

Edgar Filing: Wheeler Real Estate Investment Trust, Inc. - Form 10-K

Wheeler Real Estate Investment Trust, Inc.
Form 10-K
February 28, 2019

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
Commission file number 001-35713

WHEELER REAL ESTATE INVESTMENT TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	45-2681082
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2529 Virginia Beach Blvd., Suite 200	23452
Virginia Beach, Virginia	
(Address of Principal Executive Offices)	(Zip Code)
(757) 627-9088	

(Registrant's Telephone Number, Including Area Code)

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

Common Stock, \$0.01 par value (NASDAQ Capital Market)

Series B convertible Preferred Stock, no par value (NASDAQ Capital Market)

Series D cumulative convertible Preferred Stock, no par value (NASDAQ Capital Market)

Warrants to acquire shares of Common Stock (NASDAQ Capital Market)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

As of June 30, 2018, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was \$35,227,665.

As of February 27, 2019, there were 9,692,082 shares of Common Stock, \$0.01 par value per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K") of Wheeler Real Estate Investment Trust, Inc. (the "Company" or "our Company") contains forward-looking statements, 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. 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 to not place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Form 10-K. 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. Factors that could cause actual results to differ materially from any forward-looking statements made in this Form 10-K include:

- our business and investment strategy;
- our projected operating results;
- actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. economy generally and in specific geographic areas;
- economic trends and economic recoveries;
- our ability to obtain and maintain financing arrangements;
- financing and advance rates for our target assets;
- our expected leverage;
- availability of investment opportunities in real estate-related investments;
- changes in the values of our assets;
- our ability to make distributions to our stockholders in the future;
- our expected investments and investment decisions;
- changes in interest rates and the market value of our target assets;
- our ability to renew leases at amounts and terms comparable to existing lease arrangements;
- our ability to proceed with potential development opportunities for us and third-parties;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust ("REIT");
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act");
- availability of qualified personnel and management team;
- the ability of our operating partnership, Wheeler REIT, L.P. (the "Operating Partnership") and each of our other partnerships and limited liability companies to be classified as partnerships or disregarded entities for federal income tax purposes;
- our ability to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional authorized but unissued shares of our preferred stock, without par value ("Preferred Stock") and to classify or reclassify unissued shares of our Preferred Stock;
- our understanding of our competition;
- market trends in our industry, interest rates, real estate values or the general economy;
- the imposition of federal taxes if we fail to qualify as a real estate investment trust ("REIT") in any taxable year or forego an opportunity to ensure REIT status;

- uncertainties related to the national economy, the real estate industry in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REITs;
- adverse economic or real estate developments in Virginia, Florida, Georgia, Alabama, South Carolina, North Carolina, Oklahoma, Kentucky, Tennessee, West Virginia, New Jersey and Pennsylvania;
- increases in interest rates and operating costs;
- inability to obtain necessary outside financing;

- litigation risks;
- lease-up risks;
- inability to obtain new tenants upon the expiration of existing leases;
- inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws; and
- the need to fund tenant improvements or other capital expenditures out of operating cash flow.

These forward-looking statements should be read in light of these factors.

Part I

Item 1. Business.

Overview

Wheeler Real Estate Investment Trust, Inc. (the “Trust” or “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. Substantially, all of our assets are held by, and all of our operations are conducted through, our Operating Partnership. The Company is a fully-integrated, self-managed commercial real estate investment company that shifted focus in 2018 after the JANAF acquisition from acquiring and managing to owning, leasing and operating income-producing retail properties with a primary focus on grocery-anchored centers.

Our corporate office is located at 2529 Virginia Beach Boulevard, Virginia Beach, Virginia 23452. Our telephone number is (757) 627-9088.

Portfolio

Our portfolio contains well-located, potentially dominant retail properties in secondary and tertiary markets, with a particular emphasis on grocery-anchored retail centers. Our properties are in communities that have stable demographics and have historically exhibited favorable trends, such as strong population and income growth. We generally lease our properties to national and regional retailers that offer consumer goods and generate regular consumer traffic. We believe our tenants carry goods that are less impacted by fluctuations in the broader U.S. economy and consumers’ disposable income, generating more predictable property level cash flows.

The Company’s portfolio of properties is dependent upon regional and local economic conditions. As of December 31, 2018, we own a portfolio consisting of seventy-one properties, including sixty-four retail shopping centers, totaling 5,716,471 total leasable square feet of which is 89.4% leased (our "operating portfolio"), one office property and six undeveloped land parcels totaling approximately 65 acres. The properties are geographically concentrated in the Northeast, Mid-Atlantic, Southeast and Midwest, which markets represented approximately 4%, 19%, 76% and 1%, respectively, of the total annualized base rent of the properties in its portfolio as of December 31, 2018.

No tenant represents greater than 10% of the Company’s annualized base rent or % of gross leasable square footage. The top 10 tenants account for 24.59% or \$12.11 million of annualized base rent and 29.32% or 1.68 million of gross leasable square footage at December 31, 2018.

Management Team and People

We have 50 full-time employees. Our management team has experience and capabilities across the real estate sector with experience in all aspects of the commercial real estate industry, specifically in our target/existing markets. David Kelly has served as Chief Executive Officer (the "CEO") since January 2018 and Matthew Reddy as CFO since February 2018. David Kelly, our CEO previously served as the Chief Investment Officer (the "CIO"). He has over twenty-seven years of experience in the real estate industry. Prior to joining us, he served for thirteen years as the Director of Real Estate for Supevalu, Inc., a Fortune 100 supermarket retailer. While at Supervalu, he focused on site selection and acquisitions from New England to the Carolinas, completing transactions totaling over \$500 million. Matthew Reddy our CFO is a certified public accountant and has

been with the Company since June 2015 as Chief Accounting Officer. Prior to joining Wheeler, Mr. Reddy was the Assistant Vice President of Online Products at Liberty Tax Service. While employed at Liberty, Mr. Reddy was also employed as Director of Finance from 2011 to 2014, and Manager of Financial Reporting from 2008 to 2011. Prior to joining Liberty, Mr. Reddy worked at KPMG LLP as a Senior Auditor. Andrew Franklin is our Chief Operating Officer and has over eighteen years of commercial real estate experience. Mr. Franklin is responsible for overseeing the property management, lease administration and leasing divisions of our growing portfolio of commercial assets. Prior to joining us, Mr. Franklin was a partner with Broad Reach Retail Partners where he ran the day to day operations of the company, managing the leasing team as well as overseeing the asset, property and construction management of the portfolio with assets totaling \$50 million. Mr. Franklin is a graduate of the University of Maryland, with a Bachelor of Science degree in Finance.

Business Objectives and Investment Strategy

Our primary business objective is to provide attractive risk adjusted returns to our shareholders by increasing cash flows. We intend to achieve this objective utilizing the following investment strategy:

Focus on necessity-based retail. Own and operate retail properties that serve the essential day-to-day shopping needs of the surrounding communities. These necessity-based centers attract high levels of daily traffic resulting in cross-selling of goods and services from our tenants. The majority of our tenants provide non-cyclical consumer goods and services that are less impacted by fluctuations in the economy. According to Statista, the average consumer in the US makes a trip to a grocery store 1.6 times per week. We believe these centers that provide essential goods and services such as groceries results in a stable, lower-risk portfolio of retail investment properties.

Focus on secondary and tertiary markets with strong demographics and demand. Our properties are in markets that have limited competition from institutional buyers and relatively low levels of new construction. The markets have strong demographics such as population density, population growth, tenant sales trends and growth in household income. We seek to identify new tenants and renew leases with existing tenants in these locations that support the need for necessity-based retail and limited new supply.

Increase operating income through leasing strategies and expense management. We employ intensive lease management strategies to optimize occupancy. Management has strong expertise in acquiring and managing under-performing properties and increasing operating income through more effective leasing strategies and expense management such as common area maintenance ("CAM"), or CAM reimbursement and experience utilizing exterior parking for build to suit outparcels or pad sales. Our leases generally require the tenant to reimburse us for a substantial portion of the expenses incurred in operating, maintaining, repairing, and managing the shopping center and the common areas, along with the associated insurance costs and real estate taxes. Operating expenses that qualify for CAM reimbursement include, but are not limited to, landscaping, parking field maintenance and repairs, building maintenance and repairs, utilities and their associated maintenance and repair within the shopping center. The amount that each tenant pays is determined on a pro-rata basis as defined in our lease and our leases generally allow us to add an administrative fee of 15%. Some leases are structured such that they include a cap on paying CAM and additional fees and charges. Additionally, in some cases the tenant is either fully or partially responsible for all maintenance of the property, thereby limiting our financial exposure towards maintaining the center and increasing our net income. We refer to this arrangement as a "triple net lease."

Selectively utilize our capital to improve retail properties. We intend to make capital investments where the return on such capital is accretive to our shareholders. We have significant expertise allocating capital to value-added improvements of retail properties to increase rents, extend long-term leases with anchor tenants and increasing occupancy. We will selectively allocate capital to revenue enhancing projects that we believe will improve the market position of a given property.

Recycling and sensible management of capital structure. We intend to sell non-income producing land parcels utilizing sales proceeds to deleverage the balance sheet. In addition, we intend to monetize core-assets to redeploy the capital to further deleverage and strengthen the balance sheet. In 2018, we sold 4 properties for a total of \$6.28 million net proceeds which were used to deleverage the balance sheet. Additional properties have been slated for disposition based upon management's periodic review of our portfolio, and the determination by our Board of Directors that such activity would be in our best interest.

Policies With Respect to Certain Activities

The following is a discussion of certain activities of our investment, financing and other policies. These policies have been determined by our Board of Directors and, in general, may be amended or revised from time to time by our Board of Directors without a vote of our stockholders.

Investment Policies

Investments in Real Estate or Interests in Real Estate

We will conduct all of our investment activities through our Operating Partnership and its subsidiaries. Our investment objectives are to maximize the cash flow of our properties, provide cash distributions and achieve long-term capital appreciation for our stockholders through increases in the value of our company. Our Operating Partnership intends to hold its properties for investment with a view to long-term appreciation and ownership. Occasional sales of the properties will be made consistent with our investment strategy. We have not established a specific policy regarding the relative priority of these investment objectives.

We expect to pursue our investment objectives primarily through the ownership by our Operating Partnership of our portfolio of properties and assets. We currently intend to invest primarily in retail properties. Future investment or development activities will not be limited to any geographic area, property type or to a specified percentage of our assets. While we may diversify in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geographic area. We intend to engage in such future investment activities in a manner that is consistent with the maintenance of our status as a REIT for U.S. federal income tax purposes. In addition, we may lease income-producing properties for long-term investment, expand and improve the properties we presently own, or sell such properties, in whole or in part, when circumstances warrant.

We may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. We also may acquire real estate or interests in real estate in exchange for the issuance of Common Stock, common units in our Operating Partnership, Preferred Stock or options to purchase stock. These types of investments may permit us to own interests in larger assets without unduly restricting our diversification and, therefore, provide us with flexibility in structuring our portfolio. We will not, however, enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these properties. Debt service on such financing or indebtedness will have a priority over any dividends with respect to our Common Stock. Investments are also subject to our policy not to fall within the definition of an “investment company” under the Investment Company Act of 1940, as amended (the “1940 Act”).

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Although not presently contemplated, subject to the percentage of ownership limitations and the income and asset tests necessary for REIT qualification, we may in the future invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers where such investment would be consistent with our investment objectives. We may invest in the debt or equity securities of such entities, including for the purpose of exercising control over such entities. We have no current plans to invest in entities that are not engaged in real estate activities. While we may attempt to diversify our investments with respect to the retail properties owned by such entities, in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that

may be invested in any one entity, property or geographic area. Our investment objectives are to maximize cash flow of our investments and provide cash distributions and long-term capital appreciation to our stockholders through increases in the value of our company. We have not established a specific policy regarding the relative priority of these investment objectives. We will not underwrite the securities of any other issuers and will limit our investment in such securities so that we will not fall within the definition of an “investment company” under the 1940 Act.

Investments in Other Securities

Other than as described above, we do not currently intend to invest in any additional securities such as bonds, Preferred Stock or Common Stock, although we reserve the right to do so if our Board of Directors determines that such action would be in our best interests.

Financings and Leverage Policy

In the future, we anticipate using a number of different sources to finance our operations, including cash flows from operations, asset sales, seller financing, issuance of debt securities, private financings (such as additional bank credit facilities, which may or may not be secured by our assets), property-level mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to refinance existing debt or for general corporate purposes.

Although we are not required by our governing documents to maintain a ratio of debt to total market capitalization at any particular level, our Board of Directors will review our ratio of debt to total capital on a quarterly basis, with the goal of maintaining a reasonable rate consistent with our expected ratio of debt to total market capitalization going forward. Additionally, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds to refinance existing debt or for general corporate purposes. We expect to use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including prudent assumptions regarding future cash flow, the creditworthiness of tenants and future rental rates. Our charter and bylaws do not limit the amount of debt that we may incur. Our Board of Directors has not adopted a policy limiting the total amount of debt that we may incur.

Our Board of Directors will consider a number of factors in evaluating the amount of debt that we may incur. If we adopt a debt policy, our Board of Directors may from time to time modify such policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our Common Stock, growth opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders, and we are not restricted by our governing documents or otherwise in the amount of leverage that we may use.

Lending Policies

In 2016, we loaned \$11.0 million to a related party for the partial funding of the Sea Turtle Development project in Hilton Head, South Carolina and \$1.0 million note receivable in consideration for the sale of a land parcel owned by the Company. The Company recognized \$1.74 million and \$5.26 million impairment charges on the note receivable during the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 the carrying value of the note receivable was \$5.00 million. We do not have a policy limiting our ability to make loans to other persons. We may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We also may make loans to joint ventures in which we participate. However, we do not intend to engage in significant lending activities. Any loan we make will be consistent with maintaining our status as a REIT.

Equity Capital Policies

To the extent that our Board of Directors approve additional capital raises, we may issue debt or equity securities, including additional units or senior securities of our Operating Partnership, retain earnings (subject to provisions in the Internal Revenue Code of 1986, as amended (the "Code") requiring distributions of income to maintain REIT qualification) or pursue a combination of these methods. As long as our Operating Partnership is in existence, we will generally contribute the proceeds of all equity capital raised by us to our Operating Partnership in exchange for additional interests in our Operating Partnership, which will dilute the ownership interests of the limited partners in our Operating Partnership.

Existing stockholders will have no preemptive rights to Common or Preferred Stock or units issued in any securities offering by us, and any such offering might cause a dilution of a stockholder's investment in us. Although we have no current plans to do so, we may in the future issue shares of Common Stock or units in connection with acquisitions of property.

