

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-35713

WHEELER REAL ESTATE INVESTMENT TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

2529 Virginia Beach Blvd.
Virginia Beach, Virginia

(Address of Principal Executive Offices)

45-2681082

(I.R.S. Employer
Identification No.)

23452

(Zip Code)

(757) 627-9088

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	WHLR	Nasdaq Capital Market
Series B Convertible Preferred Stock	WHLRP	Nasdaq Capital Market
Series D Cumulative Convertible Preferred Stock	WHLRD	Nasdaq Capital Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

[Table of Contents](#)

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2020, there were 9,699,461 common shares, \$0.01 par value per share, outstanding.

[Table of Contents](#)

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries

	<u>Page</u>
PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets as of June 30, 2020 (unaudited) and December 31, 2019
	4
	Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2020 and 2019
	5
	Condensed Consolidated Statements of Equity (unaudited) for the six months ended June 30, 2020 and 2019
	6
	Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2020 and 2019
	7
	Notes to Condensed Consolidated Financial Statements (unaudited)
	8
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations
	29
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	42
Item 4.	Controls and Procedures
	42
PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings
	43
Item 1A.	Risk Factors
	44
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	44
Item 3.	Defaults Upon Senior Securities
	44
Item 4.	Mine Safety Disclosures
	44
Item 5.	Other Information
	44
Item 6.	Exhibits
	45
	Signatures
	46

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except par value and share data)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	<u>(unaudited)</u>	
ASSETS:		
Investment properties, net	\$ 404,386	\$ 416,215
Cash and cash equivalents	7,660	5,451
Restricted cash	15,277	16,140
Rents and other tenant receivables, net	8,698	6,905
Assets held for sale	6,287	1,737
Above market lease intangibles, net	4,452	5,241
Operating lease right-of-use assets	11,555	11,651
Deferred costs and other assets, net	18,871	21,025
Total Assets	\$ 477,186	\$ 484,365
LIABILITIES:		
Loans payable, net	\$ 331,615	\$ 340,913
Liabilities associated with assets held for sale	4,117	2,026
Below market lease intangibles, net	5,554	6,716
Operating lease liabilities	11,918	11,921
Accounts payable, accrued expenses and other liabilities	12,358	9,557
Total Liabilities	365,562	371,133
Series D Cumulative Convertible Preferred Stock (no par value, 4,000,000 shares authorized, 3,600,636 shares issued and outstanding; \$106.50 million and \$101.66 million aggregate liquidation preference, respectively)	92,360	87,225
EQUITY:		
Series A Preferred Stock (no par value, 4,500 shares authorized, 562 shares issued and outstanding)	453	453
Series B Convertible Preferred Stock (no par value, 5,000,000 authorized, 1,875,748 shares issued and outstanding; \$46.90 million aggregate liquidation preference)	41,131	41,087
Common Stock (\$0.01 par value, 18,750,000 shares authorized, 9,695,899 and 9,694,284 shares issued and outstanding, respectively)	97	97
Additional paid-in capital	233,884	233,870
Accumulated deficit	(258,372)	(251,580)
Total Shareholders' Equity	17,193	23,927
Noncontrolling interests	2,071	2,080
Total Equity	19,264	26,007
Total Liabilities and Equity	\$ 477,186	\$ 484,365

See accompanying notes to condensed consolidated financial statements.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUE:				
Rental revenues	\$ 14,809	\$ 15,391	\$ 30,164	\$ 31,161
Other revenues	360	141	579	366
Total Revenue	15,169	15,532	30,743	31,527
OPERATING EXPENSES:				
Property operations	4,573	4,595	9,296	9,321
Non-REIT management and leasing services	—	1	—	24
Depreciation and amortization	4,446	5,287	9,245	11,103
Impairment of notes receivable	—	5,000	—	5,000
Impairment of assets held for sale	—	1,147	600	1,147
Corporate general & administrative	1,615	1,380	3,487	3,194
Total Operating Expenses	10,634	17,410	22,628	29,789
(Loss) gain on disposal of properties	—	(331)	(26)	1,508
Operating Income (Loss)	4,535	(2,209)	8,089	3,246
Interest income	—	—	1	1
Interest expense	(4,273)	(4,947)	(8,673)	(9,740)
Other expense	—	—	(1,024)	—
Net Income (Loss) Before Income Taxes	262	(7,156)	(1,607)	(6,493)
Income tax benefit (expense)	6	(7)	(2)	(15)
Net Income (Loss)	268	(7,163)	(1,609)	(6,508)
Less: Net income (loss) attributable to noncontrolling interests	14	(112)	5	(99)
Net Income (Loss) Attributable to Wheeler REIT	254	(7,051)	(1,614)	(6,409)
Preferred Stock dividends - undeclared	(3,657)	(3,658)	(7,314)	(7,315)
Net Loss Attributable to Wheeler REIT Common Shareholders	\$ (3,403)	\$ (10,709)	\$ (8,928)	\$ (13,724)
Loss per share:				
Basic and Diluted	\$ (0.35)	\$ (1.10)	\$ (0.92)	\$ (1.42)
Weighted-average number of shares:				
Basic and Diluted	9,695,651	9,693,271	9,694,967	9,650,000

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity
(in thousands, except share data)
(Unaudited)

	Series A		Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling		Total Equity
	Preferred Stock		Preferred Stock							Interests		
	Shares	Value	Shares	Value	Shares	Value				Units	Value	
Balance, December 31, 2019	562	\$ 453	1,875,748	\$41,087	9,694,284	\$ 97	\$ 233,870	\$ (251,580)	\$ 23,927	234,019	\$ 2,080	\$ 26,007
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Dividends and distributions	—	—	—	—	—	—	—	(2,589)	(2,589)	—	—	(2,589)
Net Loss	—	—	—	—	—	—	—	(1,868)	(1,868)	—	(9)	(1,877)
Balance, March 31, 2020 (Unaudited)	562	453	1,875,748	41,109	9,694,284	97	233,870	(256,037)	19,492	234,019	2,071	21,563
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of operating partnership units to Common Stock	—	—	—	—	1,615	—	2	—	2	(1,615)	(2)	—
Adjustments for noncontrolling interest in operating partnership	—	—	—	—	—	—	12	—	12	—	(12)	—
Dividends and distributions	—	—	—	—	—	—	—	(2,589)	(2,589)	—	—	(2,589)
Net Income	—	—	—	—	—	—	—	254	254	—	14	268
Balance, June 30, 2020 (Unaudited)	562	\$ 453	1,875,748	\$41,131	9,695,899	\$ 97	\$ 233,884	\$ (258,372)	\$ 17,193	232,404	\$ 2,071	\$ 19,264
	Series A		Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling		Total Equity
	Preferred Stock		Preferred Stock							Interests		
	Shares	Value	Shares	Value	Shares	Value				Units	Value	
Balance, December 31, 2018	562	\$ 453	1,875,748	\$41,000	9,511,464	\$ 95	\$ 233,697	\$ (233,184)	\$ 42,061	235,032	\$ 2,194	\$ 44,255
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	181,807	2	164	—	166	—	—	166
Dividends and distributions	—	—	—	—	—	—	—	(2,589)	(2,589)	—	—	(2,589)
Net Income	—	—	—	—	—	—	—	642	642	—	13	655
Balance, March 31, 2019 (Unaudited)	562	453	1,875,748	41,022	9,693,271	97	233,861	(235,131)	40,302	235,032	2,207	42,509
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Dividends and distributions	—	—	—	—	—	—	—	(2,590)	(2,590)	—	—	(2,590)
Net Loss	—	—	—	—	—	—	—	(7,051)	(7,051)	—	(112)	(7,163)
Balance, June 30, 2019 (Unaudited)	562	\$ 453	1,875,748	\$41,044	9,693,271	\$ 97	\$ 233,861	\$ (244,772)	\$ 30,683	235,032	\$ 2,095	\$ 32,778

See accompanying notes to condensed consolidated financial statements.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (1,609)	\$ (6,508)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	5,800	6,067
Amortization	3,445	5,036
Loan cost amortization	562	927
Above (below) market lease amortization, net	(373)	(420)
Straight-line expense	92	93
Share-based compensation	—	172
Loss (gain) on disposal of properties	26	(1,508)
Credit losses on operating lease receivables	585	200
Impairment of notes receivable	—	5,000
Impairment of assets held for sale	600	1,147
Net changes in assets and liabilities:		
Rent and other tenant receivables, net	(1,943)	(60)
Unbilled rent	(439)	30
Deferred costs and other assets, net	(1,342)	(562)
Accounts payable, accrued expenses and other liabilities	2,090	(1,805)
Net operating cash flows used in discontinued operations	—	(2)
Net cash provided by operating activities	7,494	7,807
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment property acquisitions, net of restricted cash acquired	—	(24)
Capital expenditures	(544)	(946)
Cash received from disposal of properties	1,665	3,584
Cash received from disposal of properties-discontinued operations	—	19
Net cash provided by investing activities	1,121	2,633
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for deferred financing costs	(326)	(293)
Loan proceeds	13,350	16,500
Loan principal payments	(20,845)	(24,286)
Paycheck Protection Program proceeds	552	—
Net cash used in financing activities	(7,269)	(8,079)
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,346	2,361
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	21,591	17,999
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$ 22,937	\$ 20,360
Supplemental Disclosures:		
Non-Cash Transactions:		
Conversion of common units to common stock	\$ 2	\$ —
Accretion of preferred stock discounts	\$ 341	\$ 341
Other Cash Transactions:		
Cash paid for taxes	\$ —	\$ 6
Cash paid for interest	\$ 7,382	\$ 8,930
The following table provides a reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 7,660	\$ 3,934
Restricted cash	15,277	16,426
Cash, cash equivalents, and restricted cash	\$ 22,937	\$ 20,360

See accompanying notes to condensed consolidated financial statements.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. (the "Trust", the "REIT", or "Company") is a Maryland corporation formed on June 23, 2011. The Trust serves as the general partner of Wheeler REIT, L.P. (the "Operating Partnership"), which was formed as a Virginia limited partnership on April 5, 2012. As of June 30, 2020, the Trust, through the Operating Partnership, owned and operated sixty centers, one office building and six undeveloped properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Oklahoma, Tennessee, Kentucky, New Jersey, Pennsylvania and West Virginia. Accordingly, the use of the word "Company" refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

On October 24, 2014, the Trust, through the Operating Partnership, acquired (i) Wheeler Interests, LLC ("WI"), an acquisition and asset management firm, (ii) Wheeler Real Estate, LLC ("WRE"), a real estate leasing, management and administration firm and (iii) WHLR Management, LLC ("WM" and collectively with WI and WRE the "Operating Companies"), a real estate business operations firm resulting in the Company becoming an internally-managed REIT. Accordingly, the responsibility for identifying targeted real estate investments, the handling of the disposition of real estate investments, administering our day-to-day business operations, including but not limited to, leasing, property management, payroll and accounting functions, acquisitions, asset management and administration are now handled internally.

The Operating Companies perform property management and leasing functions for certain non-related third parties (the "Non-REIT Properties"), primarily through WRE. The Company converted WRE to a Taxable REIT Subsidiary ("TRS") to accommodate serving the Non-REIT Properties since applicable REIT regulations consider the income derived from these services to be "bad" income subject to taxation. The regulations allow for costs incurred by the Company commensurate with the services performed for the Non-REIT Properties to be allocated to a TRS.

During January 2014, the Company acquired Wheeler Development, LLC ("WD") and converted it to a TRS. The Company began performing development activities for both REIT Properties and Non-REIT Properties during 2015.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Form 10-Q") are unaudited and the results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for future periods or the year. However, amounts presented in the condensed consolidated balance sheet as of December 31, 2019 are derived from the Company's audited consolidated financial statements as of that date, but do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The Company prepared the accompanying condensed consolidated financial statements in accordance with GAAP for interim financial statements. The condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. All material balances and transactions between the consolidated entities of the Company have been eliminated. These condensed consolidated financial statements should be read in conjunction with the Company's 2019 Annual Report filed on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K").

2. Summary of Significant Accounting Policies

Investment Properties

The Company records investment properties and related intangibles at fair value upon acquisition. Investment properties include both acquired and constructed assets. Improvements and major repairs and maintenance are capitalized when the repair and maintenance substantially extends the useful life, increases capacity or improves the efficiency of the asset. All other repair and maintenance costs are expensed as incurred. The Company capitalizes interest on projects during periods of construction until the projects reach the completion point that corresponds with their intended purpose.

The Company allocates the purchase price of acquisitions to the various components of the asset based upon the fair value of each component which may be derived from various observable or unobservable inputs and assumptions. Also, the Company may utilize third party valuation specialists. These components typically include buildings, land and any intangible assets related to out-of-market leases, tenant relationships and in-place leases the Company determines to exist. The Company

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

determines fair value based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends and specific market and economic conditions that may affect the property. Factors considered by management in the analysis of determining the as-if-vacant property value include an estimate of carrying costs during the expected lease-up periods considering market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and estimates of lost rentals at market rates during the expected lease-up periods, tenant demand and other economic conditions. Management also estimates costs to execute similar leases including leasing commissions, tenant improvements, legal and other related expenses. Intangibles related to out-of-market leases, tenant relationships and in-place lease value are recorded at fair value as acquired lease intangibles and are amortized as an adjustment to rental revenue or amortization expense, as appropriate, over the remaining terms of the underlying leases. Premiums or discounts on acquired out-of-market debt are amortized to interest expense over the remaining term of such debt.

The Company records depreciation on buildings and improvements utilizing the straight-line method over the estimated useful life of the asset, generally 5 to 40 years. The Company reviews depreciable lives of investment properties periodically and makes adjustments to reflect a shorter economic life, when necessary. Tenant allowances, tenant inducements and tenant improvements are amortized utilizing the straight-line method over the term of the related lease or occupancy term of the tenant, if shorter.

Amounts allocated to buildings are depreciated over the estimated remaining life of the acquired building or related improvements. The Company amortizes amounts allocated to tenant improvements, in-place lease assets and other lease-related intangibles over the remaining life of the underlying leases. The Company also estimates the value of other acquired intangible assets, if any, and amortizes them over the remaining life of the underlying related intangibles.

