

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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)

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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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

As of November 6, 2019, there were 9,693,271 common shares, \$0.01 par value per share, outstanding.

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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, 2019	December 31, 2018
	(unaudited)	
ASSETS:		
Investment properties, net	\$ 418,338	\$ 436,006
Cash and cash equivalents	5,233	3,544
Restricted cash	17,294	14,455
Rents and other tenant receivables, net	5,947	5,539
Notes receivable, net	—	5,000
Assets held for sale	1,756	6,118
Above market lease intangibles, net	5,678	7,346
Operating lease right-of-use assets	11,698	—
Deferred costs and other assets, net	23,257	30,073
Total Assets	\$ 489,201	\$ 508,081
LIABILITIES:		
Loans payable, net	\$ 342,811	\$ 360,190
Liabilities associated with assets held for sale	2,060	4,520
Below market lease intangibles, net	7,909	10,045
Operating lease liabilities	11,921	—
Accounts payable, accrued expenses and other liabilities	10,592	12,116
Total Liabilities	375,293	386,871
Series D Cumulative Convertible Preferred Stock (no par value, 4,000,000 shares authorized, 3,600,636 shares issued and outstanding; \$99.24 million and \$91.98 million aggregate liquidation preference, respectively)	84,657	76,955
EQUITY:		
Series A Preferred Stock (no par value, 4,500 shares authorized, 562 shares issued and outstanding)	453	453
Series B Convertible Preferred Stock (no par value, 5,000,000 authorized, 1,875,748 shares issued and outstanding; \$46.90 million aggregate liquidation preference)	41,065	41,000
Common Stock (\$0.01 par value, 18,750,000 shares authorized, 9,693,271 and 9,511,464 shares issued and outstanding, respectively)	97	95
Additional paid-in capital	233,861	233,697
Accumulated deficit	(248,319)	(233,184)
Total Shareholders' Equity	27,157	42,061
Noncontrolling interests	2,094	2,194
Total Equity	29,251	44,255
Total Liabilities and Equity	\$ 489,201	\$ 508,081

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,	
	2019	2018	2019	2018
REVENUE:				
Rental revenues	\$ 15,385	\$ 15,756	\$ 46,546	\$ 47,288
Asset management fees	16	48	42	220
Commissions	18	52	65	102
Other revenues	146	217	439	1,697
Total Revenue	15,565	16,073	47,092	49,307
OPERATING EXPENSES:				
Property operations	4,967	4,687	14,288	13,804
Non-REIT management and leasing services	1	23	25	59
Depreciation and amortization	5,066	6,045	16,169	20,943
Impairment of notes receivable	—	—	5,000	—
Impairment of assets held for sale	400	—	1,547	—
Corporate general & administrative	1,349	1,703	4,543	6,479
Other operating expenses	—	250	—	250
Total Operating Expenses	11,783	12,708	41,572	41,535
(Loss) gain on disposal of properties	(81)	1,257	1,427	2,312
Operating Income	3,701	4,622	6,947	10,084
Interest income	1	1	2	3
Interest expense	(4,654)	(5,183)	(14,394)	(14,940)
Net Loss from Continuing Operations Before Income Taxes	(952)	(560)	(7,445)	(4,853)
Income tax expense	(8)	(30)	(23)	(72)
Net Loss from Continuing Operations	(960)	(590)	(7,468)	(4,925)
Income from Discontinued Operations	—	—	—	903
Net Loss	(960)	(590)	(7,468)	(4,022)
Less: Net (loss) income attributable to noncontrolling interests	(1)	12	(100)	(70)
Net Loss Attributable to Wheeler REIT	(959)	(602)	(7,368)	(3,952)
Preferred Stock dividends - declared	—	(3,208)	—	(9,621)
Preferred Stock dividends - undeclared	(3,657)	—	(10,972)	—
Net Loss Attributable to Wheeler REIT Common Shareholders	\$ (4,616)	\$ (3,810)	\$ (18,340)	\$ (13,573)
Loss per share from continuing operations (basic and diluted)	\$ (0.48)	\$ (0.41)	\$ (1.90)	\$ (1.58)
Income per share from discontinued operations	—	—	—	0.10
	<u>\$ (0.48)</u>	<u>\$ (0.41)</u>	<u>\$ (1.90)</u>	<u>\$ (1.48)</u>
Weighted-average number of shares:				
Basic and Diluted	<u>9,693,271</u>	<u>9,385,666</u>	<u>9,664,582</u>	<u>9,179,366</u>

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		Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests		Total Equity
	Preferred Stock		Preferred Stock		Common Stock					Units	Value	
	Shares	Value	Shares	Value	Shares	Value						
Balance, December 31, 2018	562	\$ 453	1,875,748	\$ 41,000	9,511,464	\$ 95	\$ 233,697	\$ (233,184)	\$ 42,061	235,032	\$ 2,194	\$ 44,255
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	181,807	2	164	—	166	—	—	166
Dividends and distributions	—	—	—	—	—	—	—	(2,589)	(2,589)	—	—	(2,589)
Net Income	—	—	—	—	—	—	—	642	642	—	13	655
Balance, March 31, 2019 (Unaudited)	562	453	1,875,748	41,022	9,693,271	97	233,861	(235,131)	40,302	235,032	2,207	42,509
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Dividends and distributions	—	—	—	—	—	—	—	(2,590)	(2,590)	—	—	(2,590)
Net Loss	—	—	—	—	—	—	—	(7,051)	(7,051)	—	(112)	(7,163)
Balance, June 30, 2019 (Unaudited)	562	453	1,875,748	41,044	9,693,271	97	233,861	(244,772)	30,683	235,032	2,095	32,778
Accretion of Series B Preferred Stock discount	—	—	—	21	—	—	—	—	21	—	—	21
Dividends and distributions	—	—	—	—	—	—	—	(2,588)	(2,588)	—	—	(2,588)
Net Loss	—	—	—	—	—	—	—	(959)	(959)	—	(1)	(960)
Balance, September 30, 2019 (Unaudited)	562	\$ 453	1,875,748	\$ 41,065	9,693,271	\$ 97	\$ 233,861	\$ (248,319)	\$ 27,157	235,032	\$ 2,094	\$ 29,251

See accompanying notes to condensed consolidated financial statements.

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	Series A		Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests		Total Equity
	Preferred Stock		Preferred Stock		Shares	Value				Units	Value	
	Shares	Value	Shares	Value	Shares	Value				Units	Value	
Balance, December 31, 2017	562	\$ 453	1,875,848	\$ 40,915	8,744,189	\$ 87	\$ 226,978	\$ (204,925)	\$ 63,508	635,018	\$ 7,088	\$ 70,596
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of Series B Preferred Stock to Common Stock	—	—	(100)	(2)	62	—	2	—	—	—	—	—
Conversion of operating partnership units to Common Stock	—	—	—	—	9,706	—	64	—	64	(9,706)	(64)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	43,459	—	330	—	330	—	—	330
Issuance of Common Stock for acquisition of JANAF	—	—	—	—	150,000	2	1,128	—	1,130	—	—	1,130
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	505	—	505	—	(505)	—
Dividends and distributions	—	—	—	—	—	—	—	(3,207)	(3,207)	—	—	(3,207)
Net Loss	—	—	—	—	—	—	—	(1,825)	(1,825)	—	(47)	(1,872)
Balance, March 31, 2018 (Unaudited)	562	453	1,875,748	40,935	8,947,416	89	229,007	(209,957)	60,527	625,312	6,472	66,999
Accretion of Series B Preferred Stock discount	—	—	—	22	—	—	—	—	22	—	—	22
Conversion of operating partnership units to Common Stock	—	—	—	—	311,307	3	1,151	—	1,154	(311,307)	(1,154)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	83,854	1	397	—	398	—	—	398
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	2,081	—	2,081	—	(2,081)	—
Dividends and distributions	—	—	—	—	—	—	—	(3,206)	(3,206)	—	—	(3,206)
Net Loss	—	—	—	—	—	—	—	(1,525)	(1,525)	—	(35)	(1,560)
Balance, June 30, 2018 (Unaudited)	562	453	1,875,748	40,957	9,342,577	93	232,636	(214,688)	59,451	314,005	3,202	62,653
Accretion of Series B Preferred Stock discount	—	—	—	21	—	—	—	—	21	—	—	21
Conversion of operating partnership units to Common Stock	—	—	—	—	18,455	—	80	—	80	(18,455)	(80)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	40,904	1	165	—	166	—	—	166
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	120	—	120	—	(120)	—
Dividends and distributions	—	—	—	—	—	—	—	(3,208)	(3,208)	—	—	(3,208)
Net Loss	—	—	—	—	—	—	—	(602)	(602)	—	12	(590)

Balance, September 30, 2018 (Unaudited)	<u>562</u>	<u>\$ 453</u>	<u>1,875,748</u>	<u>\$ 40,978</u>	<u>9,401,936</u>	<u>\$ 94</u>	<u>\$ 233,001</u>	<u>\$ (218,498)</u>	<u>\$ 56,028</u>	<u>295,550</u>	<u>\$ 3,014</u>	<u>\$ 59,042</u>
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See accompanying notes to condensed consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (7,468)	\$ (4,022)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	8,991	9,553
Amortization	7,178	11,390
Loan cost amortization	1,336	1,682
Above (below) market lease amortization, net	(585)	(421)
Straight-line expense	140	16
Share-based compensation	244	727
Gain on disposal of properties	(1,427)	(2,312)
Gain on disposal of properties-discontinued operations	—	(903)
Credit losses on operating lease receivables	315	412
Impairment of notes receivable	5,000	—
Impairment of assets held for sale	1,547	—
Changes in assets and liabilities, net of acquisitions		
Rent and other tenant receivables, net	(520)	919
Unbilled rent	(60)	(1,037)
Related party receivables	—	1
Deferred costs and other assets, net	(335)	71
Accounts payable, accrued expenses and other liabilities	(1,738)	2,466
Net operating cash flows used in discontinued operations	(2)	(2)
Net cash provided by operating activities	<u>12,616</u>	<u>18,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment property acquisitions, net of restricted cash acquired	(24)	(23,153)
Capital expenditures	(1,405)	(3,846)
Cash received from disposal of properties	3,584	3,231
Cash received from disposal of properties-discontinued operations	19	2,747
Net cash provided by (used in) investing activities	<u>2,174</u>	<u>(21,021)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for deferred financing costs	(537)	(1,192)
Dividends and distributions paid	—	(11,554)
Proceeds from sales of Preferred Stock, net of expenses	—	21,158
Loan proceeds	24,165	28,487
Loan principal payments	(33,890)	(26,282)
Net financing cash flows used in discontinued operations	—	(76)
Net cash (used in) provided by financing activities	<u>(10,262)</u>	<u>10,541</u>
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>4,528</u>	<u>8,060</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	17,999	12,286
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ 22,527</u>	<u>\$ 20,346</u>
Supplemental Disclosures:		
Non-Cash Transactions:		
Debt incurred for acquisitions	\$ —	\$ 58,867
Conversion of common units to common stock	\$ —	\$ 1,298
Conversion of Series B Preferred Stock to Common Stock	\$ —	\$ 2
Issuance of Common Stock for acquisition	\$ —	\$ 1,130
Accretion of preferred stock discounts	\$ 510	\$ 509
Other Cash Transactions:		
Cash paid for taxes	\$ 6	\$ 39
Cash paid for interest	\$ 13,218	\$ 13,084
The following table provides a reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 5,233	\$ 3,638
Restricted cash	17,294	16,708
Cash, cash equivalents, and restricted cash	<u>\$ 22,527</u>	<u>\$ 20,346</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, 2019, the Trust, through the Operating Partnership, owned and operated sixty-one centers, one office building and six undeveloped properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Oklahoma, Tennessee, Kentucky, New Jersey, Pennsylvania and West Virginia. Accordingly, the use of the word "Company" refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

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

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

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

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Form 10-Q") are unaudited and the results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for future periods or the year. However, amounts presented in the condensed consolidated balance sheet as of December 31, 2018 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 2018 Annual Report filed on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K").

2. Summary of Significant Accounting Policies

Investment Properties

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

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

Assets Held For Sale and Discontinued Operations

The Company may decide to sell properties that are held for use. The Company records these properties as held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and is expected within one year. Properties classified as held for sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. When the carrying value exceeds the fair value, less estimated costs to sell an impairment charge is recognized. The Company estimates fair value, less estimated closing costs based on similar real estate sales transactions. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 and 3 inputs. Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company recorded impairment charges of \$400 thousand and \$1.55 million for the three and nine months ended September 30, 2019, respectively, which resulted from reducing the carrying values of Perimeter Square and St. Matthews for the amounts that exceeded the properties' fair value less estimated selling costs, see Note 3. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 inputs.