We may, under certain circumstances, purchase shares of our Common Stock or other securities in the open market or in private transactions with our stockholders, provided that those purchases are approved by our Board of Directors. Any repurchase of shares of our Common Stock or other securities, would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualification as a REIT.

Change in Investment and Financing Objectives and Policies

Our investment policies and objectives and the methods of implementing our investment objectives and policies, except to the extent set forth in our charter, may be altered by our Board of Directors, without the approval of our stockholders. If we change these policies, we will disclose these changes prior to the effective time of these changes. If we change these policies after the offering, we will inform our stockholders of the change within ten days after our Board of Directors alters our investment objectives and policies, by either a press release or notice of an "other event" on a Current Report on Form 8-K or another method deemed reasonable by our Board of Directors.

Conflict of Interest Policies

Overview. Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its other partners under Virginia law and the partnership agreement of our Operating Partnership (the "Partnership Agreement") in connection with the management of our Operating Partnership. Our fiduciary duties and obligations, as the general partner of our Operating Partnership, may come into conflict with the duties of our directors and officers to our company.

Under Virginia law (where our Operating Partnership is formed), a general partner of a Virginia limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the Partnership Agreement or Virginia law consistently with the obligation of good faith and fair dealing. The duty of loyalty requires a general partner of a Virginia general partnership to account to the partnership and hold as trustee for it any property, profit, or benefit derived by the general partner in the conduct of the partnership business or derived from a use by the general partner of partnership property, including the appropriation of a partnership opportunity, to refrain from dealing with the partnership in the conduct of the partnership's business as or on behalf of a party having an interest adverse to the partnership and to refrain from competing with the partnership in the conduct of the partnership business, although the Partnership Agreement may identify specific types or categories of activities that do not violate the duty of loyalty. The Partnership Agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our Operating Partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the Operating Partnership under its Partnership Agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners. The duty of care requires a general partner to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law, and this duty may not be unreasonably reduced by the Partnership Agreement.

The Partnership Agreement provides that we are not liable to our Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. The Partnership Agreement also provides that

any obligation or liability in our capacity as the general partner of our Operating Partnership that may arise at any time under the Partnership Agreement or any other instrument, transaction or undertaking contemplated by the Partnership Agreement will be satisfied, if at all, out of our assets or the assets of our Operating Partnership only, and no obligation or liability of the general partner will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, and none of our directors or officers will be liable or accountable in damages or otherwise to the partnership, any partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission. Our Operating Partnership must indemnify us, our directors and officers, officers of our Operating Partnership and any other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without

limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which such person actually received an improper personal benefit in violation or breach of any provision of the Partnership Agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the Partnership Agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action.

No reported decision of a Virginia appellate court has interpreted provisions similar to the provisions of the Partnership Agreement of our Operating Partnership that modify or reduce the fiduciary duties and obligations of a general partner or reduce or eliminate our liability for money damages to the Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the Partnership Agreement that purport to modify or reduce our fiduciary duties that would be in effect were it not for the Partnership Agreement.

Sale or Refinancing of Properties. Upon the sale of certain of the properties by us, certain unitholders could incur adverse tax consequences which are different from the tax consequences to us and to holders of our Common Stock. Consequently, unitholders may have differing objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness.

While we will have the exclusive authority under the Partnership Agreement to determine whether, when, and on what terms to sell a property or when to refinance or repay indebtedness, any such decision would require the approval of our Board of Directors.

Policies Applicable to All Directors and Officers. Our charter and bylaws do not restrict any of our directors, officers, stockholders or affiliates from having a pecuniary interest in an investment or transaction that we have an interest in or from conducting, for their own account, business activities of the type we conduct. We intend, however, to adopt policies that are designed to eliminate or minimize potential conflicts of interest, including a policy for the review, approval or ratification of any related party transactions. This policy will provide that the audit committee of our Board of Directors will review the relevant facts and circumstances of each related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party before approving such transaction. We have adopted a code of business conduct and ethics, which provides that all of our directors, officers and employees are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without our consent. However, we cannot assure you that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders.

Interested Director and Officer Transactions

Pursuant to the Maryland General Corporation Law ("MGCL"), a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material

financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, provided that:

the fact of the common directorship or interest is disclosed or known to our Board of Directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

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the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Virginia law, we, as general partner, have a fiduciary duty of loyalty to our Operating Partnership and its partners and, consequently, such transactions also are subject to the duties that we, as general partner, owe to the Operating Partnership and its limited partners (as such duty has been modified by the Partnership Agreement). We have adopted a policy that requires that all contracts and transactions between us, our Operating Partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of our disinterested directors even if less than a quorum. Where appropriate, in the judgment of the disinterested directors, our Board of Directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although our Board of Directors will have no obligation to do so.

Policies With Respect To Other Activities

We have authority to offer Common Stock, Preferred Stock or options to purchase stock in exchange for property and to repurchase or otherwise acquire our Common Stock or other securities in the open market or otherwise, and we may engage in such activities in the future. We expect, but are not obligated, to issue Common Stock to holders of common units upon exercise of their redemption rights. Our Board of Directors has the authority, without further stockholder approval, to amend our charter to increase or decrease the number of authorized shares of Common Stock or Preferred Stock and authorize us to issue additional shares of Common Stock or Preferred Stock, in one or more series, including senior securities, in any manner, and on the terms and for the consideration, it deems appropriate. We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than our Operating Partnership and do not intend to do so. At all times, we intend to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code, or the Treasury regulations, our Board of Directors determines that it is no longer in our best interest to qualify as a REIT. In addition, we intend to make investments in such a way that we will not be treated as an "investment company" under the 1940 Act.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws. The application of these laws to a specific property that we own depends on a variety of property-specific circumstances, including the current and former uses of the property, the building materials used at the property and the physical layout of the property. Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results of operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental, health, safety and similar laws and we carry environmental insurance which covers a number of environmental risks for most of our properties.

Competition

Numerous commercial developers and real estate companies compete with us with respect to the leasing of properties. Some of these competitors may possess greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market. This competition may interfere with our ability to attract and retain tenants, leading to increased vacancy rates and/or reduced rents and adversely affect our ability to minimize operating expenses.

Retailers at our properties also face increasing competition from online retailers, outlet stores, discount shopping clubs, superstores, and other forms of sales and marketing of goods and services, such as direct mail. This competition could contribute to lease defaults and insolvency of tenants.

Reporting Policies

The Company's Common Stock is publicly traded on the NASDAQ under the ticker symbol "WHLR". We are subject to the information reporting requirements of the Exchange Act. Pursuant to those requirements, we are required to file annual and periodic reports, proxy statements and other information, including audited consolidated financial statements, with the SEC which can be found at <http://www.sec.gov>.

Additionally, we make available free of charge through our website <http://www.whlr.us> our most recent Annual Report on Form 10-K, including our audited consolidated financial statements, 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 Securities and Exchange Commission (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 Annual Report on Form 10-K 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 1A. Risk Factors.

Set forth below are the risk factors that we believe are material to our investors. You should carefully consider the following risks in evaluating our Company and our business. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment. Some statements in this report, including statements in the following risk factors, constitute forward-looking statement. Please refer to the section entitled "Forward-Looking Statements."

Risks Related to Our Business and Operations

Construction and development projects are subject to risks that materially increase the costs of completion. In the event that we decide to develop and construct new properties or redevelop existing properties, we will be subject to risks and uncertainties associated with construction and development. These risks include, but are not limited to, risks related to obtaining all necessary zoning, land-use, building occupancy and other governmental permits and authorizations, risks related to the environmental concerns of government entities or community groups, risks related to changes in economic and market conditions between development commencement and stabilization, risks related to construction labor disruptions, adverse weather, acts of God or shortages of materials which could cause construction delays and risks related to increases in the cost of labor and materials which could cause construction costs to be greater than projected and adversely impact the amount of our development fees or our results of operations or financial condition.

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in the Northeast, Mid-Atlantic, Southeast and Midwest, which may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

Our properties are located in Alabama, Virginia, North Carolina, Georgia, South Carolina, West Virginia, Kentucky, Oklahoma, Tennessee, New Jersey and Pennsylvania, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. If there is a downturn in the economy in our markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially adversely affected. We cannot assure you that our markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of retail properties. Our operations may also be affected if competing properties are built in our markets. Moreover, submarkets within any of our markets may be dependent upon a limited number of industries. Any adverse economic or real estate developments in the

Mid-Atlantic, Northeast, Southeast or Midwest markets, or any decrease in demand for retail space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to our stockholders.

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As of December 31, 2018, we had approximately \$369.61 million of indebtedness outstanding, which may expose us to the risk of default under our debt obligations.

As of December 31, 2018, our total indebtedness was approximately \$369.61 million, a substantial portion of which is guaranteed by our Operating Partnership, and we may incur additional debt to finance future acquisition and development activities. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

1 our cash flow may be insufficient to meet our required principal and interest payments;

1 we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;

1 we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

1 we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;

1 we may violate financial covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and

1 our default under any loan with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow and per share trading price of our securities could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Failure to reduce our overadvance on the KeyBank Line of Credit may cause a default under its terms.

As of December 31, 2018, we are required to pay down the overadvance of \$3.83 million on the KeyBank Line of Credit by February 28, 2019 or otherwise properly balance the borrowing base availability. If we are unable to properly balance the borrowing base availability we may use funds from our operations to pay down the indebtedness on the line of credit. A pay down from funds from our operations may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. This could have significant adverse consequences, including the following: our cash flow may be insufficient to make required principal and interest payments on our indebtedness; we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs; we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; and we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject. If any one of these events were to occur, our financial condition, results of operations, cash flows and the trading price of our securities could be adversely affected. In addition, we may not have sufficient funds from operations to pay down the line of credit, which may cause a default under its terms, resulting in a foreclosure of properties that secure the line of credit. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

The majority of our properties are retail shopping centers and 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.

Large, regionally or nationally recognized tenants typically anchor our properties. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in

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order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties.

Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the applicable retail property.

Some of the leases at our retail properties contain "co-tenancy" or "go-dark" provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our performance or the value of the applicable retail property.

Some of the leases at our retail properties contain "co-tenancy" provisions that condition a tenant's obligation to remain open, the amount of rent payable by the tenant or the tenant's obligation to continue occupancy on certain conditions, including: (1) the presence of a certain anchor tenant or tenants; (2) the continued operation of an anchor tenant's store; and (3) minimum occupancy levels at the applicable retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to a reduction of its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain "go-dark" provisions that allow the tenant to cease operations while continuing to pay rent. This could result in decreased customer traffic at the applicable retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or tenants' rights to terminate their leases early or to a reduction of their rent, our performance or the value of the applicable retail property could be adversely affected.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our Common Stock.

As of December 31, 2018, leases representing approximately 7.08% of the square footage and approximately 10.31% of the annualized base rent of the properties in our portfolio are month-to-month leases or will expire during the twelve months ending December 31, 2019, and an additional 10.89% of the square footage of the properties in our portfolio was available. We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow ability to make distributions and per share trading price of our securities could be adversely affected.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth and ability to pay dividends in the future.

Our business strategy involves the acquisition of income producing assets such as strip centers, neighborhood centers, grocery-anchored centers, community centers, free-standing retail properties and development properties. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and

are compatible with our growth strategies. We continue to evaluate the market of available properties and may attempt to acquire properties when

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strategic opportunities exist. However, we may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

1 we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;

1 even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and

1 we may be unable to finance the acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flow and per share trading price of our securities could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth and hinder our ability to pay dividends as expected.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results. Our future acquisitions may not yield the returns we expect, and we may otherwise be unable to operate these properties to meet our financial expectations, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

1 even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

1 we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

1 our cash flow may be insufficient to meet our required principal and interest payments or make expected distributions;

1 we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;

1 we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for cleanup of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and per share trading price of our securities could be adversely affected.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need periodically to repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning, environmental and tax laws, the potential for liability under applicable laws, interest rate levels, principal loan amounts and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. If we are unable to decrease operating costs when demand for our properties decreases and our revenues decline, our financial condition, results of operations and our ability to make distributions to our stockholders may be adversely affected.

High mortgage interest rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for debt payments and distributions to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities.

Subject to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. We currently do not have any hedges in place. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. These agreements

involve risks, such as the

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risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could materially adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under generally accepted accounting principles in the United States of America.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including the recent dislocations in the credit markets and general global economic downturn. These conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow and per share trading price of our securities as a result of the following potential consequences, among others:

1 decreased demand for retail space, which would cause market rental rates and property values to be negatively impacted;

1 reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which 1 could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense.

In addition, any economic downturn may adversely affect the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

We are subject to risks that affect the general retail environment, such as weakness in the economy, the level of consumer spending, the adverse financial condition of large retailing companies and competition from discount and Internet retailers, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our shopping centers.

With the exception of our Riversedge North property, which houses our corporate offices, all of our improved properties are in the retail real estate market. This means that we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, Internet retailers and other online businesses. Increases in consumer spending via the Internet may significantly affect our retail tenants' ability to generate sales in their stores. In addition, some of our retail tenants face competition from the expanding market for digital content and hardware. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants.

Any of the foregoing factors could adversely affect the financial condition of our tenants and the willingness of retailers to lease space in our shopping centers. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to our

stockholders.

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We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and per share trading price of our Common Stock could be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities to be adversely affected. To the extent adverse economic conditions continue in the real estate market and demand for retail space falls, we expect that, upon expiration of leases at our properties, we may be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could cause an adverse effect to our financial condition, results of operations, cash flow and per share trading price of our securities.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, which could negatively impact our ability to generate cash flow growth.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Northeast, Mid-Atlantic, Southeast and Midwest real estate markets, a general economic downturn and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

We have and may continue to acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

We have and in the future we may continue to acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our securities.

We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development and redevelopment activities:

1 unsuccessful development or redevelopment opportunities could result in direct expenses to us;

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- 1 construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- 1 time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- 1 contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;
- 1 failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;
- 1 delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- 1 occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- 1 our ability to dispose of properties developed or redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and
- 1 the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or redevelopment activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and the per share trading price of our securities.

Our success depends upon our retaining and recruiting key personnel.

Our future success depends heavily upon the continued service of our key executives. In particular, we rely on the expertise and experience of David Kelly, our President and CEO, Matthew Reddy, our CFO and Andy Franklin, our Chief Operating Officer ("the COO"). We rely on their industry expertise and experience in our business operations, and in particular, their business vision, financial and accounting, management skills, and working relationship with our employees, our major shareholders, the regulatory authorities, and many of our tenants. If they became unable or unwilling to continue in their present positions, or they left our Company, we may not be able to replace them, our business may be significantly disrupted and our financial condition and results of operations may be materially adversely affected.

