

Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the nine months ended September 30, 2023 and 2022

Horizon Group Properties, Inc.
Condensed Consolidated Financial Statements
(Unaudited)

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	<i>(In thousands)</i>	
ASSETS		
Real estate		
Land	\$ 565	\$ 565
Buildings and improvements	3,172	3,172
Less accumulated depreciation	<u>(1,243)</u>	<u>(1,121)</u>
	2,494	2,616
Construction in progress	3	3
Land held for investment	<u>24,183</u>	<u>24,016</u>
Total net real estate	26,680	26,635
Investment in and advances to joint ventures	18,515	19,014
Investment in and advances to joint ventures, at fair value	48,188	48,188
Cash and cash equivalents	4,844	6,219
Restricted cash	620	152
Tenant and other accounts receivable, net	315	667
Deferred costs, (net of accumulated amortization of \$79 and \$58, respectively)	98	92
Other assets	1,266	1,357
Total assets	<u>\$ 100,526</u>	<u>\$ 102,324</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage and other debt (net of unamortized debt issuance costs of \$40 and \$85, respectively)	\$ 2,024	\$ 2,219
Accounts payable and other accrued expenses	9,106	10,284
Prepaid rents and other tenant liabilities	<u>138</u>	<u>141</u>
Total liabilities	11,268	12,644
Commitments and contingencies		
Stockholders' equity:		
Common stock (\$.01 par value, 50,000 shares authorized, 9,799 and 8,742 shares issued and outstanding, respectively)	98	98
Preferred stock (\$.01 par value, 50,000 shares authorized, 2 and 0 shares issued and outstanding, respectively)	-	-
Additional paid-in capital	114,100	113,043
Accumulated deficit	<u>(41,978)</u>	<u>(40,555)</u>
Total stockholders' equity attributable to the controlling interest	72,220	72,586
Noncontrolling interests in consolidated subsidiaries	17,038	17,094
Total stockholders' equity	89,258	89,680
Total liabilities and stockholders' equity	<u>\$ 100,526</u>	<u>\$ 102,324</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
	<i>(In thousands)</i>	
REVENUE		
Base rent	\$ 127	\$ 127
Expense recoveries	31	23
Management, development, and leasing fees	986	541
Other	41	4
Total revenue	<u>1,185</u>	<u>695</u>
EXPENSES		
Property operating	111	104
Real estate taxes	23	26
Other operating	13	6
Depreciation and amortization	48	41
General and administrative	1,249	1,221
Interest	34	36
Total expenses	<u>1,478</u>	<u>1,434</u>
OTHER INCOME AND EXPENSE		
Income from investment in joint ventures	1,315	535
Loss on sale of real estate	-	(10)
Gain on extinguishment of debt	-	-
Total other income and expense	<u>1,315</u>	<u>525</u>
Consolidated net income (loss)	1,022	(214)
Less net income attributed to the noncontrolling interests	<u>(87)</u>	<u>(430)</u>
Net income (loss) attributable to the Company	<u>\$ 935</u>	<u>\$ (644)</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	<i>(In thousands)</i>	
REVENUE		
Base rent	\$ 383	\$ 321
Expense recoveries	89	69
Management, development, and leasing fees	2,751	1,915
Other	159	21
Total revenue	<u>3,382</u>	<u>2,326</u>
EXPENSES		
Property operating	398	415
Real estate taxes	70	69
Other operating	10	6
Depreciation and amortization	141	146
General and administrative	4,061	3,790
Interest	102	225
Total expenses	<u>4,782</u>	<u>4,651</u>
OTHER INCOME AND EXPENSE		
Income from investment in joint ventures	1,646	584
Gain on sale of real estate	-	4,242
Total other income and expense	<u>1,646</u>	<u>4,826</u>
Consolidated net income	246	2,501
Less net loss (income) attributable to the noncontrolling interests	97	(1,355)
Net income attributable to the Company	<u>\$ 343</u>	<u>\$ 1,146</u>

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.
Condensed Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2023 and 2022
(unaudited, in thousands)

