Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the three months ended March 31, 2013 and 2012

Horizon Group Properties, Inc.

Condensed Consolidated Financial Statements

(Unaudited)

Contents

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2013	December 31, 2012
	(In thousands)	
ASSETS		
Real estate – at cost:		
Land	$ 18,547	$ 18,582
Buildings and improvements	54,211	57,080
Less accumulated depreciation	(11,895)	(12,776)
	60,863	62,886
Construction in progress	3,891	1,603
Land held for investment	18,318	18,318
Total net real estate	83,072	82,807
Investment in and advances to joint ventures	10,847	11,902
Cash and cash equivalents	1,586	3,262
Restricted cash	1,567	2,168
Tenant and other accounts receivable, net	1,223	1,561
Deferred costs (net of accumulated amortization of $467 and $607, respectively)	192	387
Other assets	1,453	921
Total assets	$ 99,940	$103,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt	$ 68,223	$ 70,430
Accounts payable and other accrued expenses	4,204	4,935
Prepaid rents and other tenant liabilities	355	748
Participation interests and other liabilities	2,243	1,063
Total liabilities	75,025	77,176
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, 2,888 and 2,888 issued and outstanding, respectively)	29	29
Additional paid-in capital	34,853	34,853
Accumulated deficit	(23,837)	(23,275)
Total stockholders' equity attributable to the controlling interest	11,045	11,607
Noncontrolling interests in consolidated subsidiaries	13,870	14,225
Total stockholders' equity	24,915	25,832
Total liabilities and stockholders' equity	$ 99,940	$103,008

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See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
	(In thousands)	
REVENUE		
Base rent	$2,116	$3,102
Percentage rent	84	129
Expense recoveries	240	698
Other	1,907	1,064
Interest	2	143
Total revenue	4,349	5,136
EXPENSES		
Property operating	720	1,066
Real estate taxes	346	443
Other operating	59	73
Depreciation and amortization	617	1,175
General and administrative	2,159	1,327
Interest	1,038	2,084
Total expenses	4,939	6,168
Income (loss) from investment in joint ventures	576	(426)
Income tax expense	(165)	-
Consolidated net loss	(179)	(1,458)
Less net (income) loss attributable to the noncontrolling interests	(383)	818
Net loss attributable to the Company	$ (562)	$ (640)

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three months ended March 31, 2013	Three months ended* March 31, 2012
	(In thousands)	
Cash flows from operating activities:		
Net loss attributable to the Company	$ (562)	$ (640)
Adjustments to reconcile net loss attributable to the Company to net cash provided by/(used in) operating activities:		
Net gain on disposal of real estate	(677)	-
Net income (loss) attributable to the noncontrolling interests	383	(818)
(Income) loss from investment in joint ventures	(576)	426
Depreciation	622	1,102
Amortization, including deferred financing costs	44	225
Changes in assets and liabilities:		
Restricted cash	601	(196)
Tenant and other accounts receivable	320	(624)
Deferred costs and other assets	(392)	(100)
Accounts payable and other accrued expenses	(339)	(159)
Prepaid rents and other tenant liabilities	(393)	148
Net cash used in operating activities	(969)	(636)
Cash flows from investing activities:		
Net (contributions) distributions from joint ventures	1,631	(985)
Net marketable securities activity	-	555
Increase in participation interests and other liabilities	1,180	854
Expenditures for buildings and improvements	(2,407)	(970)
Net cash provided by (used in) investing activities	404	(546)
Cash flows from financing activities:		
Net contributions (distributions) from noncontrolling interests	(850)	402
Common units granted to officer	112	-
Net proceeds from sale of ownership interests	-	82
Principal payments on mortgages and other debt	(373)	(1,144)
Proceeds from borrowings	-	300
Net cash used in financing activities	(1,111)	(360)
Net decrease in cash and cash equivalents	(1,676)	(1,542)
Cash and cash equivalents:		
Beginning of period	3,262	1,967
End of period	$ 1,586	$ 425

* Reclassified to current period presentation.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in thousands)	

Supplemental Information -

The following represents the supplemental disclosure of noncash activity for the disposal of fully depreciated/amortized assets during the three months ended March 31, 2013 and 2012:

Buildings and improvements	$ 128	$ 509
Deferred costs	62	391
	$ 190	$ 900

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.
Condensed Consolidated Statements of Stockholders' Equity
Three Months Ended March 31, 2013 and 2012
(unaudited, in thousands)