We may be subject to on-going or future litigation, including existing claims relating to the entities that own the properties described in this annual filing and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our securities. We may be subject to on-going litigation, including existing claims relating to the entities that own the properties and operate the businesses described in this annual filing and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Common Stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties.

Potential losses may not be covered by insurance or may exceed policy limits and we could incur significant costs and lose our equity in the damaged properties.

We carry comprehensive liability insurance policies, covering all of our properties. Our insurance coverage contains policy specifications and insured limits customarily carried for similar properties and business activities. If a loss or damages are suffered at one or more of our properties, our insurer may attempt to limit or void our coverage by arguing that the loss resulted from facts or circumstances not covered by our policy. Furthermore, if we experience a loss that is uninsured or that exceeds our policy limits, we could incur significant costs and lose the capital invested in the damaged or otherwise adversely affected properties as well as the anticipated future cash flows from those properties.

We have a limited operating history as a REIT and a publicly traded company. We have limited financing sources, and we may not be able to successfully operate as a REIT or a publicly traded company.

We have a limited operating history as a REIT and a publicly traded company. We cannot assure you that the past experience of Mr. Kelly and our management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC, and comply with the Sarbanes-Oxley Act of 2002 and REIT requirements imposed by the Code. Failure to operate successfully as a public company or maintain our qualification as a REIT would have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Common Stock.

Additionally, we have limited financing sources. If our capital resources are insufficient to support our operations, we will not be successful. You should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies that are, like us, in the early stages of development. To be successful in this market, we must, among other things:

1 identify and acquire additional investments that further our investment strategies;

1 increase awareness of our REIT within the investment products market;

1 attract, integrate, motivate and retain qualified personnel to manage our day-to-day operations; and

1 respond to competition for our targeted real estate properties and other investment as well as for potential investors. We cannot guarantee that we will succeed in achieving these goals, and our failure to do so could cause you to lose all or a portion of your investment.

Our estimated cash available for distribution is insufficient to cover our anticipated annual dividends and distributions paid from sources other than our cash flow from operations will result in us having fewer funds available for the acquisition of properties, which may adversely affect our ability to fund future distributions with cash flow from operations and may adversely affect your overall return.

Our operating cash flow currently is insufficient to cover our anticipated monthly and quarterly distributions to common stockholders and preferred stockholders. We have paid distributions from sources other than from our cash flow from operations. Until we acquire additional properties, we will not generate sufficient cash flow from operations to pay our anticipated monthly and quarterly distributions. Moreover, our Board of Directors may change this policy, in its sole discretion, at any time.

By funding distributions from our cash on hand or borrowings we will have less funds available for acquiring properties. As a result, the return you realize on your investment may be reduced. Funding distributions from borrowings could restrict the amount we can borrow for investments, which may affect our profitability. Funding distributions with the sale of assets or the proceeds of offerings may affect our ability to generate cash flows. Funding distributions from the sale of securities could dilute your interest in us if we sell shares of our Common Stock or securities convertible or exercisable into shares of our Common Stock to third party investors. Payment of distributions from the mentioned sources could restrict our ability to generate sufficient cash flow from operations, affect our profitability and/or affect the distributions payable to you, any or all of which may have an adverse effect on your investment.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between our co-venturers and us.

We may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. Consequently, with respect to any such arrangement we may enter into in the future, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability, among other things, to meet our capital and operating needs or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT. In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

1 general market conditions;

1 the market's perception of our growth potential;

1 our current debt levels;

1 our current and expected future earnings;

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our cash flow and cash distributions; and

1 the market price per share of our securities.

Recently, the capital markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT.

We may not comply with the Asset Coverage Ratio contained in the terms of our Series D Preferred Stock.

The terms of our Series D Preferred Stock require us to maintain a certain level of asset coverage. More specifically, we are required to maintain an asset coverage percentage of at least 200% on the last business day of each calendar quarter. This percentage is calculated by dividing (i) our total assets plus accumulated depreciation, plus accumulated amortization minus our total liabilities and indebtedness as reported in our financial statements (exclusive of the book value of any Redeemable and Term Preferred Stock) by (ii) the aggregate liquidation preference, plus an amount equal to all accrued and unpaid dividends, of the outstanding shares of our Series D Preferred Stock and any outstanding shares of Redeemable and Term Preferred Stock. If we fail to satisfy the Asset Coverage Ratio (as defined in Note 9 to the consolidated financial statements of this Annual Report on Form 10-K), we must cure the failure during the period that expires at the close of business on the date that is 30 calendar days following the filing date of our Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as applicable, for that quarter. If we fail to cure the failure prior to the Asset Coverage Cure Date (as defined in Note 9 to the consolidated financial statements of this Annual Report on Form 10-K), the terms of our Series D Preferred Stock require us to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Redeemable and Term Preferred Stock, which may include Series D Preferred Stock, at least equal to the lesser of (i) the minimum number of shares of Redeemable and Term Preferred Stock that will result in us having an Asset Coverage Ratio of at least 200% and (ii) the maximum number of shares of Redeemable and Term Preferred Stock that can be redeemed solely out of funds legally available for such redemption.

There can be no guarantee that we will continue to comply with the Asset Coverage Ratio in the future. To the extent we fail to satisfy the Asset Coverage Ratio and are required to redeem shares of our Series D Preferred Stock, our business and its operations may be materially and adversely impacted.

If a major tenant declares bankruptcy or experiences a downturn in its business, we may be unable to collect balances due under relevant leases.

We may experience concentration in one or more tenants across several of the properties in our portfolio. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties. Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties. In addition, we may not be able to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the applicable retail property. Any of our tenants, or any guarantor of one of our tenant's lease obligations, could become subject to a bankruptcy proceeding pursuant to Title 11 of the United States Code (the "Bankruptcy Code"). If a tenant becomes a debtor under the Bankruptcy Code, federal law prohibits us from evicting such tenant based solely upon the commencement of such bankruptcy. Further, such a bankruptcy filing could prevent us from attempting to collect pre-bankruptcy debts from

the bankrupt tenant or

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its properties or taking other debt enforcement actions, unless we receive an enabling order from the bankruptcy court. Generally, post-bankruptcy debts are required by statute to be paid currently, which would include payments on our leases that come due after the date of the bankruptcy filing. Such a bankruptcy filing also could cause a decrease, delay or cessation of current rental payments, reducing our operating cash flows and the amount of cash available for distributions to stockholders. Prior to emerging from bankruptcy, the tenant will need to decide whether to assume or reject its leases. Generally, and unless otherwise agreed to by the tenant and the lessor, if a tenant assumes a lease, all pre-bankruptcy balances and unpaid post-bankruptcy amounts owed under the lease must be paid in full. If a given lease or guaranty is not assumed, our operating cash flows and the amount of cash available for distribution to stockholders may be adversely affected. If a lease is rejected by a tenant in bankruptcy, we are entitled to general unsecured claims for damages. If a lease is rejected, we may not receive any further rent payments from the tenant, and the amount of our general unsecured claim for future rent would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent and damages already due but unpaid. We would only receive recovery on our general unsecured claim in the event that funds or other consideration were available for distribution to general unsecured creditors, and then only in the same percentage as that realized on other general unsecured claims. We may also be unable to re-lease a terminated or rejected property or to re-lease it on comparable or more favorable terms.

Our business and the market price of our common stock could be negatively affected as a result of the actions of activist stockholders.

The Stilwell Group filed a Schedule 13D announcing their plans to nominate director candidates for election to our board of directors at our 2019 annual meeting of stockholders. They were unsuccessful at this attempt at the 2018 annual meeting, but may seek board seats in 2019. Our business, operating results or financial condition could be harmed by these potential proxy contests because, among other things:

Responding to proxy contests is costly and time-consuming, is a significant distraction for our board of directors, management and employees, and diverts the attention of our board of directors and senior management from the pursuit of our business strategy, which could adversely affect our results of operations and financial condition; Perceived uncertainties as to our future direction, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team, including our CEO, may lead to the perception of a change in the direction of our business, instability or lack of continuity which may be exploited by our competitors, and may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners;

The expenses for legal and advisory fees and administrative and associated costs incurred in connection with responding to proxy contests and any related litigation may be substantial; and

We may choose to initiate, or may become subject to, litigation as a result of the proxy contests or matters arising from the proxy contests, which would serve as a further distraction to our board of directors, management and employees and would require us to incur significant additional costs.

In addition, the market price of our securities could be subject to significant fluctuations or otherwise be adversely affected by the uncertainties described above or the outcome of the proxy contests.

The federal government's "green lease" policies may adversely affect us.

In recent years, the federal government has instituted "green lease" policies that allow a government tenant to require leadership in energy and environmental design for commercial interiors, or LEED®-CI, certification in selecting new premises or renewing leases at existing premises. In addition, the Energy Independence and Security Act of 2007 allows the General Services Administration to prefer buildings for lease that have received an "Energy Star" label. Obtaining such certifications and labels may be costly and time consuming, but our failure to do so may result in our competitive disadvantage in acquiring new or retaining existing government tenants.

Technological developments may impact customer traffic at certain tenants' stores and ultimately sales at such stores. We may be adversely affected by developments of new technology that may cause the business of certain of our tenants to become substantially diminished or functionally obsolete, with the result that such tenants may be unable to pay rent, become insolvent, file for bankruptcy protection, close their stores or terminate their leases. Examples of the potentially adverse effects of new technology on retail businesses include, amongst other things, the advent of online movie rentals on video stores, the effect of e-books and small screen readers on book stores, and increased sales of many products online.

Substantial recent annual increases in online sales have also caused many retailers to sell products online on their websites with pick-ups at a store or warehouse or through deliveries. With special reference to our principal tenants, online grocery orders are available in some areas and may become a major factor affecting grocers in our portfolio. Natural disasters and severe weather conditions could have an adverse impact on our cash flow and operating results. Some of our properties could be subject to potential natural or other disasters. In addition, we may acquire properties that are located in areas that are subject to natural disasters, such as earthquakes and droughts. Properties could also be affected by increases in the frequency or severity of tornadoes, hurricanes or other storms, whether such increases are caused by global climate changes or other factors. The occurrence of natural disasters or severe weather conditions can increase investment costs to repair or replace damaged properties, increase operating costs, increase future property insurance costs, and/or negatively impact the tenant demand for lease space. If insurance is unavailable to us, or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from such events, our earnings, liquidity and/or capital resources could be adversely affected.

We face risks relating to cybersecurity attacks, loss of confidential information and other business disruptions. Our business is at risk from and may be impacted by cybersecurity attacks, including attempts to gain unauthorized access to our confidential data, and other electronic security breaches. Such cyber attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful in preventing a cyber attack. A cybersecurity attack could compromise the confidential information of our employees, tenants and vendors. A successful attack could disrupt and otherwise adversely affect our business operations.

Risks Related to the Real Estate Industry

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our financial performance and the value of our properties can be affected by many of these factors, including the following:

1 adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties or lease defaults by our tenants;

1 the national, regional and local economy, which may be negatively impacted by concerns about increasing interest rates, inflation, deflation and government deficits, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

1 local real estate conditions, such as an oversupply of, or a reduction in, demand for retail space and the availability and creditworthiness of current and prospective tenants;

1 vacancies or ability to rent retail space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of our properties, to obtain financing on favorable terms or at all;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- inability to refinance our indebtedness, which could result in a default on our obligation;
- the convenience and quality of competing retail properties;
- inability to collect rent from tenants;
- our ability to secure adequate insurance;
- our ability to secure adequate management services and to maintain our properties;

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990 (the “ADA”); and

- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, wind damage and floods, which may result in uninsured and underinsured losses.

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases, and, consequently, our properties, including any held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share market price of our securities and ability to satisfy our principal and interest obligations and to make distributions to our stockholders may be adversely affected.

Our performance and value are subject to risks associated with real estate assets and the real estate industry, including local oversupply, reduction in demand or adverse changes in financial conditions of buyers, sellers and tenants of properties, which could decrease revenues or increase costs, which would adversely affect our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and the per share trading price of our securities.

Our ability to pay expected dividends to our stockholders depends on our ability to complete future acquisitions as well as our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under “-Risks Related to Our Business and Operations,” as well as the following:

- local oversupply or reduction in demand for retail space;

1 adverse changes in financial conditions of buyers, sellers and tenants of properties;

vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent
1 abatements, tenant improvements, early termination rights or below-market renewal options, and the need to
periodically repair, renovate and re-let space;

1 increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;

1 civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result
in uninsured or underinsured losses;

1 decreases in the underlying value of our real
estate;

1 changing submarket demographics; and

1 changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities.

Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.

Although we believe we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. The amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay any expected dividends to our stockholders could be adversely

affected.

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Our properties may contain asbestos or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem, which could adversely affect the value of the affected property and our ability to make distributions to our stockholders.

We are required by federal regulations with respect to our properties to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials (“ACMs”), and potential ACMs. We may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACMs and potential ACMs at our properties as a result of these regulations. The regulations may affect the value of any of our properties containing ACMs and potential ACMs. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of ACMs and potential ACMs when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a property.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions.

The presence of ACMs or significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the ACMs or mold from the affected property. In addition, the presence of ACMs or significant mold could expose us to claims of liability to our tenants, their or our employees, and others if property damage or health concerns arise.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling or refinancing a property during the lock-out period.

We may acquire properties in exchange for common units of our Operating Partnership and agree to restrictions on sales or refinancing, called “lock-out” provisions, which are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. In addition, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. These restrictions could affect our ability to turn our investments into cash and thus affect cash available for distributions to our stockholders. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, could adversely impact the market value of our Common Stock. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any

required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties,

environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Additionally, we possess Phase I Environmental Site Assessments for all of the properties in our portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations, hazardous materials surveys or lead-based paint inspections or asbestos inspections) and may have failed to identify all environmental conditions or concerns. Furthermore, the Phase I Environmental Site Assessment reports for all of the properties in our portfolio are limited to the information available to the licensed site professional at the time of the investigation, and, as such, may not disclose all potential or existing environmental contamination liabilities at the properties in our portfolio arising after the date of such investigation. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our Common Stock. Some of the Phase I Environmental Site Assessments in our possession indicate the possibility of lead-based paint and asbestos containing materials located on and within buildings on some of our properties and polychlorinated biphenyl-containing electrical transformers located or adjacent to some of our properties. However, management believes that the potential liabilities resulting from removing these items would be immaterial.