	Common and Preferred Stock	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, 2023	\$ 98	\$ 113,043	\$ (40,555)	\$ 72,586	\$ 17,094	\$ 89,680
Net income (loss)	-	-	343	343	(97)	246
Contribution	-	1,057	-	1,057	-	1,057
Dividends	-	-	(1,766)	(1,766)	-	(1,766)
Contributions from noncontrolling interests	-	-	-	-	136	136
Distributions to noncontrolling interests	-	-	-	-	(95)	(95)
Balance, September 30, 2023	<u>\$ 98</u>	<u>\$ 114,100</u>	<u>\$ (41,978)</u>	<u>\$ 72,220</u>	<u>\$ 17,038</u>	<u>\$ 89,258</u>

	Common and Preferred Stock	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, 2022	\$ 98	\$ 79,295	\$ (46,377)	\$ 33,016	\$ 37,032	\$ 70,048
Net income (loss)	-	-	1,146	1,146	1,355	2,501
Distributions to noncontrolling interests	-	-	-	-	(833)	(833)
Balance, September 30, 2022	<u>\$ 98</u>	<u>\$ 79,295</u>	<u>\$ (45,231)</u>	<u>\$ 34,162</u>	<u>\$ 37,554</u>	<u>\$ 71,716</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows provided by operating activities:	<i>(In thousands)</i>	
Net income	\$ 246	\$ 2,501
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Operating distributions from joint ventures	1,878	2,332
Income from investment in joint ventures	(1,646)	(584)
Gain from sale of real estate	-	(4,242)
Depreciation	122	127
Amortization	21	11
Interest expense from deferred finance costs	45	81
Changes in assets and liabilities:		
Tenant and other accounts receivable, net	352	671
Deferred costs, net, and other assets	63	(510)
Accounts payable and other accrued expenses	(181)	62
Prepaid rents and other tenant liabilities	(3)	(33)
Net cash provided by operating activities	<u>897</u>	<u>416</u>
Cash flows provided by investing activities:		
Investment in future developments	1	-
Proceeds from sale of marketable securities	2,978	-
Purchase of marketable securities	(2,978)	-
Net proceeds from sale of real estate	-	9,035
Distributions from joint ventures, return of capital	2,445	664
Contributions to joint ventures	(2,178)	(141)
Expenditures for real estate	(167)	(878)
Net cash provided by investing activities	<u>101</u>	<u>8,680</u>
Cash flows used in financing activities:		
Distributions to noncontrolling interests	(95)	(833)
Contributions from noncontrolling interests	136	-
Contributions	1,057	-
Dividends	(2,763)	-
Principal payments on mortgages and other debt	(240)	(6,119)
Net cash used in financing activities	<u>(1,905)</u>	<u>(6,952)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(907)	2,144
Cash, cash equivalents, and restricted cash:		
Beginning of year	6,371	1,725
End of year	<u>\$ 5,464</u>	<u>\$ 3,869</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	<i>(In thousands)</i>	
Reconciliation from consolidated statements of cash flows to consolidated balance sheets:		
Cash and cash equivalents	\$ 4,844	\$ 3,740
Restricted cash	620	129
Cash, cash equivalents, and restricted cash, End of year	\$ 5,464	\$ 3,869

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2023 and 2022
(*unaudited*)

Note 1 – Organization and Basis of Presentation

Horizon Group Properties, Inc. (“HGPI” or, together with its subsidiaries “HGP” or the “Company”) is a Maryland corporation that was established on June 15, 1998. The operations of the Company are conducted primarily through a subsidiary limited partnership, Horizon Group Properties, L.P. (“HGP LP”) of which HGPI is the sole general partner. As of September 30, 2023 and December 31, 2022, 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 September 30, 2023 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, 2022.

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.

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.

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

HORIZON GROUP PROPERTIES, INC.
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Nine Months Ended September 30, 2023 and 2022
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previously capitalized are expensed when the project is abandoned or these costs are determined to be non-recoverable.

At September 30, 2023 and December 31, 2022, predevelopment costs classified as Other Assets included projects totaling \$23,000 and \$20,000, respectively.

