





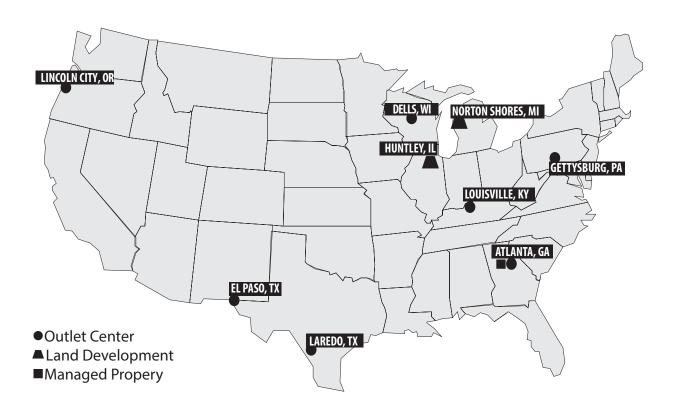






horizongroup.com

Portfolio



Horizon Group Properties, Inc.

Horizon Group Properties, Inc. is a developer, owner and manager of outlet shopping centers and developer of a master planned community in suburban Chicago.

Cover Photos:The Outlet Shoppes at Atlanta, The Outlet Shoppes of the Bluegrass, The Outlet Shoppes at El Paso

Dear Stockholder,

As we reflect on the past year and look ahead, I want to extend my sincere gratitude for your continued trust and investment in Horizon Group Properties, Inc. Your support has been instrumental in our efforts to strengthen our business and navigate the challenges of a dynamic retail real estate environment.

While unemployment has remained historically low and household wealth levels have held strong, consumer behavior has shifted noticeably. Despite favorable economic indicators, many consumers have become more cautious in their spending, likely due to lingering inflation concerns and economic uncertainty. As a result, we have observed declines in both retail sales and foot traffic across our properties over the past year. These trends have prompted us to work closely with our tenants to support adaptive strategies—whether through enhanced promotions, experiential offerings, or flexible lease terms—to help navigate the current environment and sustain long-term value.

Despite a challenging macroeconomic environment—including the ongoing impact of tariffs, elevated interest rates, and increasing global instability—we have remained resilient and strategically focused. Tariffs have placed upward pressure on construction and materials costs, requiring careful management of capital expenditures. Higher interest rates have affected borrowing costs and investor sentiment, but we have proactively adjusted our financial strategy to maintain flexibility and preserve liquidity. Meanwhile, global instability, including geopolitical tensions and supply chain disruptions, has introduced further uncertainty. Through it all, we've maintained a steady course by emphasizing operational efficiency, long-term tenant relationships, and prudent financial stewardship.

The Outlet Shoppes at Laredo and The Outlet Shoppes at El Paso are uniquely positioned to serve both domestic and international shoppers, particularly those traveling from Mexico. However, recent increases in border restrictions, heightened immigration enforcement, and deportation activity have had a negative impact on cross-border traffic. These factors have disrupted the flow of international visitors who traditionally make up a significant portion of the retail traffic at these centers. In response, we are closely monitoring policy developments and working with local stakeholders to advocate for balanced border policies that support both security and economic vitality. We remain committed to serving these communities and adapting our approach to meet evolving cross-border dynamics.

The net result of all the factors described above—macroeconomic uncertainty, cautious consumer behavior, and border-related challenges—has been mixed, but the centers across our portfolio have proved to be relatively resilient. Sales at two centers have remained essentially flat over the past year, while our other properties have experienced sales declines in the range of 3% to 5%. Considering the persistent negative press surrounding the state of the U.S. economy, we view these results as a sign of the underlying strength of our assets and the effectiveness of our operational strategies.

While the retail industry has seen a wave of bankruptcies over the past 12 months—including well-known names such as Big Lots, Joann Fabrics, The Container Store and Party City-none of which

were tenants in Outlet Center. The only closure that has affected Horizon Group Properties was the bankruptcy of Forever 21, which resulted in the closing of a single store at The Outlet Shoppes at Atlanta. I will discuss below why this closing should be of benefit to the Company. While not in bankruptcy, all Hanesbrands, Maidenform and Champion stores were closed nationally. These closings, along with Rue 21, accounted for all of the decline in occupancy in our portfolio.

Leasing activity across our portfolio remains strong, even in the face of broader industry headwinds. We continue to attract new and desirable brands to our centers, reinforcing the appeal of our locations and the strength of our customer base. Recent additions include Victoria's Secret, Offline by Aerie, Buckle, and Dickies among others—each bringing fresh energy and expanded product offerings to our properties. These new leases not only help backfill vacated spaces but also enhance the overall shopping experience for our visitors and support long-term revenue growth.

Occupancy across our portfolio declined by 1.7% over the past 12 months and is at approximately 90% as of this writing. This level of stability reflects both the durability of our tenant relationships and the continued demand for well-located, value-driven retail space. While the broader retail landscape remains fluid, we view this consistent occupancy rate as a strong indicator of the underlying health of our centers.

Last year, I wrote to you about our new acquisitions of the Lincoln City Outlets in Lincoln City, Oregon, and The Outlets at The Dells in Lake Delton, Wisconsin. These additions to our portfolio have further diversified our geographic footprint and strengthened our position in key tourist-driven markets. Both centers have been integrated smoothly into our operations, and we continue to see opportunities to enhance their performance through active leasing, targeted marketing initiatives, and property upgrades to better serve our shoppers and tenants alike.

Developing new outlet centers is more challenging than ever because fewer brands are in the outlet business and uncertainty has slowed expansion by those in the business or are expanding into it. In addition, construction costs remain high and construction financing options are limited and expensive. 2024 saw the opening of only one of two new outlet centers developed over the past five years.

Looking ahead, the Company will continue to actively pursue acquisition opportunities that align with our strategic goals. We are focused on identifying well-located outlet centers and retail properties that offer strong upside potential through improved leasing, repositioning, and operational efficiencies. As one of a very few outlet operators, we believe we have a competitive advantage in bidding for new properties.

CENTERS

Despite the slight decrease in occupancy, leasing activity has remained strong. Since July of 2024, we have signed approximately 137,000 square feet of new leases and renewed leases covering an additional 490,000 square feet of space. In terms of sales performance for the 2024 calendar year, results were mixed: four of our centers saw sales that were flat to up as much as 5%, while three centers experienced declines in the range of 2% to 3%. Year-to-date sales in 2025, however, are

down as much as 9%. It is difficult to pinpoint all the causes of these declines, but they are likely attributable to the economic factors discussed above, compounded by an unusually severe winter that resulted in multiple weather-related closures at four of our centers, as well as the impact of a very late Easter buying season. Encouragingly, we have noticed a marked increase in traffic at our centers over the last few weeks, which we hope signals a positive trend heading into the summer months.

The Outlet Shoppes at Atlanta ("Atlanta") continues to shine as a regional powerhouse, boasting exceptional sales figures and a terrific tenant mix. The center is 94.6% occupied down from 95.4% at this time last year. When the new tenants mentioned below open, the occupancy will be 96.1%. This year's decline is primarily attributable to the closure of the 10,000 square foot Forever 21 store resulting from the company's bankruptcy. We are actively looking for tenants to occupy this space. It will likely be leased to multiple tenants for which we will incur the costs of dividing the space. But ultimately we will receive significantly higher rent than we were receiving from Forever 21.

Our leasing team has further strengthened the center's appeal by securing leases with some great new tenants for the center. Perry Ellis opened last fall, Buckle opened in April, Hey Dude opened in May, and Fabletics is currently under construction with an anticipated opening in mid-July. This is the first Fabletics store in our portfolio. We are near to finalizing a lease with Offline by Aerie, also a new tenant to our portfolio and with an anticipated opening next May. A new owner took over the Mexican Restaurant at the center, remodeled and upgraded the concept which is now called Ricky Cancun Mexican Grill. It is a popular addition to the center.

Likewise, the center's NOI (net operating income) has never been higher. Calendar year 2024 NOI was up 10% over calendar year 2023 and, with the addition of the new tenants, should increase further.

