Condensed Consolidated Financial Statements

Horizon Group Properties, Inc.

For the six months ended June 30, 2014 and 2013

Horizon Group Properties, Inc.

Condensed Consolidated Financial Statements

(Unaudited)

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HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Real estate – at cost:		
Land	$18,334	$ 18,547
Buildings and improvements	56,484	55,759
Less accumulated depreciation	(14,848)	(13,777)
	59,970	60,529
Construction in progress	1,248	397
Land held for investment	18,234	18,324
Total net real estate	79,452	79,250
Investment in and advances to joint ventures	11,961	13,066
Cash and cash equivalents	1,266	3,164
Restricted cash	2,157	1,927
Tenant and other accounts receivable, net	754	1,607
Deferred costs (net of accumulated amortization of $514 and $372 respectively)	334	196
Other assets	1,192	830
Total assets	$97,116	$100,040
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgages and other debt	$64,386	$ 64,161
Accounts payable and other accrued expenses	3,524	4,083
Prepaid rents and other tenant liabilities	268	382
Total liabilities	68,178	68,626
Commitments and contingencies		
Stockholders' equity:		
Common shares ($.01 par value, 50,000 shares authorized, and 4,663 shares issued and outstanding)	47	47
Additional paid-in capital	37,018	36,865
Accumulated deficit	(22,187)	(21,926)
Total stockholders' equity attributable to the controlling interest	14,878	14,986
Noncontrolling interests in consolidated subsidiaries	14,060	16,428
Total stockholders' equity	28,938	31,414
Total liabilities and stockholders' equity	$97,116	$100,040

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013
	(In thousands)	
REVENUE		
Base rent	$2,100	$2,134
Percentage rent	129	137
Expense recoveries	247	240
Other	2,169	1,161
Total revenue	4,645	3,672
EXPENSES		
Property operating	690	570
Real estate taxes	324	377
Other operating	133	39
Depreciation and amortization	652	617
General and administrative	2,177	1,643
Interest	951	1,027
Total expenses	4,927	4,273
Income from investment in joint ventures	423	172
Consolidated net income/(loss) before gain on sale of real estate	141	(429)
Gain on sale of real estate	941	-
Consolidated net income/(loss)	1,082	(429)
Less: net income/(loss) attributable to the noncontrolling interests	808	(33)
Net income/(loss) attributable to the Company	$ 274	$ (396)

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
	(In thousands)	
REVENUE		
Base rent	$4,125	$4,250
Percentage rent	262	221
Expense recoveries	503	480
Other	3,226	2,393
Total revenue	8,116	7,344
EXPENSES		
Property operating	1,457	1,290
Real estate taxes	668	723
Other operating	203	98
Depreciation and amortization	1,274	1,234
General and administrative	4,112	3,802
Interest	1,901	2,065
Total expenses	9,615	9,212
Income from investment in joint ventures	1,027	748
Income tax expense	-	165
Consolidated net loss before gain on sale of real estate	(472)	(1,285)
Gain on sale of real estate	941	677
Consolidated net income/(loss)	469	(608)
Less: net income attributable to the noncontrolling interests	738	350
Net loss attributable to the Company	$ (269)	$ (958)

See accompanying notes to condensed consolidated financial statements.

Horizon Group Properties, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Six Months Ended June 30, 2014 and 2013
(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, 2014	$47	$36,865	$(21,926)	$14,986	$16,428	$31,414
Net income / (loss)	-	-	(269)	(269)	738	469
Purchase of minority interest in El Portal Center	-	11	-	11	(1,736)	(1,725)
Other	-	142	8	150		150
Distributions to noncontrolling interests	-	-	-	-	(1,370)	(1,370)
Balance, June 30, 2014	$47	$37,018	$(22,187)	$14,878	$14,060	$28,938