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2013	$29	$34,853	$(23,275)	$11,607	$14,225	$25,832
Net income (loss)	-	-	(562)	(562)	383	(179)
Common units granted to officer	-	-	-	-	112	112
Net distributions to noncontrolling interest	-	-	-	-	(850)	(850)
Balance, March 31, 2013	$29	$34,853	$(23,837)	$11,045	$13,870	$24,915

	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity Attributable to the Controlling Interest	Noncontrolling Interests in Consolidated Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2012	$29	$34,812	$(30,217)	$4,624	$10,334	$14,958
Net loss	-	-	(640)	(640)	(818)	(1,458)
Sale of interest in consolidated subsidiary	-	83	-	83	-	83
Net contributions from noncontrolling interest	-	-	-	-	402	402
Balance, March 31, 2012	$29	$34,895	$(30,857)	$4,067	$ 9,918	$13,985

See accompanying notes to condensed consolidated financial statements.

Note 1 – Organization and Basis of Presentation

Horizon Group Properties, Inc. ("HGPI" or, together with its subsidiaries "HGP" or the "Company") is a Maryland corporation that was established on June 15, 1998. The operations of the Company are conducted primarily through a subsidiary limited partnership, Horizon Group Properties, L.P. ("HGP LP") of which HGPI is the sole general partner. As of March 31, 2013 and December 31, 2012, HGPI owned approximately 71.6 and 71.7%, respectively of the partnership interests (the "Common Units") of HGP LP. In general, Common Units are exchangeable for shares of Common Stock on a one-for-one basis (or for an equivalent cash amount at HGPI's election).

The accompanying unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, among other factors, the results for the interim period ended March 31, 2013 are not necessarily indicative of the results that may be obtained for the full fiscal year.

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include selected information and disclosures for the interim periods. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2012.

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

Note 2 - Summary of Significant Accounting Policies

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

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

Principles of Consolidation

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

Pre-Development Costs

The pre-development stage of a project involves certain costs to ascertain the viability of a potential project and to secure the necessary land. Direct costs to acquire the assets are capitalized once the acquisition becomes probable.

These costs are carried in Other Assets until conditions are met that indicate that development is forthcoming, at which point the costs are reclassified to Construction in Progress. In the event a development is no longer deemed probable and costs are deemed to be non-recoverable, the applicable costs previously capitalized are expensed when the project is abandoned or those costs are determined to be non-recoverable. At March 31, 2013, pre-development costs classified as Other Assets and Construction in Progress were $644,000 and $3.4 million, respectively. At December 31, 2012, pre-development costs classified as Other Assets and Construction in Progress was $411,000 and $1.2 million, respectively.

Fair Value Measurements

The various inputs that may be used to determine the fair value of the Company's assets are summarized in three broad levels:

- Level 1 - Quoted prices in active markets for identical securities
- Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 - Significant unobservable inputs (including the Company's own assumptions used to determine value)

Revenue Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. Rents which represent basic occupancy costs, including fixed amounts and amounts computed as a function of sales, are classified as base rent. Amounts which may become payable in addition to base rent and which are computed as a function of sales in excess of certain thresholds are classified as percentage rents and are accrued after the reported tenant sales exceed the applicable thresholds. Expense recoveries based on common area maintenance expenses and certain other expenses are accrued in the period in which the related expense is incurred.

Income Taxes

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

As of March 31, 2013 and December 31, 2012 and for the periods then ended, the Company did not have a net liability for any unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest or general and administrative expense in the statement of operations. For the periods ended March 31, 2013 and 2012, the Company did not incur any interest or penalties. The Company is not subject to examination by U.S. federal tax authorities for tax years before 2009.

Subsequent Events

The Company has evaluated subsequent events through August 31, 2013, the date the condensed consolidated financial statements were available to be issued.