We are always deeply committed to the safety and security of our customers and tenants. This year, we completed a state-of-the-art upgrade to our camera systems, enhancing surveillance coverage both inside and around our centers. These improvements provide greater peace of mind for everyone who visits and works at our properties. In addition, we installed new LED lighting throughout our parking lots, which not only delivers significantly better illumination for customer safety but also reduces our electricity costs.

I mentioned last year that since the center opened, we have never been able to attract significant interest in common area kiosks or carts for merchant sales. The weather does present a challenge during several months of the year but we believe a more substantial RMUs (retail merchandising units) with protection from the elements would be attractive for merchants that are unable to utilize a typical small retail space. This indeed has been the case. Our two new units will add \$50,000 of annual revenue to the center.

We constantly strive to improve our marketing efforts to drive traffic and support our tenants. Events continue to be great draws for our centers, creating energy and community engagement that benefit both shoppers and retailers. For example, we host a weekly car show that consistently attracts strong attendance and builds loyalty among visitors. This year, we also partnered with the

Make-A-Wish Foundation to hold our first charity car show, which was a tremendous success, drawing over 4,000 participants and supporting a meaningful cause in our community.

The Outlet Shoppes at El Paso ("El Paso") continues to be an exceptionally strong center within our portfolio. Net Operating Income (NOI) at the center increased 7% from calendar year 2023 to calendar year 2024, reflecting its strong tenant mix and resilient shopper base. This performance is particularly impressive given the significant traffic challenges caused by a major construction project on I-10, as well as heightened border issues that have impacted cross-border shopping patterns. Sales declined 2.5% from calendar years 2023 to 2024 primarily for reasons described below. However it still remains in the highest tier of sales amongst outlet centers nationally.

We continue to add new tenants to the center, further enhancing our retail mix and shopper appeal. Since I last wrote, Victoria's Secret opened in May, along with Jawns Over, Dickies and Pandora which opened in March, Rue 21 opened last August, and the Ace of Crepes opened last month. In addition, Coach expanded into a new space in November, doubling its size from approximately 4,000 square feet to over 8,000 square feet. These additions and expansions demonstrate the strong demand for space at our center and the confidence that leading brands have in its performance and future potential.

As the highway construction nears completion, we expect the traffic issues impacting the center to begin to subside. However, changes to the highway configuration have significantly affected access to and visibility of the property. We are currently in active discussions with the City of El Paso and El Paso County to identify and implement remedies that will mitigate these impacts to the center. Regarding the border situation, the primary issue continues to be lengthy crossing wait times. Despite this, we continue to see a very strong presence of Mexican nationals shopping at the center and we remain hopeful that, over time, border crossings will become faster and more efficient.

While we bemoan the traffic issues caused by the extensive road construction, it also highlights the fact that the area surrounding our center continues to develop rapidly. When we first opened El Paso, the property was situated at the outer edge of the city, with nothing but empty land across the interstate. Since then, significant development has transformed the area. New projects nearby include a 200-unit apartment complex, a new hotel, and the mixed-use Boardwalk at the Outlet, all of which are expected to drive additional traffic and strengthen the long-term position of the center within this growing market.

The Outlet Shoppes of the Bluegrass ("Bluegrass") is another beautiful outlet shopping center with many terrific brands. It is located twenty minutes from Louisville and it also draws traffic from Lexington, Frankfurt and the surrounding communities. The architecture and landscaping, not to mention fantastic brands many of which not found in the market area, make it a wonderful place to shop.

I am pleased to report that we are making great progress in leasing up the 25,000 square foot space vacated by RH in 2023. We are currently demising the space to accommodate three tenants. Ulta will open next year in February, occupying approximately 8,500 square feet, while Pandora will open this November, taking approximately 2,000 square feet. This will leave roughly 10,000

square feet remaining to be leased. Despite the costs associated with reconfiguring the space, these two deals alone will provide a cash-on-cash return in excess of twenty percent and will generate rent that exceeds the amount paid by the prior two tenants for the entire space.

We believe providing visitors with a diverse mix of dining options that enhance the overall shopping experience and extends dwell time at our centers. Significant progress has also been made in the dining arena. Our leasing team successfully re-released a food court space within just 90 days of the prior tenant's departure—a testament to the strong demand and the team's responsiveness. Despite the departure of several food tenants over the past few years, the food court is now 100% occupied. The former Roman's Asian Kitchen has been converted from an Asian/Sushi restaurant to Andale, a Mexican restaurant which is already proving to be a hit.

Last year, I mentioned the significant development occurring around The Outlet Shoppes of the Bluegrass. One notable example is a new manufacturing plant being built directly across from the center, which will bring approximately 300 high-paying jobs to the area. This is just one of several projects that have the potential to increase our weekday traffic and benefit our tenants.

We continue to improve our marketing programs to support this center. Bluegrass now exceeds all other retail centers in the region in terms of social media followers, reflecting the strength of our digital engagement and the strong brand presence we have built in this market.

We also have a robust temporary tenant program that continues to generate meaningful results for the center. Over the past year, this program produced more than \$400,000 in revenue. Over the last twelve months, non-outlet tenants had tent sales that produced over \$1 million in total sales. These temporary tenants not only contribute directly to our revenue but also serve as an additional draw for customers.

The Outlet Shoppes at Laredo achieved its highest sales per square foot in 2024, rising over 4.8% compared to calendar year 2023. While border and tariff issues have stalled further increases since the beginning of this year, the center's sales remain 32% higher than in 2018, the center's first full year after opening. This performance underscores the strong fundamentals of the property and its continued appeal to both local and cross-border shoppers despite ongoing external challenges.

Our leasing team is very close to finalizing a deal to lease the space formerly occupied by a weak national tenant to a leading national tenant. In addition to the vacated space, this tenant will be leasing 4,475 square feet in the center that has never been occupied, along with a portion of the second level of the food court, for a total of 30,985 square feet. The total rent for this space will be approximately \$418,000 compared to \$45,000 from the prior tenant. This new tenant has a strong Hispanic customer base, and we believe their presence will provide a significant boost to the center. If the lease is signed as planned, the tenant is expected to open for business on March 1, 2026.

Last August, Five Below opened a new store occupying 10,440 square feet. This addition has been a strong complement to our tenant mix, attracting a wide range of value-focused shoppers and further enhancing the overall appeal of the center. We are currently working with some great tenants that will even add more to the center if we are able to complete the leases.

As with every center, we place a strong emphasis on community engagement. At Laredo, we host a monthly farmers market that also includes additional retail pop-ups, creating a lively and diverse experience for shoppers. Last year, our annual Christmas tree lighting drew an impressive crowd of 3,500 people, underscoring its status as a major annual community event. Additionally, a regional carnival and the Paranormal Circus both brought significant foot traffic to the center. We work closely with Border Security by providing space for processing I-94 visas, which also drives additional traffic to the center.

The Outlet Shoppes at Gettysburg ("Gettysburg") was the hardest hit by bankruptcies resulting from the pandemic. It lost some key national brands. Last year we lost a Rue 21 store to bankruptcy. The marketing manager has worked hard to backfill these brands with local and regional tenants that can help keep the center vibrant.

We continue to enhance our tenant mix and community offerings. Pepperidge Farm recently relocated to a space more than double its previous size, creating an opportunity for a local butcher to take over their former location, further diversifying the center's food offerings. Last November, a very popular plant, home décor, and apparel store opened, bringing fresh energy and attracting new shoppers. Additional new tenants include a dance, art, and theater store as well as a print and frame store. In terms of community engagement, the center hosts a monthly outdoor market from April through October, a Memorial Day car show, and an annual Christmas tree lighting and holiday display—events that have become favorites within the local community.

We continue our efforts to maintain the property with the resources at hand. We recently completed rebuilding half of the Main Street that runs through the center. We also commenced a program to repair and replace extensive areas of the center's roofs.

The Company acquired Lincoln City Outlets ("Lincoln City"), located in the popular tourist destination on the Oregon coast, last February. Since then, we have fully integrated the center into our operations, ensuring a smooth transition for both tenants and customers. This integration has allowed us to apply our management expertise to enhance leasing, marketing, and overall performance at the property.

We are very excited about the progress we are making with Lincoln City. Despite losing the Rue21 store, which occupied 5,100 square feet, to bankruptcy in May of 2024 and Hanesbrands and Maidenform, which closed all of their stores nationally, we have made significant strides in enhancing the center's tenant mix and increasing its occupancy.