The Company reviews investment properties for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable, but at least annually. These circumstances include, but are not limited to, declines in the property's cash flows, occupancy and fair market value. The Company measures any impairment of investment property when the estimated undiscounted future operating income before depreciation and amortization, plus its residual value, is less than the carrying value of the property. Estimated undiscounted operating income before depreciation and amortization includes various Level 3 fair value assumptions including renewal and renegotiations of current leases, estimates of new leases on vacant spaces, estimates of operating costs and fluctuating market conditions. The renewal and renegotiations of leases in some cases must be approved by additional third parties outside the control of the Company and the tenant. If such renewed or renegotiated leases are approved at amounts below current estimates, then impairment adjustments may be necessary in the future. To the extent impairment has occurred, the Company charges to income the excess of the carrying value of the property over its estimated fair value. The Company estimates fair value using unobservable data such as operating income, estimated capitalization rates, or multiples, leasing prospects for vacant spaces and local market information. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 3 inputs. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets Held For Sale and Discontinued Operations

The Company may decide to sell properties that are held for use. The Company records these properties as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and is expected within one year. Properties classified as held for sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. When the carrying value exceeds the fair value, less estimated costs to sell an impairment expense is recognized. The Company estimates fair value, less estimated closing costs based on similar real estate sales transactions. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 and 3 inputs. Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. See Note 3 for additional details on impairment of assets held for sale for the three and six months ended June 30, 2020 and 2019.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

Assets held for sale are presented as discontinued operations in all periods presented if the disposition represents a strategic shift that has, or will have, a major effect on the Company's financial position or results of operations. This includes the net gain (or loss) upon disposal of property held for sale, the property's operating results, depreciation and interest expense.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents consist primarily of bank operating accounts and money markets. Financial instruments that potentially subject the Company to concentrations of credit risk include its cash and cash equivalents and its trade accounts receivable. The Company places its cash and cash equivalents with institutions of high credit quality.

Restricted cash represents amounts held by lenders for real estate taxes, insurance, reserves for capital improvements, leasing costs and tenant security deposits.

The Company places its cash and cash equivalents and restricted cash on deposit with financial institutions in the United States, which are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250 thousand. The Company's loss in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amounts on deposit. Management monitors the financial institutions credit worthiness in conjunction with balances on deposit to minimize risk.

Tenant Receivables and Unbilled Rent

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The Company determines an allowance for the uncollectible portion of accrued rents and accounts receivable based upon customer credit-worthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends. The Company considers a receivable past due once it becomes delinquent per the terms of the lease. The Company's standard lease form considers a rent charge past due after five days. A past due receivable triggers certain events such as notices, fees and other allowable and required actions per the lease. As of June 30, 2020 and December 31, 2019, the Company's allowance for uncollectible accounts totaled \$1.55 million and \$1.14 million, respectively. During the three and six months ended June 30, 2020, the Company recorded a provision for credit losses on operating lease receivables in the amount of \$431 thousand and \$585 thousand, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. During the three and six months ended June 30, 2019, the Company recorded a provision for credit losses on operating lease receivables in the amount of \$110 thousand and \$200 thousand, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. These are included in rental revenues on the condensed consolidated statements of operations. During the three and six months ended June 30, 2020 and 2019, the Company did not realize any recoveries related to tenant receivables previously written off.

Above and Below Market Lease Intangibles, net

The Company determines the above and below market lease intangibles upon acquiring a property. Above and below market lease intangibles are amortized over the life of the respective leases. Amortization of above and below market lease intangibles is recorded as a component of rental revenues.

Deferred Costs and Other Assets, net

The Company's deferred costs and other assets consist primarily of leasing commissions, leases in place, capitalized legal and marketing costs, tenant relationships and ground lease sandwich interest intangibles associated with acquisitions. The Company's lease origination costs consist primarily of the portion of property acquisitions allocated to lease originations and commissions paid to third parties in connection with lease originations. The Company generally records amortization of lease origination costs on a straight-line basis over the terms of the related leases. Amortization of lease origination costs, leases in place, legal and marketing costs, tenant relationships and ground lease sandwich interest represents a component of depreciation and amortization expense.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

Paycheck Protection Program

The Company received proceeds of \$552 thousand (the "PPP funds") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security ("CARES") Act.

The PPP funds were received in the form of a promissory note, dated April 24, 2020 (the "Promissory Note"), between the Company and KeyBank as the lender that matures on April 24, 2022 bearing interest at a fixed rate of 1% per annum, payable monthly commencing seven months from the date of the note. Under the terms of the PPP, the principal may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, mortgage interest, rent and utilities. No assurance can be provided that the Company will obtain forgiveness of the Promissory Note in whole or in part. The PPP proceeds are included in "accounts payable, accrued expenses and other liabilities" on the condensed consolidated balance sheets.

Revenue Recognition

Lease Contract Revenue

The Company has two classes of underlying assets relating to rental revenue activity, retail and office space. The Company retains substantially all of the risks and benefits of ownership of these underlying assets and accounts for these leases as operating leases. The Company combines lease and nonlease components in lease contracts, which includes combining base rent and tenant reimbursement revenue.

The Company accrues minimum rents on a straight-line basis over the terms of the respective leases which results in an unbilled rent asset or deferred rent liability being recorded on the balance sheet. At June 30, 2020 and December 31, 2019, there were \$3.92 million and \$3.41 million, respectively, in unbilled rent which is included in "rents and other tenant receivables, net." Additionally, certain of the lease agreements contain provisions that grant additional rents based on tenants' sales volumes (contingent or percentage rent). Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements as variable lease income.

The Company's leases generally require the tenant to reimburse the Company for a substantial portion of its expenses incurred in operating, maintaining, repairing, insuring and managing the shopping center and common areas (collectively defined as Common Area Maintenance or "CAM" expenses). This significantly reduces the Company's exposure to increases in costs and operating expenses resulting from inflation or other outside factors. These reimbursements are considered nonlease components which the Company combines with the lease component. The Company calculates the tenant's share of operating costs by multiplying the total amount of the operating costs by a fraction, the numerator of which is the total number of square feet being leased by the tenant, and the denominator of which is the total square footage of all leasable buildings at the property. The Company also receives monthly payments for these reimbursements from substantially all its tenants throughout the year. The Company recognizes tenant reimbursements as variable lease income. The Company recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material for the three and six months ended June 30, 2020 and 2019.

Additionally, the Company has tenants who pay real estate taxes directly to the taxing authority. The Company excludes these costs paid directly by the tenant to third parties on the Company's behalf from both variable revenue payments recognized and the associated property operating expenses. The Company does not evaluate whether certain sales taxes and other similar taxes are the Company's costs or tenants costs. Instead, the Company accounts for these costs as tenant costs.

The Company recognizes lease termination fees, which is included in "other revenues" on the condensed consolidated statements of operations, in the year that the lease is terminated and collection of the fee is reasonably assured. Upon early lease termination, the Company provides for losses related to unrecovered intangibles and other assets.

Beginning in April 2020, the Company received certain rent relief requests, most often in the form of rent deferral requests, as a result of COVID-19. The Company evaluates each tenant rent relief request on an individual basis, considering a number of factors. Not all tenant requests ultimately result in concessions or modification of agreements, nor is the Company forgoing its contractual rights under its lease agreements. The Financial Accounting Standards Board (the "FASB") issued a question-and-answer document (the "Lease Modification Q&A") focused on the application of lease accounting guidance to

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

lease concessions provided as a result of COVID-19. The Lease Modification Q&A clarifies that entities may elect to treat qualifying lease concessions as if they were based on enforceable rights and obligations, and may choose to apply or not to apply modification accounting to those qualifying concessions. Qualifying concessions must be in response to COVID-19 and not have a substantial increase in the lessee's obligation or the lessor's rights under the contract. The Company has elected not to apply ASC 842 modification guidance for concessions that did not increase the lease term as generally, these concessions do not impact the overall economics of the lease. Concessions that extend the lease term are accounted for under ASC 842, lease modification guidance.

The below table disaggregates the Company's revenue by type of service for the three and six months ended June 30, 2020 and 2019 (in thousands, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Minimum rent	\$ 12,050	\$ 11,974	\$ 24,163	\$ 24,435
Tenant reimbursements - variable lease revenue	3,141	3,450	6,429	6,737
Percentage rent - variable lease revenue	49	77	157	189
Lease termination fees	12	—	74	49
Other	348	141	505	317
Total	15,600	15,642	31,328	31,727
Credit losses on operating lease receivables	(431)	(110)	(585)	(200)
Total	\$ 15,169	\$ 15,532	\$ 30,743	\$ 31,527

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. The TRS' have accrued \$24 thousand and \$22 thousand, respectively, for federal and state income taxes as of June 30, 2020 and December 31, 2019. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status, it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to reasonable cause and certain other conditions were satisfied.

Management has evaluated the effect of the guidance provided by GAAP on *Accounting for Uncertainty of Income Taxes* and has determined that the Company had no uncertain income tax positions.

Taxable REIT Subsidiary Cost Allocation

The Company's overall philosophy regarding cost allocation centers around the premise that the Trust exists to acquire, lease and manage properties for the benefit of its investors. Accordingly, a majority of the Company's operations occur at the property level. Each property must carry its own weight by absorbing the costs associated with generating its revenues. Additionally, leases generally allow the Company to pass through to the tenant most of the costs involved in operating the property, including, but not limited to, the direct costs associated with owning and maintaining the property (landscaping, repairs and maintenance, taxes, insurance, etc.), property management and certain administrative costs.

Service vendors bill the majority of the direct costs of operating the properties directly to the particular property and each property pays them accordingly. The Non-REIT Properties pay WRE property management and/or asset management fees of 3% and 2% of collected revenues, respectively. The Non-REIT Properties also pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals).

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

Costs incurred to manage, lease and administer the Non-REIT Properties are allocated to the TRS. These costs include compensation and benefits, property management, leasing and other corporate, general and administrative expenses associated with generating the TRS' revenues.

Financial Instruments

The carrying amount of financial instruments included in assets and liabilities approximates fair market value due to their immediate or short-term maturity.

Use of Estimates

The Company has made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported periods. The Company's actual results could differ from these estimates.

Corporate General and Administrative Expense

A detail for the "corporate general & administrative" line item from the condensed consolidated statements of operations is presented below (in thousands, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Professional fees	\$ 919	\$ 328	\$ 1,945	\$ 927
Compensation and benefits	375	431	782	1,107
Corporate administration	294	303	625	608
Advertising costs for leasing activities	21	114	52	163
Other	6	204	83	389
Total	\$ 1,615	\$ 1,380	\$ 3,487	\$ 3,194

Other Expense

Other expense represent expenses which are non-operating in nature. Other expenses during the three and six months ended June 30, 2020 include \$0 thousand and \$585 thousand, respectively, in legal settlement costs, see Note 9 for additional details, and \$0 and \$439 thousand for the three and six months ended June 30, 2019, respectively, for reimbursement of 2019 proxy costs to a current board member as approved by the Company's Board of Directors in March 2020, see Note 10 for additional details.

Leases Commitments

The Company determines if an arrangement is a lease at inception. Operating leases, in which the Company is the lessee, are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our condensed consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets include any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend the lease when it is reasonably certain that the company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

The Company elected the practical expedient to combine lease and associated nonlease components. The lease components are the majority of its leasing arrangements and the Company accounts for the combined component as an operating lease. In the event the Company modifies existing ground leases or enters into new ground leases, such leases may be classified as finance leases.

Noncontrolling Interests

Noncontrolling interests is the portion of equity in the Operating Partnership not attributable to the Trust. The ownership interests not held by the parent are considered noncontrolling interests. Accordingly, noncontrolling interests have been reported in equity on the condensed consolidated balance sheets but separate from the Company's equity. On the condensed consolidated statements of operations, the subsidiaries are reported at the consolidated amount, including both the amount attributable to the Company and noncontrolling interests. Condensed consolidated statements of equity includes beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity.

The noncontrolling interest of the Operating Partnership common unit holders is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's net assets (total assets less total liabilities). The noncontrolling interest percentage is calculated at any point in time by dividing the number of units not owned by the Company by the total number of units outstanding. The noncontrolling interest ownership percentage will change as additional units are issued or as units are exchanged for the Company's common stock \$0.01 par value per share ("Common Stock"). In accordance with GAAP, any changes in the value from period to period are charged to additional paid-in capital.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This update enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better calculate credit loss estimates. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, such as accounts receivable and loans. The guidance will require that the Company estimate the lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced the Company's estimate of expected credit losses and the reasons for those changes. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2022, per FASB's issuance of ASU 2019-10, "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates". The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)". This update modifies the disclosure requirements on fair value measurements in Topic 820 with several removals, modifications and additions for disclosures, which includes both prospective and retrospective disclosures. The guidance adds prospective disclosures related to the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements including measurement uncertainty disclosures to communicate the uncertainty in the measurement as of the reporting date. The Company adopted this ASU as of January 1, 2020. The adoption did not have material impact on its consolidated financial statements upon adoption of the guidance and there were no retrospective disclosures necessary.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company's financial position, results of operations and cash flows.

Reclassifications

The Company has reclassified certain prior period amounts in the accompanying condensed consolidated financial statements in order to be consistent with the current period presentation. These reclassifications had no effect on net income, total assets, total liabilities or equity. The revenue from asset management fees and commissions were reclassified to other revenues on the condensed consolidated statements of operations for consistency with current period presentation.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

3. Real Estate

Investment properties consist of the following (in thousands):

	June 30, 2020	December 31, 2019
	(unaudited)	
Land and land improvements	\$ 98,981	\$ 100,599
Buildings and improvements	360,956	366,082
Investment properties at cost	459,937	466,681
Less accumulated depreciation	(55,551)	(50,466)
Investment properties, net	\$ 404,386	\$ 416,215

The Company's depreciation expense on investment properties was \$2.86 million and \$5.80 million for the three and six months ended June 30, 2020, respectively. The Company's depreciation expense on investment properties was \$2.88 million and \$6.07 million for the three and six months ended June 30, 2019, respectively.

A significant portion of the Company's land, buildings and improvements serve as collateral for its mortgage loans. Accordingly, restrictions exist as to the encumbered property's transferability, use and other common rights typically associated with property ownership.

Assets Held for Sale and Dispositions

At June 30, 2020 and December 31, 2019 assets held for sale included Columbia Fire Station and St. Matthews, respectively as the Board committed to a plan to sell each property.

The Company recorded impairment expense on assets held for sale of \$0 thousand and \$600 thousand for the three and six months ended June 30, 2020, respectively, related to Columbia Fire Station. During the three and six months ended June 30, 2019, the Company's impairment expense of \$1.15 million relates to Perimeter Square. The impairments result from reducing the carrying value of properties held for sale for the amount that exceeded the property's fair value less estimated selling costs. The valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 inputs.

As of June 30, 2020 and December 31, 2019, assets held for sale and associated liabilities consisted of the following (in thousands):

	June 30, 2020	December 31, 2019
	(unaudited)	
Investment properties, net	\$ 6,189	\$ 1,651
Rents and other tenant receivables, net	38	77
Deferred costs and other assets, net	60	9
Total assets held for sale	\$ 6,287	\$ 1,737

	June 30, 2020	December 31, 2019
	(unaudited)	
Loans payable	\$ 4,013	\$ 1,974
Accounts payable, accrued expenses and other liabilities	104	52
Total liabilities associated with assets held for sale	\$ 4,117	\$ 2,026

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

3. Real Estate (continued)

The following properties were sold during the six months ended June 30, 2020 and 2019:

Disposal Date	Property	Contract Price	Gain (loss)	Net Proceeds
(in thousands, unaudited)				
January 21, 2020	St. Matthews	\$ 1,775	\$ (26)	\$ 1,665
March 18, 2019	Graystone Crossing	6,000	1,452	1,744
February 7, 2019	Harbor Pointe Land Parcel (1.28 acres)	550	—	19
January 11, 2019	Jenks Plaza	2,200	387	1,840

The Harbor Pointe land parcel sale represents discontinued operations as it was a strategic shift that had a major effect on the Company's financial position or results of operations.

