

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2021

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
7.00% Senior Subordinated Convertible Notes due 2031	WHLRL	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.

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Large accelerated filer

Accelerated filer

Non-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 November 8, 2021, there were 9,733,787 common shares, \$0.01 par value per share, outstanding.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries

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

	September 30, 2021 (unaudited)	December 31, 2020
<b>ASSETS:</b>		
Investment properties, net	\$ 387,567	\$ 392,664
Cash and cash equivalents	36,234	7,660
Restricted cash	35,666	35,108
Rents and other tenant receivables, net	8,348	9,153
Assets held for sale	6,022	13,072
Above market lease intangibles, net	2,679	3,547
Operating lease right-of-use assets	12,528	12,745
Deferred costs and other assets, net	13,434	15,430
<b>Total Assets</b>	<b>\$ 502,478</b>	<b>\$ 489,379</b>
<b>LIABILITIES:</b>		
Loans payable, net	\$ 362,144	\$ 334,266
Liabilities associated with assets held for sale	963	13,124
Below market lease intangibles, net	3,667	4,554
Derivative liabilities	7,702	594
Operating lease liabilities	13,081	13,200
Accounts payable, accrued expenses and other liabilities	14,862	11,229
<b>Total Liabilities</b>	<b>402,419</b>	<b>376,967</b>
Series D Cumulative Convertible Preferred Stock (no par value, 6,000,000 and 4,000,000 shares authorized, respectively, 3,038,683 and 3,529,293 shares issued and outstanding, respectively; \$100.09 million and \$109.13 million aggregate liquidation value, respectively)	88,772	95,563
<b>EQUITY:</b>		
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, 1,872,448 and 1,875,748 shares issued and outstanding, respectively; \$46.81 million and \$46.90 million aggregate liquidation preference, respectively)	41,167	41,174
Common Stock (\$0.01 par value, 18,750,000 shares authorized, 9,713,787 and 9,703,874 shares issued and outstanding, respectively)	97	97
Additional paid-in capital	234,199	234,061
Accumulated deficit	(266,566)	(260,867)
<b>Total Stockholders' Equity</b>	<b>9,350</b>	<b>14,918</b>
Noncontrolling interests	1,937	1,931
<b>Total Equity</b>	<b>11,287</b>	<b>16,849</b>
<b>Total Liabilities and Equity</b>	<b>\$ 502,478</b>	<b>\$ 489,379</b>

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>REVENUE:</b>				
Rental revenues	\$ 15,000	\$ 14,756	\$ 44,946	\$ 44,920
Other revenues	508	208	780	787
<b>Total Revenue</b>	<b>15,508</b>	<b>14,964</b>	<b>45,726</b>	<b>45,707</b>
<b>OPERATING EXPENSES:</b>				
Property operations	5,029	4,820	14,573	14,116
Depreciation and amortization	3,678	4,215	11,033	13,460
Impairment of assets held for sale	—	—	2,200	600
Corporate general & administrative	1,756	1,080	4,945	4,567
<b>Total Operating Expenses</b>	<b>10,463</b>	<b>10,115</b>	<b>32,751</b>	<b>32,743</b>
Gain (loss) on disposal of properties	1,967	—	2,143	(26)
<b>Operating Income</b>	<b>7,012</b>	<b>4,849</b>	<b>15,118</b>	<b>12,938</b>
Interest income	9	—	9	1
Interest expense	(5,637)	(4,114)	(19,813)	(12,787)
Net changes in fair value of derivative liabilities	1,884	—	303	—
Other income	—	—	552	—
Other expense	(185)	(15)	(185)	(1,039)
<b>Net Income (Loss) Before Income Taxes</b>	<b>3,083</b>	<b>720</b>	<b>(4,016)</b>	<b>(887)</b>
Income tax expense	—	—	(2)	(2)
<b>Net Income (Loss)</b>	<b>3,083</b>	<b>720</b>	<b>(4,018)</b>	<b>(889)</b>
Less: Net income attributable to noncontrolling interests	57	13	72	18
<b>Net Income (Loss) Attributable to Wheeler REIT</b>	<b>3,026</b>	<b>707</b>	<b>(4,090)</b>	<b>(907)</b>
Preferred Stock dividends - undeclared	(3,260)	(3,608)	(9,852)	(10,922)
Deemed contribution related to preferred stock redemption	—	726	5,040	726
<b>Net Loss Attributable to Wheeler REIT Common Stockholders</b>	<b>\$ (234)</b>	<b>\$ (2,175)</b>	<b>\$ (8,902)</b>	<b>\$ (11,103)</b>
Loss per share:				
Basic and Diluted	\$ (0.02)	\$ (0.22)	\$ (0.92)	\$ (1.14)
Weighted-average number of shares:				
Basic and Diluted	9,713,125	9,699,461	9,708,588	9,696,554

See accompanying notes to condensed consolidated financial statements.

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

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests		Total Equity
	Shares	Value	Shares	Value	Shares	Value				Units	Value	
Balance, December 31, 2020	562	\$ 453	1,875,748	\$ 41,174	9,703,874	\$ 97	\$ 234,061	\$ (260,867)	\$ 14,918	224,429	\$ 1,931	\$ 16,849
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of operating partnership units to Common Stock	—	—	—	—	2,864	—	9	—	9	(2,864)	(9)	—
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	16	—	16	—	(16)	—
Dividends and distributions	—	—	—	—	—	—	—	(2,273)	(2,273)	—	—	(2,273)
Deemed contribution related to preferred stock redemption	—	—	—	—	—	—	—	4,389	4,389	—	—	4,389
Net (Loss) Income	—	—	—	—	—	—	—	(4,049)	(4,049)	—	15	(4,034)
Balance, March 31, 2021 (Unaudited)	562	453	1,875,748	41,196	9,706,738	97	234,086	(262,800)	13,032	221,565	1,921	14,953
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of operating partnership units to Common Stock	—	—	—	—	3,676	—	18	—	18	(3,676)	(18)	—
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	15	—	15	—	(15)	—
Dividends and distributions	—	—	—	—	—	—	—	(2,189)	(2,189)	—	—	(2,189)
Deemed contribution related to preferred stock redemption	—	—	—	—	—	—	—	651	651	—	—	651
Net Loss	—	—	—	—	—	—	—	(3,067)	(3,067)	—	—	(3,067)
Balance, June 30, 2021 (Unaudited)	562	453	1,875,748	41,218	9,710,414	\$ 97	234,119	(267,405)	8,482	217,889	\$ 1,888	10,370
Accretion of Series B Preferred Stock discount	—	—	—	21	—	—	—	—	21	—	—	21
Conversion of operating partnership units to Common Stock	—	—	—	—	801	—	3	—	3	(801)	(3)	—
Conversion of Series B Preferred Stock to Common Stock	—	—	(3,300)	(72)	2,572	—	72	—	—	—	—	—
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	5	—	5	—	(5)	—
Dividends and distributions	—	—	—	—	—	—	—	(2,187)	(2,187)	—	—	(2,187)
Net Income	—	—	—	—	—	—	—	3,026	3,026	—	57	3,083
Balance, September 30, 2021 (Unaudited)	562	\$ 453	1,872,448	\$ 41,167	9,713,787	\$ 97	\$ 234,199	\$ (266,566)	\$ 9,350	217,088	\$ 1,937	\$ 11,287

**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 Stockholders' Equity	Noncontrolling Interests		Total Equity
	Preferred Stock		Preferred Stock		Shares	Value				Units	Value	
	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 partnerships 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
Accretion of Series B Preferred Stock discount	—	—	—	21	—	—	—	—	21	—	—	21
Conversion of operating partnerships units to Common Stock	—	—	—	—	3,562	—	6	—	6	(3,562)	(6)	—
Adjustments for noncontrolling interest in operating partnership	—	—	—	—	—	—	26	—	26	—	(26)	—
Dividends and distributions	—	—	—	—	—	—	—	(2,540)	(2,540)	—	—	(2,540)
Deemed contribution related to preferred stock redemption	—	—	—	—	—	—	—	726	726	—	—	726
Net Income	—	—	—	—	—	—	—	707	707	—	13	720
Balance, September 30, 2020 (Unaudited)	562	\$ 453	1,875,748	\$ 41,152	9,699,461	\$ 97	\$ 233,916	\$ (259,479)	\$ 16,139	228,842	\$ 2,052	\$ 18,191

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)**

	Nine Months Ended September 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (4,018)	\$ (889)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	8,193	8,589
Amortization	2,840	4,871
Loan cost amortization	5,200	796
Changes in fair value of derivative liabilities	(303)	—
Above (below) market lease amortization, net	28	(443)
Straight-line expense	26	138
(Gain) loss on disposal of properties	(2,143)	26
Credit losses on operating lease receivables	168	1,042
Impairment of assets held for sale	2,200	600
Net changes in assets and liabilities:		
Rents and other tenant receivables, net	1,829	(1,738)
Unbilled rent	(1,061)	(758)
Deferred costs and other assets, net	(904)	(903)
Accounts payable, accrued expenses and other liabilities	2,458	2,646
Net cash provided by operating activities	<u>14,512</u>	<u>13,977</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(3,791)	(1,649)
Cash received from disposal of properties	7,610	1,665
Net cash provided by investing activities	<u>3,819</u>	<u>16</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments for deferred financing costs	(6,026)	(340)
Loan proceeds	94,650	13,350
Loan principal payments	(68,801)	(23,843)
Paycheck Protection Program proceeds	—	552
Preferred stock redemption	(8,336)	(1,106)
Loan prepayment penalty	(687)	—
Net cash provided by (used in) financing activities	<u>10,800</u>	<u>(11,387)</u>
<b>INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>29,132</u>	<u>2,606</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	42,768	21,591
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ 71,900</u>	<u>\$ 24,197</u>
<b>Supplemental Disclosures:</b>		
Non-Cash Transactions:		
Paycheck Protection Program forgiveness	\$ 552	\$ —
Initial fair value of warrants	\$ 2,018	\$ —
Initial fair value of derivative liability at issuance of convertible notes	\$ 5,393	\$ —
Conversion of common units to common stock	\$ 30	\$ 8
Conversion of Series B Preferred Stock to common stock	\$ 72	\$ —
Accretion of Preferred Stock discounts	\$ 454	\$ 509
Deemed contribution related to Preferred Stock discount	\$ 5,040	\$ 726
Other Cash Transactions:		
Cash paid for interest	\$ 14,305	\$ 11,885
The following table provides a reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 36,234	\$ 6,957
Restricted cash	35,666	17,240
Cash, cash equivalents, and restricted cash	<u>\$ 71,900</u>	<u>\$ 24,197</u>

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 September 30, 2021, the Trust, through the Operating Partnership, owned and operated fifty-nine centers and four 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. At September 30, 2021, the Company owned 98.57% of the Operating Partnership.

The Trust through the Operating Partnership owns Wheeler Interests ("WI") and Wheeler Real Estate, LLC ("WRE") (collectively the "Operating Companies"). The Operating Companies are Taxable REIT Subsidiaries ("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.

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, 2020 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 2020 Annual Report filed on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K").

**2. Summary of Significant Accounting Policies**

***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 September 30, 2021 and December 31, 2020, the Company's allowance for uncollectible tenant receivables totaled \$97 thousand and \$994 thousand, respectively.