Last month, Funtastic Arcade opened in a 10,000 square foot space, becoming the largest arcade in the region with over 100 claw machines. We anticipate that it will be a major traffic generator, particularly among tourists visiting the area. Additionally, we recently completed a lease with Vans, marking the first new national tenant in the center. Vans will open this month in a 5,100 square foot space. A new local ice cream store will also open this month. In May, 2024, Gilgamesh Brewing opened offering great sit-down dining and acting as a new draw to the center as well as to keep people shopping.

We continue to improve Lincoln City both in terms of attractions and the physical plant. This past year, we significantly enhanced our Christmas attractions, creating a more festive and engaging experience for visitors. We also added new visual elements throughout the center that reflect the unique Oregon coast environment, including kites, pinwheels, and flower-filled boats, and we expanded our Halloween programming to create a bigger seasonal draw. On the facilities side, we invested in important upgrades, including installing new roofs and gutters and refreshing the center with new paint, all of which contribute to a more welcoming and well-maintained environment for our shoppers and tenants.

We purchased The Outlets at The Dells ("The Dells") in March of last year. Located in Wisconsin Dells, the birthplace of the modern water park, this is another tourist-driven market, which typically provides a strong location for outlet centers. Over four million people visit the Dells annually and stay in the 8,500 rooms located there. There are 200 hundred waterslides in the market including the largest outdoor and the largest indoor/outdoor water park in the U.S.

We are very excited about the things happening at the center, despite the fact that shortly after becoming owners, Express filed for bankruptcy in June 2024. Rue21 also filed for bankruptcy; however, in this case, they decided to reopen in 7,100 square feet of space last August.

Leases were also completed with Hey Dude, which opened last August, Aerie, which opened this past March, Uniform Outlet which opened this May. Additionally, we have leases signed with Aeropostale, which will open in the next few weeks and an Auntie Anne's/Cinnabon store, which should be open for the holidays. Auntie Anne's will replace Gloria Jean's Coffee, which had been performing very poorly. These new tenants enhance our merchandise mix and are expected to strengthen both traffic and sales at the center.

Land Sales

At the beginning of this year, the Company owned 326 acres of land in Huntley IL, of which approximately 150 is developable. I am pleased to report that we closed on two significant land sales this year. The first sale, consisting of 25 acres, occurred in March to a developer who will use the land for a truck company corporate headquarters, warehouse, and repair facility, along with a fuel station and convenience store. The gross sales price was \$7.2 million; however, after closing costs and escrows required for infrastructure improvements, net proceeds were \$3.6 million. The significant infrastructure costs of approximately \$3 million for highway improvements, entrance construction, and removal of utility poles will not only benefit this sale but will also reduce infrastructure requirements for the future sale of adjacent parcels.

Also in March, we closed on the sale of 22.5 acres to a developer constructing a corporate facility for a medical equipment manufacturer. The gross sales proceeds were \$5.4 million, of which \$4.5 million was used to pay down the land loan described below, and \$500,000 was retained by the Company, with the remaining balance allocated to closing costs.

The pace of real estate activity in Huntley and the surrounding communities is mixed with residential and industrial development continuing to be strong while retail, office and hotel much

slower. Our land portfolio in Huntley includes parcels zoned for retail, office, and industrial uses. We have identified several parcels of land for which residential development is the best and highest use even though these parcels currently have different zoning. We are currently negotiating a sale to a developer of for-lease residences.

We continue to market and sell the land acquired in connection with the land we acquired in connection with the development of our outlet center in Atlanta. In April of this year, we sold 3.8 acres of land for the development of a self-storage facility. Net proceeds of the sale were \$1.7 million of which the Company received approximately \$650,000.

We retain approximately ten acres of land that we are aggressively marketing for sale. The land has a very difficult topography, federally regulated wetlands and soil stockpiled from prior sales and subsequent development. Most of the property in proximity to ours has been developed since the exit from I-575 to the road abutting ours was opened. At some point, we hope to be able to sell the land for good prices because the area is so attractive for commercial uses.

Financing

Last year, I wrote that the Company was very busy with refinancing activities, and this past year was no different. In October 2024, we closed on a CMBS loan secured by The Outlet Shoppes of the Bluegrass. The total loan amount was \$66 million, which retired an existing loan with a principal balance of \$61.2 million. The new loan is non-recourse to the Company, except for standard "bad boy" carve-outs. It has a ten-year term, is interest-only, and has an interest rate of 6.84%. The Company received proceeds of \$656 thousand from this refinancing.

In March of 2024, we closed on a \$10 million loan with Wintrust Bank secured by the land owned by the Company in Huntley, Illinois. Proceeds from this loan were used as equity for the purchase of the Dells. The loan has a five-year term and carries an interest rate of SOFR plus 325 basis points. It is recourse to the Company, and as part of the loan terms, we were required to escrow \$2 million for security. Proceeds from land sold in Huntley as described above resulted in a pay down of the loan, bringing the current loan balance to \$5.5 million. Additionally, the bank released \$1 million of the escrowed funds to the Company.

The bank loan secured by The Outlet Shoppes at Laredo matured on June 30th of this year and has a current balance of \$32 million. While we worked diligently to secure replacement financing, the ongoing issues at the border proved to be too significant for underwriters to approve a new loan at this time. As a result, we worked with the bank to arrange a twelve-month extension of the existing loan. The extension requires an upfront escrow of \$1.08 million to cover improvements and tenant allowances for the major national tenant lease described above. It also increases the interest rate by 25 basis points to SOFR plus 375 basis points. Additionally, the monthly amortization will increase from \$100,000 to \$125,000 upon the opening of the new tenant next March. The extension agreement also includes specific milestones related to the new tenant that must be achieved to avoid default.

The CMBS loan secured by Gettysburg matures in October of this year. The current loan balance is \$19.6 million. The Company is currently evaluating options for replacement financing to ensure a smooth transition upon maturity. It is worth noting that there are no other loans scheduled to mature in 2025 or 2026, providing additional stability to our capital structure over the next two years.

CONCLUSION

We continue to maintain a keen focus on the operation, leasing and marketing of our centers. We are excited about the opportunity to improve the value of the two new acquisitions. We will continue to look at other opportunities to make strategic acquisitions.

We believe our open-air centers have an advantage over enclosed shopping venues for the foreseeable future. We also think we have a competitive advantage during the current economic uncertainty, as shoppers turn to the values they find at outlets. We cannot control the lingering impact of the pandemic, the economy, the impact of the inflation that occurred over the past several years, or macro-economic changes to the retail sector. But we can control our efforts, focus, and creativity to do all in our power to improve the value your investment in Horizon.

In closing, I cannot begin to express how blessed I am to work with such a talented, hardworking, imaginative, and honest group of people as those I have the privilege to work with at Horizon. The industry in which we operate is filled with bright, interesting, and fun individuals, which is another blessing I deeply appreciate. Finally, I am grateful for the unwavering support of our board and investors like you, who make our continued growth and success possible.

Sincerely,

Gary J. Skoien President & CEO

Chairman of the Board

Consolidated Financial Statements

Horizon Group Properties, Inc.

For the years ended December 31, 2024 and 2023

Horizon Group Properties, Inc.

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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Independent Auditor's Report

Board of Directors Horizon Group Properties, Inc. and Subsidiaries

Opinion

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, 2024 and 2023, 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.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Horizon Group Properties, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizon Group Properties, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Horizon Group Properties, Inc. and Subsidiaries' internal
 control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Horizon Group Properties, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cohen on Company Ltd.

Akron, Ohio March 27, 2025

HORIZON GROUP PROPERTIES, INC.

Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
-	(In thous	sands)
ASSETS		
Real estate		
Land	\$ 565	\$ 565
Buildings and improvements	3,382	3,172
Less accumulated depreciation	(1,480)	(1,284)
	2,467	2,453
Construction in progress	3	3
Land held for investment	23,736	24,241
Total net real estate	26,206	26,697
Investment in and advances to joint ventures	21,915	18,293
Investment in and advances to joint ventures, at fair value	50,951	51,415
Cash and cash equivalents	4,127	6,776
Restricted cash	4,561	643
Marketable securities, at fair value	1,967	-
Tenant and other accounts receivable, net	625	383
Deferred costs, (net of accumulated amortization of \$116 and		
\$86, respectively)	64	91
Notes receivable	18,155	-
Other assets	865	1,054
Total assets	\$ 129,436	\$ 105,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage and other debt (net of unamortized debt	\$ 22,803	\$ 1,966
issuance costs of \$144 and \$26, respectively)		
Accounts payable and other accrued expenses	11,256	10,050
Prepaid rents and other tenant liabilities	156	139
Total liabilities	34,215	12,155
Commitments and contingencies		
Stockholders' equity:		
Common stock (\$.01 par value, 50,000 shares authorized,	0.0	0.0
9,799 shares issued and outstanding)	98	98
Preferred stock (\$.01 par value, 50,000 shares authorized,		
2 shares issued and outstanding)	114100	114100
Additional paid-in capital	114,100	114,100
Accumulated deficit	(37,068)	(38,626)
Total stockholders' equity attributable to the	77 120	75 570
controlling interest	77,130	75,572
Noncontrolling interests in consolidated subsidiaries	18,091	17,625
Total stockholders' equity	95,221	93,197
Total liabilities and stockholders' equity	\$ 129,436	\$ 105,352

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

HORIZON GROUP PROPERTIES, INC. Consolidated Statements of Operations

	Year E	nded	Year Ended		
	December 3	31, 2024	December 31, 2023		
		(In thou	isands)		
REVENUE					
Base rent	\$	469	\$ 524		
Expense recoveries		121	127		
Management, development, and leasing fees		4,719	3,331		
Other		591	137		
Interest		1,680	173		
Total revenue		7,580	4,292		
EXPENSES					
Property operating		609	513		
Real estate taxes		104	94		
Other operating		10	4		
Depreciation and amortization		227	190		
General and administrative		6,024	6,489		
Interest		1,610	133		
Total expenses		8,584	7,423		
OTHER INCOME					
Income from investment in joint ventures		8,222	10,446		
Gain from sale of real estate		841	-		
Total other income		9,063	10,446		
Consolidated net income		8,059	7,315		
Less net income attributed to the					
noncontrolling interests		(984)	(656)		
Net income attributable to the Company	\$	7,075	\$ 6,659		

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Stockholders' Equity

(In thousands)

		Total										
							Sto	ckholders'				
	Con	nmon						Equity	None	controlling		
	a	nd	A	dditional			Attrib	outable to the	Int	erests in		Total
		erred ock		Paid-In Capital		cumulated Deficit		ontrolling Interest		nsolidated osidiaries		ckholders' Equity
Balance, January 1, 2024	\$	98	\$	114,100	\$	(38,626)	\$	75,572	\$	17,625	\$	93,197
Net income		-		-		7,075		7,075		984		8,059
Dividends		-		-		(5,517)		(5,517)		-		(5,517)
Distributions to noncontrolling interests				-				-		(518)		(518)
Balance, December 31, 2024	\$	98	\$	114,100	\$	(37,068)	\$	77,130	\$	18,091	\$	95,221

	a Pref	nmon nd erred	dditional Paid-In Capital	cumulated Deficit	Attri	Total ockholders' Equity butable to the ontrolling Interest	Int Con	controlling erests in solidated ssidiaries	Total kholders' Equity
Balance, January 1, 2023	\$	98	\$ 113,043	\$ (40,555)	\$	72,586	\$	17,094	\$ 89,680
Net loss		-	-	6,659		6,659		656	7,315
Contribution Dividends Contributions to noncontrolling interests		-	1,057 -	- (4,730) -		1,057 (4,730)		- - 136	1,057 (4,730) 136
Distributions to noncontrolling interests Balance, December 31, 2023		<u>-</u> 98	 114,100	 (38,626)		<u>-</u> 75,572		(261) 17,625	\$ (261) 93,197

HORIZON GROUP PROPERTIES, INC.

Consolidated Statements of Cash Flows Vear Ended

	Year	Ended	Year Ended		
	Decembe	er 31, 2024	Decemb	per 31, 2023	
Cash flows provided by operating activities:		(In thou	isands)		
Net income	\$	8,059	\$	7,315	
Adjustments to reconcile net income					
to net cash provided by (used in) operating activities:					
Operating distributions from joint ventures		6,276		6,818	
Income from investment in joint ventures		(8,222)		(10,446)	
Gain from sale of real estate		(841)		-	
Depreciation		196		163	
Amortization		31		28	
Interest expense from deferred finance costs		32		59	
Changes in assets and liabilities:					
Tenant and other accounts receivable, net		(242)		284	
Deferred costs, net, and other assets		311		276	
Accounts payable and other accrued expenses		1,241		728	
Prepaid rents and other tenant liabilities		17		(2)	
Net cash provided by operating activities	_	6,858	-	5,223	
Cash flows provided by (used in) investing activities:	_	·		· · · · · · · · · · · · · · · · · · ·	
Investment in future developments		(126)		-	
Proceeeds from sale of marketable securities		_		2,978	
Purchase of marketable securities		(1,967)		(2,978)	
Net proceeds from sale of real estate		1,805		-	
Distributions from joint ventures, return of capital		2,632		3,434	
Contributions to joint ventures		(3,844)		(2,312)	
Issuances of notes receivable		(18,155)		-	
Expenditures for real estate		(669)		(225)	
Net cash provided by (used in) investing activities		(20,324)		897	
Cash flows provided by (used in) financing activities:					
Distributions to noncontrolling interests		(518)		(261)	
Contributions from noncontrolling interests		-		136	
Contributions		_		1,057	
Dividends		(5,552)		(5,692)	
Net proceeds from borrowing		22,248		-	
Principal payments on mortgages and other debt		(1,293)		(312)	
Deferred finance costs acquired		(150)		-	
Net cash provided by (used in) financing activities		14,735		(5,072)	
Net increase in cash, cash equivalents, and restricted cash		1,269		1,048	
Cash, cash equivalents, and restricted cash:		,		,	
Beginning of year		7,419		6,371	
End of year	\$	8,688	\$	7,419	
vi jemi	Ψ	0,000	Ψ	7,717	

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

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

	Year Ended December 31, 2024		Year	Ended
			Decembe	er 31, 2023
		(In the	ousands)	
Reconciliation from consolidated statements of cash flows to				
consolidated balance sheets:				
Cash and cash equivalents	\$	4,127	\$	6,776
Restricted cash		4,561		643
Cash, cash equivalents, and restricted cash, End of year	\$	8,688	\$	7,419
Supplemental information:				
Noncash activity related to Right-of-use Assets obtained				
in exchange for lease liabilities:	\$		\$	38
Noncash activity related to accrued dividends payable to				
shareholder:	\$		\$	35

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 Company conducts operations 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, 2024 and 2023, 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 (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. 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.

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 are 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 that were used and such differences may be material.

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 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 from 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 makes estimates of fair value 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.

Pre-Development Costs

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

At December 31, 2024 and 2023, pre-development costs classified as Other Assets included projects totaling \$0 and \$126,000, respectively.

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 as collateral. At December 31, 2024 and 2023, the escrow accounts related to the Company's primary lenders included approximately \$410,000 and \$73,000 in real estate tax, insurance and interest escrows, respectively, and approximately \$4,151,000 and \$70,000 for cash collateral accounts, respectively. At December 31, 2024 and 2023, the Lincoln City property escrow totaled \$0 and \$500,000, respectively.

Tenant Accounts Receivable and Allowance for Credit Losses

Tenant accounts receivable are uncollateralized tenant obligations due under normal trade terms requiring monthly payment. The Company does not charge interest on unpaid accounts receivable balances. Since the Company's accounts receivables are largely similar, the Company evaluates its allowance for credit losses as one portfolio segment. At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election. There were no write-offs for the years ended December 31, 2024 and 2023.

Deferred Costs

Deferred costs consist of fees and direct internal costs incurred to initiate and renew tenant operating leases and are amortized over the life of the lease.

Notes Receivable

Notes receivable are recorded at their principal amount, plus accrued interest when applicable, and are stated net of any allowance for credit losses. The Company evaluates the collectability of notes receivable on an ongoing bais and establishes an allowance for expected credit losses based on historical collection experience, current economic conditions, and managements assessment of the creditworthiness of the individual borrowers (see Note 10).