Revenue Recognition

Revenue from Leasing Arrangements

The Company's revenues primarily result from revenue from leasing arrangements. Effective January 1, 2022, the Company adopted the accounting guidance under the Accounting Standards Codification [ASC] 842, Leases, which did not have a material effect on the financial statements related to lessor accounting. Leases with tenants are accounted for as operating leases. Lease revenues included minimum rent, percentage rent, other rents and reimbursements from tenants for real estate taxes, insurance, CAM and other operating expenses as provided in these lease agreements. 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.

Management, Development and Leasing Fees

The Company earns revenue from contracts with third parties and unconsolidated affiliates for property management, leasing, development and other services. These contracts are accounted for on a month-to-month basis. Management fees are charged as a percentage of revenues and recognized as revenue over time as services are provided. Leasing fees are charged for newly executed leases and lease renewals and are recognized as revenue upon lease execution, when the performance obligation is completed. Development fees are set as a fixed rate in a separate agreement.

Development and leasing fees received from an unconsolidated affiliate are recognized as revenue only to the extent of the third-party partner's ownership interest. The Company's share of such fees are recorded as a reduction to the Company's investment in the unconsolidated affiliate. Fees received from consolidated joint ventures are eliminated in consolidation.

Income Taxes

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

As of September 30, 2023 and December 31, 2022, and for the periods then ended, the Company did not have a net liability for any unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest or general and administrative expense in the statement of operations. For the periods ended September 30, 2023 and 2022, 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.

HORIZON GROUP PROPERTIES, INC.
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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 Horizon Atlanta and Horizon Louisville. Due to the nature of these investments, 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.

Subsequent Events

The Company has evaluated subsequent events through December 10, 2023, the date the condensed consolidated financial statements were available to be issued.

Note 3 – Investment in Real Estate

The following table contains information on the operating properties and land held for investment owned by the Company and for which the Company consolidates the results of operations and the assets and liabilities as of September 30, 2023.

<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Gross Leasable Area (Sq. Ft.)</u>	<u>Net Carrying Value (in thousands)</u>	<u>Ownership Percentage</u>
Village Green Center	Huntley, IL	Retail	22,204	2,486	100.0%
Corporate Assets	Chicago, IL	Various	N/A	8	100.0%
	Total		<u>22,204</u>	<u>\$2,494</u>	
			<u>Acres</u>		
Land held for Investment	Fruitport, MI	Land	6	\$ 156	100.0%
Laredo Phase II Land	Laredo, TX	Land	2	900	60.8%
Ridgewalk Land	Woodstock, GA	Land	81	6,225	100.0%
Land Held for Investment	Huntley, IL	Land	<u>327</u>	<u>16,902</u>	100.0%
	Total		<u>416</u>	<u>\$ 24,183</u>	

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.

HORIZON GROUP PROPERTIES, INC.
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Note 4 - Investment in Joint Ventures

The following table contains information and the effective ownership percentage attributable to the Company for the joint venture outlet centers in operation or development as of September 30, 2023. In addition, the joint ventures' own out parcels and other land for development.

<u>Property Name</u>	<u>Location</u>	<u>Property Type</u>	<u>Leasable Area (Sq. Ft.)</u>	<u>Ownership Percentage</u>
The Outlet Shoppes at El Paso	El Paso, TX	Outlet Retail	433,045	49.41%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	48.90%
The Outlet Shoppes at Atlanta	Woodstock, GA	Outlet Retail	413,969	48.52%
The Outlet Shoppes of the Bluegrass	Louisville, KY	Outlet Retail	428,060	47.79%
The Outlet Shoppes at Laredo	Laredo, TX	Outlet Retail	<u>357,866</u>	33.29%
Total			<u>1,882,877</u>	

El Paso Entities

During 2012, the Company sold a portion of its interest in El Paso Outlet Holdings, LLC ("El Paso Holding") to an affiliate of CBL & Associates Properties, Inc. ("CBL") for the outlet shopping mall in El Paso, Texas. El Paso Holding owns an entity that owns the outlet shopping center in El Paso, TX ("the El Paso Center"). During 2014, additional retail space owned by El Paso Outlet Center II Expansion, LLC, was developed at the El Paso Center. El Paso Outlet Center II Expansion is 100% owned by El Paso Outlet Center II, LLC ("El Paso II"). At September 30, 2023 and December 31, 2022, El Paso Holding was owned 50% by CBL, 25% by Horizon El Paso, LLC ("Horizon El Paso"), 25% by the Company.