	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)	-	-	(958)	(958)	350	(608)
Common units granted to officer	-	-	-	-	112	112
Stock issued	18	2,012	-	2,030	-	2,030
Net contributions from noncontrolling interest	-	-	-	-	443	443
Balance, June 30, 2013	$47	$36,865	$(24,233)	$12,679	$15,130	$27,809

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from operating activities:		
Net loss attributable to the Company	$ (269)	$ (958)
Adjustments to reconcile net loss attributable to the Company to net cash provided by/(used in) operating activities:		
Gain on sale of real estate	(941)	(677)
Net income attributable to the noncontrolling interests	738	350
Income from investments in joint ventures	(1,027)	(748)
Depreciation	1,132	1,249
Amortization, including deferred financing costs	142	64
Changes in assets and liabilities:		
Restricted cash	(230)	572
Tenant and other accounts receivable	853	661
Deferred costs and other assets	(642)	(326)
Accounts payable and other accrued expenses	(559)	(110)
Prepaid rents and other tenant liabilities	(114)	(190)
Net cash used in operating activities	(917)	(113)
Cash flows from investing activities:		
Distributions from joint venture	2,132	3,498
Investment in joint venture	-	(2,075)
(Increase) decrease in participation interests and other liabilities	-	1,787
Cash deconsolidated with Louisville entity	-	(223)
Expenditures for buildings and improvements	(1,547)	(4,150)
Net proceeds from sale of real estate	1,154	-
Net cash provided by/(used in) investing activities	1,739	(1,163)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(1,370)	(872)
Contributions from noncontrolling interests	-	1,315
Common units granted to officer	-	112
Stock issued	150	2,030
Principal payments on mortgages and other debt	(1,970)	(3,614)
Proceeds from borrowings	470	2,700
Net cash provided by (used in) financing activities	(2,720)	1,671
Net increase (decrease) in cash and cash equivalents	(1,898)	395
Cash and cash equivalents:		
Beginning of period	3,164	3,262
End of period	$ 1,266	$ 3,657

See accompanying notes to condensed consolidated financial statements.

HORIZON GROUP PROPERTIES, INC.

Condensed Consolidated Statements of Cash Flows, continued

(unaudited)

The following represents supplemental disclosure of noncash activity for the disposal of the assets and liabilities of 5000 Hakes Drive, LLC on February 2, 2013:

	June 30, 2013
Land	$ 35
Buildings and improvements	2,860
Accumulated depreciation	(1,375)
Other assets	29
Mortgage and other liabilities	(2,230)
Gain on sale of real estate	$ (681)

The following represents supplemental disclosure of noncash activity for the de-consolidation of the assets and liabilities of the Louisville Joint Venture on May 6, 2013 (See Note 4):

Construction in progress	$4,001
Cash	223
Other Assets	151
Accounts payable and other accrued expenses	(575)
Participation Interest and other liabilities	(2,850)
Investment in joint venture	$ 950

The following represents supplemental disclosure of noncash activity for the purchase of the minority interest in El Portal Center during the six months ended June 30, 2014:

	June 30, 2014
Mortgages and other debt	$ 1,725
Additional paid in capital	11
Noncontrolling interests in consolidated subsidiaries	$(1,736)

See accompanying notes to condensed consolidated financial statements

Note 1 – Organization and Basis of Presentation

Horizon Group Properties, Inc. ("HGPI" or, together with its subsidiaries "HGP" or the "Company") is a Maryland corporation that was established on June 15, 1998. The operations of the Company are conducted primarily through a subsidiary limited partnership, Horizon Group Properties, L.P. ("HGP LP") of which HGPI is the sole general partner. As of June 30, 2014 and December 31, 2013, HGPI owned approximately 78.6% of the partnership interests (the "Common Units") of HGP LP. In general, Common Units are exchangeable for shares of Common Stock on a one-for-one basis (or for an equivalent cash amount at HGPI's election).