Note 3 – Investment in Real Estate

The following table contains information on the operating properties and land held for investment owned by the Company and for which the Company consolidates the results of operations and the assets and liabilities as of March 31, 2013 (in thousands):

Property Name	Location	Property Type	Gross Leasable Area (Sq. Ft.)	Net Carrying Value	Ownership Percentage
The Outlet Shoppes at Burlington	Burlington, WA	Outlet Retail	174,260	$ 10,868	51.0%
El Portal Center	Laredo, TX	Retail	345,106	11,019	38.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,922	10,660	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	25,739	51.0%
Village Green Shopping Center	Huntley, IL	Retail	22,204	2,559	100.0%
Corporate Assets	Norton Shores, MI	Miscellaneous	-	18	100.0%
Total			1,041,004	$ 60,863	
			Acres		
Land Held for Investment	Fruitport Township, MI	Land	14	$ 479	100%
Land Held for Investment	Huntley, IL	Land	383	17,839	100%
Total			397	$ 18,318	

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

Pre-Development Projects

During 2012, the Company entered into agreements to acquire vacant land in Louisville, Kentucky, which is intended to be the site of an outlet center. The Company's obligation to purchase the property is subject to the satisfactory completion of due diligence, the achievement of certain pre-leasing of the project and other conditions. At December 31, 2012, the Company's consolidated balance sheets included pre-development costs of $1.2 million for this project. On December 18, 2012, the Company entered into a Preformation Agreement with an affiliate of CBL & Associates Properties, Inc. ("CBL") with respect to the project. The agreement contemplates that CBL and the Company will work towards the formation of a joint venture to develop the project, 75% of which will be owned by CBL and 25% of which will be owned by the Company. Prior to the formation of the joint venture, CBL has agreed to fund 75% of certain predevelopment costs related to the project. If a joint venture is not formed with CBL and the Company moves forward with the development, any reimbursements received from CBL will be required to be repaid. As of March 31, 2013, CBL funded $2.2 million of predevelopment costs which is included in participation interest and other liabilities on the Company's consolidated balance sheet. During May 2013, a joint venture was formed. (See Note 9)

Note 4 - Investment in Joint Ventures

The following table contains information on the joint venture shopping centers in operation or development as of March 31, 2013. In addition, the joint ventures' own out parcels and other land for development.

Property Name	Location	Property Type	Gross Leasable Area (Sq. Ft.)	Ownership Percentage
The Outlet Shoppes at El Paso	El Paso, TX	Outlet Retail	378,955	10.29%
The Outlet Shoppes at Oklahoma City	Oklahoma City, OK	Outlet Retail	348,600	8.71%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	19.06%
The Outlet Shoppes at Atlanta	Woodstock, GA	Development	371,238	12.08%
Total			1,348,730	

El Paso Entities

The Company owned 45.0% of the preferred interests and 41.2% of the common interests in Horizon El Paso, LLC ("Horizon El Paso"), which owned a 25% joint venture interest in El Paso Outlet Center Holding, LLC ("El Paso Holding"), at March 31, 2013 and December 31, 2012, respectively. El Paso Holding owns an entity that owns an approximate 380,000 square foot outlet shopping center in El Paso, TX (the "El Paso Center"). Horizon El Paso owns a 25% joint venture interest in El Paso Outlet Center II, LLC, which owns expansion land for the shopping center (the "Expansion Land"). Horizon El Paso owns a 50% joint venture interest in El Paso Outlet Outparcels, LLC which owns several outparcels and ancillary land adjacent to the shopping center (the "Outparcels"). Prior to April 12, 2012, Horizon El Paso owned 50% of the entities that owned the El Paso Center, the Expansion Land and the Outparcels.

The Company had previously entered into an agreement with CBL (the "El Paso Master Agreement") pursuant to which CBL was granted an option to purchase ownership interests representing 75% of the El Paso Center and the Expansion Land and 50% of the Outparcels. On April 12, 2012, the Company consummated the transactions pursuant to the El Paso Master Agreement by selling CBL interests owned by Horizon El Paso representing ownership of 25% of the El Paso Center and the Expansion Land and by causing interests representing the other 50% ownership of the El Paso Center, the Expansion Land and the Outparcels to be sold to CBL by Grand Misuma, LLC ("Misuma"). The Company had previously entered into an option agreement with Misuma (the "Misuma Option") pursuant to which Misuma granted the Company an option to purchase its 50% interest in the El Paso Center, the Expansion Land and the Outparcels. During the year ended December 31, 2012, the Company reported a gain of $15.1 million related to the transactions.

The Company continues to lease and manage the El Paso Center and the Company and CBL have entered into a co-development agreement with respect to the development of an expansion of the El Paso Center. The Company will also be appointed to lease and manage the expansion phase.