The sale of Jenks Plaza, Graystone Crossing and St. Matthews did not represent a strategic shift that has a major effect on the Company's financial position or results of operations. Accordingly, the operating results of these properties remains classified within continuing operations for all periods presented.

In May 2019, an approximate 10,000 square foot outparcel at the JANAF property was demolished resulting in a \$331 thousand write-off to make way for a new approximate 20,000 square foot building constructed by a new grocer tenant.

4. Deferred Costs

Deferred costs and other assets, net of amortization are as follows (in thousands):

	June 30, 2020	December 31, 2019
(unaudited)		
Leases in place, net	\$ 12,355	\$ 14,968
Ground lease sandwich interest, net	2,078	2,215
Tenant relationships, net	1,636	2,173
Lease origination costs, net	1,025	1,038
Legal and marketing costs, net	29	43
Other	1,748	588
Total deferred costs and other assets, net	\$ 18,871	\$ 21,025

As of June 30, 2020 and December 31, 2019, the Company's intangible accumulated amortization totaled \$59.03 million and \$57.15 million, respectively. During the three and six months ended June 30, 2020, the Company's intangible amortization expense totaled \$1.59 million and \$3.45 million, respectively. During the three and six months ended June 30, 2019, the Company's intangible amortization expense totaled \$2.41 million and \$5.04 million, respectively. Future amortization of lease origination costs, leases in place, legal and marketing costs, tenant relationships and ground lease sandwich interests is

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

4. Deferred Costs (continued)

as follows (in thousands, unaudited):

	Leases In Place, net	Ground Lease Sandwich Interest, net	Tenant Relationships, net	Lease Origination Costs, net	Legal & Marketing Costs, net	Total
For the remaining six months ending December 31, 2020	\$ 1,967	\$ 137	\$ 324	\$ 90	\$ 7	\$ 2,525
December 31, 2021	2,762	274	448	169	8	3,661
December 31, 2022	2,119	274	354	127	6	2,880
December 31, 2023	1,638	274	227	109	5	2,253
December 31, 2024	1,124	274	128	93	3	1,622
December 31, 2025	799	274	62	72	—	1,207
Thereafter	1,946	571	93	365	—	2,975
	<u>\$ 12,355</u>	<u>\$ 2,078</u>	<u>\$ 1,636</u>	<u>\$ 1,025</u>	<u>\$ 29</u>	<u>\$ 17,123</u>

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

5. Loans Payable

The Company's loans payable consist of the following (in thousands, except monthly payment):

<u>Property/Description</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Rivergate	\$ 112,578	LIBOR + 295 basis points	June 2020	\$ 21,402	\$ 21,545
Tuckermuck	Interest only	3.88 %	August 2020	5,278	5,344
Columbia Fire Station ⁽¹⁾	\$ 25,580	4.00 %	September 2020	4,013	4,051
First National Bank Line of Credit ⁽⁷⁾	\$ 24,656	LIBOR + 300 basis points	September 2020	1,156	1,214
Lumber River	\$ 10,723	LIBOR + 350 basis points	October 2020	1,390	1,404
KeyBank Credit Agreement ⁽⁶⁾	\$ 350,000	LIBOR + 350 basis points	December 2020	5,400	17,879
JANAF Bravo	\$ 36,935	4.65 %	January 2021	6,336	6,372
Walnut Hill Plaza	\$ 26,850	5.50 %	September 2022	3,730	3,759
Litchfield Market Village	\$ 46,057	5.50 %	November 2022	7,418	7,452
Twin City Commons	\$ 17,827	4.86 %	January 2023	2,950	2,983
New Market	\$ 48,747	5.65 %	June 2023	6,612	6,713
Benefit Street Note ⁽³⁾	\$ 53,185	5.71 %	June 2023	7,308	7,361
Deutsche Bank Note ⁽²⁾	\$ 33,340	5.71 %	July 2023	5,604	5,642
JANAF	\$ 333,159	4.49 %	July 2023	49,747	50,599
Tampa Festival	\$ 50,797	5.56 %	September 2023	8,012	8,077
Forrest Gallery	\$ 50,973	5.40 %	September 2023	8,304	8,381
Riversedge North	\$ 11,436	5.77 %	December 2023	1,756	1,767
South Carolina Food Lions Note ⁽⁵⁾	\$ 68,320	5.25 %	January 2024	11,576	11,675
Cypress Shopping Center	\$ 34,360	4.70 %	July 2024	6,230	6,268
Port Crossing	\$ 34,788	4.84 %	August 2024	5,971	6,032
Freeway Junction	\$ 41,798	4.60 %	September 2024	7,655	7,725
Harrodsburg Marketplace	\$ 19,112	4.55 %	September 2024	3,380	3,416
Bryan Station	\$ 23,489	4.52 %	November 2024	4,360	4,394
Crockett Square	Interest only	4.47 %	December 2024	6,338	6,338
Pierpont Centre	\$ 39,435	4.15 %	February 2025	8,068	8,113
Shoppes at Myrtle Park	\$ 33,180	4.45 %	February 2025	5,957	—
Folly Road	\$ 41,482	4.65 %	March 2025	7,300	5,922
Alex City Marketplace	Interest only	3.95 %	April 2025	5,750	5,750
Butler Square	Interest only	3.90 %	May 2025	5,640	5,640
Brook Run Shopping Center	Interest only	4.08 %	June 2025	10,950	10,950
Beaver Ruin Village I and II	Interest only	4.73 %	July 2025	9,400	9,400
Sunshine Shopping Plaza	Interest only	4.57 %	August 2025	5,900	5,900
Barnett Portfolio ⁽⁴⁾	Interest only	4.30 %	September 2025	8,770	8,770
Fort Howard Shopping Center	Interest only	4.57 %	October 2025	7,100	7,100
Conyers Crossing	Interest only	4.67 %	October 2025	5,960	5,960
Grove Park Shopping Center	Interest only	4.52 %	October 2025	3,800	3,800
Parkway Plaza	Interest only	4.57 %	October 2025	3,500	3,500
Winslow Plaza	\$ 24,295	4.82 %	December 2025	4,598	4,620
JANAF BJ's	\$ 29,964	4.95 %	January 2026	4,901	4,957
Chesapeake Square	\$ 23,857	4.70 %	August 2026	4,317	4,354
Berkley/Sangaree/Tri-County	Interest only	4.78 %	December 2026	9,400	9,400
Riverbridge	Interest only	4.48 %	December 2026	4,000	4,000
Franklin Village	\$ 45,336	4.93 %	January 2027	8,465	8,516
Village of Martinsville	\$ 89,664	4.28 %	July 2029	16,197	16,351
Laburnum Square	Interest only	4.28 %	September 2029	7,665	7,665
Total Principal Balance ⁽¹⁾				339,564	347,059
Unamortized debt issuance cost ⁽¹⁾				(3,936)	(4,172)
Total Loans Payable, including assets held for sale				335,628	342,887
Less loans payable on assets held for sale, net loan amortization costs				4,013	1,974
Total Loans Payable, net				\$ 331,615	\$ 340,913

(1) Includes loans payable on assets held for sale, see Note 3.

(2) Collateralized by LaGrange Marketplace, Ridgeland and Georgetown.

(3) Collateralized by Ladson Crossing, Lake Greenwood Crossing and South Park.

(4) Collateralized by Cardinal Plaza, Franklinton Square, and Nashville Commons.

(5) Collateralized by Clover Plaza, South Square, St. George, Waterway Plaza and Westland Square.

(6) Collateralized by Darien Shopping Center, Devine Street, Lake Murray, Moncks Corner and South Lake. The various maturity dates are disclosed below within Note 5 under the KeyBank Credit Agreement.

(7) Collateralized by Surrey Plaza and Amscot Building.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

5. Loans Payable (continued)

KeyBank Credit Agreement

As of June 30, 2020, the Company has borrowed \$5.40 million under the Amended and Restated Credit Agreement ("KeyBank Credit Agreement") with KeyBank National Association ("KeyBank"), which is collateralized by five properties. At June 30, 2020, the outstanding borrowings are accruing interest at 3.67%.

The KeyBank Credit Agreement had the following activity during the six months ended June 30, 2020:

- Entered into the Second Amendment to the KeyBank Credit Agreement (the "Second Amendment") on January 24, 2020, effective December 21, 2019, and the Company began making monthly principal payments of \$350 thousand on November 1, 2019. The Second Amendment, among other provisions, requires a pledge of additional collateral of \$15.00 million in residual equity interests and fully matures on June 30, 2020.
- Entered into a Third Amendment to the KeyBank Credit Agreement (the "Third Amendment") on July 21, 2020. The Third Amendment, among other provisions, reduces the pledge of additional collateral by two properties and extends the maturity to December 31, 2020.
- The KeyBank Credit Agreement had principal paydowns as noted below:
 - \$1.78 million paydown from St. Matthews sale proceeds on January 21, 2020;
 - \$5.75 million paydown from Shoppes at Myrtle Park refinancing proceeds on January 23, 2020;
 - and
 - \$2.50 million paydown from cash released to the Company from restricted cash accounts on May 20, 2020.

Shoppes at Myrtle Park Refinance

On January 23, 2020, the Company refinanced the Shoppes at Myrtle Park collateralized portion of the KeyBank Credit Agreement for \$6.00 million at a fixed interest rate of 4.45%, resulting in a paydown of \$5.75 million on the KeyBank Credit Agreement. The loan matures in February 2025 with monthly principal and interest payments of \$33 thousand.

Rivergate Extension

Subsequent to June 30, 2020, the Company entered into an agreement to extend the maturity date from June 2020 to October 20, 2020 with monthly principal and interest payments of \$48 thousand plus accrued and unpaid interest resuming August 1, 2020.

Folly Road Refinance

On March 23, 2020, the Company executed a promissory note for \$7.35 million for the refinancing of Folly Road at a rate of 4.65%. The loan matures in March 2025 with monthly principal and interest payments of \$41 thousand.

Columbia Fire Station Extension

On May 4, 2020, the Company extended the Columbia Fire Station promissory note ("Columbia Fire Station Loan") to September 3, 2020, with principal and interest payments resuming on July 3, 2020 in the amount of \$26 thousand. The Columbia Fire Station Loan continues to bear interest at 4.00%.

Tuckernuck Extension

On May 22, 2020, the Company entered into an agreement to extend the Tuckernuck promissory note ("Tuckernuck Loan") to August 1, 2020, with 3-month forbearance of principal. The Tuckernuck Loan continues to bear interest at 3.88%.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

5. Loans Payable (continued)

Debt Maturity

The Company's scheduled principal repayments on indebtedness as of June 30, 2020, including assets held for sale, are as follows (in thousands, unaudited):

For the remaining six months ended December 31, 2020	\$	41,053
December 31, 2021		11,333
December 31, 2022		16,080
December 31, 2023		85,576
December 31, 2024		44,240
December 31, 2025		91,426
Thereafter		49,856
Total principal repayments and debt maturities	\$	339,564

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flows from operating activities and other expected financing sources to meet these needs. In particular, the Company has considered its scheduled debt maturities for the twelve months ending June 30, 2021 of \$49.85 million. The Company plans to pay this obligation through a combination of refinancings, dispositions and operating cash. All loans due to mature are collateralized by properties within the portfolio. Additionally, the Company expects to meet the short-term liquidity requirements, through a combination of the following:

- continued suspension of Series A Preferred, Series B Preferred and Series D Preferred dividends;
- available cash and cash equivalents;
- cash flows from operating activities;
- refinancing of maturing debt;
- loan forbearance;
- possible sale of six undeveloped land parcels; and
- sale of additional properties, if necessary.

6. Rentals under Operating Leases

Future minimum rents to be received under noncancelable tenant operating leases, excluding rents on assets held for sale properties, for each of the next five years and thereafter, excluding CAM and percentage rent based on tenant sales volume, as of June 30, 2020 are as follows (in thousands, unaudited):

For the remaining six months ended December 31, 2020	\$	23,010
December 31, 2021		42,654
December 31, 2022		37,062
December 31, 2023		30,949
December 31, 2024		24,050
December 31, 2025		17,672
Thereafter		40,927
Total minimum rents	\$	216,324

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

7. Equity and Mezzanine Equity

Series A Preferred Stock

At June 30, 2020 and December 31, 2019, the Company had 562 shares of Series A Preferred Stock, without par value ("Series A Preferred") issued and outstanding and 4,500 shares authorized with a \$1,000 liquidation preference per share, or \$562 thousand in aggregate. The Series A Preferred accrues cumulative dividends at a rate of 9% per annum, which is paid or accumulated quarterly. The Company has the right to redeem the 562 shares of Series A Preferred, on a pro rata basis, at any time at a price equal to 103% of the purchase price for the Series A Preferred plus any accrued but unpaid dividends.

Series B Preferred Stock

At June 30, 2020 and December 31, 2019, the Company had 1,875,748 shares and 5,000,000 shares of Series B Convertible Preferred Stock, without par value ("Series B Preferred") issued and authorized with a \$25.00 liquidation preference per share, or \$46.90 million in aggregate. The Series B Preferred bears interest at a rate of 9% per annum. The Series B Preferred has no redemption rights. However, the Series B Preferred is subject to a mandatory conversion once the 20-trading day volume-weighted average closing price of our Common Stock, exceeds \$58 per share; once this weighted average closing price is met, each share of our Series B Preferred will automatically convert into shares of our Common Stock at a conversion price equal to \$40.00 per share of Common Stock. In addition, holders of our Series B Preferred also have the option, at any time, to convert shares of our Series B Preferred into shares of our Common Stock at a conversion price of \$40.00 per share of Common Stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of shares of our Series B Preferred shall be entitled to be paid out of our assets a liquidation preference of \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends to and including the date of payment. The Series B Preferred has no maturity date and will remain outstanding indefinitely unless subject to a mandatory or voluntary conversion as described above.

Series D Preferred Stock - Redeemable Preferred Stock

At June 30, 2020 and December 31, 2019, the Company had 3,600,636 issued and 4,000,000 authorized shares of Series D Cumulative Convertible Preferred Stock, without par value ("Series D Preferred") with a \$25.00 liquidation preference per share, or \$106.50 million and \$101.66 million in aggregate, respectively. Until September 21, 2023, the holders of the Series D Preferred are entitled to receive cumulative cash dividends at a rate of 8.75% per annum of the \$25.00 liquidation preference per share (equivalent to the fixed annual amount of \$2.1875 per share) (the "Initial Rate"). Commencing September 21, 2023, the holders will be entitled to cumulative cash dividends at an annual dividend rate of the Initial Rate increased by 2% of the liquidation preference per annum on each subsequent anniversary thereafter, subject to a maximum annual dividend rate of 14%. Dividends are payable quarterly in arrears on or before January 15th, April 15th, July 15th and October 15th of each year. On or after September 21, 2021, the Company may, at its option, redeem the Series D Preferred, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date. The holder of the Series D Preferred may convert shares at any time into shares of the Company's Common Stock at an initial conversion rate of \$16.96 per share of Common Stock. On September 21, 2023, the holders of the Series D Preferred may, at their option, elect to cause the Company to redeem any or all of their shares at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date, payable in cash or in shares of Common Stock, or any combination thereof, at the holder's option.