***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

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

**2. Summary of Significant Accounting Policies (continued)**

interest, rent and utilities. The full amount of the Promissory Note was forgiven in January 2021 and is included in "other income" on the condensed consolidated statements of operations as non-operating activity.

**Derivative Financial Instruments**

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants and convertible notes, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statement of operations. The assumptions used in these fair value estimates 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.

**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 September 30, 2021 and December 31, 2020, there were \$5.62 million and \$4.48 million, respectively, in unbilled rent which is included in "rents and other tenant receivables, net."

The below table disaggregates the Company's revenue by type of service for the three and nine months ended September 30, 2021 and 2020 (in thousands, unaudited):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Minimum rent	\$ 11,487	\$ 11,515	\$ 34,149	\$ 35,117
Tenant reimbursements - variable lease revenue	3,178	3,274	9,604	9,707
Percentage rent - variable lease revenue	177	85	463	247
Straight-line rents	290	339	898	837
Lease termination fees	10	100	139	171
Other	498	108	641	611
<b>Total</b>	<b>15,640</b>	<b>15,421</b>	<b>45,894</b>	<b>46,783</b>
Credit losses on operating lease receivables	(132)	(457)	(168)	(1,047)
<b>Total</b>	<b>\$ 15,508</b>	<b>\$ 14,964</b>	<b>\$ 45,726</b>	<b>\$ 45,736</b>

**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**

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

**2. Summary of Significant Accounting Policies (continued)**

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Professional fees	\$ 717	\$ 241	\$ 2,133	\$ 2,186
Corporate administration	542	309	1,314	934
Compensation and benefits	325	321	900	1,103
Advertising costs for leasing activities	36	32	77	84
Other corporate general & administrative	136	177	521	260
<b>Total</b>	<b>\$ 1,756</b>	<b>\$ 1,080</b>	<b>\$ 4,945</b>	<b>\$ 4,567</b>

**Other Expense**

Other expense represents costs which are non-operating in nature. Other expenses were \$185 thousand for the three and nine months ended September 30, 2021, and consist of legal settlement costs. Other expenses were \$15 thousand and \$1.04 million for the three and nine months ended September 30, 2020, respectively, and consist of legal settlement costs and reimbursement of 2019 proxy costs.

**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 include beginning balances, activity for the period and ending balances for stockholders' 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 \$0.01 par value per share common stock ("Common Stock"). In accordance with GAAP, any changes in the value from period to period are charged to additional paid-in capital.

**Recently Adopted Accounting Standards**

In August 2020, the FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entities Own Equity (Subtopic 815-40)." This ASU simplifies accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separating embedded conversion features from convertible instruments. In addition, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. The guidance is effective for fiscal years beginning after December 15, 2021. We adopted this guidance effective January 1, 2021 under the modified retrospective adoption approach. There was no effect to the opening balance of retained earnings at the date of adoption. The comparative information has not been restated and continues to be presented according to accounting standards in effect for those periods.

**Recent Accounting Pronouncements**

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

**2. Summary of Significant Accounting Policies (continued)**

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.

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.

**3. Real Estate**

Investment properties consist of the following (in thousands):

	September 30, 2021 (unaudited)	December 31, 2020
Land and land improvements	\$ 96,877	\$ 97,117
Buildings and improvements	357,482	354,738
Investment properties at cost	454,359	451,855
Less accumulated depreciation	(66,792)	(59,191)
<b>Investment properties, net</b>	<b>\$ 387,567</b>	<b>\$ 392,664</b>

The Company's depreciation expense on investment properties was \$2.80 million and \$8.19 million for the three and nine months ended September 30, 2021, respectively. The Company's depreciation expense on investment properties was \$2.79 million and \$8.59 million for the three and nine months ended September 30, 2020, 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 properties' transferability, use and other common rights typically associated with property ownership.

**Assets Held for Sale and Dispositions**

At September 30, 2021, assets held for sale included Columbia Fire Station and Surrey Plaza, as the Company has committed to a plan to sell each property. At December 31, 2020, assets held for sale included Columbia Fire Station, Berkley Shopping Center, a .75 acre land parcel at Berkley (the "Berkley Land Parcel") and two outparcels at Rivergate Shopping Center.

Impairment expenses on assets held for sale are a result of reducing the carrying value 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. Impairment expense was \$0 and \$2.20 million for the three and nine months ended September 30, 2021, respectively, and \$0 and \$600 thousand for the three and nine months ended September 30, 2020, respectively, resulting from reducing the carrying value of Columbia Fire Station.

As of September 30, 2021 and December 31, 2020, assets held for sale and associated liabilities consisted of the following (in thousands):

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

3. Real Estate (continued)

	September 30, 2021 (unaudited)	December 31, 2020
Investment properties, net	\$ 5,837	\$ 12,593
Rents and other tenant receivables, net	35	132
Above market leases, net	—	153
Deferred costs and other assets, net	150	194
<b>Total assets held for sale</b>	<b>\$ 6,022</b>	<b>\$ 13,072</b>

	September 30, 2021 (unaudited)	December 31, 2020
Loans payable	\$ 854	\$ 12,838
Below market leases, net	—	25
Accounts payable, accrued expenses and other liabilities	109	261
<b>Total liabilities associated with assets held for sale</b>	<b>\$ 963</b>	<b>\$ 13,124</b>

The following properties were sold during the nine months ended September 30, 2021 and 2020:

Disposal Date	Property	Contract Price	Gain (loss) (in thousands, unaudited)	Net Proceeds
August 31, 2021	Rivergate Shopping Center Out Parcel	\$ 3,700	\$ 1,915	\$ 3,451
July 9, 2021	Tulls Creek Land Parcel (1.28 acres)	250	52	222
March 25, 2021	Berkley Shopping Center and Berkley Land Parcel (0.75 acres)	4,150	176	3,937
January 21, 2020	St. Matthews	1,775	(26)	1,665

4. Deferred Costs and Other Assets, Net

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

	September 30, 2021 (unaudited)	December 31, 2020
Leases in place, net	\$ 8,143	\$ 10,233
Ground lease sandwich interest, net	1,735	1,941
Lease origination costs, net	1,454	1,334
Tenant relationships, net	953	1,308
Legal and marketing costs, net	16	22
Other	1,133	592
<b>Total deferred costs and other assets, net</b>	<b>\$ 13,434</b>	<b>\$ 15,430</b>

As of September 30, 2021 and December 31, 2020, the Company's intangible accumulated amortization totaled \$61.93 million and \$60.33 million, respectively. During the three and nine months ended September 30, 2021, the Company's intangible amortization expense totaled \$874 thousand and \$2.84 million, respectively. During the three and nine months ended September 30, 2020, the Company's intangible amortization expense totaled \$1.43 million and \$4.87 million, respectively. Future amortization of leases in place, ground lease sandwich interest, lease origination costs, tenant relationships, and legal and marketing costs is as follows (in thousands, unaudited):

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

**4. Deferred Costs (continued)**

	Leases In Place, net	Ground Lease Sandwich Interest, net	Lease Origination Costs, net	Tenant Relationships, net	Legal & Marketing Costs, net	Total
For the remaining three months ending December 31, 2021	\$ 615	\$ 68	\$ 64	\$ 101	\$ 2	\$ 850
December 31, 2022	2,094	274	222	349	6	2,945
December 31, 2023	1,615	274	203	222	5	2,319
December 31, 2024	1,113	274	185	126	3	1,701
December 31, 2025	794	274	150	62	—	1,280
December 31, 2026	422	274	128	11	—	835
Thereafter	1,490	297	502	82	—	2,371
	<u>\$ 8,143</u>	<u>\$ 1,735</u>	<u>\$ 1,454</u>	<u>\$ 953</u>	<u>\$ 16</u>	<u>\$ 12,301</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):

Property/Description	Monthly Payment	Interest Rate	Maturity	September 30, 2021	December 31, 2020
Litchfield Market Village	\$ 46,057	5.50 %	November 2022	\$ 7,348	\$ 7,748
Twin City Commons	\$ 17,827	4.86 %	January 2023	2,862	2,862
Walnut Hill Plaza	\$ 26,850	5.50 %	March 2023	3,181	3,181
New Market	\$ 48,747	5.65 %	June 2023	6,347	6,347
Benefit Street Note <sup>(3)</sup>	\$ 53,185	5.71 %	June 2023	6,974	7,100
Deutsche Bank Note <sup>(2)</sup>	\$ 33,340	5.71 %	July 2023	5,508	5,508
JANAF	\$ 333,159	4.49 %	July 2023	47,527	48,833
First National Bank <sup>(7)(8)</sup>	\$ 24,656	LIBOR + 350 basis points	August 2023	854	1,100
Lumber River <sup>(8)</sup>	\$ 10,723	LIBOR + 350 basis points	September 2023	1,314	1,314
Tampa Festival	\$ 50,797	5.56 %	September 2023	7,796	7,796
Forrest Gallery	\$ 50,973	5.40 %	September 2023	8,103	8,103
South Carolina Food Lions Note <sup>(5)</sup>	\$ 68,320	5.25 %	January 2024	11,311	11,311
JANAF Bravo	\$ 35,076	5.00 %	May 2024	5,966	6,200
Cypress Shopping Center	\$ 34,360	4.70 %	July 2024	6,062	6,062
Port Crossing	\$ 34,788	4.84 %	August 2024	5,812	5,812
Freeway Junction	\$ 41,798	4.60 %	September 2024	7,470	7,470
Harrodsburg Marketplace	\$ 19,112	4.55 %	September 2024	3,286	3,286
Bryan Station	\$ 23,489	4.52 %	November 2024	4,248	4,248
Crockett Square	Interest only	4.47 %	December 2024	6,338	6,338
Pierpont Centre	\$ 39,435	4.15 %	February 2025	7,897	8,800
Shoppes at Myrtle Park	\$ 33,180	4.45 %	February 2025	5,791	5,791
Folly Road	\$ 41,482	4.65 %	March 2025	7,104	7,104
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 Run 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 <sup>(4)</sup>	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	4,501	4,501
JANAF B's	\$ 29,964	4.95 %	January 2026	4,756	4,756
Tuckermuck	\$ 32,202	5.00 %	March 2026	5,085	5,085
Wilmington Financing Agreement <sup>(6)</sup>	Interest only	8.00 %	March 2026	35,000	35,000
Chesapeake Square	\$ 23,857	4.70 %	August 2026	4,215	4,215
Berkley/Sangaree/Tri-County	Interest only	4.78 %	December 2026	6,176	6,176
Riverbridge	Interest only	4.48 %	December 2026	4,000	4,000
Franklin Village	\$ 45,336	4.93 %	January 2027	8,310	8,310
Village of Martinsville	\$ 89,664	4.28 %	July 2029	15,688	15,688
Laburnum Square	Interest only	4.28 %	September 2029	7,665	7,665
Rivergate	\$ 100,222	4.25 %	September 2031	18,500	21,100
Convertible Notes	Interest only	7.00 %	December 2031	30,000	30,000
Columbia Fire Station	Interest only	14.00 %	July 2021	—	3,300
Powerscourt Financing Agreement	Interest only	13.50 %	March 2023	—	25,000
Total Principal Balance <sup>(1)</sup>				379,765	353,300
Unamortized debt issuance cost <sup>(1)(9)</sup>				(16,767)	(6,800)
Total Loans Payable, including assets held for sale				362,998	346,500
Less loans payable on assets held for sale, net loan amortization costs				854	12,500
Total Loans Payable, net				\$ 362,144	\$ 334,000

(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.

