gettysburg entities that totaled $79,000 and $44,000 during the three months ended June 30, 2018 and 2017, respectively, and $135,000 and $95,000 during the six months ended June 30, 2018 and 2017, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 is as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Assets		
Real estate - net	$ 41,386	$ 41,656
Cash and cash equivalents	364	527
Restricted cash	765	1,020
Other assets	1,362	1,221
Total assets	$ 43,877	$ 44,424
Liabilities and members' equity		
Mortgages and other debt	$ 38,061	$ 38,354
Other liabilities	666	498
Members' equity	5,150	5,572
Total liabilities and members' equity	$ 43,877	$ 44,424

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statements of Operations				
Revenue	$ 1,499	$ 1,536	$ 3,039	$ 3,200
Operating expenses	579	579	1,228	1,272
General and administrative expenses	72	69	145	141
Depreciation and amortization expense	380	376	751	753
Interest expense	455	468	922	937
Total expenses	1,486	1,492	3,046	3,103
Net income (loss)	$ 13	$ 44	$ (7)	$ 97

Atlanta Entities

On May 11, 2012, the Company entered into a joint venture (the “Atlanta JV”) with an affiliate of CBL and began the development of an outlet center in Woodstock, Georgia to be named The Outlet Shoppes at Atlanta. The Company formed a subsidiary entity, Horizon Atlanta Outlet Shoppes, LLC (Horizon Atlanta) to be CBL’s partner in Atlanta JV. The Company owns 48.3% of the preferred interests and 44.3% of the common interests in Horizon Atlanta, but maintains voting control over Horizon Atlanta. The Atlanta JV is owned 25% by Horizon Atlanta and 75% by CBL. The Company and CBL are co-developers of the project; the Company is responsible for the leasing and management of the center.

The Atlanta JV purchased approximately 50 acres of land for the project from Ridgewalk Holding, LLC ("Holding"). Ridgewalk Property Investments, LLC ("RPI") is the managing member of Holding. The Company and an affiliate of CBL own 25% and 75%, respectively, of Woodstock GA Investments (WGI). WGI lent RPI $6.0 million, which was contributed to Holding and, together with the proceeds from the sale of the parcel to Atlanta JV, were used to retire a loan secured by the land owned by Holding. In connection with its loan to RPI, WGI acquired an equity interest in RPI that is entitled to 30% of the economic interest in Holding. After the sale of the parcel to Atlanta JV, Holding owns approximately 123 acres of vacant land near The Outlet Shoppes at Atlanta.

On October 11, 2013, the Atlanta JV obtained an $80.0 million loan from an affiliate of Goldman Sachs (the "Atlanta Loan"). The proceeds from the Atlanta Loan were used to repay the construction loan. The Atlanta Loan has a term of 10 years and bears interest at 4.9%. Payments are based on a 30 year amortization. The Atlanta Loan is secured by a mortgage on The Outlet Shoppes at Atlanta. The loan balance was $74.0 million and $74.7 million at June 30, 2018 and December 31, 2017 respectively.

On May 13, 2015 the Atlanta JV closed on a $6,200,000 construction loan for Atlanta Outlet Shoppes Phase II. The loan carries an initial interest rate of LIBOR plus 2.5%, and matures on December 19, 2019. This loan was cross-defaulted and cross-collateralized with the Outparcel 5 loan which closed on December 19, 2014. Proceeds will be used to construct Atlanta Outlet Shoppes Phase II. The loan balance was $4.6 million and $4.7 million at June 30, 2018 and December 31, 2017, respectively.

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

The Company received management, leasing and similar fees from the Atlanta JV that totaled $172,000 and $112,000 during the three months ended June 30, 2018 and 2017, respectively, and $303,000 and $199,000 during the six months ended June 30, 2018 and 2017, respectively.

Summary financial information (stated at 100%) of the Atlanta JV and Woodstock GA Investments as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 is as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Assets		
Real estate - net	$ 53,144	$ 54,940
Cash and cash equivalents	237	1,155
Restricted cash	1,218	669
Other assets	4,123	5,181
Total assets	$ 58,722	$ 61,945
Liabilities and members' deficit		
Mortgages and other debt	$ 78,617	$ 79,407
Other liabilities	757	948
Members' deficit	(20,652)	(18,410)
Total liabilities and members' deficit	$ 58,722	$ 61,945

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statements of Operations				
Revenue	$ 3,416	$ 3,567	$ 7,013	$ 7,081
Operating expenses	767	844	1,637	1,681
General and administrative expenses	129	131	264	270
Depreciation and amortization expense	1,150	1,343	2,304	2,470
Interest expense	995	1,033	1,991	2,025
Total expenses	3,041	3,351	6,196	6,446
Net income	$ 375	$ 216	$ 817	$ 635

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 with a 10 year term, interest at 4.045% and due in July 2020. Payments are based on a 30-year amortization, and the loan is secured by a mortgage on phase I of The Outlet Shoppes of the Bluegrass. The loan balance was $72.9 million and $73.2 million at June 30, 2018 and December 31, 2017, 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 of60 months and an interest rate of LIBOR plus 2.35%. The loan balance was $9.6 million and $9.7 million, at June 30, 2018 and December 31, 2017, respectively.