Dividends on the Series D Preferred cumulate from the end of the most recent dividend period for which dividends have been paid. Dividends on the Series D Preferred cumulate whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by our Board of Directors or declared by us. Dividends on the Series D Preferred Stock do not bear interest. If the Company, fails to pay any dividend within three (3) business days after the payment date for such dividend, the then-current dividend rate increases following the payment date by an additional 2.0% of the \$25.00 stated liquidation preference per share, or \$0.50 per annum, until we pay the dividend, subject to our ability to cure the failure. On December 20, 2018, the Company suspended the Series D Preferred dividend. As such, the Series D Preferred shares began accumulating dividends at 10.75% beginning January 1, 2019 and will continue to accumulate dividends at this rate until all accumulated dividends have been paid.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

7. Equity and Mezzanine Equity (continued)

Holders of shares of the Series D Preferred have no voting rights. Pursuant to the Company's Articles Supplementary, if dividends on the Series D Preferred are in arrears for six or more consecutive quarterly periods (a "Preferred Dividend Default"), the number of directors on our Board of Directors will automatically be increased by two, and holders of shares of the Series D Preferred and the holders of Series A Preferred and Series B Preferred (the Series A Preferred and Series B Preferred together, being the "Parity Preferred Stock"), shall be entitled to vote for the election of two additional directors (the "Series D Preferred Directors"). A Preferred Dividend Default occurred on April 15, 2020. The election of such directors will take place upon the written request of the holders of record of at least 20% of the Series D Preferred Stock and Parity Preferred Stock. The Board of Directors is not permitted to fill the vacancies on the Board of Directors as a result of the failure of the holders of 20% of the Series D Preferred Stock and Parity Preferred Stock to deliver such written request for the election of the Series D Preferred Directors. The Series D Preferred Directors may serve on our Board of Directors, until all unpaid dividends on such Series D Preferred and Parity Preferred Stock, if any, have been paid or declared and a sum sufficient for the payment thereof set apart for payment.

The changes in the carrying value of the Series D Preferred for the three and six months ended June 30, 2020 and 2019 are as follows (in thousands, unaudited):

	Series D Preferred	
	(unaudited)	
Balance December 31, 2019	\$	87,225
Accretion of Preferred Stock discount		148
Undeclared dividends		2,419
Balance March 31, 2020		89,792
Accretion of Preferred Stock discount		149
Undeclared dividends		2,419
Balance June 30, 2020	\$	92,360
	Series D Preferred	
	(unaudited)	
Balance December 31, 2018	\$	76,955
Accretion of Preferred Stock discount		148
Undeclared dividends		2,419
Balance March 31, 2019		79,522
Accretion of Preferred Stock discount		149
Undeclared dividends		2,419
Balance June 30, 2019	\$	82,090

Earnings per share

Basic earnings per share for the Company's common shareholders is calculated by dividing income (loss) from continuing operations, excluding amounts attributable to preferred stockholders and the net income (loss) attributable to noncontrolling interests, by the Company's weighted-average shares of Common Stock outstanding during the period. Diluted earnings per share is computed by dividing the net income (loss) attributable to common shareholders, excluding amounts attributable to preferred shareholders and the net income (loss) attributable to noncontrolling interests, by the weighted-average number of common shares including any dilutive shares.

As of June 30, 2020, the below shares are able to be converted to Common Stock. The common units, convertible preferred stock and cumulative convertible preferred stock have been excluded from the Company's diluted earnings per share calculation because their inclusion would be antidilutive.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

7. Equity and Mezzanine Equity (continued)

	June 30, 2020	
	Outstanding shares	Potential Dilutive Shares
	(unaudited)	
Common units	232,404	232,404
Series B Preferred Stock	1,875,748	1,172,343
Series D Preferred Stock	3,600,636	5,307,541

Dividends

The following table summarizes the preferred stock dividends (unaudited, in thousands except for per share amounts):

Record Date/Arrears Date	Series A Preferred		Series B Preferred		Series D Preferred	
	Arrears	Per Share	Arrears	Per Share	Arrears	Per Share
For the three months ended June 30, 2020	\$ 13	22.50	\$ 1,055	0.56	\$ 2,419	0.67
For the six months ended June 30, 2020	\$ 26	22.50	\$ 2,110	0.56	\$ 4,838	0.67
For the three months ended June 30, 2019	\$ 13	22.50	\$ 1,055	0.56	\$ 2,419	0.67
For the six months ended June 30, 2019	\$ 26	22.50	\$ 2,110	0.56	\$ 4,838	0.67

The total cumulative dividends in arrears for Series A Preferred (per share \$157.50), Series B Preferred (per share \$3.92) and Series D Preferred (per share \$4.58) as of June 30, 2020 is \$23.96 million.

2015 Long-Term Incentive Plan

On June 4, 2015, the Company's shareholders approved the 2015 Long-Term Incentive Plan (the "2015 Incentive Plan"). The 2015 Incentive Plan allows for issuance of up to 125,000 shares of the Company's Common Stock to employees, directors, officers and consultants for services rendered to the Company. The 2015 Incentive Plan replaced the 2012 Stock Incentive Plan.

As of June 30, 2020, there are 41,104 shares available for issuance under the Company's 2015 Incentive Plan. There were no shares issued during the three and six months ended June 30, 2020 and 2019.

2016 Long-Term Incentive Plan

On June 15, 2016, the Company's shareholders approved the 2016 Long-Term Incentive Plan (the "2016 Incentive Plan"). The 2016 Incentive Plan allows for issuance of up to 625,000 shares of the Company's Common Stock to employees, directors, officers and consultants for services rendered to the Company.

For the Six Months Ended June 30,	Shares Issued	Market Value
(in thousands except for share amounts, unaudited)		
2019	181,807	166

As of June 30, 2020, there are 132,707 shares available for issuance under the Company's 2016 Incentive Plan. There were no shares issued during the three and six months ended June 30, 2020.

8. Leases Commitments

The Company has ground leases that are accounted for as operating leases. The Charleston, SC lease ended August 31, 2019 and was accounted for as an operating lease. Most leases include one or more options to renew, with renewal terms that can extend the lease term from 5 to 50 years. As of June 30, 2020 and 2019, the weighted average remaining lease term of our leases is 34 and 35 years, respectively. The following properties are subject to leases which require the Company to make

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

8. Leases Commitments (continued)

fixed annual rental payments and variable lease payments, which are immaterial and include escalation clauses and renewal options as follows (unaudited, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Expiration Year
	2020	2019	2020	2019	
Amscot	\$ 7	\$ 6	\$ 13	\$ 12	2045
Beaver Ruin Village	13	13	27	27	2054
Beaver Ruin Village II	5	5	11	11	2056
Leased office space Charleston, SC	—	25	—	50	2019
Moncks Corner	31	31	61	61	2040
Devine Street ⁽¹⁾	99	99	198	198	2051
JANAF ⁽²⁾	72	68	143	135	2069
Total ground leases	\$ 227	\$ 247	\$ 453	\$ 494	

(1) Lease options are exercised through 2035 with options which are reasonably certain to be exercised through 2051.

(2) Includes \$35 thousand and \$69 thousand in variable percentage rent, during the three and six months ended June 30, 2020, respectively. Includes \$31 thousand and \$61 thousand in variable percentage rent, during the three and six months ended June 30, 2019, respectively.

Supplemental information related to leases is as follows (in thousands, unaudited):

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Cash paid for amounts included in the measurement of operating lease liabilities	\$ 145	\$ 291	\$ —
Leased assets obtained in exchange for new operating lease liabilities	\$ —	\$ —	\$ —	\$ —

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Cash paid for amounts included in the measurement of operating lease liabilities	\$ 169	\$ 339	\$ —
Leased assets obtained in exchange for new operating lease liabilities	\$ —	\$ —	\$ —	\$ 11,904

Undiscounted cash flows of our scheduled obligations for future minimum lease payments due under the operating leases, including applicable automatic extension options and options reasonably certain of being exercised, as of June 30, 2020 and a reconciliation of those cash flows to the operating lease liabilities at June 30, 2020 are as follows (in thousands, unaudited):

For the remaining six months ended December 31, 2020	\$ 292
December 31, 2021	637
December 31, 2022	640
December 31, 2023	642
December 31, 2024	644
December 31, 2025	648
Thereafter	22,460
Total minimum lease payments ⁽¹⁾	25,963
Discount	(14,045)
Operating lease liabilities	\$ 11,918

(1) Operating lease payments include \$7.54 million related to options to extend lease terms that are reasonably certain of being exercised.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

9. Commitments and Contingencies

Insurance

The Company carries comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in its portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage that may be appropriate for certain of its properties. Additionally, the Company carries a directors', officers', entity and employment practices liability insurance policy that covers such claims made against the Company and its directors and officers. The Company believes the policy specifications and insured limits are appropriate and adequate for its properties given the relative risk of loss, the cost of the coverage and industry practice; however, its insurance coverage may not be sufficient to fully cover its losses.

Concentration of Credit Risk

The Company is subject to risks incidental to the ownership and operation of commercial real estate. These risks include, among others, the risks normally associated with changes in the general economic climate, trends in the retail industry, creditworthiness of tenants, competition for tenants and customers, changes in tax laws, interest rates, the availability of financing and potential liability under environmental and other laws.

The Company's portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in the Northeast, Mid-Atlantic and Southeast, which markets represented approximately 4%, 35% and 61% respectively, of the total annualized base rent of the properties in its portfolio as of June 30, 2020. The Company's geographic concentration may cause it to be more susceptible to adverse developments in those markets than if it owned a more geographically diverse portfolio. Additionally, the Company's retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Regulatory and Environmental

As the owner of the buildings on our properties, the Company could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in its buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if the Company does not comply with such laws, it could face fines for such noncompliance. Also, the Company could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in its buildings, and the Company could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in its buildings. In addition, some of the Company's tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject the Company or its tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to the Company, and changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect the Company's operations. The Company is not aware of any material contingent liabilities, regulatory matters or environmental matters that may exist.

Litigation

The Company is involved in various legal proceedings arising in the ordinary course of its business, including, but not limited to commercial disputes. The Company believes that such litigation, claims and administrative proceedings will not have a material adverse impact on its financial position or its results of operations. The Company records a liability when it considers the loss probable and the amount can be reasonably estimated. In addition, the below are in process.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for the City of Virginia Beach, Virginia.
Former CEO, Jon Wheeler, alleges that his employment was improperly terminated and that he is owed severance and bonus payments pursuant to his Employment Agreement. Altogether, his alleged damages total approximately \$1.00 million. The Company is defending the action on the grounds that Mr. Wheeler's employment was properly terminated for cause, including for his failure to properly apprise the Board of Directors of critical information, and placing his

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

9. Commitments and Contingencies (continued)

own personal interests above the Company's, including contacting counsel about filing suit on his behalf against the Company and the Board of Directors while he was still CEO and President of the Board. The Company filed a Counterclaim against Mr. Wheeler for approximately \$150 thousand for reimbursement of personal expenses the Company paid, but that Mr. Wheeler should have borne. Trial of this action was held on December 17-20, 2019. Post-trial briefs were submitted on January 31, 2020. On March 10, 2020, the Court held a hearing to announce its rulings. The Court found in favor of Jon Wheeler on his claim that his employment was terminated without cause and awarded him \$475 thousand for a severance payment and \$23 thousand for the cash value of applicable benefits. The Court denied Mr. Wheeler's claims for a bonus and that his termination of employment was wrongful as a violation of public policy. The Court awarded the Company \$5 thousand on its Counterclaim. A hearing will be conducted on August 7, 2020 to determine Mr. Wheeler's request for an award of attorneys' fees and costs, as well as whether pre-judgment interest should be included on the damage awards. Mr. Wheeler seeks an award of \$375 thousand in attorneys' fees and costs and \$63 thousand in pre-judgment interest on the severance payment award. The Court's rulings will become a final, appealable judgment order when it rules on the award of attorneys' fees, costs and pre-judgment interest. The Company has the right to file a petition to the Virginia Supreme Court seeking an appeal of adverse rulings. The Company's notice of appeal will be due within thirty-days of the Court's final rulings. Accordingly, the Company has recorded \$485 thousand on the Company's condensed consolidated statements of operations under the line "other expenses" based on the awarded amounts noted. Mr. Wheeler's request for further damage awards could impact this estimated expense in future periods.

BOKF, NA v. WD-I Associates, LLC, Wheeler Real Estate, LLC and Jon S. Wheeler; Court of Common Pleas, Beaufort County, South Carolina. BOKF ("Bank of Arkansas"), filed an action on April 9, 2019 in Beaufort County, South Carolina, for foreclosure of the mortgage it held on the real property and improvements comprising Sea Turtle Marketplace Shopping Center ("Sea Turtle") which was owned by WD-I Associates, LLC ("WD-I"), and Jon S. Wheeler had guaranteed the debt. Bank of Arkansas sought the appointment of a receiver to take possession and control of Sea Turtle pending the completion of the foreclosure action. In response, WD-I filed for relief under Chapter 11 of the United States Bankruptcy Code on May 7, 2019. The bankruptcy filing stayed the foreclosure action in State Court.

Bank of Arkansas asserted a claim in the bankruptcy as the first mortgage on Sea Turtle. The Company's subsidiaries held a second mortgage on Sea Turtle and in addition were creditors of WD-I. On January 30, 2020, the Bankruptcy Court approved a sale price of \$18.75 million. The Company will share in the \$200 thousand set aside for unsecured creditors, pro rata with other unsecured creditors. Given the amount of the indebtedness owed to the Company, we will receive the largest portion of the funds. On May 1, 2020, the Bankruptcy Court granted the dismissal of the WD-I bankruptcy case upon the provisions for payment of the \$200 thousand to creditors. The Company received an aggregate payment of \$196 thousand in May 2020 and recorded the receipt on the Company's condensed consolidated statements of operations under the line "other revenues".

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc. and David Kelly, Individually; Circuit Court for the City of Virginia Beach, Virginia. In September, 2018, former Chief Executive Officer and President Jon S. Wheeler filed claims for defamation and tortious interference with contract expectancy, prospective business relationships and economic advantage in the Circuit Court for the City of Virginia Beach, Virginia, asserting that his successor, immediate past Chief Executive Officer and President David Kelly, defamed him in communications with an industry association. In February, 2019, Jon Wheeler's counsel amended the suit to add the Company as a Defendant, but dropped all but the defamation claims. This case was settled and dismissed with prejudice by the court on June 1, 2020.