On September 10, 2018, El Paso Holdings and El Paso II refinanced existing debt from Phase I and Phase II of the shopping center with Deutsche Bank in the amount of \$75 million. In conjunction with the refinance, El Paso Holdings and El Paso II contributed its interest in Phase I and Phase II to El Paso Outlet Center CMBS, LLC ("El Paso CMBS"). El Paso CMBS is owned by an entity that is owned by El Paso Holdings. Phase I and Phase II of the shopping center secures the loan. The annual interest rate is 5.103%. Payments are \$407,350 per month, based on a 30-year amortization. The loan matures on October 6, 2028. The principal balance at September 30, 2023 and December 31, 2022, was \$69.1 million and \$70.1 million, respectively. On November 2, 2020, an affiliate of CBL, the guarantor entity of the loan, filed Chapter 11 bankruptcy, which was a technical event of default under the loan agreement. CBL emerged from bankruptcy on November 1, 2021. CBL, the Company and the lender executed a limited default waiver agreement on December 23, 2021, pursuant to which the lender waived the default caused by CBL's bankruptcy.

El Paso Outlet Outparcels, LLC owns several outparcels (the "Outparcels"). At September 30, 2023 and December 31, 2022, Outparcels was owned 50% by Horizon El Paso, 33.3333% by CBL, 11.75% by Pleasant Lake Apts., LP ("PLA"), an entity owned by Howard Amster, majority shareholder and director of the Company, and 4.9167% by Pleasant Lake Skoien Investments, LLC ("PL Skoien"), an entity owned by Howard Amster and Gary Skoien, the Chairman of the Board, Chief Executive Officer ("CEO"), President, and a shareholder of the Company.

El Paso Outlet Outparcels II, LLC, formed in 2019, owns ancillary land adjacent to the shopping center (the "Outparcels II"). At September 30, 2023 and December 31, 2022, Outparcels II was owned 50% by CBL and 50% by Horizon El Paso.

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

At September 30, 2023 and December 31, 2022, the Company owned 97.4% of the preferred interests and 92.8% of the common interest in Horizon El Paso, respectively.

The Company received management, leasing and similar fees from El Paso Center that totaled \$262,000 and \$179,000 during the three months ended September 30, 2023 and 2022, respectively, and \$1.0 million and \$629,000 during the nine months ended September 30, 2023 and 2022, respectively.

Summary financial information (stated at 100%) for the El Paso entities as of September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022, are as follows (in thousands):

	As of September 30, 2023	As of December 31, 2022
Assets		
Real estate - net	\$ 72,561	\$ 74,747
Cash and cash equivalents	1,248	826
Restricted cash	3,155	2,036
Other assets	1,888	2,256
Total assets	<u>\$ 78,852</u>	<u>\$ 79,865</u>
Liabilities and members' equity		
Mortgages and other debt	\$ 69,085	\$ 70,086
Other liabilities	2,849	1,325
Members' equity	6,918	8,454
Total liabilities and members' equity	<u>\$ 78,852</u>	<u>\$ 79,865</u>

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Statements of Operations				
Revenue	<u>\$ 4,479</u>	<u>\$ 4,224</u>	<u>\$ 12,749</u>	<u>\$ 11,769</u>
Operating expenses	1,511	1,687	3,407	4,333
General and administrative expenses	338	280	938	762
Depreciation and amortization	941	921	2,782	2,816
Interest expense	906	924	2,727	2,778
Total expenses	<u>3,696</u>	<u>3,812</u>	<u>9,854</u>	<u>10,689</u>
Loss on sale of assets	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>-</u>
Net income	<u>\$ 783</u>	<u>\$ 412</u>	<u>\$ 2,863</u>	<u>\$ 1,080</u>

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
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Gettysburg Entities

During 2012, an entity owned by an affiliate of CBL and an affiliate of Howard Amster and Gary Skoien converted a mezzanine loan into equity ownership in Gettysburg Outlet Center Holding, LLC and Gettysburg Outlet Center LLC (the “Gettysburg entities”) At September 30, 2023 and December 31, 2022, the Gettysburg entities are owned 50% by CBL, 48.9% by the Company, and 1.1% by other entities. Gettysburg Outlet Center Holding, LLC, owns Gettysburg Outlet Center, LP, which owns the shopping center. Gettysburg Outlet Center LLC owns vacant land around the shopping center. The members of the Gettysburg entities accrue a 10% preferred return on capital invested.