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

2. Summary of Significant Accounting Policies (continued)

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

Cash and Cash Equivalents and Restricted Cash

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

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

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

Tenant Receivables and Unbilled Rent

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The Company determines an allowance for the uncollectible portion of accrued rents and accounts receivable based upon customer credit-worthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends. The Company considers a receivable past due once it becomes delinquent per the terms of the lease. The Company's standard lease form considers a rent charge past due after five days. A past due receivable triggers certain events such as notices, fees and other allowable and required actions per the lease. As of September 30, 2019 and December 31, 2018, the Company's allowance for uncollectible accounts totaled \$1.07 million and \$1.07 million, respectively. Upon adoption of ASC Topic 842 "Leases," reserves for uncollectible accounts were recorded and reclassified to revenue. Prior to adoption, reserves for uncollectible accounts were recorded as an operating expense, provision for credit losses. The standard also provides guidance on calculating reserves; however, those did not impact the Company. During the three and nine months ended September 30, 2019, the Company recorded a provision for credit losses in the amount of \$115 thousand and \$315 thousand, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. During the three and nine months ended September 30, 2018, the Company recorded a provision for credit losses in the amount of \$149 thousand and \$412 thousand, respectively. These are included in rental revenues on the condensed consolidated statements of operations. During the three and nine months ended September 30, 2019 and 2018, the Company did not realize any recoveries related to tenant receivables previously written off.

Notes Receivable

Notes receivable represent financing to Sea Turtle Development as discussed in Note 4 for development of the project. The notes are secured by a 2nd deed of trust on the underlying real estate known as Sea Turtle Development. The Company evaluates the collectability of both the interest and principal of the notes receivable based primarily upon the projected fair market value of the project at stabilization. The notes receivable are determined to be impaired when, based upon current information, it is no longer probable that the Company will be able to collect all contractual amounts due from the borrower. The amount of impairment loss recognized is measured as the difference between the carrying amount of the loan and its estimated realizable value.

Above and Below Market Lease Intangibles, net

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

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

2. Summary of Significant Accounting Policies (continued)

Deferred Costs and Other Assets, net

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

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, 2019 and December 31, 2018, there were \$3.37 million and \$3.12 million, respectively, in unbilled rent which is included in "rents and other tenant receivables, net." Additionally, certain of the lease agreements contain provisions that grant additional rents based on tenants' sales volumes (contingent or percentage rent). Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements as variable lease income.

The Company's leases generally require the tenant to reimburse the Company for a substantial portion of its expenses incurred in operating, maintaining, repairing, insuring and managing the shopping center and common areas (collectively defined as Common Area Maintenance or "CAM" expenses). This significantly reduces the Company's exposure to increases in costs and operating expenses resulting from inflation or other outside factors. These reimbursements are considered nonlease components which the Company combines with the lease component. The Company calculates the tenant's share of operating costs by multiplying the total amount of the operating costs by a fraction, the numerator of which is the total number of square feet being leased by the tenant, and the denominator of which is the average total square footage of all leasable buildings at the property. The Company also receives escrow payments for these reimbursements from substantially all its tenants throughout the year. The Company recognizes tenant reimbursements as variable lease income. The Company recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material for the three and nine months ended September 30, 2019 and 2018.

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

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

Asset Management Fees

Asset management fees are generated from Non-REIT Properties. The Non-REIT Properties pay WRE property management and/or asset management fees of 3% and 2% of collected revenues, respectively, for services performed. Revenues are governed by the management fee agreements for the various properties. Obligations under the agreements include and are not limited to: managing of maintenance, janitorial, security, landscaping, vendors and back office (collecting rents,

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

2. Summary of Significant Accounting Policies (continued)

paying bills), etc. Each of the obligations are bundled together to be one service and are satisfied over time. Non-REIT Properties are billed monthly and typically pay monthly for these services.

Commissions

Commissions are generated from Non-REIT Properties. The Non-REIT Properties pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals). Revenues are governed by the leasing commission agreements for the various properties. Obligations under the agreements include and are not limited to: monitoring upcoming vacancies, new tenant identification, proposal preparation, lease negotiation and document preparation. Each of the obligations are bundled together to be one service as the overall objective of these services is to maintain the overall occupancy of the property. Revenue is recognized and billed upon lease execution.

The below table disaggregates the Company's revenue by type of service for the three and nine months ended September 30, 2019 and 2018 (in thousands, unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Minimum rent	\$ 12,169	\$ 12,704	\$ 36,604	\$ 38,187
Tenant reimbursements - variable lease revenue	3,262	3,150	9,999	9,337
Percentage rent - variable lease revenue	69	51	258	176
Lease termination fees	—	(15)	49	1,269
Commissions	18	52	65	102
Asset management fees	16	48	42	220
Other	146	232	390	428
Subtotal	15,680	16,222	47,407	49,719
Credit losses on operating lease receivables	(115)	(149)	(315)	(412)
Total	\$ 15,565	\$ 16,073	\$ 47,092	\$ 49,307

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. The TRS' have accrued \$30 thousand and \$13 thousand, respectively, for federal and state income taxes as of September 30, 2019 and December 31, 2018. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status, it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to a reasonable cause and certain other conditions were satisfied.

Taxable REIT Subsidiary Cost Allocation

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

Service vendors bill the majority of the direct costs of operating the properties directly to the REIT Properties and Non-REIT Properties and each property pays them accordingly. The Non-REIT Properties pay WRE property management and/

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

2. Summary of Significant Accounting Policies (continued)

or asset management fees of 3% and 2% of collected revenues, respectively. The Non-REIT Properties also pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals).

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

Financial Instruments

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

Use of Estimates

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

Advertising Costs For Leasing Activities

The Company expenses advertising and promotion costs as incurred. The Company incurred advertising and promotion costs associated with leasing activities of \$35 thousand and \$198 thousand for the three and nine months ended September 30, 2019, respectively. The Company incurred advertising and promotion costs of \$36 thousand and \$194 thousand for the three and nine months ended September 30, 2018, respectively.

Corporate General and Administrative Expense

A detail for the "corporate general & administrative" ("CG&A") 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,	
	2019	2018	2019	2018
Compensation and benefits	\$ 455	\$ 554	\$ 1,562	\$ 2,001
Professional fees	444	638	1,371	2,309
Corporate administration	326	299	934	968
Capital related costs	4	110	140	408
Taxes and licenses	40	23	172	227
Other	80	168	364	717
	<u>1,349</u>	<u>1,792</u>	<u>4,543</u>	<u>6,630</u>
Less: Allocation of CG&A to Non-REIT management and leasing services	—	(89)	—	(151)
Total	<u>\$ 1,349</u>	<u>\$ 1,703</u>	<u>\$ 4,543</u>	<u>\$ 6,479</u>

An allocation of professional fees, compensation and benefits, corporate administration and travel is included in Non-REIT management and leasing services on the condensed consolidated statements of operations, which can vary period to period depending on the relative operational fluctuations of these respective services.

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

2. Summary of Significant Accounting Policies (continued)

Leases Commitments

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

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

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

Noncontrolling Interests

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

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

Adoption of ASC Topic 842, “Leases”

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, “Leases (Topic 842)”, to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. The Company adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective approach within ASU 2018-11, which allows for the application date to be the beginning of the reporting period in which the entity first applies the new standard. The Company did not have a cumulative-effect adjustment as of the adoption date. In addition, the Company implemented internal controls to enable the preparation of financial information upon adoption.

The Company elected the package of transition practical expedients where the company is either the lessee or lessor, which among other things, allowed the Company to carry forward the historical lease classifications and use hindsight in determining the lease terms.

The standard had a material impact on the Company's condensed consolidated balance sheets, but did not have a material impact on the condensed consolidated statements of operations. The most significant impact was the recognition of ROU assets and lease liabilities of approximately \$11.90 million and \$11.99 million, respectively, for operating leases as of January 1, 2019, calculated based on an incremental borrowing rate of 4.84%. The difference between the ROU assets and lease liabilities at adoption represents the accrued straight-line rent liability previously recognized under ASC 840. The standard had no impact on the Company's cash flows.

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

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This update enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better calculate credit loss estimates. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, such as accounts receivable and loans. The guidance will require that the Company estimate the lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced the Company's estimate of expected credit losses and the reasons for those changes. In addition, in November 2018 the FASB issued ASU 2018-19, which clarifies that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the leases standard. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2019. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)". This update modifies the disclosure requirements on fair value measurements in Topic 820 with several removals and additions for disclosures. The guidance will add disclosures related to the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance would be effective for interim and annual reporting periods beginning after December 15, 2019. The Company anticipates that there will be no material impact on its consolidated financial statements upon adoption of the guidance.

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

Reclassifications

The Company has reclassified certain prior period amounts in the accompanying condensed consolidated financial statements in order to be consistent with the current presentation. These reclassifications had no effect on net income, total assets, total liabilities or equity.

Tenant reimbursements and provision for credit losses were reclassified to rental revenues on the condensed consolidated statements of operations to conform to 2019 presentation as a result of adopting ASU 2016-02, "Leases (Topic 842)." There are two reclassifications within the condensed consolidated statement of cash flows, one pertains to the straight-line expense operating activity adjustment on those leases which the Company is a lessee and the other is the presentation of credit losses on operating lease receivables. These reclassifications did not impact cash provided by (used in) operating, investing, or financing activities.

As of September 30, 2019, it was determined that six undeveloped Land Parcels (the "Land Parcels") previously classified as assets held for sale at December 31, 2018 no longer meet the definition of assets held for sale. Management's intention to sell the parcels has not changed; however, they are in secondary and tertiary markets with minimal land sales and it is not probable they will sell in the next twelve months. Accordingly, the assets and liabilities of the Land Parcels were reclassified to "land and land improvements" within investment properties for all periods presented, see Note 3.

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

3. Real Estate

Investment properties consist of the following (in thousands):

	September 30, 2019	December 31, 2018
	(unaudited)	
Land and land improvements	\$ 100,135	\$ 101,696
Buildings and improvements	365,686	374,499
Investment properties at cost	465,821	476,195
Less accumulated depreciation	(47,483)	(40,189)
Investment properties, net	\$ 418,338	\$ 436,006

The Company's depreciation expense on investment properties was \$2.92 million and \$8.99 million for the three and nine months ended September 30, 2019, respectively. The Company's depreciation expense on investment properties was \$3.05 million and \$9.55 million for the three and nine months ended September 30, 2018, respectively.

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

Assets Held for Sale

At December 31, 2018, assets held for sale included a 1.28 acre undeveloped land parcel at Harbor Pointe ("Harbor Pointe land parcel"), Graystone Crossing and Jenks Plaza. All three were sold during the nine months ended September 30, 2019. Additionally, in 2019 the Board committed to a plan to sell Perimeter Square and St. Matthews. Perimeter Square sold in July 2019. St. Matthews is classified as assets held for sale as of September 30, 2019.

The Harbor Pointe land parcel sale represents discontinued operations as it is a strategic shift that has a major effect on the Company's financial position or results of operations. Accordingly, the assets and liabilities associated with the Harbor Pointe land parcel have been reclassified for all periods presented.

The impairment charge on assets held for sale was \$400 thousand and \$1.55 million for the three and nine months ended September 30, 2019, respectively. These impairment charges resulted from reducing the carrying value of St. Matthews during the three months ended September 30, 2019 and Perimeter Square and St. Matthews during the nine months ended September 30, 2019, for the amounts that exceeded the properties' fair value less estimated selling costs. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 inputs.

As of September 30, 2019 and December 31, 2018, assets held for sale and associated liabilities, excluding discontinued operations, consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
	(unaudited)	
Investment properties, net	\$ 1,702	\$ 4,912
Rents and other tenant receivables, net	52	72
Above market leases, net	—	420
Deferred costs and other assets, net	2	228
Total assets held for sale, excluding discontinued operations	\$ 1,756	\$ 5,632

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

3. Real Estate (continued)

	September 30, 2019 (unaudited)	December 31, 2018
Loans payable	\$ 1,974	\$ 3,818
Accounts payable	86	240
Total liabilities associated with assets held for sale, excluding discontinued operations	\$ 2,060	\$ 4,058

As of September 30, 2019 and December 31, 2018, assets held for sale and associated liabilities for discontinued operations, consisted of the following (in thousands):

	September 30, 2019 (unaudited)	December 31, 2018
Investment properties, net	\$ —	\$ 486
Total assets held for sale, discontinued operations	\$ —	\$ 486

	September 30, 2019 (unaudited)	December 31, 2018
Loans payable	\$ —	\$ 460
Accounts payable	—	2
Total liabilities associated with assets held for sale, discontinued operations	\$ —	\$ 462

Dispositions

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

The following properties were sold during the nine months ended September 30, 2019 and 2018:

Disposal Date	Property	Contract Price	Gain (loss)	Net Proceeds
(in thousands, unaudited)				
July 12, 2019	Perimeter Square	\$ 7,200	\$ (81)	\$ —
March 18, 2019	Graystone Crossing	6,000	1,452	1,744
February 7, 2019	Harbor Pointe Land Parcel (1.28 acres)	550	—	19
January 11, 2019	Jenks Plaza	2,200	387	1,840
September 27, 2018	Shoppes at Eagle Harbor	5,705	1,270	2,071
June 19, 2018	Laskin Road Land Parcel (1.5 acres)	2,858	903	2,747
January 12, 2018	Chipotle Ground Lease at Conyers Crossing	1,270	1,042	1,160

The sale of the Chipotle ground lease at Conyers Crossing, Shoppes at Eagle Harbor, Jenks Plaza, Graystone Crossing and Perimeter Square did not represent a strategic shift that has a major effect on the Company's financial position or results of operations. Accordingly, the operating results of these properties remains classified within continuing operations for all periods presented.