David Kelly v. Wheeler Real Estate Investment Trust, Inc., Joseph Stilwell, and Daniel Khoshaba; Circuit Court for the City of Virginia Beach, Virginia. Former CEO David Kelly filed suit on May 28, 2020, alleging that his employment was improperly terminated and that he is owed severance pay and related benefits pursuant to his employment agreement. He claims breach of his employment contract against the company; against the individual defendants, he claims tortious interference with contract and common law and statutory conspiracy for their alleged actions related to his employment termination. He seeks damages of \$3.15 million, plus unpaid bonuses and benefits, pre- and post-judgment interest, attorneys' fees, and costs. The Company is defending the action on the grounds that Mr. Kelly's employment was properly terminated for cause and that the claims against Messrs. Stilwell and Khoshaba are not

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

9. Commitments and Contingencies (continued)

cognizable. The Company and Messrs. Stilwell and Khoshaba have filed an answer and demurrer, which is pending. No trial date has been set in the case. At this juncture, the outcome of the matter cannot be predicted.

Harbor Pointe Tax Increment Financing

On September 1, 2011, the Grove Economic Development Authority issued the Grove Economic Development Authority Tax Increment Revenue Note, Taxable Series 2011 in the amount of \$2.42 million, bearing a variable interest rate of 2.29%, not to exceed 14% and payable in 50 semi-annual installments. The proceeds of the bonds were to provide funding for the construction of public infrastructure and other site improvements and to be repaid by incremental additional property taxes generated by development. Harbor Pointe Associates, LLC, then owned by an affiliate of former CEO, Jon Wheeler, entered into an Economic Development Agreement with the Grove Economic Development Authority for this infrastructure development and in the event the ad valorem taxes were insufficient to cover annual debt service, Harbor Pointe Associates, LLC would reimburse the Grove Economic Development Authority (the "Harbor Pointe Agreement"). In 2014, Harbor Pointe Associates, LLC was acquired by the Company.

The total debt service shortfall over the life of the bond is uncertain as it is based on ad valorem taxes, assessed property values, property tax rates, LIBOR and future potential development ranging until 2036. The Company's future total principal obligation under the Harbor Pointe Agreement will be no more than \$2.21 million, the principal amount of the bonds, as of June 30, 2020. In addition, the Company may have an interest obligation on the note based on the principal balance and LIBOR rates in effect at future payment dates. During the three and six months ended June 30, 2020, the Company did not fund any debt service shortfalls. During the three and six months ended June 30, 2019, the Company funded \$44 thousand in debt service shortfalls. No amounts have been accrued for this as of June 30, 2020 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

10. Related Party Transactions

The following summarizes related party activity for the six months ended June 30, 2020 and 2019. The amounts disclosed below reflect the activity between the Company and its affiliates (in thousands).

	Six Months Ended June 30,	
	2020	2019
	(unaudited)	
Amounts paid to affiliates	\$ 37	\$ —
Amounts received from affiliates	\$ —	\$ 12

Reimbursement of Proxy Solicitation Expenses

On October 29, 2019, Stilwell Value Partners VII, L.P., Stilwell Activist Fund, L.P., Stilwell Activist Investments, L.P., Stilwell Value LLC and Joseph Stilwell (collectively, the "Stilwell Group"), the beneficial owner of 9.8% of our common stock, filed a proxy statement with the SEC in connection with the Company's 2019 annual meeting (the "Stilwell Solicitation"). Current director Joseph Stilwell is the owner and managing member of Stilwell Value LLC, which is the general partner of Stilwell Activist Investments, L.P. At the 2019 annual meeting, our stockholders elected three nominees designated by the Stilwell Group to the Board of Directors. The Stilwell Group disclosed in the Stilwell Solicitation that it intended to seek reimbursement of the expenses it incurred in connection with such solicitation. The Company has agreed to reimburse the Stilwell Group for the approximate \$439 thousand of expenses it incurred in connection with the Stilwell Solicitation. This reimbursement was recorded on the condensed consolidated statements of operations as "other expense."

11. Subsequent Events

Walnut Hill Plaza Paydown

On July 15, 2020, the Company reduced the Walnut Hill Plaza loan by \$428 thousand to \$3.30 million using proceeds from restricted cash reserves.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Tuckernuck Extension

On July 31, 2020, the Company entered into an Amended Agreement (the "Tuckernuck Amended Agreement") to extend the \$5.28 million Tuckernuck Loan to November 1, 2020 with monthly principal and interest payments of \$33,880. In conjunction with the Tuckernuck Amended Agreement, the Company entered into a Reserve Agreement, which requires the Company to deposit in escrow \$337 thousand.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in this Form 10-Q, along with the consolidated financial statements and the notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2019 Form 10-K for the year ended December 31, 2019. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited condensed consolidated financial statements included in this Form 10-Q.

When used in this discussion and elsewhere in this Form 10-Q, the words “believes,” “should,” “estimates,” “expects,” and similar expressions are intended to identify forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and in Section 21F of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Important factors that we think could cause our actual results to differ materially from those expressed or forecasted in the forward-looking statement are summarized below. One of the most significant factors, however, is the ongoing impact of the current outbreak of the novel coronavirus (COVID-19), on the U.S., regional and global economies, the U.S. retail market and the broader financial markets.

New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. In particular, it is difficult to fully assess the impact of COVID-19 at this time due to, among other factors, uncertainty regarding the severity and duration of the outbreak domestically and internationally, uncertainty regarding the effectiveness of federal, state and local governments’ efforts to contain the spread of COVID-19 and respond to its direct and indirect impact on the U.S. economy and economic activity.

Important factors, among others, that may affect our actual results include:

- negative impacts from continued spread of COVID-19, including on the U.S. or global economy or on our business, financial position or results of operations;
- the level of rental revenue we achieve from our assets;
- the market value of our assets and the supply of, and demand for, retail real estate in which we invest;
- the state of the U.S. economy generally, or in specific geographic regions;
- the impact of economic conditions on our business;
- the conditions in the local markets in which we operate and our concentration in those markets, as well as changes in national economic and market conditions;
- consumer spending and confidence trends;
- our ability to enter into new leases or to renew leases with existing tenants at the properties we own;
- our ability to anticipate changes in consumer buying practices and the space needs of tenants;
- the competitive landscape impacting the properties we own and their tenants;
- our relationships with our tenants and their financial condition and liquidity;
- our ability to continue to qualify as a real estate investment trust for U.S. federal income tax (a “REIT”);
- our use of debt as part of our financing strategy and our ability to make payments or to comply with our loan covenants;
- the level of our operating expenses;
- changes in interest rates that could impact the market price of our common stock and the cost of our borrowings; and
- legislative and regulatory changes (including changes to laws governing the taxation of REITs).

We caution that the foregoing list of factors is not all-inclusive. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All subsequent written and oral forward-looking statements concerning us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. We caution not to place undue reliance upon any forward-looking statements, which speak only as of the date made. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

Company Overview

As of June 30, 2020, the Trust, through the Operating Partnership, owned and operated sixty retail shopping centers, one office building and six undeveloped properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Oklahoma, Tennessee, Kentucky, New Jersey, Pennsylvania and West Virginia. Accordingly, the use of the word “Company” refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

Recent Trends and Activities

There have been several significant events in 2020 that have impacted our company. These events are summarized below.

Impact of COVID-19

The following discussion is intended to provide stockholders with certain information regarding the impacts of the COVID-19 pandemic on the Company’s business and management’s efforts to respond. Unless otherwise specified, the statistical and other information regarding the Company’s portfolio and tenants are estimates based on information available to the Company. As a result of the rapid development, fluidity and uncertainty surrounding this situation, the Company expects that such statistical and other information will change, potentially significantly, going forward and may not be indicative of the actual impact of the COVID-19 pandemic on the Company’s business, operations, cash flows and financial condition for the third quarter of 2020 and future periods.

The United States of America has been subject to significant economic disruption caused by the onset of COVID-19. Nearly every industry has been impacted directly or indirectly, and the U.S. retail market has come under severe pressure due to numerous factors, including preventative measures taken by local, state and federal authorities to alleviate the public health crisis such as mandatory business closures, quarantines, restrictions on travel and “shelter-in-place” or “stay-at-home” orders. These containment measures, which generally do not apply to businesses designated as “essential”, are affecting the operations of different categories of the Company’s base to varying degrees with, for example, grocery stores and pharmacies generally permitted to remain open and operational, restaurants generally limited to take-out and delivery services only, and non-essential businesses generally forced to close. There is uncertainty as to the time, date and extent to which these restrictions will be relaxed or lifted, businesses of tenants that have closed, either voluntarily or by mandate, will reopen or partially reopen.

As of June 30, 2020 our portfolio was approximately 90.1% leased. The properties are geographically located in the Southeast, Mid-Atlantic and Northeast, which markets represented approximately 61%, 35% and 4%, respectively, of the total annualized base rent of the properties in our portfolio as of June 30, 2020. Our operating portfolio contains retail shopping centers with a particular emphasis on grocery-anchored retail centers; grocers represent approximately 27% of total annualized base rent as of June 30, 2020. We generally lease our properties to national and regional retailers.

The Company’s portfolio and tenants have been impacted as follows:

- The Company’s sixty retail shopping centers are open and operating. As of June 30, 2020, all of the Company’s shopping centers feature necessity-based tenants, with forty-five of the sixty properties anchored by grocery and/or drug stores.
- Beginning in April 2020, the Company received certain rent relief requests, most often in the form of rent deferral requests, as a result of COVID-19. The Company evaluates each tenant rent relief request on an individual basis, considering a number of factors. Not all tenant requests ultimately result in concessions or modification of agreements, nor is the Company forgoing its contractual rights under its lease agreements. As a result, the Company granted 102 concessions as of July 30, 2020 and modified 46 leases as of June 30, 2020, with a weighted average rate increase of 5.77% and 4.9 year weighted average extension term.

- The Company has received payment of approximately 83% of contractual base rent and tenant reimbursements billed for the three months ended June 30, 2020.
- Of those tenants with rent in arrears for the three months ended June 30, 2020, 62% are considered to be national and regional retailers.
- As of June 30, 2020, \$355 thousand of accounts receivable relate to short term deferral of rents.

The Company has taken a number of proactive measures to maintain the strength of its business and manage the impact of COVID-19 on the Company's operations and liquidity, including the following:

- Along with the Company's tenants and the communities they and the Company together serve, the health and safety of the Company's employees and their families is a top priority. The Company has adapted its operations to protect employees, including implementing a work from home policy and the Company's IT systems have enabled its team to work seamlessly.
- The Company is in constant communication with its tenants and sharing resources on how to identify local, state and federal resources that may be available to support their businesses and employees during the pandemic, including stimulus funds that may be available under the Coronavirus Aid, Relief and Economic Security Act of 2020.
- The Company currently has approximately \$7.66 million in cash and cash equivalents and an additional \$15.28 million in restricted cash.
- Given the uncertainty of the COVID-19 pandemic's near and potential long-term impact on the Company's business, and in order to preserve its liquidity position, the Company has continued its suspension of any dividend distributions.

The Company derives revenues primarily from rents received from tenants under leases at the Company's properties. The Company's operating results therefore depend materially on the ability of its tenants to make required rental payments. The extent to which the COVID-19 pandemic impacts the businesses of the Company's tenants, and the Company's operations and financial condition, will depend on future developments which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and such containment measures, among others. While the extent of the outbreak and its impact on the Company, its tenants and the U.S. retail market is uncertain, a prolonged crisis could result in continued disruptions in the credit and financial markets, continued high unemployment rates, low consumer confidence and consumer spending levels and overall poor global and U.S. economic conditions. The factors described above, as well as additional factors that the Company may not currently be aware of, could materially negatively impact the Company's ability to collect rent and could lead to termination of leases by tenants, tenant bankruptcies, decreases in demand for retail space at the Company's properties, difficulties in accessing capital, impairment of the Company's long-lived assets and other impacts that could materially and adversely affect the Company's business, results of operations, financial condition and ability to pay distributions to stockholders.

The comparability of the Company's results of operations for the six months ended June 30, 2020 to future periods may be significantly impacted by the effects of the outbreak of the COVID-19 pandemic.

Paycheck Protection Program

The Company received proceeds of \$552 thousand (the "PPP funds") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security ("CARES") Act.

The PPP funds were received in the form of a promissory note, dated April 24, 2020 (the "Promissory Note"), between the Company and KeyBank as the lender that matures on April 24, 2022 bearing interest at a fixed rate of 1% per annum, payable monthly commencing seven months from the date of the note. Under the terms of the PPP, the principal may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, mortgage interest, rent and utilities. No assurance can be provided that the Company will obtain forgiveness of the Promissory Note in whole or in part.

Dispositions

<u>Disposal Date</u>	<u>Property</u>	<u>Contract Price</u>	<u>Gain (loss)</u>	<u>Net Proceeds</u>
			(in thousands, unaudited)	
January 21, 2020	St. Matthews, St. Matthews, SC	\$ 1,775	\$ (26)	\$ 1,665

Assets Held for Sale

In 2020, the Company committed to a plan to sell Columbia Fire Station. The Company recorded a \$0 and \$600 thousand impairment expense for the three and six months ended June 30, 2020, respectively, to reduce the carrying value of the property for the amounts that exceeded the property's fair value less estimated selling costs.

KeyBank Credit Agreement

On January 24, 2020, the Company and KeyBank entered into a Second Amendment to the KeyBank Credit Agreement (the "Second Amendment"), effective December 21, 2019. Pursuant to the Second Amendment, the Company began making monthly principal payments of \$350 thousand on November 1, 2019. The Second Amendment, among other provisions, requires a pledge of additional collateral of \$15.00 million in residual equity interests. Additionally, the Second Amendment provided that the outstanding balance on the KeyBank Credit Agreement fully mature on June 30, 2020.

On July 21, 2020, the Company and KeyBank entered into a Third Amendment to the KeyBank Credit Agreement (the "Third Amendment"). The Third Amendment, among other provisions, reduces the pledge of additional collateral by two properties and extends the maturity to December 31, 2020.

In addition to the \$2.45 million in monthly principal payments made during the six months ended June 30, 2020, the below paydowns were made:

- \$1.78 million paydown from St. Matthews sale proceeds on January 21, 2020;
- \$5.75 million paydown from Shoppes at Myrtle Park refinancing proceeds on January 23, 2020;
- and
- \$2.50 million paydown from cash released to the Company from restricted cash accounts on May 20, 2020.

As of June 30, 2020, the balance on the KeyBank Credit Agreement was \$5.40 million.