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 \$20.7 and \$21.0 million at September 30, 2023 and December 31 2022, respectively. On November 2, 2020, an affiliate of CBL, one of the guarantors of the loan, filed Chapter 11 bankruptcy, which was a technical event of default under the loan agreement. The Company is also a guarantor of the loan. CBL emerged from bankruptcy on November 1, 2021. CBL, the Company, and the lender executed a settlement, consent, and loan modification agreement October 12, 2022. The agreement gave the lender a \$20.0 million proof of claim in CBL’s bankruptcy case and reduced the outstanding principal balance of the loan to \$21.0 million. The agreement also cured the event of default and restored the non-recourse status of the loan. Because of the event of default, default interest was accrued but not paid since the date of the bankruptcy filing but not required to be paid as a condition of the modification agreement. Accrued default interest was reversed and an offset to interest expense in 2022.

Since 2020, the property failed to meet the Debt Service Coverage Ratio which triggers a Sweep Event Period. The Lender has provided notice of the commencement of a Sweep Event Period. During a Sweep Event Period, the borrower is required to establish a Clearing Account under the control of the Lender.

The Company earned management, leasing and similar fees from Gettysburg entities that totaled \$14,000 and \$0 during the three months ended September 30, 2023 and 2022, respectively, and \$105,000 and \$16,000 during the nine months ended September 30, 2023 and 2022, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022, is as follows (in thousands):

	As of September 30, 2023	As of December 31, 2022
Assets		
Real estate - net	\$ 10,796	\$ 11,315
Cash and cash equivalents	28	33
Restricted cash	1,250	1,840
Other assets	2,452	3,537
Total assets	<u>\$ 14,526</u>	<u>\$ 16,725</u>
Liabilities and members' deficit		
Mortgages and other debt	\$ 20,729	\$ 20,974
Other liabilities	2,816	2,828
Members' deficit	(9,019)	(7,077)
Total liabilities and members' equity	<u>\$ 14,526</u>	<u>\$ 16,725</u>

HORIZON GROUP PROPERTIES, INC.
Notes to Condensed Consolidated Financial Statements
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(unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Statements of Operations				
Revenue	\$ 957	\$ 812	\$ 2,323	\$ 2,107
Operating expenses	597	701	1,777	2,221
General and administrative expenses	65	96	234	227
Depreciation and amortization expense	287	377	979	1,128
Interest expense	257	885	772	2,644
Total expenses	1,206	2,059	3,762	6,220
Net loss	\$ (249)	\$ (1,247)	\$ (1,439)	\$ (4,113)

Atlanta Entities

During 2012, the Company entered into a joint venture (the “Atlanta JV”) with an affiliate of CBL to develop The Outlet Shoppes at Atlanta in Woodstock, Georgia. At September 30, 2023 and December 31, 2022, the Atlanta JV was owned 50% by CBL, 35% by Horizon Atlanta Outlet Shoppes, LLC (“Horizon Atlanta”), and 15% by the Company. At September 30, 2023 and December 31, 2022, the Company owns 94.1% of the preferred interests and 90.1% of the common interests in Horizon Atlanta, but maintains voting control over Horizon Atlanta. The Company is responsible for the leasing and management of the center.

On October 11, 2013, the Atlanta JV obtained an \$80.0 million loan from an affiliate of Goldman Sachs (the “Atlanta Loan”). The 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 \$65.2 million and \$66.6 million at September 30, 2023 and December 31, 2022, 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 matured on February 28, 2020, extended from December 19, 2019. On February 6, 2020, this loan was refinanced with the proceeds of a \$4,680,000 loan from Cadence Bank, N.A. The loan carries an interest rate of LIBOR plus 2.5%, payments based on a 25-year amortization and matures on November 5, 2023. On April 6, 2020, the loan was amended in response to the COVID-19 outbreak to include a deferred payment period including principal and interest from April 10, 2020 through June 10, 2020, with deferred interest amounts added to the outstanding principal balance of the loan and due at maturity. The loan balance was \$4.3 million and \$4.4 million at September 30, 2023 and December 31, 2022, respectively.