Interest income on notes receivable is recognized using the effective interest method. If a note becomes impaired, interest income recognition is suspended, and any payments received are applied to principal until the note is considered collectible. Notes are written off when deemed uncollectible. Interest income on related party notes receivable totaled approximately \$1.4 million during 2024 and is included in interest income on the consolidated statement of operations (see Note 10).

If applicable, the Company may receive collateral to secure certain notes receivable. In cases where collateral is obtained, management assesses the fair value of the collateral in determining the adequacy of the allowance for credit losses. There were no write-offs for the years ended December 31, 2024 and 2023.

Revenue Recognition

Revenue from Leasing Arrangements

The Company's revenues primarily result from revenue from leasing arrangements. Leases with tenants are accounted for as operating leases. Lease revenues included minimum rent, percentage rent, other rents and reimbursements form 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. As a result of recording rental revenue on a straight-line basis, tenant accounts receivable include \$23,000 and \$35,000 as of December 31, 2024 and 2023, 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.

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 December 31, 2024 and 2023, 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 2024 and 2023, 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 can significantly influence the operations of the underlying investment, but does not have the ability to 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 investments in Horizon Atlanta and Horizon Louisville (see Note 4). 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 statements 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.

The Company evaluates the recoverability of long-lived assets, including investments in joint ventures, whenever events or changes in circumstances may indicate that the carrying value of the assets are not recoverable or are less than fair value. No such impairment test was deemed necessary during 2024 and 2023.

Marketable Securities

As of December 31, 2024, the Company held approximately \$2.0 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, 2024, totaled approximately \$2.0 million. The cost of securities sold is based on the specific identification method. There were no proceeds from sales of available-for-sale securities for the year ended December 31, 2024. For the year ended December 31, 2024, unrealized gains and losses were immaterial.

Leases

The Company determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU assets and lease liabilities, the Company uses rates implicit in the lease, when available. If the rate implicit in the lease is not readily available, the Company has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the "U.S. Treasury Bill Rate" in effect at the commencement of the lease for a similar term. The operating lease ROU assets also include any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Company elected to apply the short-term lease exemption. Under this exemption, ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. There were no short-term leases during 2024 and 2023.

Subsequent Events

Management has evaluated subsequent events through March 27, 2025, the date the 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 December 31, 2024.

Property Name	Location	Property <u>Type</u>		oss Leasable rea (Sq. Ft.)	Net <u>Carrying Value</u> (in thousands)	Ownership Percentage
Village Green Center	Huntley, IL	Retail		22,204	\$2,292	100.00%
Corporate Office	Chicago, IL Total	Various		N/A 22,204	175 \$2,467	100.00%
Laredo Phase II Land	Laredo, TX		Land	Acres 2	\$ 900	60.80%
Land held for Investment	Fruitport, MI		Land	6	156	100.00%
Ridgewalk Land	Woodstock, GA		Land	77	5,488	100.00%
Land Held for Investment	Huntley, IL		Land	327	17,192	100.00%
	Total			<u>412</u>	<u>\$ 23,736</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 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, 2024. In addition, the joint ventures own outparcels and other land for development.

<u>Property Name</u>	Location	Property <u>Type</u>	Leasable Area (Sq. Ft.)	Ownership Percentage
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	405,146	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	_ 357,866	33.29%
Lincoln City Outlets	Lincoln City, OR	Outlet Retail	255,608	12.00%
Outlet at the Dells	Baraboo, WI	Outlet Retail	269,315	10.75%
Total			2,398,977	

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 December 31, 2024 and 2023, El Paso Holding was owned 50% by CBL, 25% by Horizon El Paso, LLC ("Horizon El Paso"), 25% by the Company.

At December 31, 2024 and 2023, the Company owned 97.4% of the preferred interests and 92.8% of the common interest in Horizon El Paso.

On September 10, 2018, El Paso Holding and El Paso II refinanced Phase I and Phase II of the shopping center with the proceeds of a \$75 million loan originated by Deutche Bank. In conjunction with the refinancing, each of El Paso Holding and El Paso II contributed its interest in Phase I and Phase II, respectively, to El Paso Outlet Center CMBS, LLC ("El Paso CMBS"). El Paso CMBS is owned by an entity that is owned by El Paso Holding. Phase I and Phase II of the shopping center secure 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 December 31, 2024 and 2023, was \$67.3 million and \$68.7 million, respectively. El Paso CMBS is a separate entity from the Company and its affiliates and its assets and credits are not available to satisfy the debts and obligations of affiliates of the Company or any other person.

El Paso Outlet Outparcels, LLC owns several outparcels (the "Outparcels"). At December 31, 2024 and 2023, 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 (the "Outparcels II"), formed in 2019, owns ancillary land adjacent to the shopping center. At December 31, 2024 and 2023, Outparcels II was owned 50% by CBL and 50% by Horizon El Paso.

As of December 31, 2024 and 2023, the Company's investment in the entities that own The Outlet Shoppes at El Paso, Outparcels, and Outparcels II exceeded its proportional share of the underlying equity as reflected in the entities financial statements by approximately \$10.3 million and \$10.8 million, respectively. Such difference is primarily related to the increased value in real estate and is being amortized over a period of 30 years.

The Company received management, leasing and similar fees from El Paso Center that totaled \$1.5 million and \$1.3 million during the years ended December 31, 2024 and 2023, respectively.

Summary financial information (stated at 100%) for the El Paso entities as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	As	As of			
	December	31, 2024	December 31, 2023		
Assets	<u> </u>				
Real estate - net	\$	69,580		\$	71,746
Cash and cash equivalents		1,014			1,201
Restricted cash		1,408			1,722
Other assets		3,068			1,917
Total assets	\$	75,070		\$	76,586
Liabilities and members' equity					
Mortgages and other debt	\$	67,330		\$	68,743
Other liabilities		1,404			1,518
Members' equity		6,336			6,325
Total liabilities and members' equity	\$	75,070		\$	76,586
	Year E	nded		Year	Ended
	December :	31, 2024	Dec	r 31, 2023	
Statements of Operations					
Revenue	\$	18,563		\$	17,200
Operating expenses		5,230			4,559
General and administrative expenses		1,110			1,261
Depreciation and amortization expense		3,886			3,734
Interest expense		3,559			3,630
Total expenses		13,785			13,184
Loss on sale of assets		-			(32)
Net income	\$	4,778		\$	3,984

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 December 31, 2024 and 2023, 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 is 100% owned by Gettysburg Outlet Center CMBS, LLC ("Gettysburg CMBS") 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 CMBS is secured by the shopping center, had an initial balance of \$38.5 million, bears interest at 4.8% and matures in 2025. Gettysburg CMBS is a separate entity from the Company and its affiliates and its assets and credits are not available to satisfy the debts and obligations of affiliates of the Company or any other person. On August 17, 2020, in response to the COVID-19 outbreak, the lender consented to a deferred principal period commencing with the July 2020 payment date through the December 2020 payment date, with the deferred principal to be repaid during 2021. The mortgage balance was \$19.9 and \$20.6 million at December 31, 2024 and 2023, respectively.

Since 2020, the property failed to meet the Debt Service Coverage Ratio which triggers a Sweep Event Period and continues pursuant to the terms of the waiver agreement. During a Sweep Event Period, the borrower is required to establish a Clearing Account under the control of the Lender.

The Company received management, leasing and similar fees from the Gettysburg Entities that totaled \$235,000 and \$134,000 during the years ended December 31, 2024 and 2023, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	As of			of	
	December	31, 2024	December 31, 202		
Assets					
Real estate - net	\$	9,767		\$	10,586
Cash and cash equivalents		120			32
Restricted cash		1,294			1,377
Other assets		1,567			2,254
Total assets	\$	12,748		\$	14,249
Liabilities and members' deficit					
Mortgages and other debt	\$	19,877		\$	20,646
Other liabilities		2,838			2,975
Members' deficit		(9,967)			(9,372)
Total liabilities and members' equity	\$	12,748		\$	14,249

	Year E December :			r Ended er 31, 2023
Statements of Operations				_
Revenue	\$	5,109	\$_	4,612
Operating expenses		2,667		2,469
General and administrative expenses		298		307
Depreciation and amortization expense		1,734		2,600
Interest expense		1,002		1,028
Total expenses		5,701		6,404
Net loss	\$	(592)	\$	(1,792)

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 December 31, 2024 and 2023, the Atlanta JV was owned 50% by CBL, 35% by Horizon Atlanta, and 15% by the Company. At December 31, 2024 and 2023, 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 3, 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. The loan balance was \$79.3 million at December 31, 2024 and 2023.