(7) Collateralized by Surrey Plaza and Amscot Building.

(8) Certain loans bear interest at a variable interest rate equal to LIBOR or another index rate, subject to a floor, in each case plus or minus a specified margin.

(9) Includes \$6.30 million of unamortized debt issuance costs related to the Convertible Notes at issuance, of which \$ 5.39 million relates to the embedded derivative, see Note 6.

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

**5. Loans Payable (continued)*****Rights Offering and Convertible Notes***

On August 13, 2021, the Company's rights offering (the "Rights Offering") for the purchase of up to \$30.00 million in aggregate principal amount of the Company's 7.00% senior subordinated convertible notes due 2031 (the "Convertible Notes") expired. Pursuant to the Rights Offering, the Company distributed to holders of its common stock, as of 5:00 p.m. New York City time on June 1, 2021 (the "Record Date"), non-transferable subscription rights to purchase Convertible Notes. Each holder of the Company's common stock as of the Record Date received one right for each eight shares of the Company's common stock owned, and each right entitled a holder to purchase \$25.00 principal amount of Convertible Notes. The Rights Offering was made pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission. The aggregate principal amount of Convertible Notes issued in the Rights Offering was \$30.00 million. The Rights Offering was backstopped by Magnetar Structured Credit Fund, LP, Magnetar Longhorn Fund LP, Magnetar Lake Credit Fund LLC, Purpose Alternative Credit Fund – F LLC, Purposes Alternative Credit Fund – T LLC, and AY2 Capital LLC (each individually, a "Backstop Party" and, collectively, the "Backstop Parties") in the amount of \$2.19 million in aggregate principal.

On August 13, 2021, the Company, as Issuer, and Wilmington Savings Fund Society, FSB, as Trustee, entered into an Indenture governing the terms of the Convertible Notes (the "Indenture").

The Convertible Notes bear interest at a rate of 7.00% per annum. Interest on the Convertible Notes will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2021.

The Convertible Notes are subordinate and junior in right of payment to the Company's obligations to the holders of senior indebtedness, and that in the case of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Company as a whole, whether voluntary or involuntary, all obligations to holders of senior indebtedness shall be entitled to be paid in full before any payment shall be made on account of the principal or interest on the Convertible Notes.

Interest on the Convertible Notes will be payable, at the Company's election: (a) in cash; (b) in shares of Series B Preferred Stock; (c) in shares of Series D Cumulative Convertible Preferred Stock; or (d) in any combination of (a), (b), and/or (c). For purposes of determining the value of Series B Preferred Stock and Series D Cumulative Convertible Preferred Stock paid as interest on the Convertible Notes, each share of Series B Preferred Stock and Series D Cumulative Convertible Preferred Stock shall be deemed to have a value equal to the product of (x) the average of the VWAPs (as defined in the Indenture) for the Series B Preferred Stock or the Series D Preferred Stock, as the case may be, for the 15 consecutive trading days ending on the third business day immediately preceding the relevant interest payment date, and (y) 0.55.

After January 1, 2024, the Company may redeem the Convertible Notes at any time (in whole or in part) at the Company's option at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest as of the redemption date (the "Redemption Price"). The Redemption Price may be paid: (a) in cash; (b) in shares of Common Stock; or (c) in any combination of (a) and (b).

During the three and nine months ended September 30, 2021, the interest expense related to the Convertible Notes totaled \$86 thousand.

***Powerscourt Financing Agreement***

On March 12, 2021, the Company paid in full the \$25.00 million Powerscourt Financing Agreement. The Powerscourt Warrant Agreement and the Powerscourt Registration Rights Agreement remain.

Pursuant to that certain financing agreement dated December 22, 2020, by and among the Company, certain subsidiaries of the Company from time to time party thereto, as guarantors, the lenders from time to time party thereto, and Powerscourt Investments XXII, LP, as administrative agent and collateral agent (the "Powerscourt Financing Agreement"), the Company issued Powerscourt Investments XXII, LP, a warrant (the "Powerscourt Warrant") to purchase 496,415 shares of Common Stock for \$3.12 per share (the "Powerscourt Warrant Agreement"). The Powerscourt Warrant is exercisable at the option of its holder in whole or in part into shares of Common Stock from time to time on or after December 22, 2020 (the "Effective Date") and before the date that is the 36-month anniversary of the Effective Date.



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

**5. Loans Payable (continued)**

In connection with the Powerscourt Financing Agreement, the Company entered into a registration rights agreement with the holders from time to time of the Powerscourt Warrant, dated as of December 22, 2020 (the "Powerscourt Registration Rights Agreement"), accordingly, the Company registered the resale of the common stock underlying the Powerscourt Warrant on a Form S-11 Registration Statement which became effective on May 25, 2021.

***Wilmington Financing Agreement***

On March 12, 2021, the Company entered into a financing agreement (the "Wilmington Financing Agreement") as borrower, certain subsidiaries of the Company from time to time party thereto, as guarantors (together with the Company, the "Loan Parties"), the lenders from time to time party thereto, and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent. The Wilmington Financing Agreement provides for a term loan in the aggregate principal amount of \$35.00 million. The proceeds of the Wilmington Financing Agreement are intended for the following: (i) to payoff the Company's indebtedness on the Powerscourt Financing Agreement, (ii) to fund the redemption of certain shares of the Company's 8.75% Series D Preferred and (iii) to pay fees and expenses in connection with the transactions contemplated by the Wilmington Financing Agreement. The Wilmington Financing Agreement is at a rate of 8.00% and matures in March 2026 with quarterly interest only payments beginning on April 15, 2021. Any payment or repayment of principal will be made with a premium equal to 5% of the amount repaid or prepaid.

The obligations of the Company under the Wilmington Financing Agreement are secured by liens on certain assets of the Company and certain of the Company's subsidiaries, including mortgages on the properties within the Company's portfolio. The Wilmington Financing Agreement also contains covenants that restrict, among other things the ability of the Company and its subsidiaries to create liens, incur indebtedness, make certain investments, merge or consolidate, dispose of assets, pay certain dividends and make certain other restricted payments or certain equity issuances, change the nature of their businesses, enter into certain transactions with affiliates and change their governing documents.

Pursuant to the Wilmington Financing Agreement, the Company issued to the holders from time to time party thereto a warrant (the "Wilmington Warrant") to purchase in the aggregate 1,061,719 shares of Common Stock in three tranches: warrants to purchase an aggregate of 510,204 shares at an exercise price of \$3.430 per share ("Tranche A"); warrants to purchase an aggregate of 424,242 shares at an exercise price of \$4.125 per share ("Tranche B"); and warrants to purchase an aggregate of 127,273 shares at an exercise price of \$6.875 per share ("Tranche C") (the "Wilmington Warrant Agreement"). The Wilmington Warrant is exercisable at the option of its holder in whole or in part into shares of Common Stock from time to time on or after March 12, 2021 (the "Effective Date") and before the maturity date of the Wilmington Financing Agreement.

In connection with the Wilmington Financing Agreement, the Company entered into a registration rights agreement with the holders from time to time of the Wilmington Warrants, dated as of March 12, 2021 (the "Wilmington Registration Rights Agreement"), accordingly, the Company registered the resale of the common stock underlying the Wilmington Warrant on a Form S-11 Registration Statement which became effective on May 25, 2021.

***Columbia Fire Station Forbearance Agreement and Payoff***

On January 21, 2021, the Company entered into a Forbearance Agreement (the "Forbearance Agreement") with Pinnacle Bank at an interest rate of 4% and made a \$500 thousand principal payment. The Forbearance Agreement, among other provisions, extends the maturity date of the Columbia Fire Station Loan to July 21, 2021 and waives all defaults and late fees existing prior to the Forbearance Agreement.

On July 21, 2021, the principal balance on the Columbia Fire Station Loan was paid in full.

***Tuckernuck Refinance***

On February 2, 2021, the Company refinanced the Tuckernuck Loan for \$5.15 million at a rate of 5.00%. The loan matures on March 1, 2026 with monthly principal and interest payments of \$2 thousand.

***Berkley/Sangaree/Tri-County Paydown***

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

**5. Loans Payable (continued)**

On March 25, 2021, the Company made a \$3.22 million principal payment on the Berkley/Sangaree/Tri-County loan with the sale of the Berkley Shopping Center, as detailed in Note 3, and paid \$87 thousand in defeasance.

***JANAF Bravo Refinance***

On May 5, 2021, the Company refinanced the JANAF Bravo Loan for \$6.00 million at a rate of 5.00%. The loan matures on May 5, 2024 with monthly principal and interest payments of \$5 thousand.

***Rivergate Extension***

On May 28, 2021, the Company entered into an agreement with Synovus Bank to extend the maturity date from April 21, 2021 to October 20, 2021 with monthly principal payments of \$60 thousand plus accrued and unpaid interest. The Rivergate Loan will bear interest at the Synovus Bank's prime rate less 0.25% with a floor of 3.00%. On August 31, 2021 a \$3.54 million principal payment was made in conjunction with the outparcel sale.

On September 30, 2021, the Company refinanced the Rivergate Loan for \$18.50 million at a rate of 4.25%. The loan matures on September 30, 2031 with monthly principal and interest payments of \$100 thousand through September 2026 at which time monthly principal and interest payments begin based on a 20-year amortization and an interest rate change to 5 year U.S. Treasury Rate plus 2.70% with a floor of 4.25%.

***First National Bank Extension***

On September 22, 2021, the Company entered into the Fourth Amendment to extend the \$875 thousand First National Bank Loan to August 15, 2023 with monthly principal and interest payments of \$25 thousand. The First National Bank Loan will bear interest at LIBOR plus 350 basis points with a minimum interest rate set at 4.25%.

***Lumber River Extension***

On September 22, 2021, the Company entered into the Fifth Amendment to extend the \$1.31 million Lumber River Loan to September 10, 2023 with monthly principal and interest payments of \$11 thousand. The Lumber River Loan will bear interest at LIBOR plus 350 basis points with a minimum interest rate set at 4.25%.

***Debt Maturities***

The Company's scheduled principal repayments on indebtedness as of September 30, 2021, including assets held for sale, are as follows (in thousands, unaudited):

For the remaining three months ended December 31, 2021	\$	1,503
December 31, 2022		13,567
December 31, 2023		89,288
December 31, 2024		50,490
December 31, 2025		92,016
December 31, 2026		58,531
Thereafter		74,370
<b>Total principal repayments and debt maturities</b>	<b>\$</b>	<b>379,765</b>

**6. Derivative Liabilities*****Fair Value of Warrants***

The Company utilized the Monte Carlo simulation model to calculate the fair value of the Powerscourt Warrant and Wilmington Warrant (collectively, the "Warrant Agreements"). Significant observable and unobservable inputs include stock price, conversion price, risk-free rate, term, likelihood of an event of contractual conversion and expected volatility. The Monte

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

**6. Derivative Liabilities (continued)**

Carlo simulation is a Level 3 valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators. The Warrant Agreements contain terms and features that give rise to derivative liability classification. The Company presents the Warrant Agreements' fair value as a liability included on the condensed consolidated balance sheets, under "derivative liabilities". In determining the initial fair value of the Wilmington Warrant, the Company used the following inputs in its Monte Carlo model; exercise price of each of the three tranches within the Wilmington Warrant Agreement as described in Note 5 on this Form 10-Q, Common Stock price \$3.75, contractual term to maturity 5.0 years, expected Common Stock volatility 54.72% and risk-free interest rate 0.91%.