JANAF Executive Building

In April 2019, the Company absorbed an approximate 25,000 square foot outparcel at JANAF as a result of an unlawful detainer with a delinquent tenant, Mariner Investments, LTD.

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

4. Notes Receivable

On September 29, 2016, the Company entered into an \$11.00 million note receivable for the partial funding of the Sea Turtle Development (“Sea Turtle”) and a \$1.00 million note receivable in consideration for the sale of 10.39 acres of land owned by the Company. Sea Turtle was a related party as Jon Wheeler, the Company’s former CEO and shareholder of the Company, is the managing member as discussed in Note 11. The rate on the loans is 12% annually. Interest only payments at a rate of 8% are due on the notes at the beginning of every calendar quarter starting October 2016. Interest at a rate of 4% accrues and is due at maturity. The notes mature the earlier of September 29, 2021 or the disposition of the property.

Both promissory notes are subordinated to the construction loans made by the Bank of Arkansas (“BOKF”), totaling \$20.00 million.

On or about April 9, 2019, BOKF filed a Verified Complaint in state court in Beaufort County, South Carolina for Sea Turtle’s default on payment of the BOKF construction loans, and for the appointment of a receiver, injunctive relief and accounting records. On May 7, 2019, Sea Turtle filed a Chapter 11 Voluntary Petition for Bankruptcy in the United States Bankruptcy Court for the District of South Carolina in Charleston. The bankruptcy petition automatically stayed BOKF’s suit.

The pleadings in the state court action and the bankruptcy action state that Sea Turtle has been in default on its payments to BOKF since September, 2018. The pleadings further state that the project is \$8.00 million over budget as of August 8, 2018. Sea Turtle has retained a broker to try and sell the property. There is a possibility that a judicially approved sale of the property will not bring a price that exceeds what is owed to BOKF on its construction loans. If a sale is not approved through the bankruptcy court in 2019, it is expected that the bankruptcy petition will be dismissed and BOKF will resume its suit in South Carolina state court, possibly leading to a foreclosure on the property. The pending legal proceedings have provided additional uncertainty with regards to the estimated fair market value of the development. As such, the Company recognized \$0.00 million and \$5.00 million in impairment charges on the notes receivable for the three and nine months ended September 30, 2019, respectively, as the estimated fair value of Sea Turtle is not expected to provide for the cash required to repay the notes receivable in the event of a judicially approved sale. The total impairment charge on the notes receivable is \$12.00 million and the carrying value is zero as of September 30, 2019.

The fair market value of Sea Turtle is based on the three-level valuation hierarchy for fair value measurement and represents 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.

Additionally in 2018, the Company placed the notes receivable on nonaccrual status and during the three and nine months ended September 30, 2019 and 2018 has not recognized \$363 thousand and \$1.08 million, respectively, of interest income due on the notes.

5. Deferred Costs

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	(unaudited)	
Leases in place, net	\$ 16,530	\$ 21,785
Tenant relationships, net	2,481	3,764
Ground lease sandwich interest, net	2,283	2,488
Lease origination costs, net	1,166	1,261
Legal and marketing costs, net	48	59
Other	749	716
Total deferred costs and other assets, net	<u>\$ 23,257</u>	<u>\$ 30,073</u>

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

5. Deferred Costs (continued)

As of September 30, 2019 and December 31, 2018, the Company's intangible accumulated amortization totaled \$55.36 million and \$50.55 million, respectively. During the three and nine months ended September 30, 2019, the Company's intangible amortization expense totaled \$2.14 million and \$7.18 million, respectively. During the three and nine months ended September 30, 2018, the Company's intangible amortization expense totaled \$2.99 million and \$11.39 million, respectively. Future amortization of lease origination costs, leases in place, legal and marketing costs, tenant relationships, and ground lease sandwich interests is as follows (in thousands, unaudited):

	Leases In Place, net	Tenant Relationships, net	Ground Lease Sandwich Interest, net	Lease Origination Costs, net	Legal & Marketing Costs, net	Total
For the remaining three months ending December 31, 2019	\$ 1,358	\$ 308	\$ 68	\$ 54	\$ 3	\$ 1,791
For the years ending:						
December 31, 2020	4,506	860	274	187	11	5,838
December 31, 2021	2,810	448	274	174	9	3,715
December 31, 2022	2,142	354	274	132	6	2,908
December 31, 2023	1,661	227	274	115	6	2,283
December 31, 2024	1,147	128	274	100	3	1,652
Thereafter	2,906	156	845	404	10	4,321
	<u>\$ 16,530</u>	<u>\$ 2,481</u>	<u>\$ 2,283</u>	<u>\$ 1,166</u>	<u>\$ 48</u>	<u>\$ 22,508</u>

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

6. 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, 2019	December 31, 2018
Harbor Pointe ⁽¹⁾	\$ 11,024	5.85 %	December 2018	\$ —	\$ 460
Perimeter Square ⁽¹⁾	Interest only	6.50 %	June 2019	—	6,250
Perimeter Square construction loan ⁽¹⁾	Interest only	6.50 %	June 2019	—	247
Revere Term Loan	\$ 109,658	10.00 %	April 2019	—	1,059
Senior convertible notes	\$ 234,199	9.00 %	June 2019	—	1,369
DF I-Moyock	\$ 10,665	5.00 %	July 2019	—	73
Rivergate	\$ 144,937	Libor + 295 basis points	December 2019	21,688	22,117
KeyBank Line of Credit ⁽⁶⁾	\$ 250,000	Libor + 350 basis points	Various ⁽⁶⁾	25,991	52,102
Folly Road	\$ 32,827	4.00 %	March 2020	5,961	6,073
Columbia Fire Station	\$ 25,452	4.00 %	May 2020	4,086	4,189
Shoppes at TJ Maxx	\$ 33,880	3.88 %	May 2020	5,394	5,539
First National Bank Line of Credit	\$ 24,656	Libor + 300 basis points	September 2020	1,271	2,938
Lumber River	\$ 10,723	Libor + 350 basis points	October 2020	1,416	1,448
JANAF Bravo	\$ 36,935	4.65 %	January 2021	6,407	6,500
Walnut Hill Plaza	\$ 26,850	5.50 %	September 2022	3,787	3,868
Twin City Commons	\$ 17,827	4.86 %	January 2023	3,000	3,048
New Market	\$ 48,747	5.65 %	June 2023	6,763	6,907
Benefit Street Note ⁽³⁾	\$ 53,185	5.71 %	June 2023	7,414	7,567
Deutsche Bank Note ⁽²⁾	\$ 33,340	5.71 %	July 2023	5,660	5,713
JANAF	\$ 333,159	4.49 %	July 2023	51,021	52,253
Tampa Festival	\$ 50,797	5.56 %	September 2023	8,116	8,227
Forrest Gallery	\$ 50,973	5.40 %	September 2023	8,419	8,529
Riversedge North	\$ 11,436	5.77 %	December 2023	1,775	1,800
South Carolina Food Lions Note ⁽⁵⁾	\$ 68,320	5.25 %	January 2024	11,725	11,867
Cypress Shopping Center	\$ 34,360	4.70 %	July 2024	6,297	6,379
Port Crossing	\$ 34,788	4.84 %	August 2024	6,063	6,150
Freeway Junction	\$ 41,798	4.60 %	September 2024	7,761	7,863
Harrodsburg Marketplace	\$ 19,112	4.55 %	September 2024	3,434	3,486
Graystone Crossing ⁽¹⁾	\$ 20,386	4.55 %	October 2024	—	3,863
Bryan Station	\$ 23,489	4.52 %	November 2024	4,414	4,472
Crockett Square	Interest only	4.47 %	December 2024	6,338	6,338
Pierpont Centre	Interest only	4.15 %	February 2025	8,113	8,113
Alex City Marketplace	Interest only	3.95 %	April 2025	5,750	5,750
Butler Square	Interest only	3.90 %	May 2025	5,640	5,640
Brook Run Shopping Center	Interest only	4.08 %	June 2025	10,950	10,950
Beaver Ruin Village I and II	Interest only	4.73 %	July 2025	9,400	9,400
Sunshine Shopping Plaza	Interest only	4.57 %	August 2025	5,900	5,900
Barnett Portfolio ⁽⁴⁾	Interest only	4.30 %	September 2025	8,770	8,770
Fort Howard Shopping Center	Interest only	4.57 %	October 2025	7,100	7,100
Conyers Crossing	Interest only	4.67 %	October 2025	5,960	5,960
Grove Park Shopping Center	Interest only	4.52 %	October 2025	3,800	3,800
Parkway Plaza	Interest only	4.57 %	October 2025	3,500	3,500
Winslow Plaza	Interest only	4.82 %	December 2025	4,620	4,620
JANAF BJ's	\$ 29,964	4.95 %	January 2026	4,985	5,065
Chesapeake Square	\$ 23,857	4.70 %	August 2026	4,373	4,434
Berkley/Sangaree/Tri-County	Interest only	4.78 %	December 2026	9,400	9,400
Riverbridge	Interest only	4.48 %	December 2026	4,000	4,000
Franklin Village	Interest only	4.93 %	January 2027	8,516	8,516
Village of Martinsville	\$ 89,664	4.28 %	July 2029	16,442	—
Laburnum Square	Interest only	4.28 %	September 2029	7,665	—
Total Principal Balance ⁽¹⁾				349,085	369,612
Unamortized debt issuance cost ⁽¹⁾				(4,300)	(5,144)
Total Loans Payable, including assets held for sale				344,785	364,468
Less loans payable on assets held for sale, net loan amortization costs				1,974	4,278
Total Loans Payable, net				\$ 342,811	\$ 360,190

(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, Litchfield Market Village, Moncks Corner, Shoppes at Myrtle Park, South Lake and St. Matthews (assets held for sale). The various maturity dates are disclosed below within Note 6 under the KeyBank Credit Agreement.

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

6. Loans Payable (continued)

KeyBank Credit Agreement

On December 21, 2017, the Company entered into an Amended and Restated Credit Agreement to the KeyBank Credit Agreement (the "Amended and Restated Credit Agreement") for the line of credit with KeyBank (the "KeyBank Line of Credit"). The revolving facility will mature on December 21, 2019, but may be extended at the Company's option for an additional one-year period, subject to certain customary conditions. The interest rate remains the same at Libor plus 250 basis points based on the Company's Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Agreement).

At December 31, 2018, a \$3.83 million over advance (the "Overadvance") on the Borrowing Base Availability (as defined in the Amended and Restated Credit Agreement) existed as a result of the 2018 refinancing of six assets off the KeyBank Line of Credit. The Company was to repay the Overadvance of \$3.83 million by February 28, 2019 or otherwise properly balance the Borrowing Base Availability.

On March 11, 2019, KeyBank extended the time which the Company is to repay the Overadvance to March 31, 2019 or otherwise properly balance the Borrowing Base Availability.

On March 19, 2019, the Company made a \$850 thousand principal payment.

On April 25, 2019, the Company entered into a First Amendment to the Amended and Restated Credit Agreement (the "First Amendment"). In conjunction with the First Amendment, the Company made a \$1.00 million principal payment on the KeyBank Line of Credit and began making monthly principal payments of \$250 thousand on May 1, 2019. The First Amendment, among other provisions, waived the Overadvance (as defined in the Amended and Restated Credit Agreement) and replaced the Borrowing Base Availability (as defined in the Amended and Restated Credit Agreement) with an interest coverage ratio. Additionally, the KeyBank Line of Credit shall be reduced to \$27.00 million by July 31, 2019, \$7.50 million by September 30, 2019 and the interest rate increases to Libor plus 350 basis points on August 31, 2019 if the outstanding balance is not below \$11.00 million.

On June 28, 2019, the Company refinanced the Village of Martinsville collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$15.46 million.

On August 1, 2019, the Company refinanced the Laburnum Square collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$7.55 million on the KeyBank Line of Credit.

As of September 30, 2019, \$25.99 million is borrowed on the KeyBank Line of Credit pursuant to the Amended and Restated Credit Agreement, which is collateralized by 8 properties. At September 30, 2019, the outstanding borrowings are accruing interest at 5.54%. The Amended and Restated Credit Agreement contains certain financial covenants that the Company must meet, including minimum leverage, fixed charge coverage, interest coverage and debt service coverage ratios as well as a minimum tangible net worth requirement. The Company was in compliance with the financial covenants as of September 30, 2019. The Amended and Restated Credit Agreement also contains certain events of default, and if they occur, may cause KeyBank to terminate the Amended and Restated Credit Agreement and declare amounts owed to become immediately due and payable. As of September 30, 2019, the Company has not received any notice of default under the Amended and Restated Credit Agreement.