Subsequent to September 30, 2023, the Atlanta JV obtained a \$79.3 million loan from Barclays Capital and Goldman Sachs (“The Atlanta Refinance”). The Atlanta Refinance paid off both the Goldman Sachs and Cadence Bank loans. The Atlanta Refinance has a term of 10 years and bears interest at 7.85%. Payments are interest only.

On November 2, 2020, an affiliate of CBL, the guarantor entity of the loans, filed Chapter 11 bankruptcy, which was a technical default under the loan agreements. CBL emerged from bankruptcy on November 1, 2021. CBL, the Company and the servicer for the Deutsche Bank loan executed a forbearance and loan modification agreement on February 15, 2022, pursuant to which the default was waived. Because of the event of default, default interest was accrued but not paid since the date of the bankruptcy filing but not required to be paid as a condition of the modification agreement. Accrued default interest was reversed and an offset to interest expense in 2022.

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The Company received development, management, leasing, and similar fees from Atlanta JV that totaled \$456,000 and \$91,000 for the three months ended September 30, 2023 and 2022, respectively, and \$813,000 and \$449,000 for the nine months ended September 30, 2023 and 2022, respectively

Summary financial information (stated at 100%) of the Atlanta entities as of September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022, is as follows (in thousands):

	As of September 30, 2023	As of December 31, 2022
Assets		
Real estate - net	\$ 40,430	\$ 40,627
Cash and cash equivalents	1,024	1,796
Restricted cash	1,275	1,121
Other assets	1,924	2,322
Total assets	<u>\$ 44,653</u>	<u>\$ 45,866</u>
Liabilities and members' deficit		
Mortgages and other debt	\$ 69,531	\$ 70,974
Other liabilities	1,097	907
Members' deficit	(25,975)	(26,015)
Total liabilities and members' deficit	<u>\$ 44,653</u>	<u>\$ 45,866</u>

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Statements of Operations				
Revenue	<u>\$ 3,817</u>	<u>\$ 3,580</u>	<u>\$ 11,020</u>	<u>\$ 10,530</u>
Operating expenses	782	767	2,515	2,467
General and administrative expenses	209	179	533	483
Depreciation and amortization expense	745	837	2,424	2,518
Interest expense (income)	917	908	2,756	289
Total expenses	<u>2,653</u>	<u>2,691</u>	<u>8,228</u>	<u>5,757</u>
Net income	<u>\$ 1,164</u>	<u>\$ 889</u>	<u>\$ 2,792</u>	<u>\$ 4,773</u>

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Bluegrass Entities

During 2013, the Company entered into a joint venture (the “Louisville JV”) with an affiliate of CBL to develop The Outlet Shoppes of the Bluegrass in Louisville, Kentucky. At June 30, 2023 and December 31, 2022, the Louisville JV was owned 65% by CBL and 35% by Horizon Louisville Outlets, LLC (“Horizon Louisville”). At June 30, 2023 and December 31, 2022, the Company owns 93.69% of the preferred interests and 89.97% of the common interests in Horizon Louisville, but maintains voting control over Horizon Louisville.

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 35% to 50%. The Company is responsible for the leasing and management of the center.

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 \$63.6 million and \$65.0 million at September 30, 2023 and December 31, 2022, respectively.

During 2015, the Louisville JV established the Bluegrass Outlet Shoppes II, LLC and closed on an \$11.3 million 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%. On April 20, 2020, the loan was amended in response to the COVID-19 outbreak to include an interest-only period from April 1, 2020 through June 1, 2020, with principal installments deferred until the maturity date. On July 15, 2020, the loan was amended to extend the maturity date to October 15, 2020. On October 8, 2020, the loan was amended again to extend the maturity date to October 15, 2021. On December 16, 2021, the loan was amended a fourth time to extend the maturity to October 15, 2022 and an interest rate of SOFR plus 2.95% from October 16, 2021 through March 31, 2022, SOFR plus 3.5% from April 1, 2022 through October 14, 2022, and SOFR plus 4% thereafter. The amendment included a Borrower’s election to further extend to April 15, 2023, which Borrower elected. The loan balance was paid by the Borrower on April 24, 2023.