New Leases, Leasing Renewals and Expirations

The following table presents selected lease activity statistics for our properties.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Renewals⁽¹⁾:				
Leases renewed with rate increase (sq feet)	255,380	90,113	392,979	180,971
Leases renewed with rate decrease (sq feet)	8,755	2,500	35,735	30,156
Leases renewed with no rate change (sq feet)	43,628	6,183	64,206	8,583
Total leases renewed (sq feet)	307,763	98,796	492,920	219,710
Leases renewed with rate increase (count)	53	30	83	49
Leases renewed with rate decrease (count)	6	1	11	8
Leases renewed with no rate change (count)	12	3	18	5
Total leases renewed (count)	71	34	112	62
Option exercised (count)	4	10	9	13
Weighted average on rate increases (per sq foot)	\$ 0.62	\$ 0.91	\$ 1.05	\$ 0.81
Weighted average on rate decreases (per sq foot)	\$ (0.40)	\$ (13.34)	\$ (1.76)	\$ (3.36)
Weighted average rate on all renewals (per sq foot)	\$ 0.50	\$ 0.49	\$ 0.71	\$ 0.25
Weighted average change over prior rates	4.92%	3.50%	6.81%	2.29%
New Leases^{(1) (2)}:				
New leases (sq feet)	81,780	16,018	109,402	47,218
New leases (count)	16	11	30	19
Weighted average rate (per sq foot)	\$ 9.46	\$ 14.89	\$ 11.00	\$ 13.49
Gross Leasable Area ("GLA") expiring during the next 6 months, including month-to-month leases	6.00%	4.17%	6.00%	4.17%

(1) Lease data presented is based on average rate per square foot over the renewed or new lease term.

(2) The Company does not include ground leases entered into for the purposes of new lease sq feet and weighted average rate (per sq foot) on new leases.

Three and Six Months Ended June 30, 2020 Compared to the Three and Six Months Ended June 30, 2019

Results of Operations

The following table presents a comparison of the condensed consolidated statements of operations for the three and six months ended June 30, 2020 and 2019, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended Changes		Six Months Ended Changes	
	2020	2019	2020	2019	Change	% Change	Change	% Change
PROPERTY DATA:								
Number of properties owned and leased at period end (1)	60	62	60	62	(2)	(3.23)%	(2)	(3.23)%
Aggregate gross leasable area at period end (1)	5,568,934	5,690,446	5,568,934	5,690,446	(121,512)	(2.14)%	(121,512)	(2.14)%
Ending leased rate at period end (1)	90.1%	89.4%	90.1%	89.4%	0.7%	0.78%	0.7%	0.78%
FINANCIAL DATA:								
Rental revenues	\$ 14,809	\$ 15,391	\$ 30,164	\$ 31,161	\$ (582)	(3.78)%	\$ (997)	(3.20)%
Other revenues	360	141	579	366	219	155.32%	213	58.20%
Total Revenue	15,169	15,532	30,743	31,527	(363)	(2.34)%	(784)	(2.49)%
OPERATING EXPENSES:								
Property operations	4,573	4,595	9,296	9,321	(22)	(0.48)%	(25)	(0.27)%
Non-REIT management and leasing services	—	1	—	24	(1)	(100.00)%	(24)	(100.00)%
Depreciation and amortization	4,446	5,287	9,245	11,103	(841)	(15.91)%	(1,858)	(16.73)%
Impairment of notes receivable	—	5,000	—	5,000	(5,000)	(100.00)%	(5,000)	(100.00)%
Impairment of assets held for sale	—	1,147	600	1,147	(1,147)	(100.00)%	(547)	(47.69)%
Corporate general & administrative	1,615	1,380	3,487	3,194	235	17.03%	293	9.17%
Total Operating Expenses	10,634	17,410	22,628	29,789	(6,776)	(38.92)%	(7,161)	(24.04)%
(Loss) gain on disposal of properties	—	(331)	(26)	1,508	331	100.00%	(1,534)	(101.72)%
Operating Income	4,535	(2,209)	8,089	3,246	6,744	305.30%	4,843	149.20%
Interest income	—	—	1	1	—	—%	—	—%
Interest expense	(4,273)	(4,947)	(8,673)	(9,740)	674	13.62%	1,067	10.95%
Other expense	—	—	(1,024)	—	—	—%	(1,024)	(100.00)%
Net (Loss) Income Before Income Taxes	262	(7,156)	(1,607)	(6,493)	7,418	103.66%	4,886	75.25%
Income tax benefit (expense)	6	(7)	(2)	(15)	13	185.71%	13	86.67%
Net Income (Loss)	268	(7,163)	(1,609)	(6,508)	7,431	103.74%	4,899	75.28%
Less: Net income (loss) attributable to noncontrolling interests	14	(112)	5	(99)	126	112.50%	104	105.05%
Net Income (Loss) Attributable to Wheeler REIT	\$ 254	\$ (7,051)	\$ (1,614)	\$ (6,409)	\$ 7,305	103.60%	\$ 4,795	74.82%

(1) Excludes the undeveloped land parcels and Riversedge North, our corporate headquarters. Includes assets held for sale.

Total Revenue

Total revenue was \$15.17 million and \$30.74 million for the three and six months ended June 30, 2020, respectively, compared to \$15.53 million and \$31.53 million for the three and six months ended June 30, 2019, respectively, representing decreases of 2.34% and 2.49%, respectively, primarily due to sold properties and an additional vacant anchor space, an increase in the credit loss on operating receivables a result of increased accounts receivable due to impacts of COVID-19 on the portfolio, offset by increases in rental revenues as a result of long-term lease extensions. See Same Store and Non-same Store Operating Income for further details about the changes within operating revenue.

Total Operating Expenses

Total operating expenses were \$10.63 million and \$22.63 million for the three and six months ended June 30, 2020, respectively, compared to \$17.41 million and \$29.79 million for the three and six months ended June 30, 2019, respectively, representing decreases of 38.92% and 24.04%, respectively. These decreases are primarily a result of decreases in impairments and depreciation and amortization, partially offset by increases in corporate general and administrative expenses. Impairments decreased as a result of the \$5.00 million impairment of the Sea Turtle notes receivable and the \$1.15 million impairment on

assets held for sale, Perimeter Square, both which did not reoccurring in 2020, offset by a \$600 thousand impairment on St. Matthews during the six months ended June 30, 2020. Depreciation and amortization decreased \$841 thousand and \$1.86 million, respectively, primarily as a result of lease intangibles becoming fully amortized.

Corporate general and administrative expenses were \$1.62 million and \$3.49 million for the three and six months ended June 30, 2020, respectively, compared to \$1.38 million and \$3.19 million for the three and six months ended June 30, 2019, respectively, representing increases of 17.03% and 9.17%, respectively, as a result of the following:

- \$591 thousand and \$1.02 million increase, respectively, in professional fees primarily related to increase in costs associated with litigation and corporate counsel, partially offset by a decrease in tax consulting fees which did not occur in 2020; offset by
- \$56 thousand and \$325 thousand decrease, respectively, in compensation and benefits primarily driven by a reduction in personnel and decrease in director's compensation;
- \$93 thousand and \$111 thousand decrease, respectively, in advertising costs for leasing activities related to cancellation of conferences due to COVID-19; and
- \$198 thousand and \$306 thousand decrease, respectively, in other costs primarily associated with a reduction in taxes and licenses and capital and debt financing activities.

Gain on Disposal of Properties

The \$331 thousand loss on disposal of properties for the three months ended June 30, 2020 is a result of the demolition of an approximate 10,000 square foot outparcel at the JANAF property to make way for a new approximate 20,000 square foot building constructed by a grocer tenant. The gain on disposal decrease of \$1.53 million for the six months ended June 30, 2020 is a result of the 2020 sale of St. Matthews, net of the 2019 JANAF demolition and sales of Jenks Plaza and Graystone Crossing.

Interest Expense

Interest expense for the three and six months ended June 30, 2020 was \$4.27 million and \$8.67 million, respectively, compared to \$4.95 million and \$9.74 million for the three and six months ended June 30, 2019, respectively, representing decreases of 13.62% and 10.95%, respectively, are primarily attributable to a \$17.96 million reduction in loans payable from June 30, 2019 and lower loan cost amortization due to loan modifications and sold properties.

Other Expenses

Other expenses were \$0 million and \$1.02 million for the three and six months ended June 30, 2020, respectively. Other expenses include \$585 thousand in legal settlement costs and \$439 thousand for reimbursement of the Stilwell Group's proxy solicitation expenses incurred in connection with the Company's 2019 annual meeting of stockholders. These expenses are non-operating in nature.

Preferred Dividends

At June 30, 2020, the Company had accumulated undeclared dividends of \$23.96 million to holders of shares of our Series A Preferred Stock, Series B Preferred Stock, and Series D Preferred Stock of which \$3.49 million and \$6.97 million are attributable to the three and six months ended June 30, 2020, respectively.

Same Store and Non-same Store Operating Income

Net operating income ("NOI") is a widely-used non-GAAP financial measure for REITs. The Company believes that NOI is a useful measure of the Company's property operating performance. The Company defines NOI as property revenues (rental and other revenues) less property and related expenses (property operation and maintenance and real estate taxes). Because NOI excludes general and administrative expenses, depreciation and amortization, interest expense, interest income, provision for income taxes, gain or loss on sale or capital expenditures and leasing costs, impairment of assets held for sale and held for use, and impairment of notes receivable, it provides a performance measure, that when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not immediately apparent from net income. The Company uses NOI to evaluate its operating performance since NOI allows the Company to evaluate the impact of factors, such as occupancy levels, lease structure, lease rates and tenant base, have on the Company's results, margins and returns. NOI should not be viewed as a measure of the Company's overall financial performance since it does not reflect general and administrative expenses, depreciation and amortization, involuntary conversion, interest expense, interest income, provision for income taxes,

gain or loss on sale or disposition of assets, and the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties. Other REITs may use different methodologies for calculating NOI, and accordingly, the Company's NOI may not be comparable to that of other REITs.

The following table is a reconciliation of same store and non-same store NOI from the most directly comparable GAAP financial measure of net income (loss). Same stores consist of those properties owned during all periods presented in their entirety, while non-same stores consist of those properties acquired or disposed of during the periods presented. The non-same store category consists of the following sold properties:

- Discontinued operations
 - Harbor Pointe land parcel (sold February 7, 2019);
- Continuing operations
 - Jenks Plaza (sold January 11, 2019);
 - Graystone Crossing (sold March 18, 2019);
 - Perimeter Square (sold July 12, 2019); and
 - St. Matthews (sold January 21, 2020).

	Three Months Ended June 30,					
	Same Store		Non-same Store		Total	
	2020	2019	2020	2019	2020	2019
	(in thousands, unaudited)					
Net Income (Loss)	\$ 272	\$ (5,744)	\$ (4)	\$ (1,419)	\$ 268	\$ (7,163)
Adjustments:						
Income tax (benefit) expense	(6)	7	—	—	(6)	7
Interest expense	4,273	4,837	—	110	4,273	4,947
Loss on disposal of properties	—	—	—	331	—	331
Corporate general & administrative	1,615	1,376	—	4	1,615	1,380
Impairment of assets held for sale	—	—	—	1,147	—	1,147
Impairment of notes receivable	—	5,000	—	—	—	5,000
Depreciation and amortization	4,446	5,274	—	13	4,446	5,287
Non-REIT management and leasing services	—	1	—	—	—	1
Other non-property revenue	(221)	(18)	—	—	(221)	(18)
Property Net Operating Income (Loss)	\$ 10,379	\$ 10,733	\$ (4)	\$ 186	\$ 10,375	\$ 10,919
Property revenues	\$ 14,948	\$ 15,236	\$ —	\$ 278	\$ 14,948	\$ 15,514
Property expenses	4,569	4,503	4	92	4,573	4,595
Property Net Operating Income (Loss)	\$ 10,379	\$ 10,733	\$ (4)	\$ 186	\$ 10,375	\$ 10,919

	Six Months Ended June 30,					
	Same Store		Non-same Store		Total	
	2020	2019	2020	2019	2020	2019
	(in thousands, unaudited)					
Net (Loss) Income	\$ (1,572)	\$ (6,957)	\$ (37)	\$ 449	\$ (1,609)	\$ (6,508)
Adjustments:						
Income tax expense	2	15	—	—	2	15
Other expense	1,024	—	—	—	1,024	—
Interest expense	8,673	9,460	—	280	8,673	9,740
Interest income	(1)	(1)	—	—	(1)	(1)
Loss (gain) on disposal of properties	—	—	26	(1,508)	26	(1,508)
Corporate general & administrative	3,486	3,184	1	10	3,487	3,194
Impairment of assets held for sale	600	—	—	1,147	600	1,147
Impairment of notes receivable	—	5,000	—	—	—	5,000
Depreciation and amortization	9,245	11,029	—	74	9,245	11,103
Non-REIT management and leasing services	—	24	—	—	—	24
Other non-property revenue	(243)	(73)	—	—	(243)	(73)
Property Net Operating Income (Loss)	\$ 21,214	\$ 21,681	\$ (10)	\$ 452	\$ 21,204	\$ 22,133
Property revenues	\$ 30,490	\$ 30,811	\$ 10	\$ 643	\$ 30,500	\$ 31,454
Property expenses	9,276	9,130	20	191	9,296	9,321
Property Net Operating Income (Loss)	\$ 21,214	\$ 21,681	\$ (10)	\$ 452	\$ 21,204	\$ 22,133

Property Revenues

Total same store property revenues for the three and six months ended June 30, 2020 decreased to \$14.95 million and \$30.49 million, respectively, compared to \$15.24 million and \$30.81 million for the three and six months ended June 30, 2019, respectively, representing decreases of 1.89% and 1.04%, respectively, primarily due to:

- \$319 thousand and \$411 thousand, respectively, increase in provision for credit losses a result of increased accounts receivable due to the impacts of COVID-19 on the portfolio;
- \$153 thousand and \$46 thousand, respectively, decrease in rental revenues from a property with vacant anchor space;
- \$67 thousand and \$180 thousand, respectively, decrease in above (below) market lease amortization related to leases becoming fully amortized; partially offset by
- \$333 thousand and \$375 thousand, respectively, increase in rental revenues as a result of long-term lease extensions.

Property Expenses

Total same store property expenses for the three and six months ended June 30, 2020 increased to \$4.57 million and \$9.28 million, respectively, compared to \$4.50 million and \$9.13 million for the three and six months ended June 30, 2019, respectively, representing increases of 1.47% and 1.60%, respectively. The \$66 thousand increase for the three months ended June 30, 2020 is primarily due to an increase of \$223 thousand in insurance and real estate taxes as a result of rate increases, partially offset by a decrease of \$152 thousand in expenses related to common area maintenance. The \$146 thousand increase for the six months ended June 30, 2020 is primarily due to an increase of \$236 thousand in insurance and real estate taxes, partially offset by a decrease of \$87 thousand in expenses related to common area maintenance.

There were no significant unusual or non-recurring items included in non-same store property expenses for the three and six months ended June 30, 2020 and 2019.

Property Net Operating Income

Total property net operating income was \$10.38 million and \$21.20 million for the three and six months ended June 30, 2020, respectively, compared to \$10.92 million and \$22.13 million for the three and six months ended June 30, 2019, respectively, representing decreases of 4.98% and 4.20%, respectively. Same stores accounted for decreases of \$354 thousand and \$467

thousand, respectively, while non-same stores had decreases of \$190 thousand and \$462 thousand, respectively, resulting from the loss of NOI associated with sold properties.