Revere Term Loan

On January 29, 2019, the Company entered into a Sixth Amendment to Loan Documents to the Revere Term Loan (the "Revere Sixth Amendment"). The Revere Sixth Amendment extended the maturity date to April 1, 2019 from February 1, 2019 and created an additional "Exit Fee" of \$20 thousand.

As of March 31, 2019, the Revere Term Loan was paid in full using proceeds from the following:

- \$323 thousand with proceeds from the sale of Jenks Plaza on January 11, 2019;
- \$30 thousand in conjunction with the sale of a Harbor Pointe parcel on February 7, 2019;
- \$300 thousand in monthly scheduled principal payments; and,
- \$406 thousand, the remaining principal balance and the \$20 thousand Exit Fee on March 29, 2019 from operating cash flows.

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

6. Loans Payable (continued)

First National Bank Line of Credit

On January 11, 2019, the Company paid \$1.51 million on the First National Bank Line of Credit, the portion collateralized by Jenks Plaza, as detailed in Note 3.

Perimeter Square Refinance and Construction Loan

On January 15, 2019, the Company renewed the promissory notes for \$6.25 million and \$247 thousand at Perimeter Square. The loans were extended to March 2019 with interest only payments beginning February 15, 2019. The loans bear interest at 6.50%. In April 2019, the Company extended the \$6.50 million of Perimeter Square loans to June 5, 2019.

On July 12, 2019, the principal balance on the Perimeter Square loans were paid in full with the sale of the property, as detailed in Note 3.

Harbor Pointe

On February 7, 2019, the principal balance on the Harbor Pointe loan was paid in full with the sale of a .28 acre parcel located at the property, as detailed in Note 3.

Graystone Crossing

On March 18, 2019, the principal balance on the Graystone Crossing loan was paid in full with the sale of the property, as detailed in Note 3.

Senior Convertible Notes

On June 10, 2019, through scheduled principal and interest payments the senior convertible notes were paid in full.

Village of Martinsville Refinance

On June 28, 2019, the Company executed a promissory note for \$16.50 million for the refinancing of Village of Martinsville at a rate of 4.28%. The loan matures on July 6, 2029 with monthly principal and interest payments of \$89,664.

Laburnum Square Refinance

On August 1, 2019, the Company executed a promissory note for \$7.67 million for the refinancing of Laburnum Square at a rate of 4.28%. The loan is interest only through August 2024 with principal and interest payments of \$37,842 beginning in September 2024. The loan matures on September 5, 2029.

Loan Covenants

Certain of the Company's loans payable have covenants with which the Company is required to comply. As of September 30, 2019, the Company believes it is in compliance with covenants and is not considered in default on any loans.

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

6. Loans Payable (continued)

Debt Maturity

The Company's scheduled principal repayments on indebtedness as of September 30, 2019, including assets held for sale, are as follows (in thousands, unaudited):

For the remaining three months ended December 31, 2019	\$	48,899
December 31, 2020		22,506
December 31, 2021		10,944
December 31, 2022		8,482
December 31, 2023		85,326
December 31, 2024		44,020
Thereafter		128,908
Total principal repayments and debt maturities	\$	349,085

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flows from operating activities and other expected financing sources to meet these needs. In particular, the Company has considered its scheduled debt maturities for the twelve months ending September 30, 2020 of \$64.39 million, including \$25.99 million on the KeyBank Line of Credit which is collateralized by eight properties within the portfolio. The Company plans to pay this obligation through a combination of refinancings, dispositions and operating cash. Subsequent to September 30, 2019 there was a \$7.16 million paydown to the KeyBank Line of Credit in addition to a non-binding modification extending the maturity to June 30, 2020, as discussed in greater detail in Note 12. All loans due to mature are collateralized by properties within the portfolio. Additionally, the Company expects to meet the short-term liquidity requirements, through a combination of the following:

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

Management is currently working with lenders to refinance certain properties off of the KeyBank Line of Credit in an effort to reduce the balance prior to maturity. The loans are expected to have customary interest rates similar to current loans. They are subject to formal lender commitment, definitive documentation and customary conditions.

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 each of the next five years and thereafter, excluding CAM and percentage rent based on tenant sales volume, as of September 30, 2019 are as follows (in thousands, unaudited):

For the remaining three months ended December 31, 2019	\$	11,817
December 31, 2020		43,201
December 31, 2021		35,531
December 31, 2022		28,790
December 31, 2023		22,962
December 31, 2024		16,539
Thereafter		41,662
Total minimum rents	\$	200,502

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

8. Equity and Mezzanine Equity

Series A Preferred Stock

At September 30, 2019 and December 31, 2018, the Company had 562 shares of Series A Preferred Stock, without par value ("Series A Preferred") issued and outstanding and 4,500 shares authorized with a \$1,000 liquidation preference per share, or \$562 thousand in aggregate. The Series A Preferred accrues cumulative dividends at a rate of 9% per annum, which is paid or accumulated quarterly. The Company has the right to redeem the 562 shares of Series A Preferred, on a pro rata basis, at any time at a price equal to 103% of the purchase price for the Series A Preferred plus any accrued but unpaid dividends.

Series B Preferred Stock

At September 30, 2019 and December 31, 2018, the Company had 1,875,748 shares and 5,000,000 shares of Series B Convertible Preferred Stock, without par value ("Series B Preferred") issued and authorized with a \$25.00 liquidation preference per share, or \$46.90 million in aggregate. The Series B Preferred bears interest at a rate of 9% per annum. The Series B Preferred has no redemption rights. However, the Series B Preferred is subject to a mandatory conversion once the 20-trading day volume-weighted average closing price of our Common Stock, exceeds \$58 per share; once this weighted average closing price is met, each share of our Series B Preferred will automatically convert into shares of our Common Stock at a conversion price equal to \$40.00 per share of Common Stock. In addition, holders of our Series B Preferred also have the option, at any time, to convert shares of our Series B Preferred into shares of our Common Stock at a conversion price of \$40.00 per share of Common Stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of shares of our Series B Preferred shall be entitled to be paid out of our assets a liquidation preference of \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends to and including the date of payment. The Series B Preferred has no maturity date and will remain outstanding indefinitely unless subject to a mandatory or voluntary conversion as described above.

In conjunction with the 2014 issuance of Series B Preferred, 1,986,600 warrants were issued. Each warrant permitted investors to purchase 0.125 share of Common Stock at an exercise price of \$44 per share of Common Stock, subject to adjustment. On April 29, 2019, the 1,986,600 warrants exchangeable into 248,325 shares of Common Stock expired. The warrants were registered on the Nasdaq Stock Market under the trading symbol "WHLRW" (CUSIP No.: 963025119).

Series D Preferred Stock - Redeemable Preferred Stock

At September 30, 2019 and December 31, 2018, the Company had 3,600,636 issued and 4,000,000 authorized shares of Series D Cumulative Convertible Preferred Stock, without par value ("Series D Preferred") with a \$25.00 liquidation preference per share, or \$99.24 million and \$91.98 million in aggregate, respectively. Until September 21, 2023, the holders of the Series D Preferred are entitled to receive cumulative cash dividends at a rate of 8.75% per annum of the \$25.00 liquidation preference per share (equivalent to the fixed annual amount of \$2.1875 per share) (the "Initial Rate"). Commencing September 21, 2023, the holders will be entitled to cumulative cash dividends at an annual dividend rate of the Initial Rate increased by 2% of the liquidation preference per annum on each subsequent anniversary thereafter, subject to a maximum annual dividend rate of 14%. Dividends are payable quarterly in arrears on or before January 15th, April 15th, July 15th and October 15th of each year. On or after September 21, 2021, the Company may, at its option, redeem the Series D Preferred, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date. The holder of the Series D Preferred may convert shares at any time into shares of the Company's Common Stock at an initial conversion rate of \$16.96 per share of Common Stock. On September 21, 2023, the holders of the Series D Preferred may, at their option, elect to cause the Company to redeem any or all of their shares at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date, payable in cash or in shares of Common Stock, or any combination thereof, at the holder's option.

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

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

8. Equity and Mezzanine Equity (continued)

such, the Series D Preferred shares began accumulating dividends at 10.75% beginning January 1, 2019 and will continue to accumulate dividends at this rate until all accumulated dividends have been paid.

Holders of shares of the Series D Preferred have no voting rights. However, if dividends on the Series D Preferred are in arrears for six or more consecutive quarterly periods, the number of directors on our Board of Directors will automatically be increased by two, and holders of shares of the Series D Preferred and the holders of shares of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) will be entitled to vote, at a special meeting called upon the written request of the holders of at least 20% of such stock or at our next annual meeting and at each subsequent annual meeting of stockholders, for the election of two additional directors to serve on our Board of Directors, until all unpaid dividends on such Series D Preferred and Parity Preferred Stock, if any, have been paid or declared and a sum sufficient for the payment thereof set apart for payment. The Series D Preferred Directors will be elected by a plurality of the votes cast in the election. For the avoidance of doubt, the Board of Directors shall not be permitted to fill the vacancies on the Board of Directors as a result of the failure of the holders of 20% of the Series D Preferred Stock and Parity Preferred Stock to deliver such written request for the election of the Series D Preferred Directors.

The changes in the carrying value of the Series D Preferred for the three and nine months ended September 30, 2019 and 2018 is as follows (in thousands, unaudited):

	<u>Series D Preferred</u>
Balance December 31, 2018	\$ 76,955
Accretion of Preferred Stock discount	148
Undeclared dividends	2,419
Balance March 31, 2019	<u>79,522</u>
Accretion of Preferred Stock discount	149
Undeclared dividends	2,419
Balance June 30, 2019	<u>82,090</u>
Accretion of Preferred Stock discount	148
Undeclared dividends	2,419
Balance September 30, 2019	<u>\$ 84,657</u>
	<u>Series D Preferred</u>
Balance December 31, 2017	\$ 53,236
Accretion of Preferred Stock discount	148
Issuance of Preferred Stock for acquisition of JANAF	21,158
Balance March 31, 2018	<u>74,542</u>
Accretion of Preferred Stock discount	148
Balance June 30, 2018	<u>74,690</u>
Accretion of Preferred Stock discount	148
Balance September 30, 2018	<u>\$ 74,838</u>

Earnings per share

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

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

8. Equity and Mezzanine Equity (continued)

As of September 30, 2019, the below shares are able to be converted to Common Stock. The common units, convertible preferred stock and cumulative convertible preferred stock have been excluded from the Company's diluted earnings per share calculation because their inclusion would be antidilutive.

	September 30, 2019	
	Outstanding shares	Potential Dilutive Shares
	(unaudited)	
Common units	235,032	235,032
Series B Preferred Stock	1,875,748	1,172,343
Series D Preferred Stock	3,600,636	5,307,541

Dividends

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

Record Date/Arrears Date	Series A Preferred			Series B Preferred			Series D Preferred		
	Declared	Arrears	Per Share	Declared	Arrears	Per Share	Declared	Arrears	Per Share
12/31/18	\$ —	\$ 13	\$ 22.50	\$ —	\$ 1,055	\$ 0.56	\$ —	\$ 1,969	\$ 0.55
3/31/19	—	13	\$ 22.50	—	1,055	\$ 0.56	—	2,419	\$ 0.67
6/30/19	—	13	\$ 22.50	—	1,055	\$ 0.56	—	2,419	\$ 0.67
9/30/19	—	13	\$ 22.50	—	1,056	\$ 0.56	—	2,419	\$ 0.67
For the nine months ended September 30, 2019	\$ —	\$ 39		\$ —	\$ 3,166		\$ —	\$ 7,257	
3/31/18	\$ 13	\$ —	\$ 22.50	\$ 1,055	\$ —	\$ 0.56	\$ 1,969	\$ —	\$ 0.55
6/30/18	13	—	\$ 22.50	1,055	—	\$ 0.56	1,969	—	\$ 0.55
9/30/18	13	—	\$ 22.50	1,056	—	\$ 0.56	1,969	—	\$ 0.55
For the nine months ended September 30, 2018	\$ 39	\$ —		\$ 3,166	\$ —		\$ 5,907	\$ —	

2015 Long-Term Incentive Plan

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

As of September 30, 2019, there are 41,104 shares available for issuance under the Company's 2015 Incentive Plan. There were no shares issued during the three and nine months ended September 30, 2019 and 2018.

2016 Long-Term Incentive Plan

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

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

8. Equity and Mezzanine Equity (continued)

For the Nine Months ended September 30,	Shares Issued	Market Value
(in thousands except for per share amounts, unaudited)		
2019	181,807	\$ 166
2018	168,217	894

As of September 30, 2019, there are 132,707 shares available for issuance under the Company's 2016 Incentive Plan.