On November 2, 2020, an affiliate of CBL, the guarantor entity of the loans, filed Chapter 11 bankruptcy, which was a technical default under the loan agreements. CBL emerged from bankruptcy on November 1, 2021. CBL, the Company and the servicer of the JP Morgan loan executed a forbearance and consent agreement on May 13, 2022, waiving the default. Because of the event of default, default interest was accrued but not paid since the date of the bankruptcy filing but not required to be paid as a condition of the forbearance agreement. Accrued default interest was reversed and an offset to interest expense in 2022. CBL, the Company and the lender on Phase II executed a limited waiver agreement related to CBL’s bankruptcy on October 8, 2020.

The Company received management, leasing and similar fees from the Louisville JV that totaled \$103,000 during the three months ended September 30, 2023 and 2022, respectively, and \$346,000 and \$467,000 during the nine months ended September 30, 2023 and 2022, respectively.

Summary financial information (stated at 100%) of the Louisville entities as of September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022, is as follows (in thousands):

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	As of September 30, 2023	As of December 31, 2022
Assets		
Real estate - net	\$ 44,908	\$ 46,847
Cash and cash equivalents	1,839	1,360
Restricted cash	2,097	1,633
Other assets	2,044	2,599
Total assets	<u>\$ 50,888</u>	<u>\$ 52,439</u>

Liabilities and members' deficit

Mortgages and other debt	\$ 63,573	\$ 72,366
Other liabilities	1,266	867
Members' deficit	(13,951)	(20,794)
Total liabilities and members' deficit	<u>\$ 50,888</u>	<u>\$ 52,439</u>

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Statements of Operations				
Revenue	<u>\$ 3,345</u>	<u>\$ 3,213</u>	<u>\$ 9,790</u>	<u>\$ 9,409</u>
Operating expenses	749	809	2,255	2,310
General and administrative expenses	161	150	480	420
Depreciation and amortization expense	943	928	2,826	2,783
Interest expense (income)	664	845	2,259	(664)
Total expenses	<u>2,517</u>	<u>2,732</u>	<u>7,820</u>	<u>4,849</u>
Net income	<u>\$ 828</u>	<u>\$ 481</u>	<u>\$ 1,970</u>	<u>\$ 4,560</u>

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Laredo Outlet Shoppes

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. At September 30, 2023 and December 31, 2022, Laredo JV is owned 65% by CBL and 35% by Horizon El Portal, LLC (“Horizon El Portal”). At September 30, 2023 and December 31, 2022, the Company owns 60.8% of Horizon El Portal. Lawrence Friedman is a Class B member and will participate in distributions after certain internal rate of return hurdles are met.

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, subject to certain conditions. Interest accrues on the loan at LIBOR and 2.5% until the development reaches 90% occupancy, at which time the interest rate will drop to LIBOR plus 2.25%. Monthly principal payments of \$150,000 began on October 1, 2018. The loan contains certain provisions requiring principal pay-downs subject to certain conditions. In May of 2019, the loan was extended through May 2021. As a condition of the extension Horizon El Portal and its partner, CBL, made a \$10.8 million principal payment through capital contribution on the construction loan. Horizon El Portal’s share of the payment was \$3.8 million. On April 20, 2020, the loan was amended in response to the COVID-19 outbreak to include an interest-only period from April 1, 2020 through June 1, 2020, with principal installments deferred until the maturity date. At September 30, 2023, and December 31, 2022, the loan balance was \$37.4 million and \$38.3 million, respectively.

On November 2, 2020, an affiliate of CBL, the guarantor of the loan filed chapter eleven bankruptcy, which is a technical event of default under the loan agreement. In May 2021, the lender moved to appoint a receiver for the Laredo property and, thereafter, Laredo Outlet Shoppes, LLC filed chapter eleven bankruptcy. At the hearing on June 2, 2021, the court suggested mediation to reach a consensual resolution. On July 26, 2021, a comprehensive settlement was reached including a two-year extension of the loan, with an option for a third year, an agreed-upon maximum unsecured \$5 million deficiency claim, certain agreed-upon covenants and defaults and mutual releases. The Laredo Chapter 11 case has been dismissed.