The accompanying unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiaries, and all significant inter-company amounts have been eliminated. Due to the seasonal nature of certain operational activities, among other factors, the results for the interim period ended June 30, 2014 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, 2013.

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 June 30, 2014, pre-development costs classified as Other Assets and Construction in Progress were $873,000 and $1,248,000, respectively. At December 31, 2013, pre-development costs classified as Other Assets and Construction in Progress totaled $343,000 and $397,000, 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 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 June 30, 2014 and December 31, 2013 and for the periods then ended, the Company did not have a net liability for any unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest or general and administrative expense in the statement of operations. For the periods ended June 30, 2014 and 2013, 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 2010.

Subsequent Events

The Company has evaluated subsequent events through November 21, 2014 the date the condensed consolidated financial statements were available to be issued, and determined that there have been no significant events that have occurred through that date that have not been reflected in the condensed consolidated financial statements and/or disclosed in the notes to the condensed consolidated financial statements.

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 assets and liabilities and results of operations as of June 30, 2014:

Property Name	Location	Property Type	Gross Leasable Area (Sq. Ft.)	Net Carrying Value (in thousands)	Ownership Percentage
The Outlet Shoppes at Burlington	Burlington, WA	Outlet Retail	174,260	$10,309	51.0%
The Outlet Shoppes at Fremont	Fremont, IN	Outlet Retail	228,922	10,086	51.0%
The Outlet Shoppes at Oshkosh	Oshkosh, WI	Outlet Retail	270,512	25,369	51.0%
Village Green Shopping Center	Huntley, IL	Retail	22,204	2,429	100.0%
El Portal Center	Laredo, TX	Retail	345,106	10,899	60.8%
Johnny Rockets	Oshkosh, WI	Restaurant	N/A	797	100.0%
Corporate Assets	Michigan	Miscellaneous	-	81	100.0%
Total			1,041,004	$59,970	
			Acres		
Land Held for Investment	Fruitport, MI	Land	14	$ 394	100%
Land Held for Investment	Huntley, IL	Land	383	17,840	100%
Total			397	$18,234	

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

Note 4 - Investment in Joint Ventures

The following table contains information on the joint venture shopping centers in operation or development as of June 30, 2014. 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	422,867	10.29%
The Outlet Shoppes at Oklahoma City	Oklahoma City, OK	Outlet Retail	394,661	8.71%
The Outlet Shoppes at Gettysburg	Gettysburg, PA	Outlet Retail	249,937	19.06%
The Outlet Shoppes at Atlanta	Woodstock, GA	Outlet Retail	371,238	11.08%
The Outlet Shoppes at Louisville	Louisville, KY	Development	374,046	15.64%
Total			1,812,749	

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 June 30, 2014 and December 31, 2013, 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")

During 2014, an additional 54,090 square feet of retail space, which is owned by El Paso Outlet Center II Expansion, LLC, was developed in El Paso. El Paso Outlet Center II Expansion is 100% owned by El Paso Outlet Center II, LLC, which is owned 25% by Horizon El Paso and 75% by CBL. The addition was completed and opened in August of 2014.

The shopping center owned by El Paso Center secures a loan originated by NATIXIS Commercial Mortgage Funding, LLC which 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 $344,000 and $168,000 during the three months ended June 30, 2014 and 2013, respectively, and $522,000 and $365,000 during the six months ended June 30, 2014 and 2013, 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 six months ended June 30, 2014 and 2013 income recognized from distributions in excess of equity investments totaled $304,000 and $417,000 respectively.