9. Leases Commitments

The Company has ground leases that are accounted for as operating leases. The Charleston, SC lease ended August 31, 2019 and was accounted for as an operating lease. Most leases include one or more options to renew, with renewal terms that can extend the lease term from 5 to 50 years. As of September 30, 2019, the weighted average remaining lease term of our leases is 35 years. The following properties are subject to leases which require the Company to make fixed annual rental payments and variable lease payments, which are immaterial and include escalation clauses and renewal options as follows (unaudited, in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Expiration Year
	2019	2018	2019	2018	
Amscot	\$ 7	\$ 5	\$ 19	\$ 14	2045
Beaver Ruin Village	14	11	41	34	2054
Beaver Ruin Village II	6	5	17	15	2056
Leased office space Charleston, SC	17	25	67	75	2019
Moncks Corner	30	30	91	91	2040
Devine Street	99	63	297	188	2051 ⁽¹⁾
JANAF ⁽²⁾	65	65	200	191	2069
Total ground leases	<u>\$ 238</u>	<u>\$ 204</u>	<u>\$ 732</u>	<u>\$ 608</u>	

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

(2) Includes \$29 thousand and \$90 thousand in variable percentage rent, during the three and nine months ended September 30, 2019, respectively. Includes \$29 thousand and \$82 thousand in variable percentage rent, during the three and nine months ended September 30, 2018, respectively.

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

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 161	\$ 500
Leased assets obtained in exchange for new operating lease liabilities	\$ —	\$ 11,904

Undiscounted cash flows of our scheduled obligations for future minimum lease payments due under the operating leases, including applicable automatic extension options and options reasonably certain of being exercised, as of September 30, 2019 and a reconciliation of those cash flows to the operating lease liabilities at September 30, 2019 are 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)

For the remaining three months ended December 31, 2019	\$	144
December 31, 2020		583
December 31, 2021		637
December 31, 2022		640
December 31, 2023		642
December 31, 2024		644
Thereafter		23,109
Total minimum lease payments ⁽¹⁾		26,399
Discount		(14,478)
Operating lease liabilities	\$	11,921

(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.

Concentration of Credit Risk

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

The Company's portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in the Northeast, Mid-Atlantic and Southeast, which markets represented approximately 4%, 36% and 60% respectively, of the total annualized base rent of the properties in its portfolio as of September 30, 2019. 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.

10. Commitments and Contingencies (continued)

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 legal proceedings are in process.

Stilwell Activist Investments LP v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for Baltimore County, Maryland. This is an action brought by one of the largest investors in the Company seeking the production of documents and information beyond what the Company provides in its public filings and what it has already provided to Stilwell after a written request. The Company filed a motion to dismiss Stilwell's suit for failure to state a claim. At a hearing on that motion on October 31, 2019, the Court denied motion to dismiss, so the case will proceed, for now. Stilwell does not seek any monetary damages in this action.

JCP Investment Partnership LP, et al v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for Baltimore County, Maryland. This is an action brought by a large minority shareholder of the Company alleging that in 2018, the Company breached an asset coverage ratio covenant, so as to require the Company to buy back shares of its Series D Preferred. The Company is defending this suit on the grounds it validly amended the Articles Supplementary through the Certificate of Correction filed with the Maryland Department of Taxation on or about May 3, 2018, curing any alleged breach of the covenant. Plaintiffs are not seeking any specific damage amount; rather, their prayer for relief asks the Court to order that the Company must redeem the Series D Preferred in accordance with the terms of the original Articles Supplementary, not commit any further alleged violations of the Articles Supplementary, and award them their costs, expenses and attorneys' fees. In the event a redemption is required, the redemption provisions of the Articles Supplementary permit the Company to redeem those Series D Preferred that it chooses to redeem (not necessarily JCP's Preferred Shares). Accordingly, it is difficult to assess the Company's anticipated exposure in this case at this time. The case is presently in discovery and is scheduled for trial on March 2, 2020. However, the parties conducted a settlement conference in July, 2019, and have continued their efforts to resolve the case short of trial.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for the City of Virginia Beach, Virginia. Former CEO, Jon Wheeler, alleges that he was improperly terminated and is owed severance and bonus payments pursuant to his Employment Agreement. Altogether, his alleged damages total approximately \$1.00 million. The Company is defending the action on the grounds that Jon Wheeler was properly terminated for cause, including for his failure to properly apprise the Board of Directors of critical information, and placing his own personal interests above the Company's, including contracting counsel about filing suit on his behalf against the Company and the Board of Directors while he was still CEO and President of the Board. The Company has filed a Counterclaim against Wheeler for approximately \$150 thousand for reimbursement of personal expenses the Company paid, but that Wheeler should have borne. Trial of this action is scheduled for December 17, 2019. At this juncture, the outcome of the matter cannot be predicted.

BOKF, NA v. WD-1 Associates, LLC, et al, Court of Common Pleas for Beaufort County, South Carolina. This is a lawsuit filed by BOKF ("Bank of Arkansas") the lead lender for Sea Turtle project in Hilton Head, South Carolina against WD-1 Associates, LLC and Jon Wheeler for default on BOKF's two construction loans. BOKF seeks appointment of a Receiver to take over the financial management of the project that WD-1 was allegedly (mis)handling. The lawsuit pending in Beaufort County is presently stayed as to WD-1, pursuant to the Chapter 11 Bankruptcy proceeding it filed in Charleston, South Carolina. In the lawsuit pending in Beaufort County, BOKF has moved for a default judgment against Jon Wheeler, who personally guaranteed the two BOKF loans. The Company's subsidiary, Wheeler Real Estate, LLC is named in the lawsuit pending in Beaufort County solely in its position as the former property manager for WD-1 Associates, to obtain financial information. No damages are sought from Wheeler Real Estate, LLC in the Beaufort County action. The Company's subsidiaries are creditors in the Chapter 11 Bankruptcy. WD-1 is seeking a sale of the project real estate through the bankruptcy proceedings. At this juncture, the outcome of the matter cannot be predicted.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc. and David Kelly, Individually, Circuit Court for the City of Virginia Beach, Virginia. In September, 2018, former Chief Executive Officer and President Jon S. Wheeler filed claims for defamation and tortious interference with contract expectancy, prospective business relationships and

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

10. Commitments and Contingencies (continued)

economic advantage in the Circuit Court for the City of Virginia Beach, Virginia, asserting current Chief Executive Officer and President, David Kelly, defamed him in communications with an industry association. In February, 2019, Jon Wheeler’s counsel amended the suit to add the Company as a Defendant, but dropped all but the defamation claims. Mr. Kelly and the Company are defending the lawsuit. Trial is set for June 10, 2020. 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 \$2,415,000, 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 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 \$2.26 million, the principal amount of the bonds, as of September 30, 2019. 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, 2019, the Company funded \$0 thousand and \$44 thousand, respectively, in debt service shortfalls. During the three and nine months ended September 30, 2018, the Company funded \$0 thousand and \$5 thousand, respectively, in debt service shortfalls. No amounts have been accrued for this as of September 30, 2019 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, 2019 and 2018 and as of September 30, 2019 and December 31, 2018. The amounts disclosed below reflect the activity between the Company and its affiliates (in thousands).

	Nine Months Ended September 30,	
	2019	2018
	(unaudited)	
Amounts paid to affiliates	\$ —	\$ 15
Amounts received from affiliates	\$ 16	\$ 113
	September 30, 2019	December 31, 2018
	(unaudited)	
Notes receivable	\$ —	\$ 5,000

As discussed in Note 4, the Company loaned \$11.00 million for the partial funding of Sea Turtle and loaned \$1.00 million for the sale of land to be used in the development. As of September 30, 2019, the Company in total has recognized \$12.00 million in impairment charges on the notes receivable reducing the carrying value to zero, as discussed in greater detail in Note 4. During the three and nine months ended September 30, 2019, the Company recognized \$0.00 million and \$5.00 million, respectively, in impairment charges on the notes receivable. The Company has placed the notes receivable on nonaccrual status and during the three and nine months ended September 30, 2019 and 2018 has not recognized \$363 thousand and \$1.08 million, respectively, of interest income due on the notes. At September 30, 2019, a total of \$3.86 million in interest on the notes receivable remains unpaid. In February 2018, the Company’s agreement to perform development, leasing, property and asset management services for Sea Turtle was terminated. Sea Turtle is a related party as Jon Wheeler, the Company’s former CEO and shareholder of the Company, is the managing member. Prior to the termination of the agreements,

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

11. Related Party Transactions (continued)

development fees of 5% of hard costs incurred were due to the Company. Leasing, property and asset management fees were consistent with those charged for services provided to non-related properties.

The Company recovered \$22 thousand due from related parties for the three and nine months ended September 30, 2019, respectively, which were previously reserved. The Company recovered \$0 thousand and \$77 thousand in amounts due from related parties for the three and nine months ended September 30, 2018, respectively, which were previously reserved. These recoveries are included in the respective revenue category which they relate. The total allowance on related party receivables at September 30, 2019 and December 31, 2018 is \$2.15 million and \$2.20 million, respectively. There were no additional reserves recorded for the three and nine months ended September 30, 2019 and the year ended December 31, 2018.

12. Subsequent Events

Litchfield Market Village Refinance

On November 1, 2019, the Company refinanced the Litchfield Market Village collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$7.16 million on the KeyBank Line of Credit.

On November 1, 2019 the Company executed a promissory note for \$7.50 million for the refinancing of Litchfield Market Village at a fixed interest rate of 5.50%.

KeyBank Line of Credit

On November 5, 2019, the Company and KeyBank entered into a non-binding term sheet (the "Term Sheet") to amend the Amended and Restated Credit Agreement with KeyBank. Pursuant to the Term Sheet, the Company began making monthly principal payments of \$350 thousand on November 1, 2019. The Term Sheet, among other provisions, requires a pledge of additional collateral of \$15.00 million in residual equity interests. Additionally, the KeyBank Line of Credit shall be reduced to \$12.00 million by December 31, 2019, \$10.00 million by January 31, 2020, \$2.00 million by April 30, 2020 and fully matures on June 30, 2020. The Term Sheet is not a binding commitment from KeyBank and will be superseded by a formal contract amendment, subject to customary closing conditions.

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 2018 Form 10-K for the year ended December 31, 2018. 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.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. 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. Forward-looking statements are typically identified by the use of terms such as “may,” “will,” “should,” “potential,” “predicts,” “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates” or the negative of such terms and variations of these words and similar expressions, although not all forward-looking statements include these words. 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.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned not to place undue reliance on forward-looking statements, which reflect our management’s view only as of the date of this Form 10-Q. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

The forward-looking statements should be read in light of these factors and the factors identified in the “Risk Factors” sections in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019.

Company Overview

As of September 30, 2019, the Trust, through the Operating Partnership, owned and operated sixty-one centers, one office building and six undeveloped properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Oklahoma, Tennessee, Kentucky, New Jersey, Pennsylvania and West Virginia. Accordingly, the use of the word “Company” refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

Recent Trends and Activities

There have been several significant events in 2019 that have impacted our company. These events are summarized below.

Dispositions

Disposal Date	Property	Contract Price	Gain (loss)	Net Proceeds
(in thousands, unaudited)				
July 12, 2019	Perimeter Square	\$ 7,200	\$ (81)	\$ —
March 18, 2019	Graystone Crossing	6,000	1,452	1,744
February 7, 2019	Harbor Pointe Land Parcel (1.28 acres)	550	—	19
January 11, 2019	Jenks Plaza	2,200	387	1,840
		<u>\$ 15,950</u>	<u>\$ 1,758</u>	<u>\$ 3,603</u>

Assets Held for Sale

In 2019, the Company’s management and Board of Directors committed to a plan to sell Perimeter Square and St. Matthews. The Company recorded a \$400 thousand and \$1.55 million impairment charge for the three and nine months ended September 30, 2019, respectively. These impairment charges resulted from reducing the carrying value of St. Matthews during the three months ended September 30, 2019, and Perimeter Square and St. Matthews during the nine months ended September 30, 2019, for the amounts that exceeded the properties’ fair value less estimated selling costs.

KeyBank Credit Agreement

On April 25, 2019, the Company entered into the First Amendment. In conjunction with the First Amendment, the Company made a \$1.00 million principal payment on the KeyBank Line of Credit and began making monthly principal payments of \$250 thousand on May 1, 2019. The First Amendment, among other provisions, waived the Overadvance (as defined in the Amended and Restated Credit Agreement) and replaced the Borrowing Base Availability (as defined in the Amended and Restated Credit Agreement) with an interest coverage ratio. Additionally, the KeyBank Line of Credit shall be reduced to \$27.00 million by July 31, 2019, \$7.50 million by September 30, 2019 and the interest rate increases to Libor plus 350 basis points on August 31, 2019 if the outstanding balance is not below \$11.00 million.

On June 28, 2019, the Company refinanced the Village of Martinsville collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$15.46 million. On August 1, 2019, the Company refinanced the Laburnum Square collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$7.55 million. Additionally, the Company has made principal payments of \$3.10 million during the nine months ended September 30, 2019.

Subsequent to September 30, 2019, there was a \$7.16 million paydown to the KeyBank Line of Credit in addition to a modification extending the maturity to June 30, 2020, as discussed in greater detail in Note 12.