Summary financial information (stated at 100% and adjusting for the acquisition of controlling interests by CBL on April 12, 2012) of the entities that own the El Paso Center, the Outparcels and the Expansion Land as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012 are as follows (in thousands):

	As of March 31, 2013	As of December 31, 2012
Assets		
Real estate - net	$103,832	$105,427
Cash and cash equivalents	615	784
Restricted cash	542	4,962
Other assets	5,218	3,608
Total assets	$110,207	$114,781
Liabilities and members' equity		
Mortgages and other debt	$66,131	$66,367
Other liabilities	1,633	4,405
Members' equity	42,443	44,009
Total liabilities and members' deficit	$110,207	$114,781

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Statements of Operations		
Revenue	$ 3,360	$ 3,259
Operating expenses	1,136	1,110
Depreciation and amortization expense	1,043	1,103
General and administrative expenses	207	192
Interest expense	1,243	1,271
Total expenses	3,629	3,676
Net loss	$ (269)	$ (417)

The shopping center owned by El Paso Center secures a loan originated by NATIXIS Commercial Mortgage Funding, LLC which had a principal balance of $66.1 million and $66.4 million at March 31, 2013 and December 31, 2012, respectively, bears interest at 7.06%, requires principal payments over a 30-year amortization schedule and is due December 5, 2017.

The Company received management, leasing and similar fees from El Paso Center that totaled $197,000 and $159,000 during the months ended March 31, 2013 and 2012, respectively.

Distributions in excess of the Company's net investments in entities accounted for using the equity method are recognized as income if the Company is not obligated to make future contributions to those entities or budgeted capital contributions that would require the return of such excess distributions. Such distributions are included in Income from Investment in Joint Ventures on the consolidated statements of operations. For the three months ended March 31, 2013 income recognized from distributions in excess of equity investments totaled $313,000. There was no similar income for the three months ended March 31, 2012.

Oklahoma City Entities

In October 2010, the Company formed OKC JV, LLC (the "OKC Joint Venture") with an affiliate of CBL to develop The Outlet Shoppes at Oklahoma City. The Company contributed all of its rights and interests in leases, contracts and construction in progress related to the project. The Company formed a subsidiary entity Horizon OK City Outlets, LLC ("Horizon OKC") to be CBL's partner in the OKC Joint Venture. The Company leases and manages The Outlet Shoppes at Oklahoma City, which opened in August 2011.

In December 2011, the OKC Joint Venture obtained a $60.0 million loan from an affiliate of Goldman Sachs (the "OKC Loan"). The OKC Loan has a term of 10 years maturing March 2021, bears interest at 5.73% and requires amortization based on a 25-year schedule. The OKC Loan is secured by a mortgage on The Outlet Shoppes at Oklahoma City. The loan is generally non-recourse. The Company and an affiliate of CBL have entered into guaranties to the lender with respect to certain environmental issues and customary "bad-boy" acts. The majority of the proceeds of the OKC Loan were used to repay the construction loan from US Bank related to the project. In 2011, HGP LP received a distribution from Horizon OKC of $1.1 million, 50% of which was required to be used to partially repay the US Bank loan to HDLP (see Note 6).

During 2012, an additional 27,986 square feet of retail space, which is owned by OK City Outlets II, LLC (OKC II), was developed at The Outlet Shoppes at Oklahoma City. OKC II is owned by OKC Joint Venture which is owned 25% by Horizon OKC and 75% by CBL. The addition was completed and opened in November of 2012. The addition was funded with a construction loan from an affiliate of CBL. On completion of the project, the construction loan was paid off and replaced with a mortgage from an affiliate of CBL, with an initial principal balance of $4,681,233. The mortgage has a maturity date of August 2, 2015, and bears interest at a rate of LIBOR plus 275 basis points for the first two years. During the third year the mortgage bears interest at a rate of the greater of LIBOR plus 275 basis points or 5%. The note is secured by the ownership interest and all other property of OKC Joint Venture.

The Company has voting control over Horizon OKC and owns, directly and indirectly, approximately 34% of the preferred interests in Horizon OKC. The other preferred members include Somerset, L.P., Pleasant Lake Apts. Limited Partnership ("PLA LP") (an affiliate of Howard Amster), Gary Skoien and Andrew Pelmoter. The Company also granted common interests in Horizon OKC (the "OKC Net Profits Interests") to Gary Skoien, Thomas Rumptz and Andrew Pelmoter, all officers of the Company. Holders of the OKC Net Profits Interests are not entitled to any distributions until the holders of the preferred interests have received a return of their capital plus interest thereon calculated at an annual rate of 12.0%, compounded quarterly. The Company consolidates the results of operations and the assets and liabilities of Horizon OKC which uses the equity method to account for its investment in the OKC Joint Venture.