The Company received development, management, leasing, and similar fees from Atlanta JV that totaled \$966,000 and \$813,000 for the years ended December 31, 2024 and 2023, respectively.

Summary financial information (stated at 100%) of the Atlanta entities as of December 31, 2024 and 2023, for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	As of		As of		of
	December	31, 2024	Decen	nber	31, 2023
Assets					
Real estate - net	\$	38,539		\$	39,960
Cash and cash equivalents		877			1,290
Restricted cash		951			1,715
Other assets		3,259	_		3,123
Total assets	\$	43,626	=	\$	46,088
Liabilities and members' deficit					
Mortgages and other debt	\$	79,330		\$	79,330
Other liabilities		1,325			1,253
Members' deficit		(37,029)	_		(34,495)
Total liabilities and members' deficit	\$	43,626	-	\$	46,088

	Year Ended December 31, 2024		Year Ended cember 31, 2023	
Statements of Operations				
Revenue	\$	16,579	\$	15,163
		2 220		2.222
Operating expenses		3,328		3,322
General and administrative expenses		712		714
Depreciation and amortization expense		2,555		3,109
Interest expense		6,419		4,425
Total expenses		13,014		11,570
Net income	\$	3,565	\$	3,593

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 December 31, 2024 and 2023, the Louisville JV was owned 65% by CBL and 35% by Horizon Louisville Outlets, LLC ("Horizon Louisville"). At December 31, 2024 and 2023, the Company owns 93.69% of the preferred interests and 89.97% of the common interests in 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 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, Bluegrass Outlet Shoppes CMBS, LLC ("Bluegrass CMBS"), which is owned 100% by 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 \$0 million and \$63.0 million at December 31, 2024 and 2023, respectively. Bluegrass CMBS 2024 is a separate entity from the Company and its affiliates and its assets and credits are not available to satisfy the debts and obligations of affiliates of the Company or any other person.

On October 31, 2024, Bluegrass Outlet Shoppes CMBS 2024, LLC ("Bluegrass CMBS 2024"), which is owned 100% by the Louisville JV obtained a \$66.0 million loan from Goldman Sachs (the "Louisville Refinance"). The Louisville Refinance paid off the previous property loan. The Louisville Refinance has a term of 10 years and bears interest at 6.84%. Payments are \$431,943 per month, based on a 30 year amortization. The Louisville Refinance is secured by a mortgage on The Outlet Shoppes of the Bluegrass and had a balance of \$66.0 million at December 31, 2024.

The Company received development, management, leasing, and similar fees from the Louisville JV that totaled \$793,000 and \$330,000 for the years ended December 31, 2024 and 2023, respectively.

Summary financial information (stated at 100%) of the Bluegrass entities as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, is as follows (in thousands):

	As	As of		As of	
	Decembe	December 31, 2024		mber 31, 2023	
Assets					
Real estate - net	\$	41,498		\$	44,282
Cash and cash equivalents		568			2,029
Restricted cash		2,198			1,620
Other assets		2,407			1,786
Total assets	\$	46,671	=	\$	49,717
Liabilities and members' deficit					
Mortgages and other debt	\$	65,944		\$	63,098
Other liabilities		889			812
Members' deficit		(20,162)	_		(14,193)
Total liabilities and members' deficit	\$	46,671	_	\$	49,717
	Year E				Ended
Statements of Operations	December	31, 2024	Dece	mbe	r 31, 2023
Statements of Operations Revenue	¢	12 000		¢.	12 246
Revenue	\$	12,888	_	\$	13,246
Operating expenses		3,659			3,390
General and administrative expenses		565			632
Depreciation and amortization expense		3,684			3,778
Interest expense		2,952	_		2,919
Total expenses		10,860	_		10,719
Net income	\$	2,028	_	\$	2,527

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 December 31, 2024 and 2023, Laredo JV is owned 65% by CBL and 35% by Horizon El Portal, LLC ("Horizon El Portal"). At December 31, 2024 and 2023, the Company owns 95.1%, of Horizon El Portal (see Note 10). Lawrence Friedman is a Class B member and is entitled to 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. As a result, in May 2018, Horizon El Portal and its partner, CBL, made a \$22.4 million principal payment, through capital contribution, on the construction loan. The Horizon El Portal share of the capital contribution was \$7.9 million. In December 2018, a \$5 million principal payment was made, which was funded through capital contribution. Horizon El Portal's share of the capital contribution was \$1.7 million. 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 December 31, 2024 and 2023, the loan balance was \$32.6 million and \$33.8 million, respectively.

Interest accrues on the loan at LIBOR and 3.50%. Monthly principal payments of \$100,000 began on July 1, 2021. On April 13, 2023, borrow executed a Consent Letter to change term to SOFR from LIBOR. On April 24, 2023, Borrower provided notice of extension for a third year, extending the loan to June 30, 2024. On October 31, 2023, the loan was amended with a \$3.1 million principal paydown, and extending the loan to June 30, 2025.

The Company received management, leasing development and similar fees from the Laredo JV that totaled \$397,000 and \$301,000 for the years ended December 31, 2024 and 2023, respectively.

Summary financial information (stated at 100%) of the Laredo JV as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023, is as follows (in thousands):

	As of		As	As of		
	Decembe	December 31, 2024		31, 2023		
Assets						
Real estate - net	\$	34,955	\$	35,801		
Cash and cash equivalents		452		1,602		
Restricted cash		348		401		
Other assets		1,811		1,489		
Total assets	\$	37,566	\$	39,293		
Liabilities and members' equity						
Mortgages and other debt	\$	32,580	\$	33,780		
Other liabilities		3,907		3,901		
Members' equity		1,079		1,612		
Total liabilities and members' equity	\$	37,566	\$	39,293		
	Year E			r Ended		
a	December	31, 2024	Decemb	er 31, 2023		
Statements of Operations						
Revenue	\$	8,732		8,172		
Operating expenses		4,129		4,141		
General and administrative expenses		402		447		
Depreciation and amortization expense		1,762		1,946		
Interest expense		2,972		3,181		
Total expenses		9,265		9,715		
Net loss	\$	(533)	\$	(1,543)		

Lincoln City Entities

On February 13, 2024, the Company, Gary Skoien, and Betty Kimbrew formed a joint venture, LC Outlets JV, LLC ("LCO JV") to acquire Lincoln City Outlets, an outlet center in Lincoln City, Oregon. At December 31, 2024, LCO JV is owned 56% by Gary Skoien, 32% by Betty Kimbrew and 12% by the Company.

On February 13, 2024, LC Outlets CMBS, LLC ("LCO CMBS"), which is owned 100% by the LCO JV, obtained a \$23.2 million loan from an affiliate of Citi Financial (the "Lincoln City Loan"). The Lincoln City Loan has a term of 10 years and bears interest at 7.15%. Payments are interest only through the maturity date. The Lincoln City Loan is secured by a mortgage on the Lincoln City Outlets and had a balance of \$23.2 million at December 31, 2024. Howard Amster and an affiliate of Howard Amster loaned the Company total of \$ 10.3 million in conjunction with the transaction, The Company made a loan of \$7.6 million to Gary Skoien and a loan of \$2.8 million to Betty Kimbrew in conjunction with the transaction. Each loan is guaranteed by the respective borrower. LCO CMBS is a separate entity from the Company and its affiliates and its assets and credits are not available to satisfy the debts and obligations of affiliates of the Company or any other person.

The Company received management, leasing, and similar fees from the LCO JV that totaled \$200,000 for the period February 13, 2024 through December 31, 2024.