Summary financial information (stated at 100% and without regard to the acquisition of interests by CBL) of the entities that own the El Paso Center, the Outparcels and the Expansion Land as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013 are as follows (in thousands):

	As of June 30, 2014	As of December 31, 2013
Assets		
Real estate-Net	$102,620	$102,189
Cash and cash equivalents	3,803	628
Restricted cash	3,113	4,862
Other assets	2,121	3,181
Total assets	$111,657	$110,860
Liabilities and members' equity		
Mortgages and other debt	$ 68,046	$ 65,466
Other liabilities	2,368	4,596
Members' equity	41,243	40,798
Total liabilities and members' equity	$111,657	$110,860

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Statements of Operations				
Revenue	$ 2,822	$ 3,498	$ 6,369	$6,858
Operating expenses	1,126	1,579	2,493	2,922
Depreciation and amortization expense	977	955	1,954	1,998
Interest expense	1,236	1,250	2,462	2,493
Property tax refund	(1,637)	-	(1,637)	-
Total expenses	1,702	3,784	5,272	7,413
Net income (loss)	$ 1,120	($ 286)	$ 1,097	($ 555)

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.

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. 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 management, leasing and similar fees from the OKC Joint Venture that totaled $170,000 and $74,000 during the three months ended June 30, 2014 and 2013, respectively, and $303,000 and $137,000 during the six months ended June 30, 2014 and 2013, respectively.

Summary financial information (stated at 100%) of the OKC Joint Venture as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013 are as follows (in thousands):

	As of June 30, 2014	As of December 31, 2013
Assets		
Real estate-net	$58,950	$60,237
Cash and cash equivalents	797	990
Restricted cash	908	446
Other assets	3,897	3,773
Total assets	$64,552	$65,446
Liabilities and members' equity		
Mortgages and other debt	$63,732	$62,820
Other liabilities	1,436	1,273
Members' equity (deficit)	(616)	1,353
Total liabilities and members' equity	$64,552	$65,446

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Statements of Operations				
Revenue	$3,103	$3,039	$5,984	$5,982
Operating expenses	887	704	1,661	1,461
Depreciation and amortization expense	1,248	1,237	2,495	2,462
Interest expense	898	894	1,797	1,795
Total expenses	3,033	2,835	5,953	5,718
Net income	$ 70	$ 204	$ 31	$ 264

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.

The shopping center owned by Gettysburg Outlet Center, LP secures a mortgage loan originated by Column Financial, Inc., in the original principal amount of $43.75 million, bearing interest at 5.87%, due February 11, 2016.

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 Company had previously recorded an impairment loss on the Gettysburg property; no gain or loss 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 $75,000 and $82,000 during the three months ended June 30, 2014 and 2013 respectively, and $116,000 and $180,000 during the six months ended June 30, 2014 and 2013, respectively.

Summary financial information (stated at 100%) of the Gettysburg entities as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013 are as follows (in thousands):

	As of June 30, 2014	As of December 31, 2013
Assets		
Real estate-Net	$44,619	$45,244
Cash and cash equivalents	164	166
Restricted cash	1,170	1,072
Other assets	1,582	2,016
Total assets	$47,535	$48,498
Liabilities and members' equity		
Mortgages and other debt	$39,050	$39,437
Other liabilities	814	994
Members' equity	7,671	8,067
Total liabilities and members' equity	$47,535	$48,498

	Three months Ended June 30, 2014	Three months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Statements of Operations				
Revenue	$1,653	$1,679	$3,394	$3,368
Operating expenses	729	593	1,796	1,234
Depreciation and amortization expense	396	402	806	805
Interest expense	595	606	1,188	1,210
Total expenses	1,720	1,601	3,790	3,249
Net income (loss)	$ (67)	$ 78	$ (396)	$ 119

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.

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

The 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 $79,000 and $213,000 for the three months ended June 30, 2014 and 2013, respectively and $182,000 and $399,000 for the six months ended June 30, 2014 and 2013, respectively.

The joint venture agreement for the Atlanta Entities includes a provision to increase the Company's share of future distributions after return of investment and internal rate of return criteria are met. In December of 2013, these criteria were met, and the Company's share of future distributions increased from 25% to 35%.