As the owner of the buildings on our properties, we 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 our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our 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 us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us, 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 our operations, or those of our tenants, which could in turn have an adverse effect on us.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to you or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Common Stock. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulation will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses

and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our Common Stock.

In addition, federal and state laws and regulations, including laws such as the ADA and the Fair Housing Amendment Act of 1988 (the "FHAA"), impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In

addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities.

The Sea Turtle Development notes receivable are subject to significant risks and losses related to the underlying collateral which could have a material adverse effect on our financial condition and results of operations. As discussed in greater detail in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we have originated notes receivable to Sea Turtle Development which take the form of subordinated loans secured by second mortgages on the underlying development. This type of loan involves a higher degree of risk than first lien position mortgages because the loan may become unsecured as a result of foreclosure by the senior lender. In addition, these loans have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. If the borrower defaults on our loan or in the event of a borrower bankruptcy our loan will be satisfied only after the senior debt is paid in full. As a result, we may not recover some or all of our initial investment. In the event of default, significant losses related to loan investments could have a material adverse effect on our financial condition and results of operations.

The risks associated with undeveloped land parcels and related activities could have a material adverse effect on our results of operations.

We have six undeveloped parcels of land. The risks inherent in owning land increase as demand or rental rates for office, retail or multifamily properties decreases. Real estate markets are uncertain, and as a result, the value of undeveloped land can fluctuate depending on prospective uses or intended developments. In addition, carrying costs, can be significant and can result in losses or reduced profitability. If there are subsequent changes in the fair value of our undeveloped land parcels that cause us to determine that the fair value of our undeveloped land parcels is less than their carrying basis reflected in our financial statements plus estimated costs to sell, we may be required to take future impairment charges which would reduce our net income and could materially and adversely affect our results of operations.

Risks Related to Our Organization Structure

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Virginia law and the partnership agreement of our Operating Partnership (the "Partnership Agreement") in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our company.

Under Virginia law, a general partner of a Virginia limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the Partnership Agreement or Virginia law consistently with the obligation of good faith and fair dealing. The Partnership Agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our Operating Partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the

contract rights of the limited partners of the Operating Partnership under its Partnership Agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners.

Additionally, the Partnership Agreement provides that we will not be liable to the Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our Operating Partnership must indemnify us, our directors and officers, officers of our Operating Partnership and our designees from and against any and all claims that relate to the operations of our Operating Partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually

received an improper personal benefit in violation or breach of the Partnership Agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the Partnership Agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action.

Our Board of Directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our Board of Directors. Accordingly, our stockholders do not control these policies. Further, while our Board of Directors will review our ratio of debt to total capital on a quarterly basis, with the goal of maintaining a reasonable rate consistent with our expected ratio of debt to total market capitalization going forward, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our Board of Directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged, which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regard to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our Common Stock.

Our rights and the rights of our stockholders to take action against our directors and officers are limited. As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

1 actual receipt of an improper benefit or profit in money, property or services; or

1 a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and will conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we will rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our Common Stock. We will also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our Operating

Partnership's and our other subsidiaries' liabilities and obligations have been paid in full.

We suspended dividend payments with respect to our Series A Preferred, Series B Preferred and Series D Preferred for the fourth quarter 2018, first quarter 2019 and in March 2018 suspended the Common Stock dividend. We suspended dividend payments with respect to our Series A Preferred, Series B Preferred and Series D Preferred for the fourth quarter 2018, first quarter 2019 and in March 2018 suspended the Common Stock dividend. We plan to revisit the dividend payment policy with respect to our Series A Preferred, Series B Preferred and Series D Preferred in the second quarter of 2019. See Part II, Item 7., “Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Liquidity Needs” of this Annual Report. As a result of this dividend suspension, no dividends may be declared or paid on the common stock until all accumulated accrued and unpaid dividends on our Series A Preferred, Series B Preferred and Series D Preferred have been, or contemporaneously are, declared and paid, or declared and a sum sufficient for the payment thereof is set apart for payment, for all past dividend periods.

Our common stock ranks junior to our Series A Preferred, Series B Preferred and Series D Preferred with respect to dividends and amounts payable in the event of our liquidation.

Our common stock ranks junior to our Series A Preferred, Series B Preferred and Series D Preferred with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding-up. This means that, unless accumulated accrued dividends have been paid or set aside for payment on all outstanding shares of our Series A Preferred, Series B Preferred and Series D Preferred for all past dividend periods, no dividends may be declared or paid, or set aside for payment on, our common stock. Likewise, in the event of our voluntary or involuntary liquidation, dissolution or winding-up, no distribution of our assets may be made to holders of our common stock until we have paid to holders of our Series A Preferred, Series B Preferred and Series D Preferred the applicable liquidation preference plus all accumulated accrued and unpaid dividends.

We suspended dividend payments with respect to our Series A Preferred, Series B Preferred and Series D Preferred for the fourth quarter 2018, first quarter 2019 and in March 2018 suspended the Common Stock dividend. We plan to revisit the dividend payment policy with respect to our Series A Preferred, Series B Preferred and Series D Preferred in the second quarter of 2019. See Part II, Item 7., “Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Liquidity Needs” of this Annual Report. As a result, the value of your investment in our common stock may suffer if sufficient funds are not available to first satisfy our obligations to the holders of our Series A Preferred, Series B Preferred and Series D Preferred in the event of our liquidation.

Our Operating Partnership may issue additional partnership units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and would have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders.

As of December 31, 2018, we own 98.33% of the outstanding common units of our Operating Partnership, and we may, in connection with our acquisition of properties or otherwise, issue additional partnership units to third parties. Such issuances would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own partnership units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Loss of exclusion from regulation pursuant to the Investment Company Act of 1940 would adversely affect us. We conduct our operations so that our company and each of its subsidiaries are exempt from registration as an investment company under the Investment Company Act of 1940, or the Investment Company Act. Under Section 3(a)(1)(A) of the Investment Company Act, a company is an “investment company” if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an “investment company” if it is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire “investment securities” having a value exceeding 40% of the value of its total assets

(exclusive of government securities and cash items) on an unconsolidated basis, or the 40% test.

We conduct our operations so that our company and most, if not all, of our subsidiaries will comply with the 40% test. We will continuously monitor our holdings on an ongoing basis to determine the compliance of our company and each subsidiary with this test. In addition, we believe that neither our company nor any of our subsidiaries will be considered investment

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companies under Section 3(a)(1)(A) of the Investment Company Act because they will not engage primarily, or propose to engage primarily, or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, our company and its subsidiaries are primarily engaged in non-investment company businesses related to real estate. Our business will be materially and adversely affected if we fail to qualify for this exclusion from regulation pursuant to the Investment Company Act.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our Common Stock. We have elected to be taxed, and we operate in a manner that will allow us to qualify, as a REIT for U.S. federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service (the "IRS") that we qualify as a REIT, and the statements in this annual filing are not binding on the IRS or any court. Therefore, we cannot assure you that we qualify as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders for each of the years involved because:

1 we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

1 we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

1 unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for five taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the value of our Common Stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as "rents from real property." Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for U.S. federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we continue to qualify as a REIT for U.S. federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions they operate.

If our Operating Partnership fails to continue to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership will continue to be treated as a partnership for U.S. federal income tax purposes. As a partnership, our Operating Partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our Operating Partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other

subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to continue to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to continue to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities. To continue to qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our Common Stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow, ability to make distributions to our stockholders and per share trading price of our securities.

We may in the future choose to pay dividends in our securities, in which case you may be required to pay tax in excess of the cash you receive.

We may distribute taxable dividends that are payable in our securities. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. For more information on the tax consequences of distributions with respect to our securities, see "Material U.S. Federal Income Tax Considerations." Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may have an adverse effect on the per share trading price of our securities.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for the 20% rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the 20% rate continues to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT

corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our Common Stock.

The tax imposed on REITs engaging in “prohibited transactions” may limit our ability to engage in transactions that would be treated as sales for U.S. federal income tax purposes.

A REIT’s net income from prohibited transactions is subject to a 100% excise tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such

characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on us, including our ability to qualify as a REIT or the U.S. federal income tax consequences of such qualification.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences of such qualification.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

Our Portfolio

At December 31, 2018, we owned seventy-one properties, including sixty-four income producing properties located in Virginia, North Carolina, South Carolina, Florida, Georgia, Kentucky, Oklahoma, Tennessee, Alabama, New Jersey, Pennsylvania and West Virginia, containing a total of 5,716,471 gross leasable square feet of retail space, which we refer to as our operating portfolio. The following table presents an overview of our properties, based on information as of December 31, 2018.

Portfolio

Property	Location	Number of Tenants (1)	Total Leasable Square Feet	Percentage Leased (1)	Occupied Square Foot Percentage	Total SF Occupied	Annualized Base Rent (2)	Annualized Base Rent per Occupied Sq. Foot
Alex City Marketplace	Alexander City, AL	19	147,791	100.0 %	100.0 %	147,791	\$ 1,156,565	\$ 7.83
Amscot Building (3)	Tampa, FL	1	2,500	100.0 %	100.0 %	2,500	115,849	46.34
Beaver Ruin Village	Lilburn, GA	27	74,038	84.7 %	84.7 %	62,701	1,091,836	17.41
Beaver Ruin Village II	Lilburn, GA	4	34,925	100.0 %	100.0 %	34,925	448,130	12.83
Berkley (4)	Norfolk, VA	—	—	— %	— %	—	—	—
Berkley Shopping Center	Norfolk, VA	9	47,945	39.5 %	39.5 %	18,940	232,030	12.25
Brook Run Shopping Center	Richmond, VA	19	147,738	92.1 %	92.1 %	136,102	1,498,354	11.01
Brook Run Properties (4)	Richmond, VA	—	—	— %	— %	—	—	—
Bryan Station	Lexington, KY	10	54,397	100.0 %	100.0 %	54,397	596,441	10.96
Butler Square	Mauldin, SC	15	82,400	96.5 %	96.5 %	79,550	848,760	10.67
Cardinal Plaza	Henderson, NC	7	50,000	94.0 %	94.0 %	47,000	449,600	9.57
Chesapeake Square	Onley, VA	12	108,982	96.5 %	96.5 %	105,182	792,110	7.53
Clover Plaza	Clover, SC	10	45,575	100.0 %	100.0 %	45,575	363,137	7.97
Columbia Fire Station	Columbia, SC	3	21,273	79.0 %	79.0 %	16,800	449,884	26.78
Courtland Commons (4)	Courtland, VA	—	—	— %	— %	—	—	—
Conyers Crossing	Conyers, GA	12	170,475	98.3 %	98.3 %	167,575	870,171	5.19
Crockett Square	Morristown, TN	4	107,122	100.0 %	100.0 %	107,122	920,322	8.59
Cypress Shopping Center	Boiling Springs, SC	15	80,435	37.8 %	37.8 %	30,375	407,147	13.40
Darien Shopping Center	Darien, GA	1	26,001	100.0 %	100.0 %	26,001	156,006	6.00
Devine Street	Columbia, SC	2	38,464	100.0 %	100.0 %	38,464	318,500	8.28
Edenton Commons (4)	Edenton, NC	—	—	— %	— %	—	—	—
Folly Road	Charleston, SC	5	47,794	100.0 %	100.0 %	47,794	725,840	15.19
Forrest Gallery	Tullahoma, TN	24	214,451	93.0 %	93.0 %	199,504	1,348,619	6.76
Fort Howard Shopping Center	Rincon, GA	18	113,652	93.6 %	93.6 %	106,320	879,340	8.27
Freeway Junction	Stockbridge, GA	14	156,834	94.6 %	94.6 %	148,424	1,084,566	7.31
Franklin Village	Kittanning, PA	29	151,821	100.0 %	100.0 %	151,821	1,254,274	8.26
Franklinton Square	Franklinton, NC	13	65,366	90.7 %	90.7 %	59,300	542,253	9.14
Georgetown	Georgetown, SC	2	29,572	100.0 %	100.0 %	29,572	267,215	9.04
Graystone Crossing	Tega Cay, SC	11	21,997	100.0 %	92.3 %	20,297	545,353	26.87
Grove Park	Orangeburg, SC	15	106,557	87.5 %	87.5 %	93,265	737,810	7.91
Harbor Pointe (4)	Grove, OK	—	—	— %	— %	—	—	—

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Harrodsburg Marketplace	Harrodsburg, KY	8	60,048	91.0	% 91.0	% 54,648	413,640	7.57
JANAF (6)	Norfolk, VA	117	810,137	85.9	% 84.5	% 684,533	7,819,908	11.42
Jenks Plaza	Jenks, OK	5	7,800	100.0	% 100.0	% 7,800	165,820	21.26
Laburnum Square	Richmond, VA	21	109,405	100.0	% 100.0	% 109,405	994,847	9.09
Ladson Crossing	Ladson, SC	15	52,607	100.0	% 100.0	% 52,607	491,572	9.34
LaGrange Marketplace	LaGrange, GA	13	76,594	95.3	% 95.3	% 72,994	417,150	5.71
Lake Greenwood Crossing	Greenwood, SC	5	47,546	85.0	% 85.0	% 40,418	316,490	7.83