Revere Term Loan

As of March 31, 2019, the Revere Term Loan has been paid in full using proceeds from the following:

- \$323 thousand with proceeds from the sale of Jenks Plaza on January 11, 2019;
- \$30 thousand with proceeds from the sale of Harbor Pointe on February 7, 2019;
- \$300 thousand in monthly scheduled principal payments; and,
- \$406 thousand, the remaining principal balance and the \$20 thousand Exit Fee on March 29, 2019 from operating cash flows.

Sea Turtle Development

In 2016, the Company loaned \$11.00 million for the partial funding of Sea Turtle and loaned \$1.00 million for the sale of land to be used in the development. Both promissory notes are subordinated to the construction loans made by BOKF, totaling \$20.00 million.

On or about April 9, 2019, BOKF filed a Verified Complaint in state court in Beaufort County, South Carolina for Sea Turtle's default on payment of the BOKF construction loans, and for the appointment of a receiver, injunctive relief and accounting records. On May 7, 2019, Sea Turtle filed a Chapter 11 Voluntary Petition for Bankruptcy in the United States Bankruptcy Court for the District of South Carolina in Charleston. The bankruptcy petition automatically stayed BOKF's suit.

The pleadings in the state court action and the bankruptcy action state that Sea Turtle has been in default on its payments to BOKF since September, 2018. The pleadings further state that the project is \$8.00 million over budget as of August 8, 2018. Sea Turtle has retained a broker to try and sell the property. There is a possibility that a judicially approved sale of the property will not bring a price that exceeds what is owed to BOKF on its construction loans. If a sale is not approved through the bankruptcy court in 2019, it is expected that the bankruptcy petition will be dismissed and BOKF will resume its suit in South Carolina state court, possibly leading to a foreclosure on the property. The pending legal proceedings have provided additional uncertainty with regards to the estimated fair market value of the development. As such, the Company recognized \$0.00 million and \$5.00 million in impairment charges on the notes receivable for the three and nine months ended September 30, 2019, respectively, as the estimated fair value of Sea Turtle is not expected to provide for the cash required to repay the notes receivable in the event of a judicially approved sale. This brings the total impairment charge on notes receivable to \$12.00 million reducing the carrying value to zero as of September 30, 2019.

The fair market value of Sea Turtle is based on the three-level valuation hierarchy for fair value measurement and represents 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.

Preferred Dividends

At September 30, 2019, the Company had accumulated undeclared dividends of \$13.50 million to holders of shares of our Series A Preferred Stock, Series B Preferred Stock, and Series D Preferred Stock of which \$3.49 million and \$10.46 million is attributable to the three and nine months ended September 30, 2019, respectively.

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,	
	2019	2018	2019	2018 ⁽²⁾
Renewals⁽¹⁾:				
Leases renewed with rate increase (sq feet)	193,609	101,355	374,580	359,854
Leases renewed with rate decrease (sq feet)	1,040	1,240	31,196	39,720
Leases renewed with no rate change (sq feet)	141,650	136,452	150,233	162,796
Total leases renewed (sq feet)	336,299	239,047	556,009	562,370
Leases renewed with rate increase (count)	39	21	88	71
Leases renewed with rate decrease (count)	1	1	9	6
Leases renewed with no rate change (count)	6	6	11	13
Total leases renewed (count)	46	28	108	90
Option exercised (count)	15	6	28	23
Weighted average on rate increases (per sq foot)	\$ 0.73	\$ 1.10	\$ 0.77	\$ 0.97
Weighted average on rate decreases (per sq foot)	\$ (2.46)	\$ (1.36)	\$ (3.02)	\$ (1.85)
Weighted average rate on all renewals (per sq foot)	\$ 0.41	\$ 0.46	\$ 0.35	\$ 0.49
Weighted average change over prior rates	5.46%	6.46%	3.92%	6.00%
New Leases^{(1) (3)}:				
New leases (sq feet)	29,756	31,491	76,974	234,407
New leases (count)	11	11	30	47
Weighted average rate (per sq foot)	\$ 12.10	\$ 11.24	\$ 12.95	\$ 8.75
Gross Leasable Area ("GLA") expiring during the next 3 months, including month-to-month leases	2.86%	1.48%	2.86%	1.48%

(1) Lease data presented for the three and nine months ended September 30, 2019 and 2018 is based on average rate per square foot over the renewed or new lease term.

(2) 2018 lease data adjusted to reflect average rate per square foot over the renewed or new lease term for consistency with 2019 presentations.

(3) 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, 2019 Compared to the Three and Nine Months Ended September 30, 2018

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, 2019 and 2018, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended Changes		Nine Months Ended Changes	
	2019	2018	2019	2018	Change	% Change	Change	% Change
PROPERTY DATA:								
Number of properties owned and leased at period end (1)	61	65	61	65	(4)	(6.15)%	(4)	(6.15)%
Aggregate gross leasable area at period end (1)	5,643,266	5,720,091	5,643,266	5,720,091	(76,825)	(1.34)%	(76,825)	(1.34)%
Ending occupancy rate at period end (1)	89.0%	90.0%	89.0%	90.0%	(1.0)%	(1.11)%	(1.0)%	(1.11)%
FINANCIAL DATA:								
Rental revenues	\$ 15,385	\$ 15,756	\$ 46,546	\$ 47,288	\$ (371)	(2.35)%	\$ (742)	(1.57)%
Asset management fees	16	48	42	220	(32)	(66.67)%	(178)	(80.91)%
Commissions	18	52	65	102	(34)	(65.38)%	(37)	(36.27)%
Other revenues	146	217	439	1,697	(71)	(32.72)%	(1,258)	(74.13)%
Total Revenue	15,565	16,073	47,092	49,307	(508)	(3.16)%	(2,215)	(4.49)%
EXPENSES:								
Property operations	4,967	4,687	14,288	13,804	280	5.97%	484	3.51%
Non-REIT management and leasing services	1	23	25	59	(22)	(95.65)%	(34)	(57.63)%
Depreciation and amortization	5,066	6,045	16,169	20,943	(979)	(16.20)%	(4,774)	(22.80)%
Impairment of notes receivable	—	—	5,000	—	—	—%	5,000	100.00%
Impairment of assets held for sale	400	—	1,547	—	400	100.00%	1,547	100.00%
Corporate general & administrative	1,349	1,703	4,543	6,479	(354)	(20.79)%	(1,936)	(29.88)%
Other operating expenses	—	250	—	250	(250)	(100.00)%	(250)	(100.00)%
Total Operating Expenses	11,783	12,708	41,572	41,535	(925)	(7.28)%	37	0.09%
(Loss) gain on disposal of properties	(81)	1,257	1,427	2,312	(1,338)	(106.44)%	(885)	(38.28)%
Operating Income	3,701	4,622	6,947	10,084	(921)	(19.93)%	(3,137)	(31.11)%
Interest income	1	1	2	3	—	—%	(1)	(33.33)%
Interest expense	(4,654)	(5,183)	(14,394)	(14,940)	529	10.21%	546	3.65%
Net Loss from Continuing Operations Before Income Taxes	(952)	(560)	(7,445)	(4,853)	(392)	(70.00)%	(2,592)	(53.41)%
Income tax expense	(8)	(30)	(23)	(72)	22	73.33%	49	68.06%
Net Loss from Continuing Operations	(960)	(590)	(7,468)	(4,925)	(370)	(62.71)%	(2,543)	(51.63)%
Income from Discontinued Operations	—	—	—	903	—	—%	(903)	(100.00)%
Net Loss	(960)	(590)	(7,468)	(4,022)	(370)	(62.71)%	(3,446)	(85.68)%
Less: Net (loss) income attributable to noncontrolling interests	(1)	12	(100)	(70)	(13)	(108.33)%	(30)	(42.86)%
Net Loss Attributable to Wheeler REIT	\$ (959)	\$ (602)	\$ (7,368)	\$ (3,952)	\$ (357)	(59.30)%	\$ (3,416)	(86.44)%

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

Total Revenue

Total revenue was \$15.57 million and \$47.09 million for the three and nine months ended September 30, 2019, respectively, compared to \$16.07 million and \$49.31 million for the three and nine months ended September 30, 2018, respectively, representing a decrease of \$508 thousand and \$2.22 million, respectively. The decrease of \$1.26 million for the nine months ended September 30, 2019 in other revenues is primarily a result of early lease termination fees associated with Berkley Center Shopping Center Farm Fresh and Southeastern Grocers ("SEG") recaptures during 2018. The rent adjustments for certain SEG leases, sold properties and additional vacant anchor spaces attributed to the decrease in rental revenues which was partially offset by a full period of JANAF operations.

Total Operating Expenses

Total operating expenses for the three and nine months ended September 30, 2019 were \$11.78 million and \$41.57 million, respectively, representing a decrease of \$925 thousand and an increase of \$37 thousand over the three and nine months ended September 30, 2018, respectively. For the three and nine months ended September 30, 2019, the Company recorded impairment charges of \$0 million and \$5.00 million, respectively, on the Sea Turtle notes receivable and a \$400 thousand and \$1.55 million impairment charge on assets held for sale, respectively, which did not occur during the three and nine months ended September 30, 2018. After consideration of these 2019 items, total operating expenses decreased for the three and nine months ended September 30, 2019 by \$1.33 million and \$6.58 million, respectively.

The decrease of \$979 thousand and \$4.77 million noted in depreciation and amortization is a result of the write-off of lease intangibles from early terminations of leases in 2018 and properties either sold or classified as held for sale.

Corporate general and administrative expenses for the three and nine months ended September 30, 2019 decreased \$354 thousand and \$1.94 million, respectively, as a result of the following:

- \$99 thousand and \$439 thousand decrease, respectively, in compensation and benefits primarily driven by the decrease in employee share based compensation and severance;
- \$194 thousand and \$938 thousand decrease, respectively, in professional fees associated with hiring of KeyBanc Advisors in 2018, SOX internal audit compliance and the timing of the annual shareholder meeting;
- \$81 thousand and \$321 thousand decrease, respectively, in acquisition and development costs as a result of costs associated with the development of an outparcel at Folly Road which the Company chose to no longer pursue in 2018; and
- \$106 thousand and \$268 thousand decrease, respectively, in capital and debt financing costs as a result of costs incurred on refinancing of properties which the Company opted to stop pursuing in 2018. These costs did not reoccur in 2019.

Gain on Disposal of Properties

The gain on disposal of properties decrease of \$1.34 million for the three months ended September 30, 2019 is a result of the loss on the Perimeter Square sale, net of the 2018 gain on the Shoppes at Eagle Harbor sale. The decrease of \$885 thousand for the nine months ended September 30, 2019 is a result of the demolition of an approximate 10,000 square foot building at the JANAF property in 2019 to make space available for a new approximate 20,000 square foot building constructed by a new grocer tenant and the 2019 sales of Jenks Plaza, Graystone Crossing and Perimeter Square, net of the 2018 sales of the Chipotle ground lease at Conyers Crossing and Shoppes at Eagle Harbor.

Interest Expense

Interest expense for the three and nine months ended September 30, 2019 was \$4.65 million and \$14.39 million, respectively, representing decreases of \$529 thousand and \$546 thousand from the three and nine months ended September 30, 2018, respectively. The decreases are primarily attributable to lower loan cost amortization due to 2018 loan modifications, reduction of loans payable by \$22.44 million from September 30, 2018, partially offset by a full nine months of interest expense on JANAF.

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, impairment of assets held for sale, impairment of notes receivable and leasing costs, 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 represents the JANAF acquisition that occurred in January 2018, the absorption of the JANAF Executive Building in April 2019, offset by the below properties sold:

- Discontinued operations
 - Laskin Road land parcel (sold June 19, 2018); and
 - Harbor Pointe Land Parcel (sold February 7, 2019);
- Continuing operations
 - Chipotle Ground Lease at Conyers Crossing (sold January 12, 2018)
 - Shoppes at Eagle Harbor (sold September 27, 2018);
 - Monarch Bank Building (sold October 22, 2018);
 - Jenks Plaza (sold January 11, 2019);
 - Graystone Crossing (sold March 18, 2019); and
 - Perimeter Square (sold July 12, 2019).