The Company received development, leasing, management and consulting fees from the OKC Joint Venture that totaled $63,000 and $87,900 during the three months ended March 31, 2013 and 2012, respectively.

Summary financial information (stated at 100%) of the OKC Joint Venture as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012 are as follows (in thousands):

	As of March 31, 2013	As of December 31, 2012
Assets		
Real estate-net	$61,283	$ 62,335
Cash and cash equivalents	1,698	2,406
Restricted cash	2	861
Other assets	4,515	3,977
Total assets	$67,498	$69,579
Liabilities and members' equity		
Mortgages and other debt	$61,679	$61,944
Other liabilities	858	1,745
Members' equity	4,961	5,890
Total liabilities and members' equity	$67,498	$69,579

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Statements of Operations		
Revenue	$ 2,943	$ 2,549
Operating expenses	663	580
Depreciation and amortization expense	1,225	1,141
General and administrative expenses	94	106
Interest expense	901	870
Total expenses	2,883	2,697
Net income (loss)	$ 60	$ (148)

Gettysburg Entities

In July 2007, Gettysburg Outlet Center Holding, LLC received the proceeds from a $6.0 million mezzanine loan. In September 2011, the Company entered into an agreement with an entity owned by an affiliate of CBL and an affiliate of Howard Amster and Gary Skoien ("CBL Gettysburg Mezz Lender") with respect to the acquisition of the mezzanine loan by CBL Gettysburg Mezz Lender. The agreement permitted CBL Gettysburg Mezz Lender to convert the mezzanine loan into equity representing 62.63% of the Gettysburg property subject to the approval of the senior lender, which was subsequently obtained.

On April 17, 2012, CBL Gettysburg Mezz Lender converted the mezzanine loan into equity representing 62.63% ownership in Gettysburg Outlet Center Holding, LLC and Gettysburg Outlet Center LLC (the Gettysburg entities). The Company had previously recorded an impairment loss on the Gettysburg property; a loss of approximately $350,000 was recognized on the conversion of the mezzanine loan into equity in the Gettysburg entities. Prior to the conversion of the mezzanine debt into equity, the Company consolidated the results of operations and the assets and liabilities of the Gettysburg entities; for periods after the conversion, the Company uses the equity method of accounting with respect to the Gettysburg entities.

The Company received management, leasing and similar fees from the Gettysburg entities that totaled $98,000 for the three months ended March 31, 2013. Management, leasing and similar fees from the Gettysburg entities for the three months ended March 31, 2012 were eliminated as these entities were previously consolidated.

Summary financial information (stated at 100%) of the Gettysburg entities as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 is as follows (in thousands):

	As of March 31, 2013	As of December 31, 2012
Assets		
Real estate-net	$46,110	$46,456
Cash and cash equivalents	401	425
Restricted cash	331	1,043
Other assets	2,511	2,100
Total assets	$49,353	$50,024
Liabilities and members' equity		
Mortgages and other debt	$39,983	$40,170
Other liabilities	646	927
Members' equity	8,724	8,927
Total liabilities and members' equity	$49,353	$50,024

	Three Months Ended March 31, 2013
Statements of Operations	
Revenue	$1,689
Operating expenses	564
Depreciation and amortization expense	403
General and administrative	77
Interest expense	604
Total expenses	1,648
Net income	$ 41

Atlanta Entities

On May 11, 2012, the Company entered into a joint venture (the "Atlanta JV") with an affiliate of CBL and began the development of an outlet center in Woodstock, Georgia to be named The Outlet Shoppes at Atlanta. The Company formed a subsidiary entity Horizon Atlanta Outlet Shoppes, LLC (Horizon Atlanta) to be CBL's partner in Atlanta JV. The Company owned 48.3% of the preferred interests and 44.3% of the common interests in Horizon Atlanta. The Atlanta JV purchased approximately 50 acres of land for the project from Ridgewalk Holding, LLC ("Holding"). Ridgewalk Property Investments, LLC ("RPI") is the managing member of Holding. The Horizon Atlanta owns 25% of the Atlanta JV and CBL owns 75% of the Atlanta JV. The Company and CBL are co-developers of the project; the Company is responsible for the leasing and management of the center. On August 9, 2012, the Atlanta JV closed on a $69.8 million construction loan from a group of banks, of which US Bank, NA is the Administrative Bank for the construction of The Outlet Shoppes at Atlanta.