Summary financial information (stated at 100%) of the LCO JV as of December 31, 2024, and for the period of February 13, 2024 through December 31, 2024, is as follows (in thousands):

	As of		
	December 31, 2024		
Assets			
Real estate - net	\$ 30,83	3	
Cash and cash equivalents	14	7	
Restricted cash	97	4	
Other assets	3,77	2	
Total assets	\$ 35,72	6	
Liabilities and members' equity			
Mortgages and other debt	\$ 23,16	3	
Other liabilities	50	7	
Members' equity	12,05	6	
Total liabilities and members' equity	\$ 35,72	6	

	-	February 13, 2024 through December 31, 2024		
Statements of Operations				
Revenue	\$	5,125		
Operating expenses General and administrative expenses Depreciation and amortization expense Interest expense		1,682 251 2,402 1,562		
Total expenses		5,897		
Net loss	\$	(772)		

Dells Entities

On March 22, 2024, the Company and Dells TIC, LLC ("Dells TIC"), an affiliate of Howard Amster, formed a joint venture, Dells Acquisition Company, LLC ("Dells JV") to acquire a 71.75% membership interest in Wisconsin Dells Outlet Holding, LLC ("Dells Holding") which owned 100% of Wisconsin Dells Outlet Fee LLC ("Dells Owner") which owned the Outlets at The Dells in Baraboo, Wisconsin. Subsequent to the acquisition of the 71.75% interest in Dells Holding, Dells Owner was liquidated by the distribution of the following tenant-incommon interests: 61% to Dells TIC, LLC ("Dells TIC"), 10.75% to HGP TIC, LLC ("HGP TIC"), and 28.25% to Tall Pines TIC, LLC ("Tall Pines TIC"). Dells TIC is owned by an affiliate of Howard Amster, HGP TIC is owned by the Company and Tall Pines TIC is owned by the entity that owned the other 28.25% of Dells Owner.

On March 22, 2024, HGP TIC, Dells TIC, and Tall Pines TIC, collectively obtained a \$36.7 million loan from an affiliate of Barclays Capital (the "Dells Loan"). The Dells Loan has a term of 10 years and bears interest at 7.07%. Payments are interest only through the maturity date. The Dells Loan is secured by the mortgage on the Outlets at The Dells and had a balance of \$36.7 million at December 31, 2024.

The Company received management, leasing, and similar fees from the Outlet at The Dells that totaled \$256,000 for the period March 22, 2024 through December 31, 2024.

Summary financial information (stated at 100%) of the Outlet at The Dells as of December 31, 2024, and for the period of March 22, 2024 through December 31, 2024, respectively, is as follows (in thousands):

	As of		
	Decembe	December 31, 2024	
Assets			
Real estate - net	9	\$	50,202
Cash and cash equivalents			336
Restricted cash			817
Other assets			4,103
Total assets	9	\$	55,458
Liabilities and members' equity			
Mortgages and other debt	9	\$	36,730
Other liabilities			1,353
Members' equity			17,375
Total liabilities and members' equity	9	\$	55,458

	March 22, 2024 through December 31, 2		
Statements of Operations			
Revenue	\$	6,183	
Operating expenses		2,217	
General and administrative expenses		315	
Depreciation and amortization expense		3,270	
Interest expense		2,139	
Total expenses		7,941	
Net loss	\$	(1,758)	

Note 5 - Income Taxes

HGPI is taxable as a corporation under the provisions of Subchapter C of the Internal Revenue Code. There were no net provision for income taxes after the change in the valuation reserve for the years ended December 31, 2024 and 2023.

For federal income tax purposes, HGPI had net operating loss carryforwards ("NOLs") of approximately \$59.5 million and \$63.5 million at December 31, 2024 and 2023, respectively. Of the \$59.5 million available at December 31, 2024, approximately \$43.9 million are set to expire from 2025 to 2033 and the remainder are available indefinitely.

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 of December 31, 2024 and 2023, (in thousands):

Deferred Tax Assets:	<u>2024</u>	<u>2023</u>
NOL carryforwards – federal and state	\$13,975	\$14,343
Book basis of liabilities in excess of tax basis:		
Prepaid rental revenue	3	
Gross deferred tax assets	13,978	14,343
Less: valuation allowance	(4,696)	(5,479)
Gross deferred tax assets	9,282	8,864
Deferred Tax Liabilities:		
Book basis of assets in excess of tax basis:		
Fixed/intangible assets	(129)	(157)
Investments in and advances to joint ventures	(9,153)	(8,707)
Gross deferred tax liabilities	<u>(9,282</u>)	<u>(8,864</u>)
Net deferred tax asset	\$ -	\$ -

The valuation allowance related to the net deferred tax assets decreased by approximately \$783,000 and \$1.5 million in 2024 and 2023, respectively.

The Company's effective tax rate in 2024 and 2023 is lower than if the federal statutory rate was applied to net income before income tax primarily due to the change in valuation allowance.

Note 6 - Leases

<u>Lessor</u>

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

2025	\$	297
2026		240
2027		198
2028		63
2029		-
Thereafter	<u></u>	
	\$	798

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

Lessee Operating Leases

The Company maintains operating leases for office spaces. These leases have remaining lease terms expiring through 2026. During 2024 and 2023, the Company had approximately \$203,000 of operating lease expense and \$204,000 and \$198,000, respectively, of lease cash payments. At December 31, 2024 and 2023, other information related to the Company's leases consisted of the following:

	2024	2023
Weighted average remaining lease term:	1.86 years	2.73 years
Weighted average discount rate:	1.61%	1.61%

At December 31, 2024, future minimum lease payments under non-cancellable leases are approximately as follows (in thousands):

2025	\$	177
2026		149
Total undiscounted cash flows		326
Less: Present value discount	<u> </u>	(4)
Total lease liabilities	\$	322

At December 31, 2024 and 2023, lease components included in the consolidated balance sheet consisted of the following (in thousands):

ROU Assets:	2024	4	2023	3
Operating ROU Assets (included in Other assets)	\$	307	\$	504
<u>Lease Liabilities:</u> Operating (included in Accounts payable and other accrued expenses)	\$	322	\$	519

Note 7 - Mortgages and Other Debt

Principal Balance as of: (In thousands)

December 31, 2024 December 31, 2023

Mortgage loan to Village Green Associates, LLC, from Peoples Bank SB, formerly First Personal Bank, (lender) with an interest rate of 6.5%, a maturity date of March 1, 2019, amended and extended to April 1, 2027, with an interest rate of 8.25%, secured by the shopping center in Huntley, Illinois and guaranteed by the Company. On April 1, 2020, the loan was amended in response to the COVID-19 outbreak to include a deferred payment period including principal and interest from April 1, 2020 through June 1, 2020, with deferred principal amounts added to the outstanding principal balance of the loan and due at maturity. The loan will be paid through 59 monthly payments of \$23,633, and 93 monthly payments of \$23,063, including interest, and one balloon payment of \$22,944.

\$ 688 \$ 927

Promissory note of \$7.3 million to Horizon Group Properties, LP, from Pleasant Lake Apts., LP bearing interest at 8.5% and maturing on March 15, 2034. Monthly debt service payments are equal to 70.9% of the payments received by the Company from the notes from Gary Skoien and Betty Kimbrew (see Note 10). The amount of any monthly payment in excess of the interest due for such month shall be applied to reduce principal; any amount less than that shall be added to principal. The note is guaranteed by the Company.

7,298

Promissory note of \$3.0 million to Horizon Group Properties, LP, from Howard Amster bearing interest at 8.5% and maturing on March 15, 2034. Monthly debt service payments are equal to 29.1% of the payments received by the Company from the notes from Gary Skoien and Betty Kimbrew (see Note 10). The amount of any monthly payment in excess of the interest due for such month shall be applied to reduce principal; any amount less than that shall be added to principal. The note is guaranteed by the Company.	2,999	-
Promissory note of \$2.0 million to Huntley Development, LP, from Pleasant Lake Apts., LP bearing interest at the rate earned by the WinTrust collateral reserve account and maturing on March 14, 2027. Payments consist of monthly interest payments with a balloon payment on March 14, 2027. The note is guaranteed by the Company		
Promissory revolving draw note of \$5 million to Horizon Group Properties, LP, from Pleasant Lake Apts., LP bearing interest at prime per annum and maturing on May 28, 2024. Beginning February 1, 2021, interest was amended to 1.0%. Payments consist of monthly interest payments beginning August 2019 with a balloon payment on May 28, 2024. The note is guaranteed by the Company and secured by its pledged membership interest in Horizon Louisville and in Horizon El Paso as it relates to the outparcels and ancillary land in El Paso.	2,000	1,000
Promissory revolving draw note of \$10 million to Huntley Development, LP, from Wintrust Bank, N.A. bearing interest at SOFR (4.49 % at December 31, 2024) plus 3.25% and maturing on March 14, 2027. Payments consist of monthly interest payments. The note is guaranteed by the Company and Howard Amster and secured by a mortgage on the 327 acres of land in Huntley, IL.	9,962	_
Promissory note to Horizon Group Properties, LP, from Gary J. Skoien bearing interest at 1.00%, maturing on June 1, 2025, secured by the Promissory Note dated September 30, 2020 from Phillip Waters, an officer of the Company. Payments are due in the same aggregate amounts as due from Phillip Waters.	-	65
Unamortized debt issuance costs	22,947 (144) \$ 22,803	1,992 (26) <u>\$ 1,966</u>

Cash interest payments for the years ended December 31, 2024 and 2023, totaled \$1.2 million and \$76,000, of which \$852,000 and \$11,000, respectively, was paid to a related party.