In measuring the warrant liability at September 30, 2021, the Company used the following inputs in its Monte Carlo Model:

Range of exercise prices	\$3.120 - \$6.875
Common Stock price	\$2.94
Weighted average contractual term to maturity (years)	3.74
Range of expected market volatility %	67.80% - 78.00%
Range of risk-free interest rate	0.36% - 0.89%

The following table sets forth a summary of the changes in fair value of the Company's warrant liabilities (in thousands):

	<u>September 30, 2021</u>
	<u>(unaudited)</u>
Balance December 31, 2020	\$ 594
Issuance of Wilmington Warrant	2,018
Changes in fair value	347
Balance March 31, 2021	2,959
Changes in fair value	1,234
Balance June 30, 2021	4,193
Changes in fair value	(1,884)
Balance September 30, 2021	<u>\$ 2,309</u>

**Fair Value of Conversion Features Related to Convertible Notes**

The Company identified certain embedded derivatives related to the conversion features of the Convertible Notes. In accordance with ASC 815-40, the embedded conversion options contained within the Convertible Notes were accounted for as derivative liabilities at the date of issuance and shall be adjusted to fair value through each reporting date. The Company utilized a multinomial lattice model to calculate the fair value of the embedded derivatives. Significant observable and unobservable inputs include, conversion price, stock price, dividend rate, expected volatility, risk-free rate and term. The multinomial lattice model is a Level 3 valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators. In determining the initial fair value of the convertible notes, the Company used the following inputs in its multinomial lattice model; initial conversion price within the Convertible Notes was \$6.25, Common Stock price of \$2.94, dividend rate of 0%, expected Common Stock volatility 50.00%, risk-free interest rate 1.53% and contractual term to maturity was 10.3 years. The embedded derivative liabilities were assigned a value of \$5.39 million.

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

**7. Rentals under Operating Leases**

Future minimum rents to be received under noncancelable tenant operating leases, excluding rents on assets held for sale properties, for the remaining three months ending December 31, 2021 and each of the next five years and thereafter, excluding tenant reimbursements and percentage rent based on tenant sales volume, as of September 30, 2021 are as follows (in thousands, unaudited):

For the remaining three months ended December 31, 2021	\$	11,595
December 31, 2022		45,550
December 31, 2023		40,637
December 31, 2024		33,000
December 31, 2025		26,175
December 31, 2026		17,833
Thereafter		41,501
<b>Total minimum rents</b>	<b>\$</b>	<b>216,291</b>

**8. Equity and Mezzanine Equity**

***Series A Preferred Stock***

At September 30, 2021 and December 31, 2020, the Company had 562 shares without par value of Series A Preferred Stock ("Series A Preferred") issued and outstanding, 4,500 shares authorized and 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 September 30, 2021 and December 31, 2020, the Company had 1,872,448 and 1,875,748 shares, issued and outstanding, respectively and 5,000,000 authorized shares of Series B Convertible Preferred Stock, without par value ("Series B Preferred") with a \$25.00 liquidation preference per share, or \$46.81 million and \$46.90 million in aggregate, respectively. 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 \$8 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 and Tender Offer***

At September 30, 2021 and December 31, 2020, the Company had 3,038,683 and 3,529,293 issued, respectively, and 6,000,000 and 4,000,000 authorized shares, respectively, of Series D Cumulative Convertible Preferred Stock, without par value ("Series D Preferred") with a \$25.00 liquidation preference per share, and a liquidation value of \$100.09 million and \$109.13 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,

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

**8. Equity and Mezzanine Equity (continued)**

2021, the Company may, at its option, redeem the Series D Preferred, for cash at a redemption price of \$5.00 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 such 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 Company'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 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. 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 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 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.

On March 12, 2021, through a "modified Dutch auction" tender offer the Company accepted for purchase 387,097 shares of Series D Preferred at a purchase price of \$15.50 per share, for an aggregate cost of \$6.00 million, excluding fees and expenses relating to the tender offer.

On May 15, 2021, through a "modified Dutch auction" tender offer the Company accepted for purchase 103,513 shares of Series D Preferred at a purchase price of \$8.00 per share, for an aggregate cost of \$1.86 million, excluding fees and expenses relating to the tender offer.

The changes in the carrying value of the Series D Preferred for the three and nine months ended September 30, 2021 and 2020 are as follows (in thousands, unaudited):

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

8. Equity and Mezzanine Equity (continued)

		Series D Preferred (unaudited)
Balance December 31, 2020	\$	95,563
Accretion of Preferred Stock discount		140
Undeclared dividends		2,111
Redemption of Preferred Stock		(10,493)
Balance March 31, 2021		87,321
Accretion of Preferred Stock discount		125
Undeclared dividends		2,042
Redemption of Preferred Stock		(2,882)
Balance June 30, 2021		86,606
Accretion of Preferred Stock discount		124
Undeclared dividends		2,042
Balance September 30, 2021	\$	88,772
		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
Accretion of Preferred Stock discount		147
Undeclared dividends		2,372
Redemption of Preferred Stock		(1,833)
Balance September 30, 2020	\$	93,046

**Earnings per share**

Basic earnings per share for the Company's common stockholders 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 stockholders, excluding amounts attributable to preferred stockholders and the net income (loss) attributable to noncontrolling interests, by the weighted-average number of common shares including any dilutive shares.

As of September 30, 2021, the below shares are able to be converted to Common Stock. The common units, Series B Preferred, Series D Preferred, warrants and Convertible Notes 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)**

**8. Equity and Mezzanine Equity (continued)**

	September 30, 2021	
	Outstanding shares	Potential Dilutive Shares
	(unaudited)	
Common units	217,088	217,088
Series B Preferred Stock	1,872,448	1,486,255
Series D Preferred Stock	3,038,683	5,901,334
Warrants to purchase Common Stock	—	1,558,134
Convertible Notes	—	17,608,194

**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 September 30, 2021	\$ 12	22.50	\$ 1,053	0.56	\$ 2,042	0.67
For the nine months ended September 30, 2021	\$ 38	67.50	\$ 3,163	1.69	\$ 6,195	2.01
For the three months ended September 30, 2020	\$ 13	22.50	\$ 1,056	0.56	\$ 2,372	0.67
For the nine months ended September 30, 2020	\$ 39	67.50	\$ 3,166	1.69	\$ 7,210	2.01

There were no dividends declared to holders of Common Stock during the three and nine months ended September 30, 2021 and 2020.

The total cumulative dividends in arrears for Series A Preferred (per share \$70.00), Series B Preferred (per share \$6.75) and Series D Preferred (per share \$7.94) as of September 30, 2021 is \$36.91 million.

**Cancellation of Stock Appreciation Rights Agreement**

Effective July 5, 2021, Daniel Khoshaba resigned as the President and Chief Executive Officer of the Company and as a member of the Board of Directors and as a member of the Executive Committee of our Board of Directors. Upon Mr. Khoshaba's cessation of employment with the Company, all of his rights under that certain Stock Appreciation Rights Agreement, dated August 4, 2020, by and between Mr. Khoshaba and the Company (the "SAR Agreement"), were forfeited for no consideration.

**9. Lease Commitments**

The Company has ground leases and leases its corporate headquarters; both are accounted for as operating leases. 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 September 30, 2021 and 2020, the weighted average remaining lease term of our leases is 31 and 34 years, respectively. The following properties are subject to leases which require the Company to make the following fixed annual rental payments and variable lease payments and include escalation clauses and renewal options as follows (in thousands, unaudited):

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

**9. Leases Commitments (continued)**

	Three Months Ended September 30,		Nine Months Ended September 30,		Expiration Year
	2021	2020	2021	2020	
Amscot	\$ 7	\$ 6	\$ 19	\$ 19	2045
Beaver Ruin Village	14	14	41	41	2054
Beaver Ruin Village II	6	6	17	17	2056
Moncks Corner	30	30	91	91	2040
Devine Street <sup>(1)</sup>	99	99	297	297	2051
JANAF <sup>(2)</sup>	70	71	208	214	2069
Riversedge office space Virginia Beach, VA	42	—	127	—	2030
<b>Total rent expense</b>	<u>\$ 268</u>	<u>\$ 226</u>	<u>\$ 800</u>	<u>\$ 679</u>	

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

(2) Includes \$33 thousand and \$96 thousand in variable percentage rent, during the three and nine months ended September 30, 2021, respectively. Includes \$ 34 thousand and \$103 thousand in variable percentage rent, during the three and nine months ended September 30, 2020, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 225	\$ 146	\$ 676	\$ 437

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 September 30, 2021 and a reconciliation of those cash flows to the operating lease liabilities at September 30, 2021 are as follows (in thousands, unaudited):

For the remaining three months ended December 31, 2021	\$ 226
December 31, 2022	905
December 31, 2023	907
December 31, 2024	909
December 31, 2025	913
December 31, 2026	943
Thereafter	22,843
<b>Total minimum lease payments <sup>(1)</sup></b>	<u>27,646</u>
Discount	(14,565)
<b>Operating lease liabilities</b>	<u>\$ 13,081</u>

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

**10. 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.



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

**10. Commitments and Contingencies (continued)*****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 Southeast, Mid-Atlantic and Northeast, which markets represent approximately 62%, 34% and 4% respectively, of the total annualized base rent of the properties in its portfolio as of September 30, 2021. 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.

*David Kelly v. Wheeler Real Estate Investment Trust, Inc.*, 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. Mr. Kelly seeks damages of \$400 thousand, 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. Trial is set for March 2022. At this juncture, the outcome of the matter cannot be predicted.

*JCP Investment Partnership LP, et al v. Wheeler Real Estate Investment Trust, Inc.* United States District Court for the District of Maryland. On March 22, 2021, JCP Investment Partnership, LP, a Texas limited partnership and stockholder of the Company, JCP Investment Partners, LP, a Texas limited partnership and stockholder of the Company, JCP Investment Holdings, LLC, a Texas limited liability company and stockholder of the Company, and JCP Investment Management, LLC, a Texas limited liability company and stockholder of the Company (collectively, the "JCP Plaintiffs"), filed suit against the Company and certain current and former directors and former officers of the Company (the "Individual Defendants"), in the United States District Court for the District of Maryland. The complaint alleges that the Company amended provisions of its Articles Supplementary in 2018 governing the issuance of the Company's Series D Preferred Stock in violation of Maryland corporate law and without obtaining the consent

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

**10. Commitments and Contingencies (continued)**

of preferred stockholders and, therefore, the court should declare the Company's said amendment invalid, enjoin further purportedly unauthorized amendments, and either compel the Company to redeem the JCP Plaintiffs' stock or enter judgment for monetary damages the JCP Plaintiffs purportedly sustained based on the Company's alleged breach of its contractual duties to redeem the JCP Plaintiffs' Series D Preferred Stock. The complaint also alleges certain violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, and alleges that the Individual Defendants violated Section 20(a) of the Exchange Act. The JCP Plaintiffs are each purportedly a holder of the Company's Series D Preferred Stock. The complaint seeks damages, interest, attorneys' fees, other costs and expenses, and such other relief as the court may deem just and equitable. The Company has filed an answer to the complaint denying any liability. The Individual Defendants filed a motion to dismiss the complaint, which has not yet been ruled on. At this early juncture, the outcome of the litigation is uncertain.

*Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc.*, Circuit Court for the City of Virginia Beach, Virginia. Former CEO, Jon Wheeler, alleged that his employment was improperly terminated and that he was owed severance and bonus payments pursuant to his Employment Agreement. In 2020, The Court found in favor of Jon Wheeler on his claim that his employment was terminated without cause. 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. At a hearing on September 4, 2020 on Jon Wheeler's motion for the award of attorneys' fees, costs, and pre-judgment interest, the Court awarded Mr. Wheeler the requested costs, but awarded no attorneys' fees and no pre-judgment interest. In total, Mr. Wheeler was awarded \$520 thousand. In October 2020, the Company settled with Mr. Wheeler for \$500 thousand. Mr. Wheeler preserved his right to appeal the Court's denial of an award of attorneys' fees of \$375 thousand and pre-judgment interest of \$63 thousand. Mr. Wheeler timely filed a Notice of Appeal, and he timely filed his Petition for Appeal on December 1, 2020. The Company timely filed its Brief in Opposition to the Petition for Appeal on December 22, 2020. On May 13, 2021, a three-justice writ panel of the Virginia Supreme Court allowed Mr. Wheeler's counsel the opportunity to present arguments as to why Mr. Wheeler's petition should be granted and the appeal allowed to proceed before the full Virginia Supreme Court. On June 16, 2021, the Supreme Court granted Mr. Wheeler an appeal on his first assignment of error (i.e., the Circuit Court's refusal to award Mr. Wheeler any attorneys' fees) but denied the appeal as to Mr. Wheeler's claim for prejudgment interest. The parties settled in the amount of \$185 thousand on July 28, 2021.

*Steamboat Capital Partners Master Fund, LP and Steamboat Capital Partners II, LP v. Wheeler Real Estate Investment Trust, Inc.*, Steamboat Capital Partners Master Fund, LP and Steamboat Capital Partners II, LP v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for Baltimore County, Maryland. On October 25, 2021, Steamboat Capital Partners Master Fund, LP, a Cayman Islands exempted limited partnership and stockholder of the Company, and Steamboat Capital Partners II, LP, a Delaware limited partnership and stockholder of the Company, filed suit against the Company in the Circuit Court for Baltimore County, Maryland. The complaint alleges that the Company's distribution of rights to the Company's common stockholders, and notes pursuant to the rights, when accrued Series B Preferred Stock dividends and Series D Preferred Stock dividends have not been fully paid, breached the provisions of the Company's governing documents and violated the rights of the holders of the Series B Preferred Stock and Series D Preferred Stock and, in the case of the notes distributed, Maryland law. The complaint seeks, as a result, to require the Company to pay all dividends accrued, as of the date of the distribution of rights, on the Series B Preferred Stock and Series D Preferred Stock, and to prohibit the Company from paying interest on the notes distributed to the Company's common stockholders upon exercise of the rights until all accrued dividends on the Series B Preferred Stock and Series D Preferred Stock are paid. The complaint also seeks a declaration that the distribution of rights to the Company's common stockholders, and notes pursuant to the rights, when accrued Series B Preferred Stock dividends and Series D Preferred Stock dividends had not been fully paid, breached the provisions of the Company's governing documents and, in the case of the notes distributed, Maryland law. In addition, as a result of the common stockholders approving the amendments to the Company's Articles Supplementary to remove the rights of the Series B Preferred Stock to cumulative dividends, the complaint seeks to enjoin such amendment from applying retroactively. 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

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

**10. Commitments and Contingencies (continued)**

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 \$2.15 million, the principal amount of the bonds, as of September 30, 2021. 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 nine months ended September 30, 2021, the Company funded \$0 and \$44 thousand, respectively, in debt service shortfalls. During the three and nine months ended September 30, 2020, the Company did not fund any debt service shortfalls. No amounts have been accrued for this as of September 30, 2021 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

**11. Related Party Transactions**

The following summarizes related party activity for the nine months ended September 30, 2021 and 2020. The amounts disclosed below reflect the activity between the Company and its affiliates (in thousands).

	Nine Months Ended September 30,	
	2021	2020
	(unaudited)	
Amounts paid to affiliates	\$ 392	\$ 75

***Reimbursement of Proxy Solicitation Expenses***

The Company agreed to reimburse the 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"), for expenses it incurred in connection with the 2019 Stilwell Solicitation. During the nine months ended September 30, 2021 and 2020, the Company reimbursed the Stilwell Group \$369 thousand and \$50 thousand, respectively, for these costs. As of September 30, 2021, the Company had reimbursed the Stilwell Group in full for expenses it incurred in connection with the 2019 Stilwell Solicitation.

**12. Subsequent Events*****Convertible Notes - Accordion Right***

On October 12, 2021, the Backstop Parties and their assignee elected to exercise their "accordion right" in full and purchased from the Company \$0.00 million in aggregate principal amount of the Company's Convertible Notes.

***Special Meeting of Common Stockholders***

On November 3, 2021, common stockholders of the Company voted to amend the Company's Articles Supplementary to remove the cumulative dividend rights of the Series A Preferred and Series B Preferred.

## 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 2020 Form 10-K for the year ended December 31, 2020. 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. 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 at the state and local levels.

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, the availability, distribution, public acceptance and efficacy of one or more approved vaccines, new or mutated variants of COVID-19 (including vaccine-resistant variants) or a similar virus, the direct and indirect economic effects of the pandemic and containment measures on our tenants, 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 new or mutated variants of COVID-19, including on the U.S. or global economy or on our business, financial position or results of operations;
- the efficacy of any treatment for COVID-19;
- unfavorable changes in commercial market and economic conditions that could adversely affect occupancy levels and rental rates, including the result of COVID-19;
- tenant bankruptcies;
- 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 September 30, 2021, the Trust, through the Operating Partnership, owned and operated fifty-nine retail shopping centers and four 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 2021 that have impacted our Company. These events are summarized below.

##### Paycheck Protection Program

On April 24, 2020, the Company received proceeds of \$552 thousand in the form of a promissory note (the "Promissory Note") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act. The full amount of the Promissory Note was forgiven in January 2021.

##### Dispositions

Disposal Date	Property	Contract Price	Gain (loss) (in thousands, unaudited)	Net Proceeds
August 31, 2021	Rivergate Shopping Center Out Parcel - Macon, GA	\$ 3,700	\$ 1,915	\$ 3,451
July 9, 2021	Tulls Creek Land Parcel (1.28 acres) - Moyock, NC	250	52	222
March 25, 2021	Berkley Shopping Center and Berkley Land Parcel (0.75 acres) - Norfolk, VA	4,150	176	3,937

In conjunction with the Berkley Shopping Center disposition the Company made a \$3.22 million principal payment on the Berkley/Sangaree/Tri-County loan and paid \$687 thousand in defeasance.

##### Assets Held for Sale

At September 30, 2021, assets held for sale included Columbia Fire Station and Surrey Plaza, as the Company has committed to a plan to sell each property. Along with Columbia Fire Station, 2020 assets held for sale included Berkeley Shopping Center, the Berkley Land Parcel and two outparcels at Rivergate Shopping Center.

#### ***Powerscourt Financing Agreement Payoff***

On March 12, 2021, the Company paid in full the \$25.00 million Powerscourt Financing Agreement. The Powerscourt Warrant Agreement and the Powerscourt Registration Rights Agreement remain.

#### ***Wilmington Financing Agreement***

On March 12, 2021, the Company entered into a financing agreement (the "Wilmington Financing Agreement") as borrower, certain subsidiaries of the Company from time to time party thereto, as guarantors (together with the Company, the "Loan Parties"), the lenders from time to time party thereto, and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent. The Wilmington Financing Agreement provides for a term loan in the aggregate principal amount of \$35.00 million. The proceeds of the Wilmington Financing Agreement are intended for the following: (i) to paydown the Company's indebtedness on the Powerscourt Financing Agreement, (ii) to fund the redemption of certain shares of the Company's 8.75% Series D Preferred and (iii) to pay fees and expenses in connection with the transactions contemplated by the Wilmington Financing Agreement. The Wilmington Financing Agreement is at a rate of 8.00% and matures in March 2026 with quarterly interest only payments beginning on April 15, 2021. Any payment or repayment of principal will be made with a premium equal to 5% of the amount repaid or prepaid.

The obligations of the Company under the Wilmington Financing Agreement are secured by liens on certain assets of the Company and certain of the Company's subsidiaries, including mortgages on the properties within the Company's portfolio. The Wilmington Financing Agreement also contains covenants that restrict, among other things the ability of the Company and its subsidiaries to create liens, incur indebtedness, make certain investments, merge or consolidate, dispose of assets, pay certain dividends and make certain other restricted payments or certain equity issuances, change the nature of their businesses, enter into certain transactions with affiliates and change their governing documents.

Pursuant to the Wilmington Financing Agreement, the Company issued to the holders from time to time party thereto a warrant (the "Wilmington Warrant") to purchase in the aggregate, 1,061,719 shares of Common Stock in three tranches: warrants to purchase an aggregate of 510,204 shares at an exercise price of \$3.430 per share ("Tranche A"); warrants to purchase an aggregate of 424,242 shares at an exercise price of \$4.125 per share ("Tranche B"); and warrants to purchase an aggregate of 127,273 shares at an exercise price of \$6.875 per share ("Tranche C") (the "Wilmington Warrant Agreement"). The Warrant is exercisable at the option of its holder in whole or in part into shares of Common Stock from time to time on or after March 12, 2021 (the "Effective Date") and before the maturity date of the Wilmington Financing Agreement.

#### ***Registration Rights Agreements***

In connection with the Powerscourt Financing Agreement and Wilmington Financing Agreement, the Company entered into a registration rights agreement with the holders from time to time of the Powerscourt Warrant, dated as of December 22, 2020 (the "Powerscourt Registration Rights Agreement") and Wilmington Warrants, dated as of March 12, 2021 (the "Wilmington Registration Rights Agreement"), respectively. Accordingly, the Company registered the resale of the common stock underlying the Powerscourt Warrant and Wilmington Warrant on a Form S-11 Registration Statement which became effective on May 25, 2021.

#### ***Warrant Agreements***

The Company utilized the Monte Carlo simulation model to calculate the fair value of the Powerscourt Warrant and Wilmington Warrant (collectively, the "Warrant Agreements"). Significant observable and unobservable inputs include stock price, conversion price, risk-free rate, term, likelihood of an event of contractual conversion and expected volatility. The Monte Carlo simulation is a Level 3 valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators. The Warrant Agreements were valued at approximately \$2.61 million upon issuance and the Company recorded a liability included on the condensed consolidated balance sheets. For the three and nine months ended September 30, 2021, the Company reported non-operating income of approximately \$1.88 million and \$303 thousand, respectively, due to changes in fair value of the warrant liability. See Note 6 included in this Form 10-Q for additional details.