The Company and an affiliate of CBL are also joint venture partners in an entity ("Woodstock GA Investments") that lent RPI $6.0 million, which was contributed to Holding and, together with the proceeds from the sale of the parcel to the Atlanta JV, were used to retire a loan secured by the land owned by Holding. In connection with its loan to RPI, Woodstock GA Investment acquired an equity interest in RPI that is entitled to 15% of the economic interest in Holding. After the sale of the parcel to the Atlanta JV, Holding owns approximately 123 acres of vacant land near The Outlet Shoppes at Atlanta.

Prior to the formation of these entities, the Company consolidated the results of operations and the assets and liabilities contributed to the Atlanta JV and Woodstock GA Investments; for periods after the conversion, the Company uses the equity method of accounting with respect to the Atlanta JV and Woodstock GA Investments. The Company received management, leasing and similar fees from the Atlanta JV that totaled $213,000 for the three months ended March 31, 2013. There was no significant operating activity for the Atlanta Joint Venture for the three months ended March 31, 2012.

Summary financial information (stated at 100%) of the Atlanta JV and Woodstock GA Investments as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 is as follows (in thousands):

	As of March 31, 2013	As of December 31, 2012
Assets		
Land and construction in progress	$47,659	$37,191
Cash	1,378	-
Other assets	3,577	7,013
Total assets	$52,614	$44,204
Liabilities and members' equity		
Construction loan	$28,186	$15,403
Other liabilities	3,914	4,882
Members' equity	20,514	23,919
Total liabilities and members' equity	$52,614	$44,204

	Three Months Ended March 31, 2013
Statement of Operations	
Interest income	$ 122
General and administrative expenses	2
Gain on sale of assets	881
Net income	$1,001

Note 5– Commitments

The Company has outstanding commitments for construction costs and tenant allowances on leases signed (which amounts become payable when the spaces are delivered to the tenants) at March 31, 2013 in the amount of $1.4 million and $9.2 million, respectively, which are not reflected on the condensed consolidated balance sheet as of March 31, 2013. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2013 and 2014, and are anticipated to be funded from capital improvement escrows, construction financing, equity contributions and additional borrowings.

Note 6 – Mortgages and Other Debt

Total secured indebtedness was $68.2 million and $70.4 million at March 31, 2013 and December 31, 2012, respectively. Cash paid for interest for the three months ended March 31, 2013 and 2012 was $1.0 million and $2.1 million, respectively.

The Company's ability to secure new loans is limited by the fact that most of the Company's real estate assets are currently pledged as collateral for its current loans. The Company will pay the scheduled principal amortization in the normal course of business during 2013.

The Company has been remitting the monthly net operating income generated by 5000 Hakes Drive in lieu of full debt service to the servicer of the loan secured by that property since January 2010. On April 4, 2012, the servicer filed a Claim to Foreclose on the property in connection with the loan. On February 2, 2013, 5000 Hakes Drive, LLC and UBS entered into a Deed in Lieu of Foreclosure Agreement related to a mortgage secured by a building located at 5000 Drive, Norton Shores, Michigan. The nonrecourse loan balance was $1,834,000. This transaction resulted in an approximate $340,000 gain attributable to the controlling interest, which is included as a component of other income.

In June 2011, US Bank amended the terms of its loan to the Company by extending the maturity date to May 1, 2013 and requiring the Company to make principal payments in amounts equal to 50% of the positive net cash flow distributed to the Company from the shopping center located in Oklahoma City, Oklahoma. As additional collateral, the Company was also required to pledge its interest in Horizon OKC (See Note 4). In December 2011, principal payments totaling $585,000 were made from distributions received by the Company from the OKC Joint Venture. In the third quarter of 2012, the Company sold approximately 11 acres of land to the Illinois Tollway Authority and made a $3.6 million principal payment on the US Bank loan. On December 28, 2012, the Company sold an additional 3.8 acres of land. Proceeds of $656,000 were used to pay down the principal of the US Bank loan. The US Bank loan related to the Huntley land had a balance of $14.5 and $14.6 million at March 31, 2013 and December 31, 2012, respectively.