Funds from Operations (FFO)

We use FFO, a non-GAAP measure, as an alternative measure of our operating performance, specifically as it relates to results of operations and liquidity. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999, April 2002 and December 2018). As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs), plus impairment of real estate related long-lived assets and after adjustments for unconsolidated partnerships and joint ventures. Most industry analysts and equity REITs, including us, consider FFO to be an appropriate supplemental measure of operating performance because, by excluding gains or losses on dispositions and excluding depreciation, FFO is a helpful tool that can assist in the comparison of the operating performance of a company's real estate between periods, or as compared to different companies. Management uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income alone as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time, while historically real estate values have risen or fallen with market conditions. Accordingly, we believe FFO provides a valuable alternative measurement tool to GAAP when presenting our operating results.

Below is a comparison of same and non-same store FFO, which is a non-GAAP measurement, for the three and six month periods ended June 30, 2020 and 2019:

	Three Months Ended June 30,							
	Same Store		Non-same Store		Total		Period Over Period Changes	
	2020	2019	2020	2019	2020	2019	\$	%
	(in thousands, unaudited)							
Net Income (Loss)	\$ 272	\$ (5,744)	\$ (4)	\$ (1,419)	\$ 268	\$ (7,163)	\$ 7,431	103.74 %
Depreciation and amortization of real estate assets	4,446	5,274	—	13	4,446	5,287	(841)	(15.91)%
Impairment of assets held for sale	—	—	—	1,147	—	1,147	(1,147)	(100.00)%
Loss on disposal of properties	—	—	—	331	—	331	(331)	(100.00)%
FFO	\$ 4,718	\$ (470)	\$ (4)	\$ 72	\$ 4,714	\$ (398)	\$ 5,112	1,284.42 %

	Six Months Ended June 30,							
	Same Store		Non-same Store		Total		Period Over Period Changes	
	2020	2019	2020	2019	2020	2019	\$	%
	(in thousands, unaudited)							
Net (Loss) Income	\$ (1,572)	\$ (6,957)	\$ (37)	\$ 449	\$ (1,609)	\$ (6,508)	\$ 4,899	75.28 %
Depreciation and amortization of real estate assets	9,245	11,029	—	74	9,245	11,103	(1,858)	(16.73)%
Impairment of assets held for sale	600	—	—	1,147	600	1,147	(547)	(47.69)%
Loss (gain) on disposal of properties	—	—	26	(1,508)	26	(1,508)	1,534	101.72 %
FFO	\$ 8,273	\$ 4,072	\$ (11)	\$ 162	\$ 8,262	\$ 4,234	\$ 4,028	95.13 %

During the three and six months ended June 30, 2020, same store FFO increased \$5.19 million and \$4.20 million, respectively, primarily due to the following:

- \$5.00 million and \$5.00 million decrease, respectively, in impairment of notes receivable;

- \$564 thousand and \$787 thousand decrease, respectively, in interest expense; offset by
- \$0 thousand and \$1.02 million increase, respectively, in other expense for legal settlements and reimbursement of 2019 proxy costs;
- \$354 thousand and \$467 thousand decrease, respectively, in property net operating income; and
- \$239 thousand and \$302 thousand increase, respectively, in corporate general and administrative expenses.

We believe the computation of FFO in accordance with NAREIT's definition includes certain items that are not indicative of the results provided by our operating portfolio and affect the comparability of our period-over-period performance. These items include, but are not limited to, legal settlements, non-cash share-based compensation expense, non-cash amortization on loans and acquisition costs. Therefore, in addition to FFO, management uses Adjusted FFO ("AFFO"), which we define to exclude such items. Management believes that these adjustments are appropriate in determining AFFO as they are not indicative of the operating performance of our assets. In addition, we believe that AFFO is a useful supplemental measure for the investing community to use in comparing us to other REITs as many REITs provide some form of adjusted or modified FFO. However, there can be no assurance that AFFO presented by us is comparable to the adjusted or modified FFO of other REITs.

Total AFFO for the three and six month periods ended June 30, 2020 and 2019 is shown in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(in thousands, unaudited)				
FFO	\$ 4,714	\$ (398)	\$ 8,262	\$ 4,234
Preferred Stock dividends - undeclared	(3,657)	(3,658)	(7,314)	(7,315)
Preferred stock accretion adjustments	171	171	341	341
FFO available to common shareholders and common unitholders	1,228	(3,885)	1,289	(2,740)
Impairment of notes receivable	—	5,000	—	5,000
Acquisition and development costs	—	20	1	24
Capital related costs	30	62	34	136
Other non-recurring and non-cash expenses	49	2	1,073	26
Share-based compensation	—	82	—	172
Straight-line rental revenue, net straight-line expense	(401)	240	(406)	85
Loan cost amortization	252	535	562	927
Above (below) market lease amortization	(100)	(194)	(373)	(420)
Recurring capital expenditures and tenant improvement reserves	(278)	(286)	(557)	(570)
AFFO	\$ 780	\$ 1,576	\$ 1,623	\$ 2,640

Impairment on notes receivable during the three and six months ended June 30, 2019 is due to impairment of the notes receivable related to Sea Turtle and is not indicative of our core portfolio of properties and future operations.

Other non-recurring and non-cash expenses are costs we believe will not be incurred on a go forward basis. Other non-recurring expenses during the three and six months ended June 30, 2020 include \$0 thousand and \$585 thousand, respectively, in legal settlement costs, \$0 thousand and \$439 thousand, respectively, for reimbursement of the Stilwell Group's proxy solicitation expenses incurred in connection with the Company's 2019 annual meeting of stockholders and \$49 thousand for severance. During the three and six months ended June 30, 2019 other non-recurring expenses were for severance.

The preferred stock accretion adjustments represent the amortization of offering costs associated with raising the Series B Preferred Stock and Series D Preferred Stock.

Liquidity and Capital Resources

At June 30, 2020, our consolidated cash, cash equivalents and restricted cash totaled \$22.94 million compared to consolidated cash, cash equivalents and restricted cash of \$21.59 million at December 31, 2019. Cash flows from operating

activities, investing activities and financing activities for the six month periods ended June 30, 2020 and 2019 were as follows:

	Six Months Ended June 30,		Period Over Period Change	
	2020	2019	\$	%
(in thousands, unaudited)				
Operating activities	\$ 7,494	\$ 7,807	\$ (313)	(4.01)%
Investing activities	\$ 1,121	\$ 2,633	\$ (1,512)	(57.42)%
Financing activities	\$ (7,269)	\$ (8,079)	\$ 810	10.03%

Operating Activities

During the six months ended June 30, 2020, our cash flows from operating activities were \$7.49 million, compared to cash flows from operating activities of \$7.81 million during the six months ended June 30, 2019, representing a decrease of 4.01% or \$313 thousand. This decrease is primarily a result of the decrease in property NOI of \$929 thousand, the increase in accounts receivables due to the impacts of COVID-19 on the portfolio and the timing of deferred costs and other assets, offset by the timing of accounts payable, accrued expenses and other liabilities.

Investing Activities

During the six months ended June 30, 2020, our cash flows from investing activities were \$1.12 million, compared to cash flows from investing activities of \$2.63 million during the six months ended June 30, 2019, representing a decrease of \$1.51 million primarily due to the 2020 sales of St. Matthews compared to the 2019 sales of the Jenks Plaza, Graystone Crossing, and Harbor Pointe land parcel, partially offset by a decrease in capital expenditures of \$402 thousand primarily related to less tenant improvement projects in 2020.

Financing Activities

During the six months ended June 30, 2020, our cash flows used in financing activities were \$7.27 million, compared to \$8.08 million of cash flows used in financing activities during the six months ended June 30, 2019, representing an increase of \$810 thousand due to the following:

- \$3.44 million increase in loan principal payments primarily as a result of the 2020 Shoppes at Myrtle Park and Folly Road refinances, the St. Matthews sale, and pay-down of the KeyBank Credit Agreement, partially offset by the 2019 sales of Jenks Plaza and Graystone Crossing and the 2019 payoff of the Revere Term Loan and Senior Convertible Notes in addition to the Village of Martinsville refinance;
- \$552 thousand increase in proceeds from PPP funds as detailed in Note 2; offset by
- \$3.15 million increase in loan proceeds due to the Shoppes at Myrtle Park and Folly Road refinances occurring in 2020 offset by the 2019 Village of Martinsville refinance;

We intend to continue managing our debt prudently so as to maintain a conservative capital structure and minimize leverage within the Company. As of June 30, 2020 and December 31, 2019, our debt balances, excluding unamortized debt issuance costs, consisted of the following (in thousands):

	June 30, 2020	December 31, 2019
	(unaudited)	
Fixed-rate notes	\$ 306,203	\$ 305,017
Adjustable-rate mortgages	23,948	24,163
Fixed rate mortgages, assets held for sale ⁽¹⁾	4,013	—
Floating-rate line of credit ⁽¹⁾	5,400	17,879
Total debt	\$ 339,564	\$ 347,059

(1) Includes portion attributable to liabilities held for sale, see Note 3 included in this Form 10-Q.

The weighted-average interest rate and term of our fixed-rate debt including assets held for sale are 4.68% and 4.39 years, respectively, at June 30, 2020. We have \$41.05 million of debt maturing, including scheduled principal repayments, during the six months ended December 31, 2020. While we anticipate being able to refinance our maturing loans at reasonable market terms upon maturity or receive short term extensions, our inability to do so may materially impact our financial position and results of operations. See Note 5 included in this Form 10-Q for additional mortgage indebtedness details.

Future Liquidity Needs

The primary liquidity needs of the Company, in addition to the funding of our ongoing operations, at June 30, 2020 are \$49.85 million in debt maturities and principal payments due in the twelve months ended June 30, 2021 as described in Note 5. Included in the \$49.85 million are 7 loans collateralized by 12 properties within our portfolio. The Company plans to pay these obligations through a combination of refinancings, dispositions and operating cash. Management intends to refinance or extend the remaining maturing debt as it comes due.

In addition to liquidity required to fund debt payments we may incur some level of capital expenditures during the year for our existing properties that cannot be passed on to our tenants.

As discussed above, the COVID-19 pandemic outbreak has adversely impacted states and cities where the Company's tenants operate their businesses and where the Company's properties are located. The COVID-19 pandemic could have a material adverse effect on the Company's financial condition, results of operations and cash flows as the reduced economic activity severely impacts certain of the Company's tenants' businesses, financial condition and liquidity and may cause certain tenants to be unable to meet their obligations to the Company in full. Closures by the Company's tenants of their stores could reduce the Company's cash flows.

To meet these future liquidity needs:

- the Company had \$7.66 million in cash and cash equivalents at June 30, 2020;
- \$15.28 million held in lender reserves for the purpose of tenant improvements, lease commissions, real estate taxes and insurance at June 30, 2020; and
- intends to use cash generated from operations during the twelve months ended June 30, 2021.

In addition, the Board suspended Series A Preferred, Series B Preferred and Series D Preferred dividend payments beginning with the fourth quarter 2018 dividend. The Board plans to revisit the dividend payment policy with respect to the Series A Preferred, Series B Preferred and Series D Preferred on an ongoing basis. The Board believes that the dividend suspension will provide the Company approximately \$3.49 million of additional funds per quarter to help meet its ongoing liquidity needs.

Additionally, the Company plans to undertake measures to grow its operations and increase liquidity through backfilling vacant anchor spaces, replacing tenants who are in default of their lease terms, increasing future lease revenue through tenant improvements partially funded by restricted cash, disposition of assets and refinancing properties.

Our success in refinancing the debt, and executing on our strategy will dictate our liquidity needs going forward. If we are unable to execute in these areas, our ability to grow and reinstate dividends may be limited without additional capital.

Off-Balance Sheet Arrangements

On September 1, 2011, the Grove Economic Development Authority issued the Grove Economic Development Authority Tax Increment Revenue Note, Taxable Series 2011 in the amount of \$2.42 million, bearing a variable interest rate of 2.29%, not to exceed 14% and payable in 50 semi-annual installments. The proceeds of the bonds were to provide funding for the construction of public infrastructure and other site improvements and to be repaid by incremental additional property taxes generated by development. Harbor Pointe Associates, LLC, then owned by an affiliate of former CEO, Jon Wheeler, entered into an Economic Development Agreement with the Grove Economic Development Authority for this infrastructure development and in the event the ad valorem taxes were insufficient to cover annual debt service, Harbor Pointe Associates, LLC would reimburse the Grove Economic Development Authority (the "Harbor Pointe Agreement"). In 2014, Harbor Pointe Associates, LLC was acquired by the Company.

The total debt service shortfall over the life of the bond is uncertain as it is based on ad valorem taxes, assessed property values, property tax rates, LIBOR and future potential development ranging until 2036. The Company's future total principal obligation under the Harbor Pointe Agreement will be no more than \$2.21 million, the principal amount of the bonds, as of June 30, 2020. In addition, the Company may have an interest obligation on the note based on the principal balance and LIBOR rates in effect at future payment dates. During the three and six months ended June 30, 2020, the Company did not fund any debt service shortfalls. During the three and six months ended June 30, 2019, the Company funded \$44 thousand in debt service shortfalls. No amounts have been accrued for this as of June 30, 2020 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

As of June 30, 2020, we have no off-balance sheet arrangements, other than that noted above, that are likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital resources or capital expenditures.

Recent Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements beginning on page 8 of this Current Report on Form 10-Q.

Critical Accounting Policies

In preparing the condensed consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results may differ from these estimates. A summary of our critical accounting policies is included in our 2019 Form 10-K under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no significant changes to these policies during the six months ended June 30, 2020. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the condensed consolidated financial statements included in this Form 10-Q.

Available Information

The Company’s internet website address is www.whlr.us. We make available free of charge through our website our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. In addition, we have posted the Charters of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, as well as our Code of Business Conduct and Ethics for Employees, Officers, Agents and Representatives, Code of Business Conduct and Ethics for Members of the Board of Directors, Corporate Governance Principles, including guidelines on director independence, and Insider Trading Policy, all under separate headings. The content of our website is not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our website is intended to be inactive textual references only.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The management of the Trust or the Company, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, including ensuring that such information is accumulated and communicated to the Trust’s management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of June 30, 2020 (the end of the period covered by this Form 10-Q).

Changes in Internal Control Over Financial Reporting

None.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for the City of Virginia Beach, Virginia.