#### ***Series D Preferred Stock Tender Offers***

On March 12, 2021, through a “modified Dutch auction” tender offer the Company accepted for purchase 387,097 share of Series D Preferred at a purchase price of \$15.50 per share, for an aggregate cost of \$6.00 million, excluding fees and expenses relating to the tender offer.

On May 15, 2021, through a “modified Dutch auction” tender offer the Company accepted for purchase 103,513 shares of Series D Preferred at a purchase price of \$18.00 per share, for an aggregate cost of \$1.86 million, excluding fees and expenses relating to the tender offer.

#### ***Rights Offering and Convertible Notes***

On August 13, 2021, the Company's rights offering (the “Rights Offering”) for the purchase of up to \$30.00 million in aggregate principal amount of the Company's 7.00% senior subordinated convertible notes due 2031 (the “Convertible Notes”) expired. Pursuant to the Rights Offering, the Company distributed to holders of its common stock, as of 5:00 p.m. New York City time on June 1, 2021 (the “Record Date”), non-transferable subscription rights to purchase Convertible Notes. Each holder of the Company's common stock as of the Record Date received one right for each eight shares of the Company's common stock owned, and each right entitled a holder to purchase \$25.00 principal amount of Convertible Notes. The Rights Offering was made pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission. The aggregate principal amount of Convertible Notes issued in the Rights Offering was \$30.00 million. The Rights Offering was backstopped by Magnetar Structured Credit Fund, LP, Magnetar Longhorn Fund LP, Magnetar Lake Credit Fund LLC, Purpose Alternative Credit Fund – F LLC, Purposes Alternative Credit Fund – T LLC, and AY2 Capital LLC (each individually, a “Backstop Party” and, collectively, the “Backstop Parties”) in the amount of \$2.19 million in aggregate principal.

On August 13, 2021, the Company, as Issuer, and Wilmington Savings Fund Society, FSB., as Trustee, entered into an Indenture governing the terms of the Convertible Notes (the “Indenture”).

The Convertible Notes bear interest at a rate of 7.00% per annum. Interest on the Convertible Notes will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2021.

The Convertible Notes are subordinate and junior in right of payment to the Company's obligations to the holders of senior indebtedness, and that in the case of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Company as a whole, whether voluntary or involuntary, all obligations to holders of senior indebtedness shall be entitled to be paid in full before any payment shall be made on account of the principal or interest on the Convertible Notes.

Interest on the Convertible Notes will be payable, at the Company's election: (a) in cash; (b) in shares of Series B Preferred Stock; (c) in shares of Series D Cumulative Convertible Preferred Stock; or (d) in any combination of (a), (b), and/or (c). For purposes of determining the value of Series B Preferred Stock and Series D Cumulative Convertible Preferred Stock paid as interest on the Convertible Notes, each share of Series B Preferred Stock and Series D Cumulative Convertible Preferred Stock shall be deemed have a value equal to the product of (x) the average of the VWAPs (as defined in the Indenture) for the Series B Preferred Stock or the Series D Preferred Stock, as the case may be, for the 15 consecutive trading days ending on the third business day immediately preceding the relevant interest payment date, and (y) 0.55.

After January 1, 2024, the Company may redeem the Convertible Notes at any time (in whole or in part) at the Company's option at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest as of the redemption date (the “Redemption Price”). The Redemption Price may be paid: (a) in cash; (b) in shares of Common Stock; or (c) in any combination of (a) and (b).

The Company identified certain embedded derivatives related to the conversion features of the Convertible Notes. In accordance with ASC 815-40, the embedded conversion options contained within the Convertible Notes were accounted for as derivative liabilities at the date of issuance and shall be adjusted to fair value through each reporting date. The Company utilized a multinomial lattice model to calculate the fair value of the embedded derivatives. The embedded derivative liabilities were assigned a value of \$5.39 million.

**New Leases, Leasing Renewals and Expirations**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Renewals<sup>(1)</sup>:</b>				
Leases renewed with rate increase (sq feet)	85,429	135,063	265,231	528,042
Leases renewed with rate decrease (sq feet)	11,920	53,398	66,343	89,133
Leases renewed with no rate change (sq feet)	28,140	182,039	88,493	246,245
Total leases renewed (sq feet)	125,489	370,500	420,067	863,420
Leases renewed with rate increase (count)	29	28	71	111
Leases renewed with rate decrease (count)	1	6	10	17
Leases renewed with no rate change (count)	6	20	21	38
Total leases renewed (count)	36	54	102	166
Option exercised (count)	8	8	16	17
Weighted average on rate increases (per sq foot)	\$ 0.94	\$ 1.29	\$ 0.80	\$ 1.11
Weighted average on rate decreases (per sq foot)	\$ (2.34)	\$ (0.72)	\$ (2.23)	\$ (1.14)
Weighted average rate on all renewals (per sq foot)	\$ 0.42	\$ 0.37	\$ 0.15	\$ 0.56
Weighted average change over prior rates	3.53 %	3.98 %	1.48 %	5.68 %
<b>New Leases<sup>(1) (2)</sup>:</b>				
New leases (sq feet)	91,163	93,253	317,622	202,655
New leases (count)	25	18	62	48
Weighted average rate (per sq foot)	\$ 10.01	\$ 8.58	\$ 8.77	\$ 9.89
<b>Gross Leasable Area ("GLA") expiring during the next 3 months, including month-to-month leases</b>	<b>0.69 %</b>	<b>3.69 %</b>	<b>0.69 %</b>	<b>3.69 %</b>

(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 Nine Months Ended September 30, 2021 Compared to the Three and Nine Months Ended September 30, 2020**

**Results of Operations**

The following table presents a comparison of the condensed consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended Changes		Nine Months Ended Changes	
	2021	2020	2021	2020	Change	% Change	Change	% Change
<b>PROPERTY DATA:</b>								
Number of properties owned and leased at period end <sup>(1)</sup>	59	60	59	60	(1)	(1.67)%	(1)	(1.67)%
Aggregate gross leasable area at period end <sup>(1)</sup>	5,500,233	5,563,629	5,500,233	5,563,629	(63,396)	(1.14)%	(63,396)	(1.14)%
Ending leased rate at period end <sup>(1)</sup>	92.2 %	88.3 %	92.2 %	88.3 %	3.9 %	4.42 %	3.9 %	4.42 %
<b>FINANCIAL DATA:</b>								
Rental revenues	\$ 15,000	\$ 14,756	\$ 44,946	\$ 44,920	\$ 244	1.65 %	\$ 26	0.06 %
Other revenues	508	208	780	787	300	144.23 %	(7)	(0.89)%
<b>Total Revenue</b>	<b>15,508</b>	<b>14,964</b>	<b>45,726</b>	<b>45,707</b>	<b>544</b>	<b>3.64 %</b>	<b>19</b>	<b>0.04 %</b>
<b>OPERATING EXPENSES:</b>								
Property operations	5,029	4,820	14,573	14,116	209	4.34 %	457	3.24 %
Depreciation and amortization	3,678	4,215	11,033	13,460	(537)	(12.74)%	(2,427)	(18.03)%
Impairment of assets held for sale	—	—	2,200	600	—	100.00 %	1,600	266.67 %
Corporate general & administrative	1,756	1,080	4,945	4,567	676	62.59 %	378	8.28 %
<b>Total Operating Expenses</b>	<b>10,463</b>	<b>10,115</b>	<b>32,751</b>	<b>32,743</b>	<b>348</b>	<b>3.44 %</b>	<b>8</b>	<b>0.02 %</b>
Gain (loss) on disposal of properties	1,967	—	2,143	(26)	1,967	100.00 %	2,169	8,342.31 %
<b>Operating Income</b>	<b>7,012</b>	<b>4,849</b>	<b>15,118</b>	<b>12,938</b>	<b>2,163</b>	<b>44.61 %</b>	<b>2,180</b>	<b>16.85 %</b>
Interest income	9	—	9	1	9	100.00 %	8	800.00 %
Interest expense	(5,637)	(4,114)	(19,813)	(12,787)	(1,523)	(37.02)%	(7,026)	(54.95)%
Net changes in fair value of derivative liabilities	1,884	—	303	—	1,884	100.00 %	303	100.00 %
Other income	—	—	552	—	—	— %	552	100.00 %
Other expense	(185)	(15)	(185)	(1,039)	(170)	(1,133.33)%	854	(82.19)%
<b>Net Income (Loss) Before Income Taxes</b>	<b>3,083</b>	<b>720</b>	<b>(4,016)</b>	<b>(887)</b>	<b>2,363</b>	<b>328.19 %</b>	<b>(3,129)</b>	<b>(352.76)%</b>
Income tax (expense) benefit	—	—	(2)	(2)	—	— %	—	— %
<b>Net Income (Loss)</b>	<b>3,083</b>	<b>720</b>	<b>(4,018)</b>	<b>(889)</b>	<b>2,363</b>	<b>328.19 %</b>	<b>(3,129)</b>	<b>(351.97)%</b>
Less: Net income attributable to noncontrolling interests	57	13	72	18	44	338.46 %	54	300.00 %
<b>Net Income (Loss) Attributable to Wheeler REIT</b>	<b>\$ 3,026</b>	<b>\$ 707</b>	<b>\$ (4,090)</b>	<b>\$ (907)</b>	<b>\$ 2,319</b>	<b>328.01 %</b>	<b>\$ (3,183)</b>	<b>(350.94)%</b>

(1) Excludes the undeveloped land parcels. Includes assets held for sale.

**Total Revenue**

Total revenue was \$15.51 million and \$45.73 million for the three and nine months ended September 30, 2021, respectively, compared to \$14.96 million and \$45.71 million for the three and nine months ended September 30, 2020, respectively, representing an increase of 3.64% and 0.04%, respectively.

The increase in rental revenues of \$244 thousand or 1.65% for the three months ended is a result of a \$325 thousand decline in the provision for credit losses due to collections returning to pre-COVID levels, partially offset by a \$81 thousand decrease in rental revenue due to tenant turnover and dispositions. The increase of \$300 thousand in other revenues for the three months ended is a result of non-recurring revenue from the granting of an easement and nonrefundable transaction fees.

The increase in rental revenues of \$26 thousand or 0.06% for the nine months ended is a result of a \$874 thousand decline in the provision for credit losses due to collections returning to pre-COVID levels, partially offset by a \$848 thousand decrease in rental revenue due to tenant turnover and dispositions.

**Total Operating Expenses**

Total operating expenses were \$10.46 million and \$32.75 million for the three and nine months ended September 30, 2021, respectively, compared to \$10.12 million and \$32.74 million for the three and nine months ended September 30, 2020,

respectively, representing an increase of 3.44% and 0.02%, respectively. Depreciation and amortization decreased \$537 thousand and \$2.43 million during the three and nine months ended September 30, 2021, respectively, primarily as a result of lease intangibles becoming fully amortized and ceasing of depreciation and amortization as properties were classified as assets held for sale. Impairment of assets held for sale was \$0 and \$2.20 million during the three and nine months ended September 30, 2021, respectively, and impairment of assets held for sale was \$0 and \$600 thousand during the three and nine months ended September 30, 2020, respectively, all as a result of Columbia Fire Station. See Same Store and Non-same Store Operating Income for further details about the changes within property operations expense.