The Company received management, leasing, and similar fees from the Laredo JV that totaled \$58,000 and \$47,000 for the three months ended September 30, 2023 and 2022, respectively, and \$206,000 and \$222,000 for the nine months ended September 30, 2023 and 2022, respectively.

Summary financial information (stated at 100%) of the Laredo entities as of September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022, is as follows (in thousands):

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	As of September 30, 2023	As of December 31, 2022
Assets		
Real estate - net	\$ 36,099	\$ 37,399
Cash and cash equivalents	1,719	2,014
Restricted cash	388	416
Other assets	1,386	1,623
Total assets	<u>\$ 39,592</u>	<u>\$ 41,452</u>

Liabilities and members' deficit

Mortgages and other debt	\$ 37,350	\$ 38,250
Other liabilities	3,780	3,318
Members' deficit	(1,538)	(116)
Total liabilities and members' deficit	<u>\$ 39,592</u>	<u>\$ 41,452</u>

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Statements of Operations				
Revenue	<u>\$ 2,070</u>	<u>\$ 1,620</u>	<u>\$ 5,843</u>	<u>\$ 6,153</u>
Operating expenses	1,339	868	3,049	2,605
General and administrative expenses	98	106	330	314
Depreciation and amortization expense	467	617	1,490	1,978
Interest expense	826	582	2,397	1,398
Total expenses	<u>2,730</u>	<u>2,173</u>	<u>7,266</u>	<u>6,295</u>
Loss on sale of land	-	-	-	(8)
Net loss	<u>\$ (660)</u>	<u>\$ (553)</u>	<u>\$ (1,423)</u>	<u>\$ (150)</u>

Note 5— Mortgages and Other Debt

Total secured indebtedness was \$2.0 million and \$2.2 million at September 30, 2023 and December 31, 2022, respectively. Cash paid for interest for the nine months ended September 30, 2023 and 2022, was \$58,000 and \$144,000, 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 2023.

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Note 6 - Related Party Transactions

At September 30, 2023 and December 31, 2022, PLA owns 11.75%, of El Paso Outparcels.

At September 30, 2023 and December 31, 2022, PL Skoien, owns 4.9167%, of El Paso Outparcels.

At September 30, 2023 and December 31, 2022, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At September 30, 2023 and December 31, 2022, Andrew Pelmoter, an officer of the Company, 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 September 30, 2023 and December 31, 2022, the Net Profits Interest liability approximated \$6.4 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 Rumpitz and Andrew Pelmoter, respectively; (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumpitz, Pelmoter and James Harris, respectively, (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumpitz, Pelmoter and Harris, respectively, and (5) Horizon El Portal, - 1.52%, 1.52%, 1.22% and .61% to Messers Skoien, Pelmoter, Rumpitz and Harris, respectively.

On October 1, 2022, the Company issued 1,000 shares of Series A Preferred Stock and 1,000 shares of Series B Preferred stock to PL Skoien in exchange for 100% ownership of PLS-Exchange, LLC, an entity owned by PL Skoien to which it had contributed ownership representing the economic interest of 15% of Atlanta JV, 19.1% of El Paso Holding, 19.6% of Horizon El Portal, 45.76% of Horizon Atlanta, and 48.59% of Horizon Louisville. The Series A Preferred Stock and Series B Preferred Stock can be described as "tracking preferred stock" in that the Series A Preferred Stock tracks the economics of the portion of contributed interests previously owned by PL-Skoien and the Series B Preferred Stock tracks the economics of the portion of contributed interests previously owned by PLA. Distributions received by the Company related to the membership interests will be distributed to PL-Skoien as dividends. The Series A and Series B Preferred Stock also have a preference over the Company's common shares in the case of liquidation of the Company equal to the appraised value of the Series A and Series B Preferred Stock at the time of such liquidation. The holders of the Series A and Series B Preferred Stock are obligated to make additional capital contributions to the Company in the event that additional capital is required with respect to the entities included in the assets owned by PLS-X.