Former CEO, Jon Wheeler, alleges that his employment was improperly terminated and that he is owed severance and bonus payments pursuant to his Employment Agreement. Altogether, his alleged damages total approximately \$1.00 million. The Company is defending the action on the grounds that Mr. Wheeler's employment was properly terminated for cause, including for his failure to properly apprise the Board of Directors of critical information, and placing his own personal interests above the Company's, including contacting counsel about filing suit on his behalf against the Company and the Board of Directors while he was still CEO and President of the Board. The Company filed a Counterclaim against Mr. Wheeler for approximately \$150 thousand for reimbursement of personal expenses the Company paid, but that Mr. Wheeler should have borne. Trial of this action was held on December 17-20, 2019. Post-trial briefs were submitted on January 31, 2020. On March 10, 2020, the Court held a hearing to announce its rulings. The Court found in favor of Jon Wheeler on his claim that his employment was terminated without cause and awarded him \$475 thousand for a severance payment and \$23 thousand for the cash value of applicable benefits. The Court denied Mr. Wheeler's claims for a bonus and that his termination of employment was wrongful as a violation of public policy. The Court awarded the Company \$5 thousand on its Counterclaim. A hearing will be conducted on August 7, 2020 to determine Mr. Wheeler's request for an award of attorneys' fees and costs, as well as whether pre-judgment interest should be included on the damage awards. Mr. Wheeler seeks an award of \$375 thousand in attorneys' fees and costs and \$63 thousand in pre-judgment interest on the severance payment award. The Court's rulings will become a final, appealable judgment order when it rules on the award of attorneys' fees, costs and pre-judgment interest. The Company has the right to file a petition to the Virginia Supreme Court seeking an appeal of adverse rulings. The Company's notice of appeal will be due within thirty-days of the Court's final rulings. Accordingly, the Company has recorded an estimated \$485 thousand on the Company's condensed consolidated statements of operations under the line "other expenses" based on the awarded amounts noted. Mr. Wheeler's request for further damage awards could impact this estimated expense in future periods.

BOKF, NA v. WD-I Associates, LLC, Wheeler Real Estate, LLC and Jon S. Wheeler, Court of Common Pleas, Beaufort County, South Carolina. BOKF ("Bank of Arkansas"), filed an action on April 9, 2019 in Beaufort County, South Carolina, for foreclosure of the mortgage it held on the real property and improvements comprising Sea Turtle Marketplace Shopping Center ("Sea Turtle") which was owned by WD-I Associates, LLC ("WD-I"), and Jon S. Wheeler had guaranteed the debt. Bank of Arkansas sought the appointment of a receiver to take possession and control of Sea Turtle pending the completion of the foreclosure action. In response, WD-I filed for relief under Chapter 11 of the United States Bankruptcy Code on May 7, 2019. The bankruptcy filing stayed the foreclosure action in State Court.

Bank of Arkansas asserted a claim in the bankruptcy as the first mortgage on Sea Turtle. The Company's subsidiaries held a second mortgage on Sea Turtle and in addition were creditors of WD-I. On January 30, 2020, the Bankruptcy Court approved a sale price of \$18.75 million. The Company will share in the \$200 thousand set aside for unsecured creditors, pro rata with other unsecured creditors. Given the amount of the indebtedness owed to the Company, we will receive the largest portion of the funds. On May 1, 2020, the Bankruptcy Court granted the dismissal of the WD-I bankruptcy case upon the provisions for payment of the \$200 thousand to creditors. The Company received an aggregate payment of \$196 thousand in May 2020 and recorded the receipt on the Company's condensed consolidated statements of operations under the line "other revenues".

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc. and David Kelly, Individually, Circuit Court for the City of Virginia Beach, Virginia. In September, 2018, former Chief Executive Officer and President Jon S. Wheeler filed claims for defamation and tortious interference with contract expectancy, prospective business relationships and economic advantage in the Circuit Court for the City of Virginia Beach, Virginia, asserting that his successor, immediate past Chief Executive Officer and President David Kelly, defamed him in communications with an industry association. In February, 2019, Jon Wheeler's counsel amended the suit to add the Company as a Defendant, but dropped all but the defamation claims. This case was settled and dismissed with prejudice by the court on June 1, 2020.

David Kelly v. Wheeler Real Estate Investment Trust, Inc., Joseph Stilwell, and Daniel Khoshaba Circuit Court for the City of Virginia Beach, Virginia. Former CEO David Kelly filed suit on May 28, 2020, alleging that his employment was improperly terminated and that he is owed severance pay and related benefits pursuant to his employment agreement. He claims breach of his employment contract against the company; against the individual defendants, he claims tortious interference with contract and common law and statutory conspiracy for their alleged actions related to his employment termination. He seeks damages of \$3.15 million, plus unpaid bonuses and benefits, pre- and post-judgment interest,

[Table of Contents](#)

attorneys' fees, and costs. The Company is defending the action on the grounds that Mr. Kelly's employment was properly terminated for cause and that the claims against Messrs. Stilwell and Khoshaba are not cognizable. The Company and Messrs. Stilwell and Khoshaba have filed an answer and demurrer, which is pending. No trial date has been set in the case. At this juncture, the outcome of the matter cannot be predicted.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit

3.1	Articles of Amendment of Wheeler Real Estate Investment Trust, Inc. (Filed as an exhibit to Form 8-K, filed on May 29, 2020).
3.2	Bylaws of Wheeler Real Estate Investment Trust, Inc., as amended (Filed as an exhibit to Form 8-K, filed on May 29, 2020).
4.4	Description of Securities (Filed herewith).
10.1	Employment Agreement with Crystal Plum (Filed as an exhibit to Form 8-K, filed on February 20, 2020).
10.2	Second Amendment to the KeyBank Amended and Restated Credit Agreement dated January 24, 2020 (Filed as exhibit to Form 8-K, filed on January 28, 2020).
10.3	Equity Interests Pledge and Security Agreement to the KeyBank Amended and Restated Credit Agreement dated January 24, 2020 (Filed as exhibit to Form 8-K, filed on January 28, 2020).
10.4	Third Amendment to the KeyBank Amended and Restated Credit Agreement dated July 20, 2020 (Filed as exhibit to Form 8-K, filed on July 23, 2020).
31.1	Certification of the Chief Executive Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
31.2	Certification of the Chief Financial Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
101.INS XBRL	Instance Document (Filed herewith).
101.SCH	XBRL Taxonomy Extension Schema Document (Filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (Filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase (Filed herewith).
101.LAB	XBRL Taxonomy Extension Labels Linkbase (Filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (Filed herewith).

Description of Securities

Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

As of June 30, 2020, Wheeler Real Estate Investment Trust, Inc. (“WHLR”, the “Company” or “our”) had four classes of securities: our common stock, par value \$0.01 per share (“Common Stock”), Series A Preferred Stock, no par value per share (“Series A Preferred”); Series B Convertible Preferred Stock, no par value per share (“Series B Preferred”) and Series D Cumulative Convertible Preferred Stock, no par value per share (“Series D Preferred”). Series A Preferred, Series B Preferred and Series D Preferred are collectively referred to “Preferred Stock” hereinafter. As of June 30, 2020, the Company had authority to issue 33,750,000 shares of stock consisting of the following:

- 18,750,000 Common Stock authorized, 9,695,899 of which were issued and outstanding;
- 4,500 Series A Preferred authorized, 562 of which were issued and outstanding;
- 5,000,000 Series B Preferred authorized, 1,875,748 of which were issued and outstanding; and
- 4,000,000 Series D Preferred authorized, 3,600,636 of which were issued and outstanding.

Our Common Stock, Series B Preferred, and Series D Preferred are registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Act”) on the Nasdaq Capital Market exchange. The following is a summary of each class of our securities registered under the Act and is subject to, and qualified in its entirety by reference to the provisions of our Amended and Restated Articles of Incorporation (the “Charter”), Supplementary Articles, as amended and restated and our by-laws, as amended and restated (the “By-Laws”), copies of which are incorporated by reference within the Exhibits to our Quarterly Report on Form 10-Q for the six months ended June 30, 2020 of which this Exhibit 4.4 is a part. Our Series A Preferred stock is not registered on an exchange for trading and is not included in the following description.

Common Stock

Pursuant to Article V of our Charter, each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors of the Company (the “Board”) may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

With respect to dividend payments and distribution of the Company’s assets upon redemption and upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of our Common Stock are subject to the prior rights of the holders of any shares of our Preferred Stock.

When and if declared by the Board, the holders of shares of Common Stock are subject to prior rights of the holders of any shares of our Preferred Stock for any dividends declared, paid upon or set aside for the Common Stock in any such year, dividends in cash, stock or otherwise. Any dividends declared but not paid shall be cumulative. No deposit, payment, dividend or distribution of any kind shall be made with respect to the Common Stock unless all dividends payable on the Preferred Stock have been paid.

Preferred Stock

In the event of (i) any voluntary or involuntary liquidation, winding up or dissolution of the Company or (ii) any sale or transfer by the Company of all or substantially all of its assets, the holders of Preferred Stock shall be entitled to receive, prior to and in preference of any distribution or payment upon the Common Stock, an amount per

share of Preferred Stock equal to the sum of the Preferred Stock purchase price plus any accrued but unpaid dividends thereon. To the extent the assets and funds available for distribution after payment of all required obligations of the Company are insufficient to make such payment, then the entire assets and funds available for distribution shall be distributed ratably among the holders of the Preferred Stock. Any amounts remaining after payment in full of the holders of the Preferred Stock shall be distributed ratably among the holders of the Common Stock.

Series B Preferred

Holders of Series B Preferred shares have the right to cumulative cash dividends at a rate of 9% per annum of the \$25 liquidation preference per share. The Series B Preferred has no redemption rights. However, the Series B Preferred is subject to a mandatory conversion once the 20-trading day volume-weighted average closing price of our Common Stock, \$0.01 par value per share, exceeds \$58 per share; once this weighted average closing price is met, each share of our Series B Preferred will automatically convert into shares of our Common Stock at a conversion price equal to \$40.00 per share. In addition, holders of our Series B Preferred also have the option, at any time, to convert shares of our Series B Preferred into shares of our Common Stock at a conversion price of \$40.00 per share of Common Stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of shares of our Series B Preferred shall be entitled to be paid out of our assets a liquidation preference of \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends to and including the date of payment. The Series Preferred B has no maturity date and will remain outstanding indefinitely unless subject to a mandatory or voluntary conversion as described above. Holders of Series B Preferred Stock have no voting rights except as provided by law.

Series D Preferred

The Series D Preferred has a \$25.00 liquidation preference per share. Until September 21, 2023, the holders of the Series D Preferred are entitled to receive cumulative cash dividends at a rate of 8.75% per annum of the \$25.00 liquidation preference per share (equivalent to the fixed annual amount of \$2.1875 per share) (the "Initial Rate"). Commencing September 21, 2023, the holder's will be entitled to cumulative cash dividends at an annual dividend rate of the Initial Rate increased by 2% of the liquidation preference per annum on each subsequent anniversary thereafter, subject to a maximum annual dividend rate of 14%. Dividends are payable quarterly in arrears on or before January 15th, April 15th, July 15th and October 15th of each year. On or after September 21, 2021, the Company, may at its option, redeem the Series D Preferred, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date. The holder of the Series D Preferred may convert shares at any time into shares of the Company's Common Stock at an initial conversion rate of \$16.96 per share of Common Stock. On September 21, 2023, the holders of the Series D Preferred may, at their option, elect to cause the Company to redeem any or all of their shares at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date, payable in cash or in shares of Common Stock, or any combination thereof, at the holder's option.

The Series D Preferred requires the Company maintain asset coverage of at least 200%. If we fail to maintain asset coverage of at least 200% calculated by determining the percentage value of (i) our total assets plus accumulated depreciation and accumulated amortization minus our total liabilities and indebtedness as reported in our financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") (exclusive of the book value of any Redeemable and Term Preferred Stock (defined below)) over (ii) the

aggregate liquidation preference, plus an amount equal to all accrued and unpaid dividends, of outstanding shares of our Series D Preferred Stock and any outstanding shares of term preferred stock or preferred stock providing for a fixed mandatory redemption date or maturity date (collectively referred to as “Redeemable and Term Preferred Stock”) on the last business day of any calendar quarter (“Asset Coverage Ratio”), and such failure is not cured by the close of business on the date that is 30 calendar days following the filing date of our Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as applicable, for that quarter, or the “Asset Coverage Cure Date,” then we will be required to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Redeemable and Term Preferred Stock, which may include Series D Preferred Stock, at least equal to the lesser of (i) the minimum number of shares of Redeemable and Term Preferred Stock that will result in us having a coverage ratio of at least 200% and (ii) the maximum number of shares of Redeemable and Term Preferred Stock that can be redeemed solely out of funds legally available for such redemption. In connection with any redemption for failure to maintain the Asset Coverage Ratio, we may, in our sole option, redeem any shares of Redeemable and Term Preferred Stock we select, including on a non-pro rata basis. We may elect not to redeem any Series D Preferred Stock to cure such failure as long as we cure our failure to meet the Asset Coverage Ratio by or on the Asset Coverage Cure Date. If shares of Series D Preferred Stock are to be redeemed for failure to maintain the Asset Coverage Ratio, such shares will be redeemed solely in cash at a redemption price equal to \$25.00 per share plus an amount equal to all accrued but unpaid dividends, if any, on such shares (whether or not declared) to and including the redemption date.

Dividends on the Series D Preferred cumulate from the end of the most recent dividend period for which dividends have been paid. Dividends on the Series D Preferred cumulate whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by the Board or declared by us. Dividends on the Series D Preferred Stock do not bear interest. If the Company, fails to pay any dividend within three (3) business days after the payment date for such dividend, the then-current dividend rate increases following the payment date by an additional 2.0% of the \$25.00 stated liquidation preference per share, or \$0.50 per annum, until we pay the dividend, subject to our ability to cure the failure. On December 20, 2018, the Company suspended the Series D Preferred dividend. As such, the Series D Preferred shares began accumulating dividends at 10.75% beginning January 1, 2019 and will continue to accumulate dividends at this rate until all accumulated dividends have been paid.

Holders of shares of the Series D Preferred have no voting rights. However, if dividends on the Series D Preferred are in arrears for six or more consecutive quarterly periods, the number of directors on the Board will automatically be increased by two, and holders of shares of the Series D Preferred and the holders of shares of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) will be entitled to vote, at a special meeting called upon the written request of the holders of at least 20% of such stock or at our next annual meeting and at each subsequent annual meeting of stockholders, for the election of two additional directors to serve on the Board, until all unpaid dividends on such Series D Preferred and Parity Preferred Stock, if any, have been paid or declared and a sum sufficient for the payment thereof set apart for payment. The Series D Preferred Directors will be elected by a plurality of the votes cast in the election. In addition, holders of shares of the Series D Preferred shall have the right to vote to approve any amendment to the terms of the Series D Preferred Stock. Any such amendment of the terms of the Series D Preferred Stock requires the affirmative vote of two-thirds of the shares of Series D Preferred Stock issued and outstanding.

Wheeler Real Estate Investment Trust, Inc.
Quarterly Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel Khoshaba, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wheeler Real Estate Investment Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

/s/ DANIEL KHOSHABA

Daniel Khoshaba
Chief Executive Officer

Wheeler Real Estate Investment Trust, Inc.
Quarterly Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Crystal Plum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wheeler Real Estate Investment Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

/s/ CRYSTAL PLUM

Crystal Plum
Chief Financial Officer

Wheeler Real Estate Investment Trust, Inc.
Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Wheeler Real Estate Investment Trust, Inc. (the "Company") on Form 10-Q for the three and six and nine months ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Khoshaba, Chief Executive Officer of the Company, and I, Crystal Plum, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 4, 2020

/s/ DANIEL KHOSHABA

Daniel Khoshaba
Chief Executive Officer

/s/ CRYSTAL PLUM

Crystal Plum
Chief Financial Officer