Effective July 1, 2013, US Bank amended the terms of its loan to the Company by extending the maturity date to July 1, 2014 with an additional one year extension available if the Company complies with the terms of the loan during the first year. The Company agreed to make principal payments of $20,000 per month and cumulative minimum principal payments of $650,000 by December 31, 2013 and $1,750,000 by June 30, 2014. Effective September 1, 2013, the amendment requires the Company to make principal payment in amounts equal to 100% of the positive net cash flow distributed to the Company from the Oklahoma City entities, the El Paso entities, and the Atlanta entities (see Note 4). As additional collateral, the Company was also required to pledge its interest in Horizon OK City Outlets, LLC and Horizon El Paso, LLC.

In May 2012, the Company reached an agreement to extend the maturity date of the loan from Cathay Bank to El Portal Center, LLC to March 1, 2013. On May 31, 2013, Horizon El Portal, a subsidiary of the company, entered into a loan agreement with a subsidiary of CBL in the amount of $2,700,000, bearing interest at 7%, with a maturity date of May 31, 2015, secured by the Company's ownership interest in the Atlanta JV and is guaranteed by the Company. Interest payments are due on the first of each month and principal is due at maturity. The proceeds of the loan were used to pay the balance of the $2,800,000 mortgage of El Portal Center LLC to Cathay Bank.

Huntley Net Profits Interests and TIF Bonds

Gary J. Skoien was formerly the Executive Vice President and Chief Operating Officer of The Prime Group, Inc. ("Prime Group"). In connection with his employment with Prime Group, Mr. Skoien was previously granted an interest (the "Skoien Net Profits Interest") in the net profits generated by HDLP, an entity which owns approximately 400 acres of land in a master planned community in Huntley, Illinois (the "Huntley Project"), which obligation the Company assumed in connection with the purchase of the Huntley Project from Prime Group. The Skoien Net Profits Interest consists of a 9.675% participation in the Net Cash Flow (as defined in Mr. Skoien's Net Profits Agreement) distributed to the Company (excluding distributions of all amounts contributed or advanced by the Company to the Huntley Project plus interest per the terms of the agreement) from the Huntley Project.

In 1993, the Village of Huntley (the "Village") created a Tax Increment Financing District (the "TIF District"). In 1995, the Village sold $7.0 million of Series A TIF bonds and $14.0 million of Series B TIF bonds and issued to HDLP Series C TIF bonds with a principal amount of $24.4 million. In May 2009, the Village sold $14.3 million of Series 2009 TIF Bonds (the "Series 2009 TIF Bonds"), the proceeds of which were used to retire the Series A and B TIF bonds.

In connection with the issuance of the Series 2009 TIF Bonds, HDLP assigned a portion of the tax increment allocable to the Series C TIF bonds to the Village. The assignment agreement provides that payments made with respect to the Series C TIF bonds will be distributed in the following order of priority: (i) HDLP will receive the first $204,285 annually until it has received a total of $1.43 million; (ii) the next $3.04 million will be allocated 75% to HDLP and 25% to the Village; and (iii) amounts in excess of those in (i) and (ii) will be allocated 25% to HDLP and 75% to the Village. The Series C bonds are subordinate to the Series 2009 TIF Bonds. Currently, no portion of the tax increment is available to the Series C TIF bonds and no value has been ascribed to them by the Company.

The TIF District contains approximately 900 acres of land currently or previously owned by HDLP or Huntley Meadows Residential Venture. The source of repayment for the Series 2009 TIF Bonds and Series C TIF bonds is (a) 100% of the increase in real estate taxes on the land in the TIF District above the taxes in place when the TIF District was created, (b) one-half of the Village's one percent (1%) sales tax collected on retail sales occurring within the TIF District and (c) reserves associated with the Series 2009 TIF Bonds. The repayment of the Series 2009 TIF Bonds is not an obligation of the Company and thus is not reflected on the Company's condensed consolidated balance sheets as a liability.

Note 7 - Related Party Transactions

At March 31, 2013 and December 31, 2012, an affiliate of Howard Amster, PLA LP, owned the following interests: (1) 49% of the entity that owns the office building in Norton Shores, Michigan; (2) 31.3% of Horizon El Portal LLC; (3) 5.9% of the preferred and common interests in Horizon El Paso, LLC; and (4) 7.88% of the preferred and common interests in Horizon OKC. Another affiliate of Howard Amster, Bright Horizons, owns 49% of the interests owned by the Company in the entities that own the outlet centers and related assets in Burlington, WA; Fremont, IN; Gettysburg, PA and Oshkosh, WI and 43.2% of Horizon El Paso, LLC. Somerset Outlet Center, L.P. ("Somerset L.P."), another affiliate of Mr. Amster, owns 12.6% of the interests in the entities that own the shopping center and related assets in Gettysburg, PA, and 46.4% of Horizon Atlanta, LLC which owns 25% of the Atlanta JV.