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. Distributions in excess of the Company's net investments in entities totaled $422,000 for the six months ended June 30, 2014. There was no similar entry for the three months ended June 30, 2014, and the three and six months ended June 30, 2013.

Summary financial information (stated at 100%) of the Atlanta JV and Woodstock Investments as of June, 30, 2014 and December 31, 2013 and for the three and six months ended June 30 2014 and 2013 is as follows (in thousands):

	As of June 30, 2014	As of December 31, 2013
Assets		
Real estate-Net	$63,144	$62,833
Cash and cash equivalents	1,889	1,620
Restricted cash	3,349	6,358
Other assets	9,330	8,649
Total assets	$77,712	$79,460
Liabilities and members' deficit		
Mortgages and other debt	$79,306	$79,902
Other liabilities	1,169	1,371
Members' deficit	(2,763)	(1,813)
Total liabilities and members' deficit	$77,712	$79,460

	Three months Ended June 30, 2014	Three months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Statements of Operations				
Revenue	$4,187	$ 79	$7,500	$ 200
Operating expenses	1,103	-	1,883	2
Depreciation and amortization expense	1,124	-	2,102	-
Interest expense	990	-	1,995	-
Total expenses	3,217	-	5,980	2
Gain on sale of assets	-	97	-	978
Net income	$ 970	$ 176	$1,520	$ 1,176

Louisville Entities

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 the Louisville JV. On May 7, 2013, the Company exercised its option to increase its ownership of the Louisville JV from 25% to 35%.

On August 27, 2013, the Louisville JV closed on a $60.2 million construction loan from a group of banks, of which US Bank, NA is the Administrative Bank, for the construction of The Outlet Shoppes of the Bluegrass.

The Company received development, management, leasing, and similar fees from the Louisville JV that totaled $1,180,000 and $612,000 for the three and six months ended June 30, 2014. There were no similar fees for 2013.

Prior to the formation of the Louisville JV, the Company consolidated the results of operations and the assets and liabilities of the Louisville JV; for periods after the conversion, the Company uses the equity method of accounting with respect to the Louisville JV. There is no significant operating activity for the Louisville JV for the periods ended June 30, 2014 and 2013.

Summary financial information (stated at 100%) of the Louisville JV as of June 30, 2014 and December 31, 2013 is as follows (in thousands):

	As of June 30, 2014	As of December 31, 2013
Assets		
Land and construction in progress	$49,354	$23,974
Cash and cash equivalents	47	-
Restricted cash	2,021	-
Other assets	342	16
Total assets	$51,764	$23,990
Liabilities and members' equity		
Construction loan	$31,210	$ 3,274
Other liabilities	3,031	1,609
Members'equity	17,523	19,107
Total liabilities and members' equity	$51,764	$23,990

Note 5 – Commitments

The Company has outstanding commitments for construction costs and tenant allowances on leases signed (which amounts become payable when the spaces are delivered to the tenants) at June 30, 2014 in the amount of $834,000 and $399,000, respectively, which are not reflected on the condensed consolidated balance sheet as of June 30, 2014. These amounts include the commitments for the pre-development projects (see Note 3). These capital expenditures are expected to be paid during 2014 and 2015 and are anticipated to be funded from capital improvement escrows, construction financing, equity contributions and additional borrowings.

Note 6 – Mortgages and Other Debt

Total secured indebtedness was $64.4 million and $64.2 million at June 30, 2014 and December 31, 2013, respectively. Cash paid for interest for the six months ended June 30, 2014 and 2013 was $1.9 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 2014.

On April 4, 2012, the servicer for 5000 Hakes Drive 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.

Effective July 1, 2013, US Bank extended the maturity date of the loan to July 1, 2014. Effective July 1, 2014, US Bank extended the maturity date of the loan to July 1, 2015. The Company continues to make principal payments of $20,000 per month. 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.

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. On June 18, 2014, Huntley Development received a payment of $676,439 from the Series C TIF bonds. The funds were sent to U. S. Bank as a principal payment on the Huntley debt.