The Company received management, leasing and similar fees from the Louisville JV that totaled $149,000 and $164,000 during the three months ended June 30, 2018 and 2017, respectively, and $253,000 and $250,000 during the six months ended June 30, 2018 and 2017, respectively.

Summary financial information (stated at 100%) of the Louisville JV as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 is as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Assets		
Real estate - net	$ 64,394	$ 66,232
Cash and cash equivalents	1,556	1,814
Restricted cash	1,813	867
Other assets	4,896	4,884
Total assets	$ 72,659	$ 73,797
Liabilities and members' deficit		
Mortgages and other debt	$ 82,113	$ 82,990
Other liabilities	1,097	1,082
Members' deficit	(10,551)	(10,275)
Total liabilities and members' deficit	$ 72,659	$ 73,797

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	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statements of Operations				
Revenue	$ 3,466	$ 3,412	$ 7,105	$ 6,726
Operating expenses	784	717	1,547	1,376
General and administrative expenses	141	134	286	261
Depreciation and amortization expense	1,293	1,766	2,580	3,031
Interest expense	894	939	1,781	1,803
Total expenses	3,112	3,556	6,194	6,471
Loss on sale of land	-	15	-	15
Net income (loss)	$ 354	$ (129)	$ 911	$ 270

Laredo Outlet Shoppes

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 shopping 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%. The loan balance was $60.0 million and $80.1 million, at June 30, 2018 and December 31, 2017 respectively.

On May 31, 2018, the Company and its partner, CBL, made a $22.4 million principal payment on the construction loan for the Outlet Shoppes at Laredo. The Company's share of the payment was $7.9 million.

The Company received management, leasing, development and similar fees from the Laredo JV that totaled $49,000 and $200,000 for the three months ended June 30, 2018 and 2017, respectively, and $102,000 and $1.7 million for the six months ended June 30, 2018 and 2017, respectively.

Summary financial information (stated at 100%) of the Laredo JV as of June 30, 2018 is as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Assets		
Real estate - net	$ 104,389	$ 105,425
Cash and cash equivalents	980	1,131
Restricted cash	421	294
Other assets	3,723	3,764
Total assets	$ 109,513	$ 110,614
Liabilities and members' equity		
Mortgages and other debt	$ 60,000	$ 80,145
Other liabilities	2,185	1,911
Members' equity	47,328	28,558
Total liabilities and members' equity	$ 109,513	$ 110,614

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Statements of Operations				
Revenue	$ 2,181	$ 2,487	$ 4,411	$ 2,647
Operating expenses	1,224	1,176	2,454	1,176
General and administrative expenses	115	-	2,546	988
Depreciation and amortization expense	1,316	955	191	-
Interest expense	1,673	638	2,903	725
Total expenses	4,328	2,769	8,094	2,889
Net loss	$ (2,147)	$ (282)	$ (3,683)	$ (242)

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 June 30, 2018 in the amount of $985,000 and $727,000, respectively, which are not reflected on the condensed consolidated balance sheet as of June 30,

2018. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2018 and 2019, and are anticipated to be funded from capital improvement escrows, construction financing, equity contributions and additional borrowings.

Note 6 – Mortgages and Other Debt

Total secured indebtedness was $64.0 million and $64.5 million at June 30, 2018 and December 31, 2017, respectively. Cash paid for interest for the six months ended June 30, 2018 and 2017 $1.4 million and $1.5 million, respectively.

The Company's ability to secure new loans is limited by the fact that most of the Company's real estate assets are currently pledged as collateral for its current loans. The Company will pay the scheduled principal amortization in the normal course of business during 2018.

Note 7 - 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 June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At June 30, 2018 and December 31, 2017, 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.

Net Profits Interests are recorded as a component of accounts payable and other accrued expenses on the accompanying balance sheet. The Net Profits Interests associated with Horizon Atlanta and Horizon Louisville continue to be adjusted associated with the Company's fair value election on these investments discussed in Note 1. As of June 30, 2018 and 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 2018 and 2017 related to these shares is immaterial.

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 8 – Subsequent Event

On July 10, 2018, El Paso Outlet Center reached an agreement to refinance the debt on phases I and II of the Outlet Shoppes at El Paso. The agreement is with Deutsche Bank, with a ten year term and for an amount up to $75 million.