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Property	Location	Number of Tenants (1)	Total Leasable Square Feet	Percentage Leased (1)	Occupied Square Foot Percentage	Total SF Occupied	Annualized Base Rent (2)	Annualized Base Rent per Occupied Sq. Foot
Lake Murray	Lexington, SC	5	39,218	100.0 %	100.0 %	39,218	\$256,162	\$ 6.53
Litchfield Market Village	Pawleys Island, SC	18	86,740	86.6 %	86.6 %	75,103	911,274	12.13
Lumber River Village	Lumberton, NC	11	66,781	98.2 %	98.2 %	65,581	446,203	6.80
Moncks Corner	Moncks Corner, SC	1	26,800	100.0 %	100.0 %	26,800	323,451	12.07
Nashville Commons	Nashville, NC	12	56,100	99.9 %	99.9 %	56,050	602,724	10.75
New Market Crossing	Mt. Airy, NC	13	117,076	96.0 %	96.0 %	112,368	976,833	8.69
Parkway Plaza	Brunswick, GA	4	52,365	81.7 %	81.7 %	42,785	346,979	8.11
Perimeter Square	Tulsa, OK	9	58,277	66.6 %	66.6 %	38,815	470,601	12.12
Pierpont Centre	Morgantown, WV	17	122,259	90.9 %	89.3 %	109,203	1,294,704	11.86
Port Crossing	Harrisonburg, VA	9	65,365	97.9 %	97.9 %	64,000	813,644	12.71
Ridgeland	Ridgeland, SC	1	20,029	100.0 %	100.0 %	20,029	140,203	7.00
Riverbridge Shopping Center	Carrollton, GA	11	91,188	98.5 %	98.5 %	89,788	688,391	7.67
Riversedge North (5)	Virginia Beach, VA	—	—	— %	— %	—	—	—
Rivergate Shopping Center	Macon, GA	31	201,680	97.5 %	97.5 %	196,719	2,814,797	14.31
Sangaree Plaza	Summerville, SC	9	66,948	100.0 %	100.0 %	66,948	648,335	9.68
Shoppes at Myrtle Park	Bluffton, SC	12	56,601	76.3 %	76.3 %	43,204	489,327	11.33
Shoppes at TJ Maxx	Richmond, VA	16	93,624	95.9 %	95.9 %	89,815	1,092,673	12.17
South Lake	Lexington, SC	6	44,318	14.2 %	14.2 %	6,300	89,793	14.25
South Park	Mullins, SC	3	60,734	83.2 %	83.2 %	50,509	351,189	6.95
South Square	Lancaster, SC	5	44,350	74.2 %	74.2 %	32,900	272,005	8.27
St. George Plaza	St. George, SC	6	59,279	86.5 %	86.5 %	51,278	332,439	6.48
St. Matthews	St. Matthews, SC	5	29,015	87.2 %	87.2 %	25,314	185,508	7.33
Sunshine Plaza	Lehigh Acres, FL	21	111,189	96.6 %	96.6 %	107,396	987,132	9.19
Surrey Plaza	Hawkinsville, GA	2	42,680	78.5 %	78.5 %	33,500	211,050	6.30
Tampa Festival	Tampa, FL	17	137,987	63.2 %	63.2 %	87,266	910,413	10.43
Tri-County Plaza	Royston, GA	6	67,577	89.2 %	89.2 %	60,277	399,073	6.62
Tulls Creek (4)	Moyock, NC	—	—	— %	— %	—	—	—
Twin City Commons	Batesburg-Leesville, SC	5	47,680	100.0 %	100.0 %	47,680	434,093	9.10
Village of Martinsville	Martinsville, VA	18	297,950	96.1 %	96.1 %	286,431	2,224,821	7.77
Walnut Hill Plaza	Petersburg, VA	6	87,239	34.3 %	34.3 %	29,957	268,048	8.95
Waterway Plaza	Little River, SC	10	49,750	100.0 %	100.0 %	49,750	485,140	9.75
Westland Square	West Columbia, SC	10	62,735	80.8 %	80.8 %	50,690	471,206	9.30
Winslow Plaza	Sicklerville, NJ	16	40,695	94.1 %	94.1 %	38,295	589,702	15.40
Total Portfolio		800	5,716,471	89.4 %	89.1 %	5,093,671	\$49,247,452	\$ 9.67

(1) Reflects leases executed through January 9, 2019 that commence subsequent to the end of the current period.

(2) Annualized based rent per occupied square foot, assumes base rent as of the end of the current reporting period, excludes the impact of tenant concessions and rent abatements.

(3) We own the Amscot building, but we do not own the land underneath the buildings and instead lease the land pursuant to ground leases. As discussed in the financial statements, these ground leases require us to make annual

rental payments and contain escalation clauses and renewal options.

(4) This information is not available because the property is undeveloped.

(5) This property is our corporate headquarters that we 100% occupy.

(6) Square footage is net of management office the Company occupies on premise and buildings on ground lease which the Company only leases the land.

Major Tenants

The following table sets forth information regarding the ten largest tenants in our operating portfolio based on annualized base rent as of December 31, 2018.

Tenants	Annualized Base Rent (\$ in 000s)	% of Total Annualized Base Rent	Total Occupied Square Feet	Percent Total Leasable Square Foot	Base Rent Per Occupied Square Foot
1. BI-LO ⁽¹⁾	\$ 2,717	5.52 %	380,675	6.66 %	\$ 7.14
2. Food Lion	2,651	5.38 %	325,576	5.70 %	8.14
3. Piggly Wiggly	1,474	2.99 %	191,363	3.35 %	7.70
4. Kroger ⁽²⁾	1,324	2.69 %	186,064	3.25 %	7.12
5. Winn Dixie ⁽¹⁾	863	1.75 %	133,575	2.34 %	6.46
6. Hobby Lobby	675	1.37 %	114,298	2.00 %	5.91
7. Dollar Tree	660	1.34 %	87,133	1.52 %	7.57
8. BJ's Wholesale Club	594	1.21 %	147,400	2.58 %	4.03
9. Harris Teeter ⁽²⁾	578	1.17 %	39,946	0.70 %	14.47
10. TJ Maxx	574	1.17 %	69,783	1.22 %	8.23
	\$ 12,110	24.59 %	1,675,813	29.32 %	\$ 7.23

(1) These tenants are both owned by Southeastern Grocers.

(2) These tenants are both owned by The Kroger Company.

Lease Expirations

The following table sets forth information with respect to the lease expirations of our properties as of December 31, 2018.

Lease Expiration Period	Number of Expiring Leases	Total Expiring Square Footage	% of Total Expiring Square Footage	% of Total Occupied Square Footage Expiring	Expiring Annualized Base Rent (in 000s)	% of Total Annualized Base Rent	Expiring Base Rent Per Occupied Square Foot
Available	—	622,800	10.89 %	— %	\$ —	— %	\$ —
Month-to-Month	16	33,491	0.59 %	0.66 %	433	0.88 %	12.93
2019	133	370,966	6.49 %	7.28 %	4,642	9.43 %	12.51
2020	170	1,238,042	21.66 %	24.31 %	10,234	20.78 %	8.27
2021	138	702,359	12.29 %	13.79 %	7,060	14.33 %	10.05
2022	112	462,647	8.09 %	9.08 %	5,343	10.84 %	11.55
2023	96	659,199	11.53 %	12.94 %	6,405	13.01 %	9.72
2024	42	418,792	7.33 %	8.22 %	3,553	7.21 %	8.48
2025	20	312,103	5.46 %	6.13 %	2,925	5.94 %	9.37
2026	23	304,186	5.32 %	5.97 %	2,713	5.51 %	8.92
2027	12	83,850	1.47 %	1.65 %	1,023	2.08 %	12.20
2028 and thereafter	38	508,036	8.88 %	9.97 %	4,916	9.99 %	9.68
Total	800	5,716,471	100.00 %	100.00 %	\$ 49,247	100.00 %	\$ 9.67

Property Management and Leasing Strategy

We administer our property management and substantially all of our leasing activities and operating and administrative functions (including leasing, legal, acquisitions, development, data processing, finance and accounting). On-site functions such as maintenance, landscaping, sweeping, plumbing and electrical are subcontracted out at each location and, to the extent permitted by their respective leases, the cost of these functions is passed on to the tenants.

We believe that focused property management, leasing and customer retention are essential to maximizing the sales per square foot, operating cash flow and value of our properties. Our primary goal in property management is to maintain an attractive shopping environment on a cost effective basis for our tenants.

The majority of our property management and leasing functions are supervised and administered by us. We maintain regular contact with our tenants and frequently visit each asset to ensure the proper implementation and execution of our market strategies. As part of our ongoing property management, we conduct regular physical property reviews to improve our properties, react to changing market conditions and ensure proper maintenance.

Our leasing representatives have become experienced in the markets in which we operate by becoming familiar with current tenants as well as potential local, regional and national tenants that would complement our current tenant base. We study demographics, customer sales and merchandising mix to optimize the sales performance of our centers and thereby increase rents. We believe this hands-on approach maximizes the value of our shopping centers.

Item 3. Legal Proceedings.

In May 2018, former Chief Executive Officer and President Jon S. Wheeler filed suit against the Company in the Circuit Court for the City of Virginia Beach, Virginia, asserting claims for breaches of his employment agreement

with the Company and retaliatory termination. The Company is vigorously defending the claims set forth in the lawsuit. The non-jury

trial of the lawsuit is scheduled for April 17-18, 2019. The parties are presently engaging in discovery. At this juncture, the outcome of the matter cannot be predicted.

On or about June 28, 2018, JCP Investment Partnership, LP and JCP Investment Partnership II, Master Fund LP filed suit against the Company in the Circuit Court for Baltimore County, Maryland, alleging the Company failed to maintain the designated asset coverage ratio under the Articles Supplementary governing the issuance of the Company's Series D Preferred Stock, and is therefore required to redeem those Preferred Shares at the price of \$25.00 per share. The Company is responding to the lawsuit, defending the lawsuit and has filed an answer denying liability; however, the parties are engaging in discovery. Trial has been scheduled for March 2-6, 2020. At this early juncture, the outcome of the matter cannot be predicted.

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 CEO and President David Kelly defamed him in communications with an industry association. The Company's D&O carrier has retained counsel for Mr. Kelly, who is vigorously defending the lawsuit. The parties are presently engaging in written discovery. At this early juncture, the outcome of the matter cannot be predicted.

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 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information.

Our Common Stock is traded on the NASDAQ Capital Market under the symbol "WHLR".

Approximate Number of Holders of Our Common Stock

As of February 27, 2019 there were 176 holders of record of our common stock. This number excludes our Common Stock owned by shareholders holding under nominee security position listings.

Dividend Policy

In the second quarter of 2017, we began paying dividends to holders of our Common Stock on a quarterly basis. Prior to this time we paid monthly dividends. In March 2018, the Board of Directors suspended the Common Stock dividends. On December 20, 2018 and February 27, 2019, the Board of Directors suspended the 2018 fourth quarter and 2019 first quarter dividends, respectively, on shares of its Series A Preferred, Series B Preferred and Series D Preferred. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Future Liquidity Needs." We intend to make dividend distributions that will enable us to meet the distribution requirements

applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. We may in the future also choose to pay dividends in shares of our Common Stock.

Dividend Payments

We have made dividend payments to holders of our Common Stock and holders of common units in our Operating Partnership as follows in 2018 and 2017, all periods presented adjusted for our Reverse Stock Split, which was effective March 31, 2017:

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Dividend Period	Record Date	Payment Date	Payment Amount per Share or Unit
January 1, 2017 - January 31, 2017	1/31/2017	2/28/2017	\$ 0.1400
February 1, 2017 - February 28, 2017	2/28/2017	3/31/2017	\$ 0.1400
March 1, 2017 - March 31, 2017	3/31/2017	4/28/2017	\$ 0.1400
April 1, 2017 - June 30, 2017	6/30/2017	7/15/2017	\$ 0.3400
July 1, 2017 - September 30, 2017	9/29/2017	10/15/2017	\$ 0.3400
October 1, 2017 - December 31, 2017	12/28/2017	1/15/2018	\$ 0.3400

Unregistered Sale of Securities

On October 4, 2018, the Company issued an aggregate of 10,869 of its common stock worth \$50,000 pursuant to a Subscription Agreement between the Company and its former CFO, Wilkes J. Graham as consideration for the settlement and release of certain employment related claims of Mr. Graham. The issuance of the 10,869 shares of common stock was exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 4(a)(2) thereof and the provisions of Rule 506(b) of Regulation D promulgated thereunder.

Item 6. Selected Financial Data.

Not applicable.

Item 7. 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 audited consolidated financial statements and the notes thereto included in this Form 10-K. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the audited consolidated financial statements included in this Form 10-K.

Company Overview

We are a Maryland corporation formed with the principle objective of acquiring, financing, developing, leasing, owning and managing income producing, strip centers, neighborhood centers, grocery-anchored centers, community centers and free-standing retail properties that shifted focus in 2018 to managing, leasing and owning. Our strategy has been to opportunistically acquire quality, well-located, predominantly retail properties in secondary and tertiary markets that generate attractive risk-adjusted returns. We have targeted competitively protected properties located within developed areas, commonly referred to as in-fill, that possess minimal competition risk and are surrounded by communities that have strong demographics and dynamic, diversified economies that will continue to generate jobs and future demand for commercial real estate. Our primary target markets include the Northeast, Mid-Atlantic, Southeast and Midwest.

Our portfolio is comprised of sixty-four retail shopping centers, our office building and six undeveloped land parcels. Thirteen of these properties are located in Virginia, three are located in Florida, seven are located in North Carolina, twenty-five are located in South Carolina, twelve are located in Georgia, two are located in Kentucky, two are located in Tennessee, one is located in New Jersey, three are located in Oklahoma, one is located in Alabama, one is located in West Virginia and one is located Pennsylvania. Our operating portfolio has a total Gross Leasable Area ("GLA") of 5,716,471 square feet and an occupancy level of approximately 89.11%.

Recent Trends and Activities

There have been several significant events in 2018 that have impacted our company. These events are summarized below.

JANAF Acquisition

On January 18, 2018, the Company acquired JANAF, a retail shopping center located in Norfolk, Virginia, for a

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purchase price of \$85.65 million, paid through a combination of cash, restricted cash and debt assumption and the issuance of 150,000 shares of Common Stock at \$7.53 per share. The shopping center, anchored by BJ's Wholesale Club, totals 810,137 square feet and was 94% leased at the acquisition date.

On January 18, 2018, the Company assumed a promissory note for \$53.71 million for the purchase of JANAF at a rate of 4.49%. The loan matures in July 2023 with monthly principal and interest payments of \$333,159.

On January 18, 2018, the Company assumed a promissory note for \$5.16 million for the purchase of JANAF at a rate of 4.95%. The loan matures in January 2026 with monthly principal and interest payments of \$29,964.

On January 18, 2018, the Company executed a promissory note for \$6.50 million for the purchase of JANAF at a rate of 4.65%. The loan matures in January 2021 with interest due monthly through January 2019 and monthly principal and interest payments of \$36,935 beginning in February 2019.

Dispositions

	Property	Contract Price	Gain	Net Proceeds
		(in thousands)		
January 12, 2018	Chipotle Ground Lease at Conyers Crossing	\$ 1,270	\$ 1,042	\$ 1,160
June 19, 2018	Laskin Road Land Parcel (1.5 acres)	\$ 2,858	\$ 903	\$ 2,747
September 27, 2018	Shoppes at Eagle Harbor	\$ 5,705	\$ 1,270	\$ 2,071
October 22, 2018	Monarch Bank Building	\$ 1,750	\$ 151	\$ 299

The sale of the Chipotle ground lease at Conyers Crossing, Shoppes at Eagle Harbor and Monarch Bank Building 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.