Corporate general and administrative expenses were \$1.76 million for the three months ended September 30, 2021, compared to \$1.08 million for the three months ended September 30, 2020, representing an increase of 62.59% a result of the following:

- \$476 thousand increase in professional fees primarily related to property and corporate legal fees along with costs associated with the Special Meeting of Common Stockholders; and
- \$233 thousand increase in corporate administration primarily related to office rent expense for the Company's corporate headquarters that had a sale leaseback in December 2020.

Corporate general and administrative expenses were \$4.95 million for the nine months ended September 30, 2021, compared to \$4.57 million for the nine months ended September 30, 2020 representing an increase of 8.28% a result of the following:

- \$380 thousand increase in corporate administration primarily related to office rent expense for the Company's corporate headquarters, credit card fees the Company has borne on cash receipts, increased Directors and Officers insurance costs;
- \$261 thousand increase in other corporate general and administrative expenses primarily a result of increased travel expenses as COVID restrictions are loosened and capital and debt financing activities primarily related to fees associated with the Powerscourt Financing Agreement, Wilmington Financing Agreement and Convertible Notes; partially offset by
- \$203 thousand decrease in compensation and benefits primarily driven by a reduction in personnel; and
- \$53 thousand decrease in professional fees.

#### ***Gain on Disposal of Properties***

The gain on disposal of properties increase of \$1.97 million and \$2.17 million for the three and nine months ended September 30, 2021, respectively, is a result of the 2021 sales of Rivergate Shopping Center Out Parcel, Berkley Shopping Center and Berkley Land Parcel, along with the Tulls Creek Land Parcel sale compared to the 2020 sale of St. Matthews.

#### ***Interest Expense***

Interest expense was \$5.64 million and \$19.81 million for the three and nine months ended September 30, 2021, respectively, compared to \$4.11 million and \$12.79 million for the three and nine months ended September 30, 2020, respectively, representing increases of 37.02% and 54.95%, respectively, primarily attributable to the write-off of the debt issuance costs related to the Powerscourt Financing Agreement payoff combined with defeasance fee paid resulting from the sale of Berkley Shopping Center and interest on the Powerscourt Financing Agreement, Wilmington Financing Agreement and Convertible Notes.

#### ***Net Change in Fair Value of Derivative Liabilities***

The net changes in the fair value of derivative liabilities increase of \$1.88 million and \$303 thousand for the three and nine months ended September 30, 2021, respectively, is a result of the Monte Carlo simulation related to the Warrant Agreements with the largest impact in the valuation attributed to the change in the Company's stock price since the issuance of each warrant.

#### ***Other Income and Expense***

Other incomes were \$0 and \$552 thousand for the three and nine months ended September 30, 2021, respectively, relating to PPP Promissory Note forgiveness.

Other expenses were \$185 thousand for the three and nine months ended September 30, 2021, which consist of legal settlement costs. Other expenses were \$15 thousand and \$1.04 million for the three and nine months ended September 30, 2020, respectively, and includes \$600 thousand in legal settlement costs and \$439 thousand for proxy costs. These income and expenses are non-operating in nature.

### ***Preferred Dividends***

At September 30, 2021, the Company had accumulated undeclared dividends of \$36.91 million to holders of shares of our Series A Preferred Stock, Series B Preferred Stock, and Series D Preferred Stock of which \$3.11 million and \$9.32 million are attributable to the three and nine months ended September 30, 2021, 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 and impairment of assets held for sale and held for use, 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 properties:

- Continuing operations
  - St. Matthews (sold January 21, 2020);
  - JANAF Executive Building (24,980 square foot building, decommissioned as of March 31, 2020);
  - Berkley Shopping Center and Berkley Land Parcel (sold March 25, 2021);
  - Tulls Creek Land Parcel (sold July 9, 2021); and
  - Rivergate Shopping Center Out Parcel (sold August 31, 2021).

	Three Months Ended September 30,					
	Same Store		Non-same Store		Total	
	2021	2020	2021	2020	2021	2020
	(in thousands, unaudited)					
<b>Net Income (Loss)</b>	\$ 1,107	\$ 745	\$ 1,976	\$ (25)	\$ 3,083	\$ 720
Adjustments:						
Other expense	185	15	—	—	185	15
Net changes in fair value of derivative liabilities	(1,884)	—	—	—	(1,884)	—
Interest expense	5,617	4,061	20	53	5,637	4,114
Interest income	(9)	—	—	—	(9)	—
Gain on disposal of properties	—	—	(1,967)	—	(1,967)	—
Corporate general & administrative	1,755	1,073	1	7	1,756	1,080
Depreciation and amortization	3,678	4,174	—	41	3,678	4,215
Other non-property revenue	(6)	(13)	—	—	(6)	(13)
<b>Property Net Operating Income</b>	\$ 10,443	\$ 10,055	\$ 30	\$ 76	\$ 10,473	\$ 10,131
Property revenues	\$ 15,453	\$ 14,796	\$ 49	\$ 155	\$ 15,502	\$ 14,951
Property expenses	5,010	4,741	19	79	5,029	4,820
<b>Property Net Operating Income</b>	\$ 10,443	\$ 10,055	\$ 30	\$ 76	\$ 10,473	\$ 10,131

	Nine Months Ended September 30,					
	Same Store		Non-same Store		Total	
	2021	2020	2021	2020	2021	2020
	(in thousands, unaudited)					
<b>Net (Loss) Income</b>	\$ (5,556)	\$ (737)	\$ 1,538	\$ (152)	\$ (4,018)	\$ (889)
Adjustments:						
Income tax expense	2	2	—	—	2	2
Other expense	185	1,039	—	—	185	1,039
Other income	(552)	—	—	—	(552)	—
Net changes in fair value of derivative liabilities	(303)	—	—	—	(303)	—
Interest expense	19,027	12,576	786	211	19,813	12,787
Interest income	(9)	(1)	—	—	(9)	(1)
(Gain) loss on disposal of properties	—	—	(2,143)	26	(2,143)	26
Corporate general & administrative	4,937	4,551	8	16	4,945	4,567
Impairment of assets held for sale	2,200	600	—	—	2,200	600
Depreciation and amortization	11,033	13,334	—	126	11,033	13,460
Other non-property revenue	(28)	(256)	—	—	(28)	(256)
<b>Property Net Operating Income</b>	\$ 30,936	\$ 31,108	\$ 189	\$ 227	\$ 31,125	\$ 31,335
Property revenues	\$ 45,405	\$ 44,978	\$ 293	\$ 473	\$ 45,698	\$ 45,451
Property expenses	14,469	13,870	104	246	14,573	14,116
<b>Property Net Operating Income</b>	\$ 30,936	\$ 31,108	\$ 189	\$ 227	\$ 31,125	\$ 31,335

#### Property Revenues

Total same store property revenues increased to \$15.45 million for the three months ended September 30, 2021, compared to \$14.80 million for the three months ended September 30, 2020, representing an increase of 4.44% primarily due to:

- \$318 thousand decrease in provision for credit losses a result of the Company's proactive tenant outreach during the pandemic and collection initiatives, which included accepting credit card payments;

- \$308 thousand increase in other income is a result of non-recurring revenue from the granting of an easement and nonrefundable transaction fees;
- \$120 thousand increase in rental revenue due to tenant turnover; partially offset by
- \$89 thousand decrease in above (below) market lease amortization related to leases becoming fully amortized.

Total same store property revenues increased to \$45.41 million for the nine months ended September 30, 2021, compared to \$44.98 million for the nine months ended September 30, 2020, representing an increase of 0.95% primarily due to:

- \$848 thousand decrease in provision for credit losses a result of the Company's proactive tenant outreach during the pandemic and collection initiatives, which included accepting credit card payments;
- \$253 increase in other income is a result of non-recurring revenue from the granting of an easement and nonrefundable transaction fees; partially offset by
- \$216 thousand decrease in rental revenue due to tenant turnover; and
- \$458 thousand decrease in above (below) market lease amortization related to leases becoming fully amortized.

#### ***Property Expenses***

Total same store property expenses increased to \$5.01 million and \$14.47 million for the three and nine months ended September 30, 2021, respectively, compared to \$4.74 million and \$13.87 million for the three and nine months ended September 30, 2020, respectively increases of 5.67% and 4.32%, respectively. The \$269 thousand increase for the three months ended September 30, 2021 is primarily due to an increase of \$245 thousand in repairs and maintenance expenses. The \$599 thousand increase for the nine months ended September 30, 2021 is primarily due to increasing management fee allocation, an increase of \$139 thousand in grounds and landscaping expenses and an increase of \$141 thousand in real estate taxes and utilities.

There were no significant unusual or non-recurring items included in non-same store property expenses for the three and nine months ended September 30, 2021 and 2020.

#### ***Property Net Operating Income***

Total property net operating income was \$10.47 million and \$31.13 million for the three and nine months ended September 30, 2021, respectively, compared to \$10.13 million and \$31.34 million for the three and nine months ended September 30, 2020, respectively, representing an increase of 3.38% and a decrease 0.67%, respectively.

#### ***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 nine month periods ended September 30, 2021 and 2020:

		Three Months Ended September 30,									
		Same Store		Non-same Store		Total		Period Over Period Changes			
		2021	2020	2021	2020	2021	2020	\$	%		
		(in thousands, unaudited)									
(Loss)	Net Income	\$ 1,107	\$ 745	\$ 1,976	\$ (25)	\$ 3,083	\$ 720	\$ 2,363	328.19		
	Depreciation and amortization of real estate assets	3,678	4,174	—	41	3,678	4,215	(537)	(12.74)		
	Gain on disposal of properties	—	—	(1,967)	—	(1,967)	—	(1,967)	(100.00)		
	FFO	\$ 4,785	\$ 4,919	\$ 9	\$ 16	\$ 4,794	\$ 4,935	\$ (141)	(2.86)		

		Nine Months Ended September 30,									
		Same Store		Non-same Store		Total		Period Over Period Changes			
		2021	2020	2021	2020	2021	2020	\$	%		
		(in thousands, unaudited)									
	Net (Loss) Income	\$ (5,556)	\$ (737)	\$ 1,538	\$ (152)	\$ (4,018)	\$ (889)	\$ (3,129)	(351.97)		
	Depreciation and amortization of real estate assets	11,033	13,334	—	126	11,033	13,460	(2,427)	(18.03)		
	Impairment of assets held for sale	2,200	600	—	—	2,200	600	1,600	266.67		
	(Gain) loss on disposal of properties	—	—	(2,143)	26	(2,143)	26	(2,169)	(8,342.31)		
	FFO	\$ 7,677	\$ 13,197	\$ (605)	\$ —	\$ 7,072	\$ 13,197	\$ (6,125)	(46.41)		

Same store FFO decreased \$134 thousand for the three months ended September 30, 2021, primarily due to the following:

- \$1.56 million increase in interest expense;
- \$682 thousand increase in corporate general and administrative expense; partially offset by
- \$1.88 million net change in the fair value of derivative liabilities;
- \$388 thousand increase in property net operating income.

Same store FFO decreased \$5.52 million for the nine months ended September 30, 2021, primarily due to the following:

- \$6.45 million increase in interest expense;
- \$386 thousand increase in corporate general and administrative expenses;
- \$172 thousand decrease in property net operating income; partially offset by
- \$854 thousand decrease in other expense for legal settlements and reimbursement of 2019 proxy costs;
- \$552 thousand increase in other income for PPP Promissory Note forgiveness; and
- \$303 thousand net change in the fair value of derivative liabilities.