	Three Months Ended September 30,					
	Same Store		Non-same Store		Total	
	2019	2018	2019	2018	2019	2018
	(in thousands, unaudited)					
Net (Loss) Income	\$ (956)	\$ (1,887)	\$ (4)	\$ 1,297	\$ (960)	\$ (590)
Adjustments:						
Income tax expense	8	30	—	—	8	30
Interest expense	3,909	4,241	745	942	4,654	5,183
Interest income	(1)	(1)	—	—	(1)	(1)
Loss (gain) on disposal of properties	—	—	81	(1,257)	81	(1,257)
Other operating expenses	—	—	—	250	—	250
Corporate general & administrative	1,324	1,675	25	28	1,349	1,703
Impairment of assets held for sale	400	—	—	—	400	—
Depreciation and amortization	4,031	4,932	1,035	1,113	5,066	6,045
Non-REIT management and leasing services	1	23	—	—	1	23
Asset management and commission revenues	(34)	(100)	—	—	(34)	(100)
Property Net Operating Income	\$ 8,682	\$ 8,913	\$ 1,882	\$ 2,373	\$ 10,564	\$ 11,286
Property revenues	\$ 12,733	\$ 12,712	\$ 2,798	\$ 3,261	\$ 15,531	\$ 15,973
Property expenses	4,051	3,799	916	888	4,967	4,687
Property Net Operating Income	\$ 8,682	\$ 8,913	\$ 1,882	\$ 2,373	\$ 10,564	\$ 11,286

	Nine Months Ended September 30,					
	Same Store		Non-same Store		Total	
	2019	2018	2019	2018	2019	2018
	(in thousands, unaudited)					
Net (Loss) Income	\$ (8,183)	\$ (7,203)	\$ 715	\$ 3,181	\$ (7,468)	\$ (4,022)
Adjustments:						
Income from Discontinued Operations	—	—	—	(903)	—	(903)
Income tax expense	23	72	—	—	23	72
Interest expense	11,915	12,226	2,479	2,714	14,394	14,940
Interest income	(2)	(3)	—	—	(2)	(3)
Gain on disposal of properties	—	—	(1,427)	(2,312)	(1,427)	(2,312)
Other operating expenses	—	—	—	250	—	250
Corporate general & administrative	4,388	6,321	155	158	4,543	6,479
Impairment of assets held for sale	400	—	1,147	—	1,547	—
Impairment of notes receivable	5,000	—	—	—	5,000	—
Depreciation and amortization	13,049	17,235	3,120	3,708	16,169	20,943
Non-REIT management and leasing services	25	59	—	—	25	59
Asset management and commission revenues	(107)	(322)	—	—	(107)	(322)
Property Net Operating Income	\$ 26,508	\$ 28,385	\$ 6,189	\$ 6,796	\$ 32,697	\$ 35,181
Property revenues	\$ 38,142	\$ 39,668	\$ 8,843	\$ 9,317	\$ 46,985	\$ 48,985
Property expenses	11,634	11,283	2,654	2,521	14,288	13,804
Property Net Operating Income	\$ 26,508	\$ 28,385	\$ 6,189	\$ 6,796	\$ 32,697	\$ 35,181

Property Revenues

Total same store property revenues for the three and nine months ended September 30, 2019 increased to \$12.73 million and decreased to \$38.14 million, respectively, compared to \$12.71 million and \$39.67 million for the three and nine months ended September 30, 2018, respectively. The \$1.53 million decrease for the nine months ended September 30, 2019 is primarily a result of the 2018 early termination fees associated with Farm Fresh at Berkley Center Shopping Center, rent modifications to certain 2018 SEG leases, reduced rent at the three SEG recaptured properties and backfilled locations and incremental vacancies.

Property Expenses

Total same store property expenses for the three and nine months ended September 30, 2019 increased to \$4.05 million and \$11.63 million, respectively, compared to \$3.80 million and \$11.28 million for the three and nine months ended September 30, 2018, respectively. Total same store property expenses increased for the three and nine months ended September 30, 2019 primarily due to increased repairs and maintenance expenses related to buildings and parking lots.

Property Net Operating Income

Total property net operating income was \$10.56 million and \$32.70 million for the three and nine months ended September 30, 2019, respectively, compared to \$11.29 million and \$35.18 million for the three and nine months ended September 30, 2018, respectively, representing decreases of \$722 thousand and \$2.48 million, respectively. Same stores accounted for decreases of \$231 thousand and \$1.88 million, respectively, while non-same stores had decreases of \$491 thousand and of \$607 thousand, respectively, resulting from loss of NOI associated with sold properties.

Funds from Operations (FFO)

We use FFO, a non-GAAP measure, as an alternative measure of our operating performance, specifically as it relates to results of operations and liquidity. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999, April 2002 and December 2018). As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs), plus impairment of

goodwill, 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, 2019 and 2018:

	Three Months Ended September 30,							
	Same Store		Non-same Store		Total		Period Over Period Changes	
	2019	2018	2019	2018	2019	2018	\$	%
	(in thousands, unaudited)							
Net (Loss) Income	\$ (956)	\$ (1,887)	\$ (4)	\$ 1,297	\$ (960)	\$ (590)	\$ (370)	(62.71)%
Depreciation and amortization of real estate assets	4,031	4,932	1,035	1,113	5,066	6,045	(979)	(16.20)%
Loss (gain) on disposal of properties	—	—	81	(1,257)	81	(1,257)	1,338	106.44 %
Impairment of assets held for sale	400	—	—	—	400	—	400	100.00 %
FFO	\$ 3,475	\$ 3,045	\$ 1,112	\$ 1,153	\$ 4,587	\$ 4,198	\$ 389	9.27 %

	Nine Months Ended September 30,							
	Same Store		Non-same Store		Total		Period Over Period Changes	
	2019	2018	2019	2018	2019	2018	\$	%
	(in thousands, unaudited)							
Net (Loss) Income	\$ (8,183)	\$ (7,203)	\$ 715	\$ 3,181	\$ (7,468)	\$ (4,022)	\$ (3,446)	(85.68)%
Depreciation and amortization of real estate assets	13,049	17,235	3,120	3,708	16,169	20,943	(4,774)	(22.80)%
Gain on disposal of properties	—	—	(1,427)	(2,312)	(1,427)	(2,312)	885	38.28 %
Gain on disposal of properties-discontinued operations	—	—	—	(903)	—	(903)	903	100.00 %
Impairment of assets held for sale	400	—	1,147	—	1,547	—	1,547	100.00 %
FFO	\$ 5,266	\$ 10,032	\$ 3,555	\$ 3,674	\$ 8,821	\$ 13,706	\$ (4,885)	(35.64)%

Total FFO increased \$389 thousand and decreased \$4.89 million for the three and nine month periods ended September 30, 2019, respectively, compared to the same periods in 2018. The decrease is primarily due to impairment of the notes receivable as detailed in Note 4.

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, 2019 and 2018 is shown in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(in thousands, unaudited)			
FFO	\$ 4,587	\$ 4,198	\$ 8,821	\$ 13,706
Preferred Stock dividends - declared	—	(3,208)	—	(9,621)
Preferred Stock dividends - undeclared	(3,657)	—	(10,972)	—
Preferred stock accretion adjustments	169	169	510	509
FFO available to common shareholders and common unitholders	1,099	1,159	(1,641)	4,594
Impairment of notes receivable	—	—	5,000	—
Acquisition and development costs	1	82	25	346
Capital related costs	4	110	140	408
Other non-recurring and non-cash expenses	35	—	61	103
Share-based compensation	72	241	244	727
Straight-line rental revenue, net straight-line expense	(86)	(348)	(1)	(937)
Loan cost amortization	409	625	1,336	1,682
(Below) above market lease amortization	(165)	(313)	(585)	(421)
Recurring capital expenditures and tenant improvement reserves	(276)	(284)	(846)	(858)
AFFO	\$ 1,093	\$ 1,272	\$ 3,733	\$ 5,644

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

Acquisition and development costs at September 30, 2018 are related to the write-off of costs associated with the construction contract for the development of an outparcel at Folly Road and Light Bridge joint venture.

Other nonrecurring and non-cash expenses are severance costs and one time fees we believe will not be incurred on a go forward basis.

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

AFFO for the three and nine months ended September 30, 2019 was \$1.09 million and \$3.73 million, respectively, compared to \$1.27 million and \$5.64 million for the three and nine months ended September 30, 2018, respectively, representing decreases of \$179 thousand and \$1.91 million. The decreases were driven by increases in Preferred Dividends of \$449 thousand and \$1.35 million, respectively, related to the increased dividend rate on the Preferred Series D in 2019 and decreases of \$722 thousand and \$2.48 million, respectively, in property NOI; partially offset by decreases of \$313 thousand and of \$200 thousand, respectively, in interest expense, net of loan amortization and decreases in corporate general and administrative expenses.

Liquidity and Capital Resources

At September 30, 2019, our consolidated cash, cash equivalents and restricted cash totaled \$22.53 million compared to consolidated cash, cash equivalents and restricted cash of \$18.00 million at December 31, 2018. Cash flows from operating activities, investing activities and financing activities for the nine month periods ended September 30, 2019 and 2018 were as follows:

	Nine Months Ended September 30,		Period Over Period Change	
	2019	2018	\$	%
	(in thousands, unaudited)			
Operating activities	\$ 12,616	\$ 18,540	\$ (5,924)	(31.95)%
Investing activities	\$ 2,174	\$ (21,021)	\$ 23,195	110.34 %
Financing activities	\$ (10,262)	\$ 10,541	\$ (20,803)	(197.35)%

Operating Activities

During the nine months ended September 30, 2019, our cash flows from operating activities were \$12.62 million, compared to cash flows from operating activities of \$18.54 million during the nine months ended September 30, 2018, representing a decrease of \$5.92 million. This decrease is primarily a result of decreases in property NOI of \$2.48 million and reduction of accounts payable, accrued expenses and other liabilities of \$4.20 million in addition to timing of receivables and deferred costs.

Investing Activities

During the nine months ended September 30, 2019, our cash flows provided by investing activities were \$2.17 million, compared to cash flows used in investing activities of \$21.02 million during the nine months ended September 30, 2018, representing an increase in cash provided of \$23.20 million due to the following:

- \$23.13 million in cash outflows used for the acquisition of JANAF in 2018;
- \$2.44 million decrease in cash outflows used for capital expenditures primarily a result of the redevelopment of Columbia Fire House as well as Perimeter Square and Shoppes at Myrtle Park tenant improvements in 2018; and offset by
- \$2.38 million decrease in cash received as a result of the 2019 sales of Jenks Plaza, Graystone, Perimeter and Harbor Pointe land parcel, compared to the 2018 sales of the Chipotle ground lease at Conyers Crossing, Shoppes at Eagle Harbor and the Laskin Road Land Parcel.

Financing Activities

During the nine months ended September 30, 2019, our cash flows used in financing activities were \$10.26 million, compared to \$10.54 million of cash flows provided by financing activities during the nine months ended September 30, 2018, representing a decrease of \$20.80 million due to the following:

- \$21.16 million decrease in proceeds from sale of preferred stock due to the 2018 Series D Preferred offering;
- \$4.32 million decrease in loan proceeds due to the 2019 Village of Martinsville and Laburnum Square refinances offset by the 2018 JANAF Bravo Loan, Columbia Fire House Construction Loan advances, refinance of LaGrange and refinancing of six properties off the KeyBank Line of Credit;
- \$7.61 million increase in loan principal payments primarily a result of the payoff of the Revere Term Loan and Senior Convertible Notes, in addition to the Village of Martinsville and Laburnum Square refinances and pay-down of the KeyBank Line of Credit; and offset by
- \$11.55 million decrease in cash outflows for dividends and distributions primarily as a result of suspending the Preferred Stock dividends in 2019.

We intend to continue managing our debt prudently so as to maintain a conservative capital structure and minimize leverage within our company. As of September 30, 2019 and December 31, 2018, our debt balances, excluding unamortized debt issuance costs, consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
	(unaudited)	
Fixed-rate notes	\$ 298,719	\$ 286,684
Adjustable-rate mortgages	24,375	26,503
Fixed-rate notes, assets held for sale	—	4,323
Floating-rate line of credit ⁽¹⁾	25,991	52,102
Total debt	<u>\$ 349,085</u>	<u>\$ 369,612</u>

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

The weighted-average interest rate and term of our fixed-rate debt including assets held for sale are 4.65% and 5.06 years, respectively, at September 30, 2019. We have \$48.90 million of debt maturing, including scheduled principal repayments, during the three months ending December 31, 2019. While we anticipate being able to refinance our maturing loans at reasonable market terms upon maturity or receive short term extensions, our inability to do so may materially impact our financial position and results of operations. See Note 6 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, 2019 are \$68.85 million in debt maturities and principal payments due in the twelve months ended September 30, 2020 and covenant requirements as detailed in our Amended and Restated Credit Agreement as described in Note 6. Included in the \$68.85 million is \$25.99 million on the KeyBank Line of Credit. The KeyBank Line of Credit is collateralized by eight properties within our portfolio. Subsequent to September 30, 2019, the Company made a \$7.16 million principal paydown and entered into a non-binding Term Sheet with KeyBank which among other provisions increases the monthly principal payments to \$350 thousand in addition to lowering the amount borrowed on the KeyBank Line of Credit by certain dates through June 30, 2020, see Note 12 included in this Form 10-Q. The Company plans to meet the remaining deadlines described in the Term Sheet through monthly principal payments, refinances and dispositions. Management intends to refinance or extend the remaining maturing debt as it comes due.

In addition to liquidity required to fund debt payments we may incur some level of capital expenditures during the year for our existing properties that cannot be passed on to our tenants. The majority of these expenditures occur subsequent to acquiring a new property that requires significant improvements to maximize occupancy and lease rates, with an existing property that needs a facelift to improve its marketability or when tenant improvements are required to make a space fit a particular tenant's needs.