Assets Held for Sale

In 2018, the Company's management and Board of Directors committed to a plan to sell the seven undeveloped land parcels (the "Land Parcels"), along with the Monarch Bank Building, Shoppes at Eagle Harbor, Graystone Crossing and Jenks Plaza. Accordingly, these properties have been classified as held for sale.

The sale of the Land Parcels represents discontinued operations as it is a strategic shift to sell the undeveloped land parcels as opposed to holding for future development purposes. Accordingly, the assets and liabilities associated with the Land Parcels have been reclassified for all periods presented. Based on recent real estate sales transactions for undeveloped land within the surrounding market it was determined that the carrying value of the undeveloped land exceeded the fair value, less estimated selling costs by \$3.94 million; accordingly, an impairment loss of that amount was recognized and is included in the loss from discontinued operations in the consolidated statements of operations. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 3 inputs.

Revere Term Loan

The Company reduced the Revere Term Loan to \$1.06 million at December 31, 2018 from \$6.81 million at December 31, 2017, a decrease of \$5.75 million, using the following sources: \$4.27 million through sales of properties, \$150 thousand through refinancing of properties and \$1.33 million from operating cash. In addition, the Company paid the \$575 thousand Exit Fee with proceeds from the Riversedge North refinance. Per the November 5, 2018 Fourth Amendment, the maturity date of the Revere Term Loan is February 1, 2019 at a rate of 10%. 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 extends the maturity date to April 1, 2019 from February 1, 2019 and

creates an additional "Exit Fee" of \$20 thousand.

KeyBank Credit Agreement

The Company reduced the KeyBank Line of Credit to \$52.10 million at December 31, 2018 from \$68.03 million at December 31, 2017, a decrease of \$15.93 million by refinancing New Market, Ridgeland, Georgetown, Ladson Crossing, Lake

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Greenwood and South Park collateralized portion of the December 21, 2017 Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") for the KeyBank Line of Credit. These refinances resulted in a \$3.83 million Overadvance on the Borrowing Base Availability. The Company is to repay the Overadvance of \$3.83 million by February 28, 2019 or otherwise properly balance the Borrowing Base Availability. Based on discussions and correspondence with KeyBank, KeyBank is drafting documents to extend the time which the Company is to repay the Overadvance until at least March 31, 2019. As of December 31, 2018, the Amended and Restated Credit Agreement is collateralized by 10 properties, accruing interest at 5.02% with a December 2019 maturity.

Goodwill

During the last quarter of 2018, the market capitalization of the Company's common stock sustained a significant decline so that it fell below the book value of the Company's net assets. The outcome of the annual goodwill impairment test resulted in an impairment of goodwill of \$5.49 million, which was recorded in the audited consolidated financial statements during the year ended December 31, 2018.

Sea Turtle Development and Related Receivables

In 2016, the Company loaned \$11.00 million for the partial funding of Pineland Station Shopping Center in Hilton Head, South Carolina to be known in the future as Sea Turtle Development and loaned \$1.00 million for the sale of land to be used in the development. In 2018 and 2017, the Company recognized \$1.74 million and \$5.26 million impairment charges, respectively, on the notes receivable and in 2017 fully reserved \$1.34 million in accrued interest of which \$895 thousand was due at note maturity. In 2018, the Company placed the notes receivable on nonaccrual status and has not recognized \$1.44 million of interest income due on the notes for the twelve months ended December 31, 2018.

In 2018, the Company's agreement to perform development, leasing, property and asset management services for Sea Turtle Development in Hilton Head, South Carolina was terminated. Sea Turtle Development 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, 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.

As of December 31, 2018, the Company believes the estimated fair market value of the development upon stabilization and lease up at a future date will provide for the cash required to repay the \$5.00 million carrying value of the notes receivable in the event of a sale. The Company's estimated fair value of the project is based upon cash flow models that include information available to the Company at December 31, 2018, including assumptions on future lease up and the estimated fair value at full stabilization. Capitalization rates utilized in these models are based upon rates that the Company believes to be within a reasonable range of current market rates for the respective project. The notes are collateralized by a 2nd deed of trust on the property. If the holder of the \$20.00 million 1st deed of trust proceeds to foreclosure, this may have an adverse effect on assumptions used in the Company's fair value analysis leading to further impairment.

New Leases, Leasing Renewals and Expirations

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

	Twelve Months Ended December 31,			
	2018	2017 ⁽²⁾		
Renewals⁽¹⁾:				
Leases renewed with rate increase (sq feet)	540,896	282,335		
Leases renewed with rate decrease (sq feet)	43,935	70,049		
Leases renewed with no rate change (sq feet)	109,139	218,077		
Total leases renewed (sq feet)	693,970	570,461		
Leases renewed with rate increase (count)	93	78		
Leases renewed with rate decrease (count)	8	9		
Leases renewed with no rate change (count)	18	25		
Total leases renewed (count)	119	112		
Option exercised (count)	31	60		
Weighted average on rate increases (per sq foot)	\$0.93	\$0.92		
Weighted average on rate decreases (per sq foot)	\$(2.23)	\$(1.18)		
Weighted average rate (per sq foot)	\$0.52	\$0.31		
Weighted average change over prior rates	6.05	% 3.35	%	
New Leases⁽¹⁾:				
New leases (sq feet)	290,986	160,341		
New leases (count)	55	55		
Weighted average rate (per sq foot)	\$9.06	\$11.95		
Gross Leasable Area ("GLA") expiring during the next 12 months, including month-to-month leases	7.08	% 9.39	%	

(1) Lease data presented for the years ended December 31, 2018 and 2017 is based on average rate per square foot over the renewed or new lease term.

(2) 2017 lease data adjusted to reflect average rate per square foot over the renewed or new lease term for consistency with 2018 presentation.

Anchor Lease Modifications and Early Terminations

During the year ended December 31, 2018, the Company modified thirteen leases with Southeastern Grocers' ("SEG") anchor tenants and recaptured four locations. These modifications include a combination of term adjustments, rent adjustments (decreases and increases), deferred landlord contributions for remodels, and adjusted lease language. The Company elected to recapture Ladson Crossing, St. Matthews, South Park, and Tampa Festival in the second quarter of 2018. The Cypress Shopping Center lease expired on March 31, 2018. As part of the negotiated recaptures the Company received \$246 thousand in termination fees during the year ended December 31, 2018. The remaining thirteen lease modifications were approved by the Southeastern Grocer's bankruptcy court in the second quarter of 2018. The initial annualized base rent impact of these

modifications and recaptures, including the Cypress lease expiration, is approximately \$2.50 million. Three of these locations have been backfilled and two of these locations had rents commence in 2018, with the third location commencing rent in February 2019.

The Berkley Shopping Center Farm Fresh lease was terminated effective June 30, 2018. The Company received \$980 thousand in early lease termination fees as a result of the early termination.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included in this Form 10-K, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies summarized in this section are discussed in further detail in the notes to the financial statements appearing elsewhere in this Form 10-K. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

Revenue Recognition

Principal components of our total revenues include base and percentage rents and tenant reimbursements. We accrue minimum (base) rent 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. Certain lease agreements contain provisions that grant additional rents based on tenants' sales volumes (contingent or percentage rent) which we recognize when the tenants achieve the specified targets as defined in their lease agreements. We periodically review the valuation of the asset/liability resulting from the straight-line accounting treatment of our leases in light of any changes in lease terms, financial condition or other factors concerning our tenants.

The new standard related to revenue recognition had an immaterial effect in our consolidated financial statements as the Company only changed its accounting policies for revenue recognized on non-real estate lease contracts. Real estate lease contracts continue to be reported in accordance with historic accounting under Topic 605, as discussed in Note 2 of the audited consolidated financial statements.

Rents and Other Tenant Receivables

We record a tenant receivable for amounts due from tenants such as base rents, tenant reimbursements and other charges allowed under the lease terms. We periodically review tenant receivables for collectability and determine the need for an allowance for the uncollectible portion of accrued rents and other accounts receivable based upon customer creditworthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels and current economic trends. We consider a receivable past due once it becomes delinquent per the terms of the lease; our 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.

Acquired Properties and Lease Intangibles

We allocate the purchase price of the acquired properties to land, building and improvements, identifiable intangible assets and to the acquired liabilities based on their respective fair values. Identifiable intangibles include amounts allocated to acquired out-of-market leases, tenant relationships, the value of in-place leases and ground lease sandwich

interest. We determine 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. Management also estimates costs to execute similar leases including leasing commissions, tenant improvements, legal and other related expenses. Such amounts are based on estimates and forecasts which, by their nature, are highly subjective and may result in future changes in the event forecasts are not realized.

Impairment of Long-Lived Assets

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We periodically review 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, with an evaluation performed at least annually. These circumstances include, but are not limited to, declines in the property's cash flows, occupancy and fair market value. We measure 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. To the extent impairment has occurred, we charge to income the excess of carrying value of the property over its estimated fair value. We estimate fair value using unobservable data such as operating income, estimated capitalization rates or multiples, leasing prospects 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. The Company did not recognize any impairment charges to its investment properties for the years ended December 31, 2018, 2017 and 2016.

The Company may decide to sell properties. 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 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. The Company recorded a \$3.94 million impairment charge for the year ended December 31, 2018 on its undeveloped land parcels classified as held for sale and discontinued operations after making the decision to no longer pursue future development activities. No impairment charges were recorded for the years ended December 31, 2017 and 2016.

Notes Receivable

Notes receivable represent financing to Sea Turtle Development as discussed in Note 4 of the audited consolidated financial statements 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 on and principal of the notes receivable based primarily upon the projected fair market value of the project at stabilization and lease up. 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.

Goodwill

Goodwill is deemed to have an indefinite economic life and is not subject to amortization. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The Company performs its goodwill impairment test using the simplified method, whereby the fair value of the reporting unit is compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired by an amount equal to that difference.

Liquidity and Capital Resources

At December 31, 2018, our consolidated cash, cash equivalents and restricted cash totaled \$18.00 million compared to consolidated cash, cash equivalents and restricted cash of \$12.29 million at December 31, 2017. Cash flows from

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operating activities, investing activities and financing activities for the years ended December 31, 2018 and 2017 are as follows (in thousands):

	Years Ended		Year Over Year	
	December 31,		Change	
	2018	2017	\$	%
Operating activities	\$22,002	\$23,818	\$(1,816)	(7.62)%
Investing activities	\$(22,450)	\$(3,079)	\$(19,371)	(629.13)%
Financing activities	\$6,161	\$(22,968)	\$29,129	126.82 %

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Operating Activities

During the twelve months ended December 31, 2018, our cash flows from operating activities were \$22.00 million, compared to cash flows from operating activities of \$23.82 million during the twelve months ended December 31, 2017, representing a decrease of \$1.82 million. This decrease is primarily a result of same store decreases of \$1.49 million in property revenues, \$1.18 million in third party revenues net of related expenses, \$1.44 million decrease in interest income, increase of \$772 thousand in corporate general and administrative expenses in addition to timing of payables and receivables. This same store activity was offset by \$4.50 million in operating cash flows generated by new stores.

Investing Activities

During the twelve months ended December 31, 2018, our cash flows used in investing activities were \$22.45 million, compared to cash flows used in investing activities of \$3.08 million during the twelve months ended December 31, 2017, representing an increase of \$19.37 million due to the following:

\$23.15 million increase in cash outflows used for the acquisition of JANAF;

\$1.74 million decrease in cash outflows on capital expenditures primarily a result of the redevelopment at Columbia Fire Station and tenant improvements at Forrest Gallery in 2017, partially offset by 2018 tenant improvements at Perimeter Square and Myrtle Park;

\$1.99 million increase in cash received as a result of the 2018 sales of Chipotle ground lease at Conyers Crossing, the undeveloped land parcel at Laskin Road, Shoppes at Eagle Harbor and Monarch Bank Building compared to the 2017 sales of a land parcel at Carolina Place, the Steak n' Shake outparcel at Rivergate and Ruby Tuesdays/Outback at Pierpont Shopping Center.

Financing Activities

During the twelve months ended December 31, 2018, our cash flows provided by financing activities were \$6.16 million, compared to \$22.97 million of cash flows used in financing activities during the twelve months ended December 31, 2017, representing an increase of \$29.13 million due to the following:

\$21.16 million in proceeds from sale of preferred stock due to the 2018 Series D Preferred offering;

\$11.65 million increase in loan proceeds due to the JANAF Bravo Loan, Columbia Fire Station Construction Loan advances, LaGrange, refinancing of six properties off the KeyBank Line of Credit and refinancing Riversedge North partially offset by prior year refinances and construction advances;

\$10.63 million increase in loan principal payments primarily a result of the pay-down of the Revere Term Loan by \$5.75 million and KeyBank Line of Credit of \$15.93 million, partially offset by prior year loan principal payments;

\$1.68 million decrease in cash flows used in discontinued operations a result of the 2017 paydown of debt related to the sale of Ruby Tuesdays/Outback at Pierpont Shopping Center; and

\$6.15 million decrease in cash outflows for dividends and distributions primarily as a result of suspending Common Stock dividend distributions in 2018 resulting in a decrease of \$8.40 million partially offset by an increase of \$2.24 million in Series D Preferred distributions;

We intend to continue managing our debt prudently so as to maintain a conservative capital structure and minimize leverage within our company. As of December 31, 2018 and 2017, our debt balances, excluding unamortized debt issuance costs, consisted of the following (in thousands):

	December 31,	
	2018	2017
Fixed-rate notes	\$286,611	\$215,493
Adjustable-rate mortgages	26,503	29,506
Fixed-rate notes, assets held for sale	4,396	747
Floating-rate line of credit	52,102	68,032

Total debt	\$369,612	\$313,778
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The weighted average interest rate and term of our fixed-rate debt including liabilities held for sale are 4.71% and 5.18 years, respectively, at December 31, 2018. We have \$88.04 million of debt maturing, including scheduled principal repayments, during the year ending December 31, 2019. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, our inability to do so may materially impact our financial position and results of operations. See the Note 7 included in the audited consolidated financial statements 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 December 31, 2018 are \$88.04 million in debt maturities and principal payments due in 2019 and covenant requirements as detailed in our Amended and Restated Credit Agreement as described in Note 7. Included in the \$88.04 million due in the year ended December 31, 2019 is \$52.10 million on the KeyBank Line of Credit. The KeyBank Line of Credit is collateralized by ten properties within our portfolio and may be extended at the Company's option for an additional one year period, subject to certain customary conditions. Management intends to refinance the \$22.12 million Rivergate loan, maturing in December 2019. Management intends to refinance the \$6.50 million Perimeter loan, maturing in March 2019, or sell to pay-off the outstanding balance. The Revere Term Loan has been reduced by \$553 thousand since December 31, 2018, \$200 thousand from operating cash, \$323 thousand in proceeds from the Jenks Plaza sale and \$30 thousand in proceeds from the Harbor Pointe sale. This loan is expected to be paid in full by April 1, 2019. Subsequent to year end, upon the sale of a portion of the Harbor Pointe property the \$460 thousand loan was paid in full. Additionally, \$1.44 million in maturing debt fully amortizes through regularly scheduled principal payments.