In November 2012, the Company's interests in the entities related to Magnolia Bluff Factory Shops Limited Partnership ("Magnolia Bluff") were redeemed by other related parties. Total proceeds received by the Company were approximately $377,000. A loss of $62,000 was recognized in connection with the redemption.

At March 31, 2013 and December 31, 2012, Gary Skoien owned the following interests (excluding the Net Profits Interests discussed below): (1) 7.8% of Horizon El Portal, LLC (2) 5.9% of Horizon El Paso, LLC; (3) 0.95% of Horizon OKC. Mr. Skoien also owns 9.28% of Bright Horizons and 9.66% of Somerset LP.

At March 31, 2013 and December 31, 2012 David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta.

At March 31, 2013 and December 31, 2012, Andrew Pelmoter, an officer of the Company, owned 4.955% of Horizon OKC and 2.12% of Horizon Atlanta, in addition to the Net Profits Interests discussed below.

The Company has granted Common interests in Horizon El Paso, Horizon OKC and Horizon Atlanta, LLC (the "Net Profits Interests") to certain officers of the Company. Holders of the Net Profits Interests are not entitled to any distributions until the holders of the preferred interests have received their capital plus a 12% return thereon. Amounts distributed to holders of the Net Profits Interests are accounted for as profit sharing arrangements with compensation expense being recognized for distributions related to such interests. Net profits interests have been granted as follows: (1) Horizon El Paso - 1.3%, 2.6% and 3.5%, to Gary Skoien, Thomas Rumptz and Andrew Pelmoter, respectively (2) Horizon OKC - 2.5%, 2.5% and 3% to Messers. Skoien, Rumptz and Pelmoter, respectively; and (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and James Harris, respectively.

The Company incurred interest expense on the margin account between Magnolia Bluff and Ramat Securities Ltd in the amount of $11,000 for the three months ended March 31, 2012. There was no similar expense in the three months ended March 31, 2013 as Magnolia Bluff is no longer consolidated. Ramat Securities Ltd is an affiliate of Howard Amster.

The Company incurred interest expense on the loan from Somerset, L.P., which is secured by approximately 14 acres of vacant land in Fruitport Township, Michigan in the amount of $2,500 for the three months ended March 31, 2012. There was no similar expense in the three months ended March 31, 2013.

The Company incurred interest expense totaling $15,000 for the three months ended March 31, 2012 on loans from four related parties totaling $400,000. These loans were converted into equity in 2012.

The Company incurred interest expense in the amount of $3,750 and $5,600 for the three months ended March 31, 2013 and 2012 respectively on loans from newAX, Inc. newAX, Inc. is an affiliate of Howard Amster.

Note 8 – Recent Developments

In December 2012, Horizon El Portal LLC, the majority member of El Portal Center, LLC, sent a notice to the minority member of its intent to terminate El Portal Center, LLC. Under the terms of the operating agreement, the minority member has 30 days to determine whether to purchase the majority member's interest or sell its interest. The minority member disputed the validity of the termination notice and Horizon El Portal filed suit on March 4, 2013, seeking, among other things, the enforcement of its rights under the operating agreement to terminate El Portal Center, LLC. The case is currently in the discovery stage. While the outcome of this is not presently determinable, it is in the opinion of management that the outcome will not have a material adverse effect on the financial position or result of operations of the Company.

On March 11, 2013 the company granted 140,000 common units, valued at $112,000 to Gary Skoien as part of his bonus.

Note 9 – Subsequent Events

On May 6, 2013, the Company entered into a joint venture (the "Louisville JV") with an affiliate of CBL and began the development of an outlet center in Louisville, Kentucky to be named The Outlet Shoppes at Louisville. The Company formed a subsidiary entity (Horizon Louisville) to be CBL's partner in Louisville JV. On May 7, 2013, the Company exercised its option to increase its ownership of the Louisville JV from 25% to 35%.

On June 10, the company sold 1,350,000 and 450,000 additional shares of stock to PLA, LP and Gary Skoien respectively. The shares were sold at a price of $1.25 per share netting the Company $2,250,000 in proceeds. In conjunction with the sale, the Company entered into a loan agreement with Gary Skoien in the amount of $220,500 bearing interest at 2%, maturing in 2018, and secured by a pledge of his securities.