To meet these future liquidity needs, the Company had \$5.23 million in cash and cash equivalents, \$17.29 million held in lender reserves for the purpose of tenant improvements, lease commissions, real estate taxes and insurance at September 30, 2019 and intends to use cash generated from operations during the year ending September 30, 2020. In addition, the Board suspended Series A Preferred, Series B Preferred and Series D Preferred dividend payments beginning with the fourth quarter 2018 dividend. The Board plans to revisit the dividend payment policy with respect to the Series A Preferred, Series B Preferred and Series D Preferred on an ongoing basis. The Board believes that the dividend suspension will provide the Company with additional funds to meet its ongoing liquidity needs, approximately \$3.49 million a quarter.

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

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

Off-Balance Sheet Arrangements

On September 1, 2011, the Grove Economic Development Authority issued the Grove Economic Development Authority Tax Increment Revenue Note, Taxable Series 2011 in the amount of \$2,415,000, 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 Jon Wheeler, entered into 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 \$2.26 million, the principal amount of the bonds, as of September 30, 2019. 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, 2019, the Company funded approximately \$0 thousand and \$44 thousand, respectively, in debt service shortfalls. During the three and nine months ended September 30, 2018, the Company funded approximately \$0 thousand and \$5 thousand, respectively, in debt service shortfalls. No amounts have been accrued for this as of September 30, 2019 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

As of September 30, 2019, 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, this note provides a description of the accounting standard adopted for leases, ASU 2016-02, "Leases (Topic 842)".

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 2018 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, 2019, with the exception of those policies surrounding our lessee and lessor activities. These policy changes were made as part of adopting ASU 2016-02, "Leases (Topic 842)." The most significant impact of adoption was the recognition of ROU assets and lease liabilities of approximately \$11.90 million and \$11.99 million, respectively, for operating leases which the Company is the lessee as of January 1, 2019. The policy changes had no impact on our cash flows and an immaterial impact on the condensed consolidated statement of operations. For additional disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the condensed consolidated financial statements included in this Form 10-Q.

Available Information

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The management of the Trust or the Company, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to the Trust's management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of September 30, 2019 (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.

Stilwell Activist Investments LP v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for Baltimore County, Maryland. This is an action brought by one of the largest investors in the Company seeking the production of documents and information beyond what the Company provides in its public filings and what it has already provided to Stilwell after a written request. The Company filed a motion to dismiss Stilwell's suit for failure to state a claim. At a hearing on that motion on October 31, 2019, the Court denied motion to dismiss, so the case will proceed, for now. Stilwell does not seek any monetary damages in this action.

JCP Investment Partnership LP, et al v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for Baltimore County, Maryland. This is an action brought by a large minority shareholder of the Company alleging that in 2018, the Company breached an asset coverage ratio covenant, so as to require the Company to buy back shares of its Series D Preferred. The Company is defending this suit on the grounds it validly amended the Articles Supplementary through the Certificate of Correction filed with the Maryland Department of Taxation on or about May 3, 2018, curing any alleged breach of the covenant. Plaintiffs are not seeking any specific damage amount; rather, their prayer for relief asks the Court to order that the Company must redeem the Series D Preferred in accordance with the terms of the original Articles Supplementary, not commit any further alleged violations of the Articles Supplementary, and award them their costs, expenses and attorneys' fees. In the event a redemption is required, the redemption provisions of the Articles Supplementary permit the Company to redeem those Series D Preferred that it chooses to redeem (not necessarily JCP's Preferred Shares). Accordingly, it is difficult to assess the Company's anticipated exposure in this case at this time. The case is presently in discovery and is scheduled for trial on March 2, 2020. However, the parties conducted a settlement conference in July, 2019, and have continued their efforts to resolve the case short of trial.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc., Circuit Court for the City of Virginia Beach, Virginia. Former CEO, Jon Wheeler, alleges that he was improperly terminated and is owed severance and bonus payments pursuant to his Employment Agreement. Altogether, his alleged damages total approximately \$1.00 million. The Company is defending the action on the grounds that Jon Wheeler was properly terminated for cause, including for his failure to properly apprise the Board of Directors of critical information, and placing his own personal interests above the Company's, including contracting counsel about filing suit on his behalf against the Company and the Board of Directors while he was still CEO and President of the Board. The Company has filed a Counterclaim against Wheeler for approximately \$150 thousand for reimbursement of personal expenses the Company paid, but that Wheeler should have borne. Trial of this action is scheduled for December 17, 2019. At this juncture, the outcome of the matter cannot be predicted.

BOKF, NA v. WD-1 Associates, LLC, et al, Court of Common Pleas for Beaufort County, South Carolina. This is a lawsuit filed by BOKF ("Bank of Arkansas") the lead lender for Sea Turtle project in Hilton Head, South Carolina against WD-1 Associates, LLC and Jon Wheeler for default on BOKF's two construction loans. BOKF seeks appointment of a Receiver to take over the financial management of the project that WD-1 was allegedly (mis)handling. The lawsuit pending in Beaufort County is presently stayed as to WD-1, pursuant to the Chapter 11 Bankruptcy proceeding it filed in Charleston, South Carolina. In the lawsuit pending in Beaufort County, BOKF has moved for a default judgment against Jon Wheeler, who personally guaranteed the two BOKF loans. The Company's subsidiary, Wheeler Real Estate, LLC is named in the lawsuit pending in Beaufort County solely in its position as the former property manager for WD-1 Associates, to obtain financial information. No damages are sought from Wheeler Real Estate, LLC in the Beaufort County action. The Company's subsidiaries are creditors in the Chapter 11 Bankruptcy. WD-1 is seeking a sale of the project real estate through the bankruptcy proceedings. At this juncture, the outcome of the matter cannot be predicted.

Jon Wheeler v. Wheeler Real Estate Investment Trust, Inc. and David Kelly, Individually, Circuit Court for the City of Virginia Beach, Virginia. In September, 2018, former Chief Executive Officer and President Jon S. Wheeler filed claims for defamation and tortious interference with contract expectancy, prospective business relationships and economic advantage in the Circuit Court for the City of Virginia Beach, Virginia, asserting current Chief Executive Officer and President, David Kelly, defamed him in communications with an industry association. In February, 2019, Jon Wheeler's counsel amended the suit to add the Company as a Defendant, but dropped all but the defamation claims. Mr. Kelly and the Company are defending the lawsuit. Trial is set for June 10, 2020. At this juncture, the outcome of the matter cannot be predicted.

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In addition to the above, we are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our financial position, results of operation or liquidity.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018.

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.

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Item 6. Exhibits.

Exhibit

- [3.1](#) [Articles of Amendment and Restatement of the Registrant. \(1\)](#)
- [3.2](#) [Articles of Supplementary of the Registrant dated September 16, 2016. \(11\)](#)
- [3.3](#) [Articles of Supplementary of the Registrant dated December 1, 2016. \(13\)](#)
- [3.4](#) [Articles of Amendment and Restatement, effective March 31, 2017 \(14\)](#)
- [3.5](#) [Articles of Amendment and Restatement, effective March 31, 2017 \(14\)](#)
- [3.6](#) [Amended and Restated Bylaws of Registrant \(2\)](#)
- [3.7](#) [Certificate of Correction of Articles Supplementary \(18\)](#)
- [4.1](#) [Form of Certificate of Common Stock of Registrant \(14\)](#)
- [4.2](#) [Form of Certificate of Series B Preferred Stock of Registrant \(3\)](#)
- [4.3](#) [Form of Certificate of Series D Preferred Stock of the Registrant. \(11\)](#)
- [10.1](#) [Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. \(4\)](#)
- [10.2](#) [Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. Designation of Series A Convertible Preferred Units. \(5\)](#)
- [10.3](#) [Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. Amended Designation of Series B Convertible Preferred Units. \(12\)](#)
- [10.4](#) [Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. Designation of Series D Cumulative Convertible Preferred Units. \(11\)](#)
- [10.5](#) [Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. Amended Designation of Additional Series D Cumulative Convertible Preferred Units. \(13\)](#)
- [10.6](#) [Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. \(24\)](#)
- [10.7](#) [Wheeler Real Estate Investment Trust, Inc. 2015 Long-Term Incentive Plan \(6\)](#)
- [10.8](#) [Wheeler Real Estate Investment Trust, Inc. 2016 Long-Term Incentive Plan \(10\)](#)
- [10.9](#) [Employment Agreement with David Kelly \(17\)](#)
- [10.10](#) [Employment Agreement with Matthew Reddy \(17\)](#)
- [10.11](#) [Employment Agreement with M. Andrew Franklin \(17\)](#)
- [10.12](#) [Tax Protection Agreement dated October 24, 2014, by and among Jon S. Wheeler, Wheeler REIT, L.P., and Wheeler Real Estate Investment Trust, Inc. \(7\)](#)
- [10.13](#) [Shareholders Rights Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and Westport Capital Partners LLC as agent on behalf of certain investor. \(8\)](#)
- [10.14](#) [Amendment to Shareholders Rights Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and Westport Capital Partners LLC as agent on behalf of certain investor. \(25\)](#)
- [10.15](#) [Board Observer Rights Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and MFP Investors, LLC. \(8\)](#)
- [10.16](#) [Letter Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and Jon S. Wheeler. \(8\)](#)
- [10.17](#) [Tax Protection Agreement dated February 8, 2017 \(9\)](#)
- [10.18](#) [Amended and Restated Credit Agreement dated December 21, 2017. \(15\)](#)

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10.19	Keybank Letter Agreement Amendment to the Amended and Restated Credit Agreement dated March 2, 2018. (19)
10.20	KeyBank Letter Amendment to the Amended and Restated Credit Agreement dated August 7, 2018. (20)
10.21	KeyBank Letter Amendment to the Amended and Restated Credit Agreement dated October 15, 2018. (21)
10.22	KeyBank Letter Amendment to the Amended and Restated Credit Agreement dated February 28, 2019. (22)
10.23	First Amendment to the KeyBank Amended and Restated Credit Agreement dated April 25, 2019. (23)
10.24	JANAF Loan Agreement dated June 5, 2013. (16)
31.1	Certification of the Chief Executive Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
31.2	Certification of the Chief Financial Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (26)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (26)
101.INS XBRL	Instance Document (26)
101.SCH	XBRL Taxonomy Extension Schema Document (26)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (26)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (26)
101.LAB	XBRL Taxonomy Extension Labels Linkbase (26)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (26)
(1)	Filed as an exhibit to the Registrant's report on Form 8-K, filed on August 8, 2016 and hereby incorporated by reference.
(2)	Filed as an exhibit to the Registrant's Registration Statement on Form S-11/A (Registration No. 333-177262) previously filed on February 14, 2012 pursuant to the Securities Act of 1933 and hereby incorporated by reference.
(3)	Filed as an exhibit to the Registrant's Registration Statement on Form S-11/A (Registration No. 333-194831) previously filed on April 23, 2014 pursuant to the Securities Act of 1933 and hereby incorporated by reference.
(4)	Filed as an exhibit to the Registrant's Registration Statement on Form S-11 (Registration No. 333-198245) previously filed on August 20, 2014 pursuant to the Securities Act of 1933 and hereby incorporated by reference.
(5)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on April 15, 2015 and hereby incorporated by reference.
(6)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on June 8, 2015 and hereby incorporated by reference.
(7)	Filed as an exhibit to the Registrant's report on Form 8-K, filed on October 30, 2014 and hereby incorporated by reference.
(8)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on March 19, 2015 and hereby incorporated by reference.
(9)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on February 10, 2017 and hereby incorporated by reference.
(10)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on June 16, 2016 and hereby incorporated by reference.
(11)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on September 20, 2016 and hereby incorporated by reference.
(12)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on July 15, 2016 and hereby incorporated by reference.
(13)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on December 5, 2016 and hereby incorporated by reference.
(14)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on April 3, 2017 and hereby incorporated by reference.
(15)	Filed as an exhibit to the Registrant's Report on Form 8-K, filed on December 22, 2017 and hereby incorporated by reference.

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- (16) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on January 23, 2018 and hereby incorporated by reference.
- (17) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on February 20, 2018 and hereby incorporated by reference.
- (18) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on May 4, 2018 and hereby incorporated by reference.
- (19) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on March 7, 2018 and hereby incorporated by reference.
- (20) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on August 8, 2018 and hereby incorporated by reference.
- (21) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on October 19, 2018 and hereby incorporated by reference.
- (22) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on March 14, 2019 and hereby incorporated by reference.
- (23) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on May 1, 2019 and hereby incorporated by reference.
- (24) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on September 5, 2019 and hereby incorporated by reference.
- (25) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on September 17, 2019 and hereby incorporated by reference.
- (26) Filed herewith.

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

I, David Kelly, 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 7, 2019

/s/ DAVID KELLY

David Kelly
Chief Executive Officer

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

I, Matthew T. Reddy, 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 7, 2019

/s/ MATTHEW T. REDDY

Matthew T. Reddy
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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Kelly, Chief Executive Officer of the Company, and I, Matthew T. Reddy, 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 7, 2019

/s/ DAVID KELLY

David Kelly
Chief Executive Officer

/s/ MATTHEW T. REDDY

Matthew T. Reddy
Chief Financial Officer