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 \$3.54 million in cash and cash equivalents, \$14.46 million held in lender reserves for the purpose of tenant improvements, real estate taxes and insurance at December 31, 2018 and intends to use cash generated from operations during the year ending December 31, 2019. In addition, in December 2018 and February 2019, the Board suspended the 2018 fourth quarter and 2019 first quarter dividend payments, respectively, on the Series A Preferred, Series B Preferred and Series D Preferred. 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 (\$3.04 million a quarter).

Additionally, the Company plans to undertake measures to grow its operations and increase liquidity through 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 including undeveloped land and sale of Graystone Crossing and possibly Perimeter Square combined with refinancing or paying debt down to reduce interest costs and mandatory principal repayments.

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 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 "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 Agreement will be no more than \$2.28 million, the principal amount of the bonds, as of December 31, 2018. 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. In 2018, 2017, and 2016, we funded approximately \$73 thousand, \$58 thousand and \$49 thousand, respectively in debt service shortfalls. No amounts have been accrued for this as of December 31, 2018 as a reasonable estimate of future debt service shortfalls cannot be determined based on variables noted above.

As of December 31, 2018, 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 consolidated financial statements beginning on page 86 of this Annual Report on Form 10-K.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Results of Operations

The following table presents a comparison of the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively (in thousands, except Property Data).

	For the Years Ended December 31,		Year-over-Year Changes		
	2018	2017	\$/#	%	
PROPERTY DATA:					
Number of properties owned and leased at period end ⁽¹⁾	64	64	—	—	%
Aggregate gross leasable area at period end ⁽¹⁾	5,716,471	4,902,381	814,090	16.61	%
Occupancy rate at period end ⁽¹⁾	89.1 %	91.9 %	(2.8)%	(3.05)%	
FINANCIAL DATA:					
Rental revenues	\$50,952	\$44,156	\$6,796	15.39	%
Asset management fees	189	927	(738)	(79.61)%	
Commissions	140	899	(759)	(84.43)%	
Tenant reimbursements	12,595	11,032	1,563	14.17	%
Development income	—	537	(537)	(100.00)%	
Other revenues	1,833	984	849	86.28	%
Total Revenue	65,709	58,535	7,174	12.26	%
EXPENSES:					
Property operations	18,473	15,389	3,084	20.04	%
Non-REIT management and leasing services	75	927	(852)	(91.91)%	
Depreciation and amortization	27,094	26,231	863	3.29	%
Impairment of goodwill	5,486	—	5,486	100.00	%
Provision for credit losses	434	2,821	(2,387)	(84.62)%	
Impairment of notes receivable	1,739	5,261	(3,522)	(66.95)%	
Corporate general & administrative	8,228	7,364	864	11.73	%
Other operating expense	250	—	250	100.00	%
Total Operating Expenses	61,779	57,993	3,786	6.53	%
Gain on disposal of properties	2,463	1,021	1,442	141.23	%
Operating Income	6,393	1,563	4,830	309.02	%
Interest income	4	1,443	(1,439)	(99.72)%	
Interest expense	(20,228)	(17,165)	(3,063)	(17.84)%	
Net Loss from Continuing Operations Before Income Taxes	(13,831)	(14,159)	328	2.32	%
Income tax expense	(40)	(137)	97	70.80	%
Net Loss from Continuing Operations	(13,871)	(14,296)	425	2.97	%
Discontinued Operations					
(Loss) income from discontinued operations	(3,938)	16	(3,954)	(24,712.50)%	
Gain on disposal of properties	903	1,502	(599)	(39.88)%	
Net (Loss) Income from Discontinued Operations	(3,035)	1,518	(4,553)	(299.93)%	
Net Loss	(16,906)	(12,778)	(4,128)	(32.31)%	
Less: Net loss attributable to noncontrolling interests	(406)	(684)	278	40.64	%
Net Loss Attributable to Wheeler REIT	\$(16,500)	\$(12,094)	\$(4,406)	(36.43)%	

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

Total Revenue

Total revenue was \$65.71 million for the year ended December 31, 2018 compared to \$58.54 million for the year ended December 31, 2017, a \$7.17 million increase. The combined increases in rental revenues and tenant reimbursements of \$8.36 million are primarily attributable to operations reported for the JANAF acquisition. The increase of \$849 thousand in other revenues was a result of early lease termination fees associated with the Berkley Center Shopping Center Farm Fresh and the SEG store recaptures during 2018, partially offset by early termination fees associated with the BI-LO at the Shoppes at Myrtle Park during 2017. Total revenue earned for leasing, property management and development services decreased \$2.03 million as a result of terminating certain contracts to provide these services to related party properties in February 2018.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2018 were \$61.78 million, representing an increase of \$3.79 million over the year ended December 31, 2017. The increase of \$863 thousand noted in depreciation and amortization is a result of additional depreciation on the JANAF acquisition offset by the change in amortization taken on the write-off of lease intangibles associated with the 2018 SEG recaptures offset by the write-off of lease intangibles associated with the 2017 lease termination of BI-LO at Shoppes at Myrtle Park. Property operations increase of \$3.08 million is primarily a result of the additional expenses associated with the JANAF acquisition. The decrease of \$852 thousand in non-REIT management and leasing services is a result of decline in the number of non-REIT properties the Company manages.

For the year ended December 31, 2018, the Company recorded impairment charges of \$5.49 million on goodwill and \$1.74 million on the Sea Turtle Development notes receivable, which were partially offset by the 2017 impairment charge of \$5.26 million on the Sea Turtle Development notes receivable.

Provision for credit losses for the year ended December 31, 2018 decreased \$2.39 million, primarily a result of the \$2.36 million provision for credit losses attributable to Sea Turtle Development and other related party receivables for the year ended December 31, 2017. Contracts to perform services for these entities were terminated in early 2018.

Corporate general and administrative expenses for the year ended December 31, 2018 increased \$864 thousand, as a result of the following:

- \$1.06 million increase in professional fees associated with hiring of KeyBanc Advisors which is a one-time cost, proxy solicitation and increased audit and legal costs;
- \$801 thousand decrease in acquisition and development costs as a result of no longer acquiring properties offset by writing off costs associated with both the development of an outparcel at Folly Road and a Lightbridge joint venture, both which the Company is no longer pursuing; and
- \$538 thousand decrease in costs allocated from corporate administration to non-REIT management and leasing services resulting from the termination of certain contracts to provide these services to related party properties in February 2018.

Other operating expenses increased \$250 thousand for the year ended December 31, 2018 as a result of lease termination expense for \$250 thousand to allow the space to be available for a high credit grocery store tenant.

Gain on Disposal of Properties

Gain on disposal of properties increased \$1.44 million during the year ended December 31, 2018, when compared to the prior year, which is a result of the sale of Shoppes at Eagle Harbor, Chipotle ground lease at Conyers Crossing and Monarch Bank Building in 2018 net of the 2017 sale of Carolina Place and Steak n' Shake outparcel at Rivergate.

Interest Income

Interest income was \$4 thousand for the year ended December 31, 2018, which represents a decrease of \$1.44 million as compared to \$1.44 million for the year ended December 31, 2017. The decreases are primarily attributable to the Company placing the notes receivable on non-accrual status and not recognizing \$1.44 million in interest income for the year ended December 31, 2018, due to note impairment.

Interest Expense

Interest expense increased \$3.06 million or 17.84% for the year ended December 31, 2018, compared to \$17.17 million for the year ended December 31, 2017. The increase is primarily attributed to the incremental debt service associated with the additional borrowings utilized to acquire JANAF and increases in Libor on variable rate debt.

Discontinued Operations

Net loss from discontinued operations totaled \$3.04 million for the year ended December 31, 2018, compared to net income of \$1.52 million for the year ended December 31, 2017. The loss for 2018 is primarily a result of \$3.94 million impairment charge on Land Parcels, partially offset by the gain on the sale of the Laskin Road land parcel while income for 2017 resulted from the sale of Ruby Tuesday's and Outback Steakhouse at Pierpont Centre.

Same Store and New 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 goodwill, 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 new store NOI from the most directly comparable GAAP financial measure of net income (loss). Same stores consist of those properties we owned during all periods presented in their entirety, while new stores consist of those properties acquired during the periods presented. The discussion below focuses on same store results of operations since the JANAF acquisition occurred in January 2018 and there were no 2017 acquisitions.

Same store discontinued operations financial information reflects the activity for the following properties:

• Outback Steakhouse and Ruby Tuesday ground leases at Pierpont Centre (acquired January 14, 2015, sold February 28, 2017)

• Laskin Road land parcel (acquired January 9, 2015, sold June 19, 2018)

	Years Ended December 31,					
	Same Store		New Store		Total	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Net Loss	\$(16,696)	\$(12,778)	\$(210)	\$ —	\$(16,906)	\$(12,778)
Adjustments:						
Net Loss (Income) from Discontinued Operations	3,035	(1,518)	—	—	3,035	(1,518)
Income tax expense	40	137	—	—	40	137
Interest expense	17,379	17,165	2,849	—	20,228	17,165
Interest income	(4)	(1,443)	—	—	(4)	(1,443)
Gain on disposal of properties	(2,463)	(1,021)	—	—	(2,463)	(1,021)
Other operating expenses	—	—	250	—	250	—
Corporate general & administrative	8,136	7,364	92	—	8,228	7,364
Impairment of notes receivable	1,739	5,261	—	—	1,739	5,261
Provision for credit losses- non-tenant	(77)	2,364	—	—	(77)	2,364
Impairment of goodwill	5,486	—	—	—	5,486	—
Depreciation and amortization	22,386	26,231	4,708	—	27,094	26,231
Non-REIT management and leasing services	75	927	—	—	75	927
Development income	—	(537)	—	—	—	(537)
Asset management and commission revenues	(329)	(1,826)	—	—	(329)	(1,826)
Property Net Operating Income	\$38,707	\$40,326	\$7,689	\$ —	—\$46,396	\$40,326
Property revenues	\$54,680	\$56,172	\$10,700	\$ —	—\$65,380	\$56,172
Property expenses	15,572	15,389	2,901	—	18,473	15,389
Provision for credit losses- tenant	401	457	110	—	511	457
Property Net Operating Income	\$38,707	\$40,326	\$7,689	\$ —	—\$46,396	\$40,326

Property Revenues

Total same store property revenues for the year ended December 31, 2018 decreased to \$54.68 million compared to \$56.17 million for the year ended December 31, 2017. The decrease is primarily a result of SEG recaptures and rent modifications accompanied by expiring anchor leases at South Lake, Fort Howard and Walnut Hill offset by the \$980 thousand termination fee for the Farm Fresh Shopping Center at Berkley Shopping Center.

The twelve months ended December 31, 2018, represents a partial period of activity for JANAF shopping center. This property (new stores) contributed \$10.70 million in revenues for 2018 compared to no revenue for 2017.

Property Expenses

Total same store property expenses for the year ended December 31, 2018 were relatively flat at \$15.57 million, compared to \$15.39 million for the year ended December 31, 2017, representing an increase of \$183 thousand. Total property expenses increased primarily due to new store increases of \$2.90 million.

There were no significant unusual or non-recurring items included in new store property expenses for the year ended December 31, 2018.

Property Net Operating Income

Total property net operating income was \$46.40 million for the year ended December 31, 2018, compared to \$40.33 million for the year ended December 31, 2017 representing an increase of \$6.07 million over 2017. New stores accounted for

this increase by generating \$7.69 million in property net operating income for the year ended December 31, 2018, compared to \$0 for the year ended December 31, 2017.

Funds from Operations

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 store FFO, which is a non-GAAP measurement, for the years ended December 31, 2018 and 2017 (in thousands):

	Years Ended December 31,						Year Over Year Changes	
	Same Stores		New Stores		Total		\$	%
	2018	2017	2018	2017	2018	2017		
Net loss	\$(16,696)	\$(12,778)	\$(210)	\$ —	\$(16,906)	\$(12,778)	\$(4,128)	(32.31)%
Depreciation and amortization of real estate assets	22,386	26,231	4,708	—	27,094	26,231	863	3.29 %
Impairment of goodwill	5,486	—	—	—	5,486	—	5,486	100.00 %
Impairment of land	3,938	—	—	—	3,938	—	3,938	100.00 %
Gain on disposal of properties	(2,463)	(1,021)	—	—	(2,463)	(1,021)	(1,442)	(141.23)%
Gain on disposal of properties-discontinued operations	(903)	(1,502)	—	—	(903)	(1,502)	599	39.88 %
FFO	\$11,748	\$10,930	\$4,498	\$ —	\$16,246	\$10,930	\$5,316	48.64 %

Total FFO increased \$5.32 million for the year ended December 31, 2018, primarily due to incremental new store FFO of \$4.50 million attributable to the JANAF acquisition partially offset by the same store changes described above.

During the year ended December 31, 2018, same store FFO increased \$818 thousand primarily due to the following:

- \$3.52 million decrease in impairment charge on notes receivable;
- \$2.44 million decrease in provision for non-tenant credit losses; offset by:
- \$1.44 million decrease in interest income as notes receivable are on a non-accrual basis;
- \$1.18 million decrease in development, asset management and commission revenues, net of savings on related non-REIT management and leasing services as a result of termination of related party agreements to perform services;
- \$1.62 million decrease in property net operating income; and

\$772 thousand increase in corporate general and administrative expenses.