As part of the revolving draw note transaction with PLA (see Note 10), 41,667 and 541,667 warrants to purchase units or shares were issued to PLA during 2020 and 2019, respectively. The warrants had an exercise price of \$3.00 per share and expired on May 29, 2024.

Debt Maturities

Debt maturities and principal payments due subsequent to December 31, 2024, are as follows (in thousands):

Due in:		
2025		\$ 277
2026		301
2027		12,072
2028		-
2029		-
Thereafter		10,297
	Total	\$ 22,947

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.

Huntley Net Profits Interests

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 135 usable acres of land 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. There was no liability at December 31, 2024 and 2023.

Note 8 - 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 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.

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 observable inputs, as well as changes in economic and other factors.

At December 31, 2024 and 2023, the Company used a discounted cash flow approach to estimate fair value of joint ventures and considers signification unobservable inputs such as discount rates. The methodologies 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, 2024:

<u>Description</u>	Le	vel 1	Level 2		Le	evel 3
Marketable Securities	\$	2,000	\$	-	\$	-
Investments in Joint Ventures	\$		\$		\$	50,951
Total	\$	2,000	\$	_	\$	50,951

Assets measured at fair value by level, in thousands, within the fair value hierarchy, are comprised of the following at December 31, 2023:

<u>Description</u>	Level 1		Level 2		<u>Le</u>	evel 3
Investments in Joint Ventures	\$	_	\$	_	\$	51.415

Following is a reconciliation of activity, in thousands, for the years ended December 31, 2024 and 2023, for the fair value of the Company's Level 3 assets:

	2024	_2023
Balance, beginning of year	\$ 51,415	\$ 48,188
Unrealized gains	5,812	7,866
Contributions	-	2,179
Distributions	(6,276)	(6,818)
Balance, end of year	\$ 50,951	\$ 51,415

Quantitative information about the Company's Level 3 inputs for the years ended December 31, 2024 and 2023, are as follows:

<u>Valuation Technique</u> <u>Significant Unobservable Inputs</u>

Discounted cash flow approach Discount rate -9.75% at 12/31/24 and 12/31/23

Terminal capitalization rate -7.50% at 12/31/24 and 12/31/23 Market rent growth rate -2.75% at 12/31/24 and 12/31/23

Note 9 – Preferred Equity

On October 1, 2022, the Company issued 1,000 shares of Series A Preferred Stock to PL Skoien and 1,000 shares of Series B Preferred stock to PLA in exchange for 100% ownership of PLS-Exchange, LLC ("PLS-X") to which they 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 contributed economic interests listed above will be distributed to PL-Skoien and PLA 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. At December 31, 2024 and 2023, total stockholders' equity was \$77.1 million and \$75.6 million, respectively, of which \$30.0 million and 30.6 million,

respectively, were attributable to preferred equity through ownership of PLS-X. At December 31, 2024 and 2023, the accrued Preferred Stock Series A and Series B accrued dividends payable were \$0 and \$35,000, respectively. Dividends paid for the years ended December 31, 2024 and 2023, totaled \$4.5 million and \$4.7 million, respectively.

Note 10 - Related Party Transactions

At December 31, 2024 and 2023, PLA owned 11.75%, of El Paso Outparcels, and 100% and 0%, respectively, of Dells TIC.

At December 31, 2024 and 2023, PL Skoien, owned 4.9167%, of El Paso Outparcels.

At December 31, 2024 and 2023, Gary Skoien, owns 56% and 0%, respectively, of LCO JV.

At December 31, 2024 and 2023, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta, and 3.24% of Horizon Louisville.

At December 31, 2024 and 2023, 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 December 31, 2024 and 2023, the Net Profits Interest liability approximated \$6.8 million and \$6.9 million, respectively.

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% and .0375% to Messrs. Skoien, Rumptz, Pelmoter and James Harris, respectively, (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messrs. Skoien, Rumptz, Pelmoter and Harris, respectively, and (5) Horizon El Portal, - 1.52%, 1.52%, 1.22% and .61% to Messrs. Skoien, Pelmoter, Rumptz and Harris, respectively.

On February 7, 2024, the Company made an unsecured loan to Gary Skoien in the amount of \$7.6 million. The related unsecured note payable by Mr. Skoien has a term of 10 years and bears interest at 8.5%. Monthly debt service payments are equal to the distributions received by Mr. Skoien in the prior month related to his ownership in the Lincoln City Outlets JV, LLC (See Note 4). The amount of any monthly payment in excess of the interest due shall be applied to reduce principal.

On February 7, 2024, the Company made an unsecured loan to Betty Kimbrew in the amount of \$2.8 million. The related unsecured note payable by Ms. Kimbrew has a term of 10 years and bears interest at 8.5%. Monthly debt service payments are equal to approximately 65.5% of the distributions received by Ms. Kimbrew in the prior month related to her ownership in the Lincoln City Outlets JV, LLC (See Note 4). The amount of any monthly payment in excess of the interest due shall be applied to reduce principal.

On February 7, 2024, the Company borrowed \$7.3 million from PLA. The related note payable by the Company has a term of 10 years and bears interest at 8.5%. Monthly debt service payments are equal to 70.9% of the payments received by the Company from the notes from Gary Skoien and Betty Kimbrew. The amount of any monthly payment in excess of the interest due shall be applied to reduce principal.

On February 7, 2024, the Company borrowed \$3.0 million from Howard Amster. The related note payable by the Company has a term of 10 years and bears interest at 8.5%. Monthly debt service payments are equal to 29.1% of

the payments received by the Company from notes from Gary Skoien and Betty Kimbrew. The amount of any monthly payment in excess of the interest due shall be applied to reduce principal.

On March 14, 2024, the Company made an unsecured loan to Laughlin Holdings, LLC, an affiliate 100% owned by Howard Amster, in the amount of \$7.7 million. The related unsecured note receivable has a term of 3 years and bears interest at SOFR plus 4.25%. Payments are interest only through the maturity date.

BOARD OF DIRECTORS

Howard Amster

President, Pleasant Lake Apts. Corp.

Gary J. Skoien

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

David Zlatin

Chief Operating Officer, Ramat Securities Ltd.

CORPORATE OFFICERS

Gary J. Skoien

Chairman, President and Chief Executive Officer

David R. Tinkham

Chief Financial Officer and Secretary

Andrew F. Pelmoter

Executive Vice President, Leasing

Thomas A. Rumptz

Executive Vice President, Asset Management

Phillip E. Waters

Senior Vice President

James S. Harris

Managing Director, Business Development

James Dixon

Vice President and Assistant Secretary

EXECUTIVE OFFICE

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TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company 6201 15th Avenue Brooklyn, NY 11219 (718) 921-8300 x6467, Phone (718)765-8782, Fax

INDEPENDENT AUDITORS

Cohen & Company, Ltd. 1350 Euclid Avenue, Suite 800 Cleveland, OH 44115

SHAREHOLDER INQUIRIES

Information is available upon request: Horizon Group Properties, Inc. 10275 W. Higgins Road Suite 260 Rosemont, IL 60018 (847) 292-1876

Information is also available on the Company's website: www.horizongroup.com

STOCK TRADING

The Company's common stock trades in the over the counter market under the symbol "HGPI.PK".