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 nine month periods ended September 30, 2021 and 2020 is shown in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands, unaudited)			
FFO	\$ 4,794	\$ 4,935	\$ 7,072	\$ 13,197
Preferred Stock dividends - undeclared	(3,260)	(3,608)	(9,852)	(10,922)
Preferred Stock redemption	—	—	70	96
Preferred stock accretion adjustments	145	168	454	509
FFO available to common stockholders and common unitholders	1,679	1,495	(2,256)	2,880
Acquisition and development costs	—	—	—	1
Capital related costs	59	151	343	185
Other non-recurring and non-cash expense	209	17	365	1,090
Net changes in fair value of derivative liabilities	(1,884)	—	(303)	—
Straight-line rental revenue, net straight-line expense	(281)	(294)	(871)	(700)
Loan cost amortization	884	234	5,200	796
Above (below) market lease amortization	23	(70)	28	(443)
Recurring capital expenditures and tenant improvement reserves	1	(278)	(550)	(835)
AFFO	\$ 690	\$ 1,255	\$ 1,956	\$ 2,974

Other non-recurring and non-cash expenses are costs we believe will not be incurred on a go forward basis. Other non-recurring expenses of \$209 and \$365 thousand for the three and nine months ended September 30, 2021, respectively, include the \$0 and \$687 thousand, respectively, loan prepayment penalty on sale of the Berkley Shopping Center, \$185 thousand in legal settlement costs, partially offset with \$0 and \$552 thousand, respectively, in PPP Promissory Note forgiveness. Other non-recurring expenses of \$17 and \$1.09 million for the three and nine months ended September 30, 2020, respectively, include legal settlement costs of \$0 and \$600 thousand, respectively, reimbursement of 2019 proxy solicitation expenses of \$0 and \$439 thousand, respectively, incurred in connection with the Company's 2019 annual meeting of stockholders and severance of \$2 thousand and \$51 thousand, respectively.

Loan cost amortization increased \$650 thousand and \$4.40 million for the three and nine months ended September 30, 2021, respectively, primarily related to the write-off of loan costs associated with the Powerscourt Financing Agreement as a result of the payoff and the addition of the Wilmington Financing Agreement and Convertible Notes.

The preferred stock redemption of \$70 thousand and \$96 thousand for the nine months ended September 30, 2021 and 2020, respectively, represents the undeclared dividends on the stock retirement for the months preceding their retirement.

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 September 30, 2021, our consolidated cash, cash equivalents and restricted cash totaled \$71.90 million compared to consolidated cash, cash equivalents and restricted cash of \$42.77 million at December 31, 2020. Cash flows from operating activities, investing activities and financing activities for the nine month periods ended September 30, 2021 and 2020 were as follows:

	Nine Months Ended September 30,		Period Over Period Change	
	2021	2020	\$	%
	(in thousands, unaudited)			
Operating activities	\$ 14,513	\$ 13,977	\$ 536	3.83 %
Investing activities	\$ 3,819	\$ 16	\$ 3,803	23,768.75 %
Financing activities	\$ 10,800	\$ (11,387)	\$ 22,187	194.84 %

#### Operating Activities

Our cash flows from operating activities were \$14.51 million for the nine months ended September 30, 2021, compared to cash flows from operating activities of \$13.98 million for the nine months ended September 30, 2020, representing an increase of 3.83% or \$536 thousand. This increase is primarily a result of the timing of receivables and accounts payable, accrued expenses

and other liabilities and the decrease in non-operating other expenses, partially offset by the increase in interest expense, corporate general and administrative expense and a decrease in property NOI of \$210 thousand.

#### Investing Activities

Our cash flows from investing activities were \$3.82 million for the nine months ended September 30, 2021, compared to cash flows from investing activities of \$16 thousand for the nine months ended September 30, 2020, representing an increase of 23,768.75% or \$3.80 million due to proceeds from the sale of properties, partially offset by an increase in capital expenditures paid of \$2.14 million resulting from increased occupancy.

#### Financing Activities

Our cash flows from financing activities were \$10.80 million for the nine months ended September 30, 2021, compared to \$11.39 million of cash flows used in financing activities for the nine months ended September 30, 2020, representing an increase of 194.84% or \$22.19 million due to the following:

- \$36.34 million increase in loan proceeds, net principal payments, due to the 2021 Convertible Notes, Wilmington Financing Agreement, Columbia Fire Station payoffs and refinancing activity described in Note 5 on this Form 10-Q; partially offset by
- \$7.23 million increase in preferred stock redemption;
- \$5.69 million increase in deferred financing costs primarily related to the Wilmington Financing Agreement and Convertible Notes; and
- \$687 thousand prepayment penalty related to the Berkley/Sangaree/Tri-County loan payoff.

We intend to continue managing our debt prudently so as to maintain a conservative capital structure and minimize leverage within the Company. As of September 30, 2021 and December 31, 2020, our debt balances, excluding unamortized debt issuance costs, consisted of the following (in thousands):

	September 30, 2021 (unaudited)	December 31, 2020
Fixed-rate notes <sup>(1)</sup>	\$ 377,597	\$ 330,340
Adjustable-rate mortgages <sup>(1)</sup>	2,168	23,576
<b>Total debt</b>	<b>\$ 379,765</b>	<b>\$ 353,916</b>

(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 5.17% and 4.33 years, respectively, at September 30, 2021. We have \$6.27 million of debt maturing, including scheduled principal repayments, during the twelve months ending September 30, 2022. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, 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 September 30, 2021 are \$6.27 million in principal and regularly scheduled payments due in the twelve months ended September 30, 2022 as described in Note 5 on this Form 10-Q.

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.

To meet these future liquidity needs, the Company had:

- \$36.23 million in cash and cash equivalents at September 30, 2021;
- \$35.67 million held in lender reserves for the purpose of tenant improvements, lease commissions, real estate taxes, insurance and funds held for redemption of Series D Preferred at September 30, 2021; and
- intends to use cash generated from operations during the twelve months ended September 30, 2022.



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, refinancing properties and operating cash.

Our success in 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.

In addition, our Board of Directors suspended Series A Preferred, Series B Preferred and Series D Preferred dividend payments beginning with the fourth quarter 2018 dividend. On November 3, 2021, common stockholders of the Company approved amendments to the Company's Articles Supplementary to remove the cumulative dividend of the Series A Preferred Stock and the Series B Preferred Stock. The Company believes that these actions support the Company's liquidity needs and improve the Company's capital structure.

Looking ahead to 2023, beginning on September 21, 2023, holders of the Series D Preferred Stock will have the right to cause the Company to redeem their Series D Preferred Stock at a price of \$25.00 per share plus the amount of all accrued but unpaid dividends. This redemption price is payable by the Company, at the Company's election, in cash or shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. Since January 2019, the Company's Series D Preferred Stock (of which there are currently approximately 3.04 million shares outstanding) have been accruing unpaid dividends at a rate of 10.75% per annum of the \$25.00 liquidation preference per share of Series D Preferred Stock, or at \$2.6875 per share per annum. As of September 30, 2021, the outstanding Series D Preferred Stock had an aggregate liquidation preference of approximately \$75.97 million, with aggregate accrued and unpaid dividends in the amount of approximately \$24.12 million. Furthermore, based upon the closing price of the Company's common stock on November 2, 2021 of \$2.54 per share, the Company believes it is unlikely that holders of the Series D Preferred Stock would convert their shares into common stock at the current conversion price of \$16.96 per share of common stock. As such, there is a significant risk that the Company will not have sufficient cash to pay the aggregate redemption price, and would not be able to meet its redemption obligation without substantial dilution of its common stock.

#### **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 \$2.15 million, the principal amount of the bonds, as of September 30, 2021. 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 nine months ended September 30, 2021, the Company funded \$0 and \$44 thousand, respectively, in debt service shortfalls. During the three and nine months ended September 30, 2020, the Company did not fund any debt service shortfalls. No amounts have been accrued for this as of September 30, 2021 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

As of September 30, 2021, 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 9 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 2020 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 nine months ended September 30, 2021. 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 website address is [www.whlr.us](http://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 September 30, 2021 (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.**

See Note 10, Commitments and Contingencies, to our condensed consolidated financial statements included in this Form 10-Q.

**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.

**Item 6. Exhibits.**

Exhibit	
<a href="#">3.1</a>	<a href="#">Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. dated March 12, 2021 (Filed as an exhibit to Form 8-K, filed on March 12, 2021).</a>
<a href="#">3.2</a>	<a href="#">Articles of Supplementary of the Registrant dated July 6, 2021 (Filed as an exhibit to Form 8-K, filed on July 8, 2021).</a>
<a href="#">3.3</a>	<a href="#">Articles of Amendment of Wheeler Real Estate Investment Trust, Inc. (Filed as an exhibit to Form 8-K, filed on November 5, 2021).</a>
<a href="#">4.1</a>	<a href="#">Indenture, dated as of August 13, 2021 between Wheeler Real Estate Investment Trust Inc. and Wilmington Savings Fund Society, FSB., as trustee (including form of Note)(Filed as an exhibit to Form 8-K, filed on August 16, 2021).</a>
<a href="#">10.1</a>	<a href="#">Wilmington Financing Agreement, dated March 12, 2021 (Filed as an exhibit to Form 8-K, filed on March 12, 2021).</a>
<a href="#">10.2</a>	<a href="#">Form of Common Stock Purchase Warrant, dated March 12, 2021 (Filed as an exhibit to Form 8-K, filed on March 12, 2021).</a>
<a href="#">10.3</a>	<a href="#">Registration Rights Agreement dated March 12, 2021. (Filed as an exhibit to Form 8-K, filed on March 12, 2021).</a>
<a href="#">10.4</a>	<a href="#">Backstop Commitment Letter, dated July 8, 2021, by and between Wheeler Real Estate Investment Trust, Inc. and Magnetar Structured Credit Fund, LP, Magnetar Longhorn Fund LP, Magnetar Lake Credit Fund LLC, Purpose Alternative Credit Fund - F LLC, and Purpose Alternative Credit Fund - T LLC, AY2 Capital LLC (Filed as an exhibit to Form S-11/A, filed on July 8, 2021).</a>
<a href="#">10.5</a>	<a href="#">Amended and Restated Employment Agreement, by and between Wheeler Real Estate Investment Trust, Inc. and Crystal Plum, dated as of August 13, 2021 (Filed as an exhibit to Form 8-K on August 17, 2021).</a>
<a href="#">31.1</a>	<a href="#">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).</a>
<a href="#">31.2</a>	<a href="#">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).</a>
<a href="#">32.1</a>	<a href="#">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).</a>
<a href="#">32.2</a>	<a href="#">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).</a>
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).



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

I, M. Andrew Franklin, 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: November 9, 2021

/s/ M. ANDREW FRANKLIN

M. Andrew Franklin  
Chief Executive Officer and President

**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: November 9, 2021

/s/ CRYSTAL PLUM

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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 nine months ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Andrew Franklin, 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.

November 9, 2021

/s/ M. ANDREW FRANKLIN

M. Andrew Franklin  
Chief Executive Officer and President

/s/ CRYSTAL PLUM

Crystal Plum  
Chief Financial Officer