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

In December 2009, the Company sold noncontrolling interests in the entities that owned five of its outlet centers to Bright Horizons of South Florida, LLC ("Bright Horizons"). The centers subject to the transaction are located in Burlington, Washington; El Paso, Texas; Fremont, Indiana; Gettysburg, Pennsylvania and Oshkosh, Wisconsin. Bright Horizons acquired a 22.5% interest in the entities that own the outlet centers (excluding the entity that owns the center in El Paso, in which it acquired a 19.6% preferred interest and a 17.8% common interest). In May 2010, Bright Horizons acquired an additional 26.5% interest in the entities that own the outlet centers (excluding the entity that owns the center in El Paso, in which it acquired an additional 23.6%, preferred interest and an additional 21.8 common interest. Bright Horizons is controlled by Somerset Outlet Center, L.P., ("Somerset, L.P.") of which Howard Amster, owns a controlling interest and Gary Skoien, owns a non-controlling interest. Howard Amster is a significant shareholder and director of the Company. Gary Skoien is Chairman of the Board, Chief Executive Officer, President, and a stockholder of the Company.

At June 30, 2014 and 2013, an affiliate of Howard Amster, PLA LP, owned the following interests: (1) 31.3% of Horizon El Portal LLC; (2) 5.9% of the preferred and common interests in Horizon El Paso, LLC; and (3) 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 outlet center and related assets in Gettysburg, PA, and 46.4% of Horizon Atlanta, LLC which owns 25% of the Atlanta JV. At June 30, 2014 and 2013, Somerset L.P. also owned 47.54% of Horizon Louisville which owns 35% of the Louisville JV.

At June 30, 2014 and 2013, 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 June 30, 2014 and 2013, David Tinkham, an officer of the Company, owned 1.27% of Horizon Atlanta and 3.24% of Horizon Louisville.

At June 30, 2014 and 2013, Andrew Pelmoter, an officer of the Company, owned 4.955% of Horizon OKC 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 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; (3) Horizon Atlanta, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and James Harris, respectively and (4) Horizon Louisville, - 1.25%, 1.25%, 1.25% and .0375% to Messers Skoien, Rumptz, Pelmoter and 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 six months ended June 30, 2013. There was no similar expense in the six months ended June 30, 2014 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 six months ended June 30, 2013. There was no similar expense in the six months ended June 30, 2014.

The Company incurred interest expense in the amount of $1,150 and $1,150 for the six months ended June 30, 2014 and 2013 respectively on loans from newAX, Inc. newAX, Inc. is an affiliate of Howard Amster and Gary Skoien.

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

On June 10, 2013, 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. As of June 30, 2014, $150,000 has been repaid.

Note 8 – Recent Developments

In December 2012, Horizon El Portal LLC, the majority member of El Portal Center, LLC, sent a notice to Morgan Stern Realty Holdings, LLC (Morgan Stern), the minority member, of its intent to terminate El Portal Center, LLC and require Morgan Stern to sell its interest to Horizon El Portal, LLC. Morgan Stern 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. On June 27, 2014 the suit was settled and the court ruled on the settlement. Horizon El Portal agreed to make payments totaling $1,725,000 to Morgan Stern for its interest in El Portal Center, LLC. The first payment of $600,000 was made on July 8, 2014. The remaining payments are due as follows: 1) $100,000 due 90 days from the date of settlement; 2) $500,000 due 180 days from the date of settlement; and 3) $525,000 due within two years of the date of settlement. There is no prepayment penalty.

Note 8 – Subsequent Event

On July 2, 2014, the Company and CBL agreed to a $2,783,285.83 increase of CBL's purchase price for their interest in the El Paso Entities. The adjustment related to an increase in value of the El Paso Entities due to a favorable property tax settlement. CBL transferred the funds to Horizon El Paso on July 2, 2014.