We believe that 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 AFFO, which we define to exclude such items. Management believes that these adjustments are appropriate in determining AFFO as they are not

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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 years ended December 31, 2018 and 2017 is shown in the table below (in thousands):

	Years Ended	
	December 31,	
	2018	2017
FFO	\$16,246	\$10,930
Preferred Stock dividends - declared	(9,790)	(9,969)
Preferred Stock dividends - undeclared	(3,037)	—
Preferred Stock accretion adjustments	678	809
FFO available to common shareholders and common unitholders	4,097	1,770
Impairment of notes receivable	1,739	5,261
Acquisition and development costs	300	1,101
Capital related costs	576	663
Other non-recurring and non-cash expenses	103	294
Share-based compensation	940	870
Straight-line rent	(1,197)	(712)
Loan cost amortization	2,363	3,087
Accrued interest income	—	415
(Below)/above market lease amortization	(695)	453
Recurring capital expenditures and tenant improvement reserves	(1,143)	(941)
AFFO	\$7,083	\$12,261

Acquisition and development costs at December 31, 2018 are related to the write-off of costs associated with the construction contract for the development of an outparcel at Folly Road and a Light Bridge joint venture, both of which the Company is no longer pursuing. Acquisition expenses at December 31, 2017 were primarily related to compensation paid to personnel working directly on acquisitions related activities and other costs associated with due diligence of potential acquisitions at that time. In 2018, the Company adopted ASU 2017-01 and external acquisition costs are now capitalized as part of the acquisition. The Company has ceased acquisition activities since acquiring JANAF. Thus, internal salaries previously related to acquisitions have been reallocated to compensation and benefits and not represented in acquisition costs during 2018.

Other nonrecurring and non-cash expenses are miscellaneous costs we believe will not be incurred on a going forward basis including expenses such as vacation accrual, severance and consulting fees which are no longer under contract and are not expected to be under contract for the foreseeable future. Accrued interest income represents interest income on notes receivable due at maturity which was fully reserved as of December 31, 2017.

Impairment on notes receivable in 2018 and 2017 relates to a impairment charge of \$1.74 million and \$5.26 million, respectively, on notes receivable related to Sea Turtle Development that is not indicative of our core portfolio of properties and future operations.

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

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Results of Operations

The following table presents a comparison of the consolidated statements of operations for the years ended December 31, 2017 and 2016, respectively (in thousands, except Property Data).

	For the Years Ended December 31,		Year over Year Changes	
	2017	2016	\$/#	%
PROPERTY DATA:				
Number of properties owned and leased at period end ⁽¹⁾	64	64	—	— %
Aggregate gross leasable area at period end ⁽¹⁾	4,902,381	4,906,511	(4,130)	(0.08)%
Occupancy rate at period end ⁽¹⁾	91.9 %	94.0 %	(2.1)%	(2.23)%
FINANCIAL DATA:				
Rental revenues	\$44,156	\$33,165	\$10,991	33.14 %
Asset management fees	927	855	72	8.42 %
Commissions	899	964	(65)	(6.74)%
Tenant reimbursements	11,032	8,649	2,383	27.55 %
Development income	537	244	293	120.08 %
Other revenues	984	283	701	247.70 %
Total Revenue	58,535	44,160	14,375	32.55 %
EXPENSES:				
Property operations	15,389	11,898	3,491	29.34 %
Non-REIT management and leasing services	927	1,567	(640)	(40.84)%
Depreciation and amortization	26,231	20,637	5,594	27.11 %
Provision for credit losses	2,821	425	2,396	563.76 %
Impairment of notes receivable	5,261	—	5,261	— %
Corporate general & administrative	7,364	9,924	(2,560)	(25.80)%
Total Operating Expenses	57,993	44,451	13,542	30.47 %
Gain on disposal of properties	1,021	—	1,021	— %
Operating Income (Loss)	1,563	(291)	1,854	637.11 %
Interest income	1,443	692	751	108.53 %
Interest expense	(17,165)	(13,356)	(3,809)	(28.52)%
Net Loss from Continuing Operations Before Income Taxes	(14,159)	(12,955)	(1,204)	(9.29)%
Income tax expense	(137)	(107)	(30)	(28.04)%
Net Loss from Continuing Operations	(14,296)	(13,062)	(1,234)	(9.45)%
Discontinued Operations				
Income from discontinued operations	16	136	(120)	(88.24)%
Gain on disposal of properties	1,502	688	814	118.31 %
Net Income from Discontinued Operations	1,518	824	694	84.22 %
Net Loss	(12,778)	(12,238)	(540)	(4.41)%
Net loss attributable to noncontrolling interests	(684)	(1,035)	351	33.91 %
Net Loss Attributable to Wheeler REIT	\$(12,094)	\$(11,203)	\$(891)	(7.95)%

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

Total Revenue

Total revenue was \$58.54 million for the year ended December 31, 2017 compared to \$44.16 million for the year ended December 31, 2016, a \$14.38 million increase. The increase in rental revenues and tenant reimbursements of \$13.37 million is attributable to a full period of operations reported for the twenty-three retail acquisitions made during the year ended December 31, 2016. The increase in development income and other revenues is due to \$293 thousand of incremental development fees for the Sea Turtle Development along with \$701 thousand of incremental lease termination fees, of which \$460 thousand is a result of the BI-LO closure at Shoppes at Myrtle Park.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2017 were \$57.99 million, representing an increase of \$13.54 million over the year ended December 31, 2016. Total operating expenses increased due to a non-cash impairment charge of \$5.26 million on notes receivable to Sea Turtle Development along with an increase of \$2.40 million in provision for credit losses primarily attributable to Sea Turtle Development and other related party receivables. Overall increases of \$5.59 million were noted in depreciation and amortization and \$3.49 million in property operations resulting from the additional expenses associated with the twenty-three retail properties acquired in 2016. These amounts were offset by a decrease of \$2.56 million in general and administrative expenses. General and administrative expenses during the year ended December 31, 2017 included approximately \$2.04 million of non-recurring expenses related to acquisitions, capital events and other miscellaneous costs.

Gain on Disposal of Properties - Operations

Gain on disposal of properties from continuing operations was \$1.02 million for the year ended December 31, 2017, which represents an increase of \$1.02 million. The increase is primarily attributed to the sale of the Steak n' Shake, a 1.06 acre outparcel at Rivergate.

Interest Income

Interest income was \$1.44 million for the year ended December 31, 2017, which represents an increase of \$751 thousand as compared to \$692 thousand for the year ended December 31, 2016. The increase is primarily attributed to interest income on the Sea Turtle Development note receivable earned during the year ended December 31, 2017. Accrued interest income of \$443 thousand, currently due and \$895 thousand, due at maturity related to Sea Turtle Development was reserved at December 31, 2017 and included in provision for credit losses.

Interest Expense

Interest expense increased \$3.81 million or 28.52% for the year ended December 31, 2017, compared to \$13.36 million for the year ended December 31, 2016. The increase is primarily attributed to the incremental debt service associated with the additional borrowings utilized to acquire the twenty-three retail properties representing new stores since January 1, 2016.

Discontinued Operations

Net income from discontinued operations totaled \$1.52 million for the year ended December 31, 2017, compared to a net income of \$824 thousand for the year ended December 31, 2016. The income for both years primarily resulted from the gain on sale of assets held for sale. Starbucks/Verizon was sold in 2016 while Ruby Tuesday's and Outback Steakhouse at Pierpont Centre was sold in 2017.

Same Store and New Store Operating Income

Net operating income (“NOI”) is a widely-used non-GAAP financial measure for REITs. The Company believes that NOI is a useful measure of the Company's property operating performance. The Company defines NOI as property revenues (rental and other revenues) less property and related expenses (property operation and maintenance and real estate taxes). Because NOI excludes general and administrative expenses, depreciation and amortization, interest expense, interest income, provision for income taxes, gain or loss on sale or capital expenditures and leasing costs, 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 new store NOI from the most directly comparable GAAP financial measure of net income (loss). Same stores consist of those properties we owned during all periods presented in their entirety, while new stores consist of those properties acquired during the periods presented. The discussion below focuses on same store results of operations since the twenty-three 2016 retail acquisitions occurred at various points throughout the respective periods but have a full annual period of results in 2017.

Same store discontinued operations financial information reflects the activity for the following properties: Outback Steakhouse and Ruby Tuesday ground leases at Pierpont Centre (acquired January 14, 2015, sold February 28, 2017)

	Years Ended December 31,					
	Same Store		New Store		Total	
	2017	2016	2017	2016	2017	2016
	(in thousands)					
Net Loss	\$(10,770)	\$(10,402)	\$(2,008)	\$(1,836)	\$(12,778)	\$(12,238)
Adjustments:						
Net Income from Discontinued Operations	(1,518)	(824)	—	—	(1,518)	(824)
Income tax expense	137	107	—	—	137	107
Interest expense	10,488	10,582	6,677	2,774	17,165	13,356
Interest income	(1,442)	(692)	(1)	—	(1,443)	(692)
Loss (gain) on disposal of properties	12	—	(1,033)	—	(1,021)	—
Corporate general & administrative	7,026	8,816	338	1,108	7,364	9,924
Provision for credit losses	2,711	422	110	3	2,821	425
Impairment of notes receivable	5,261	—	—	—	5,261	—
Depreciation and amortization	14,749	17,388	11,482	3,249	26,231	20,637
Non-REIT management and leasing services	927	1,567	—	—	927	1,567
Development income	(537)	(244)	—	—	(537)	(244)
Asset management and commission revenues	(1,826)	(1,819)	—	—	(1,826)	(1,819)
Property Net Operating Income	\$25,218	\$24,901	\$15,565	\$5,298	\$40,783	\$30,199
Property revenues	\$34,797	\$34,865	\$21,375	\$7,232	\$56,172	\$42,097
Property expenses	9,579	9,964	5,810	1,934	15,389	11,898
Property Net Operating Income	\$25,218	\$24,901	\$15,565	\$5,298	\$40,783	\$30,199

Property Revenues

Total same store property revenues for the year ended December 31, 2017 were relatively flat at \$34.80 million, compared to \$34.87 million for the year ended December 31, 2016.

The year ended December 31, 2017 represents a full period of operations reported for the twenty-three retail acquisitions made in 2016. These properties (new stores) contributed \$21.38 million in revenues for the year ended December 31, 2017, compared to \$7.23 million in revenue for the year ended December 31, 2016.

Property Expenses

Total same store property expenses for the year ended December 31, 2017 were \$9.58 million, compared to \$9.96 million for the year ended December 31, 2016, representing a decrease of \$385 thousand or 3.86%. The decrease was primarily due to decreases in real estate taxes and grounds and landscaping. Total property expenses increased primarily due to new store increases of \$1.93 million.

There were no significant unusual or non-recurring items included in new store property expenses for the year ended December 31, 2017.

Property Net Operating Income

Total property net operating income was \$40.78 million for the year ended December 31, 2017, compared to \$30.20 million for the year ended December 31, 2016 representing an increase of \$10.58 million over 2016. New stores accounted for the majority of this increases by generating \$15.57 million in property net operating income for the year ended December 31, 2017, compared to \$5.30 million for the year ended December 31, 2016.

Funds from Operations

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) 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 store FFO, which is a non-GAAP measurement, for the years ended December 31, 2017 and 2016 (in thousands):

	Years Ended December 31,						Year Over Year Changes	
	Same Stores		New Stores		Total		\$	%
	2017	2016	2017	2016	2017	2016		
Net loss	\$(10,770)	\$(10,402)	\$(2,008)	\$(1,836)	\$(12,778)	\$(12,238)	\$(540)	(4.41)%
Depreciation and amortization of real estate assets	14,749	17,388	11,482	3,249	26,231	20,637	5,594	27.11 %
	12	—	(1,033)	—	(1,021)	—	(1,021)	— %

Loss (gain) on disposal of properties									
Gain on disposal of properties-discontinued operations	(1,502)	(688)	—	—	(1,502)	(688)	(814)	(118.31)%	
FFO	\$2,489	\$6,298	\$8,441	\$1,413	\$10,930	\$7,711	\$3,219	41.75	%

During the year ended December 31, 2017, same store FFO decreased \$3.81 million, primarily due to \$5.26 million non-cash impairment charges on notes receivable and an increase of \$2.40 million in provision for credit losses offset by

decreases of \$1.79 million in corporate general and administrative expenses, increases in property net operating income of \$317 thousand, and an increase in interest income of \$750 thousand. Total FFO increased \$3.22 million, for the year ended December 31, 2017, primarily due to the expansion of operations resulting from the twenty-three acquisitions occurring subsequent to January 1, 2016, representing new stores, that contributed incremental FFO of \$7.03 million when compared to the year ended December 31, 2016.

We believe that 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 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 years ended December 31, 2017 and 2016 is shown in the table below (in thousands):

	Years Ended	
	December 31,	
	2017	2016
FFO	\$10,930	\$7,711
Preferred Stock dividends	(9,969)	(4,713)
Preferred Stock accretion adjustments	809	417
FFO available to common shareholders and common unitholders	1,770	3,415
Impairment of notes receivable	5,261	—
Acquisition and development costs	1,101	2,029
Capital related costs	663	514
Other non-recurring and non-cash expenses	294	664
Share-based compensation	870	1,454
Straight-line rent	(712)	(386)
Loan cost amortization	3,087	2,126
Accrued interest income	415	(415)
Above/below market lease amortization	453	29
Recurring capital expenditures and tenant improvement reserves	(941)	(760)
AFFO	\$12,261	\$8,670

Acquisition expenses of \$1.10 million and \$2.03 million at December 31, 2017 and 2016, respectively, were primarily related to \$591 thousand and \$433 thousand, for the years ended December 31, 2017 and 2016, respectively, of compensation paid to personnel working directly on acquisitions related activities and other costs associated with due diligence of potential acquisitions currently in our pipeline. Other nonrecurring and non-cash expenses are miscellaneous costs we believe will not be incurred on a going forward basis including expenses such as vacation accrual, severance and consulting fees which are no longer under contract and are not expected to be under contract for the foreseeable future. Accrued interest income represents interest income due at maturity for the year ended December 31, 2016 which has been fully reserved as of December 31, 2017 and included as reduction to FFO as of December 31, 2017.

Impairment on notes receivable relates to a non-cash impairment charge of \$5.26 million on notes receivable related to Sea Turtle Development that is not indicative of our core portfolio of properties and future operations.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The information required by this Item 8 is incorporated by reference to our Financial Statements beginning on page 80 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our principal executive and financial officer, 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 our company's management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officer have concluded that such disclosure controls and procedures were effective as of December 31, 2018 (the end of the period covered by this Annual Report).

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in rules promulgated under the Exchange Act, is a process designed by, or under the supervision of, our CEO and CFO and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our internal control over financial reporting is evaluated on a regular basis by personnel in our organization. The overall goals of these various evaluation activities are to monitor our internal control over financial reporting and to make modifications as necessary, as disclosure and internal controls are intended to be dynamic systems that change (including improvements and corrections) as conditions warrant.

Management conducted an assessment of the effectiveness of our company's internal control over financial reporting as of December 31, 2018, utilizing the framework established in "INTERNAL CONTROL-INTEGRATED

FRAMEWORK” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, management has determined that our internal controls over financial reporting as of December 31, 2018 were effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may

become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting for the three months ended December 31, 2018 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our Directors and Executive Officers

Our board of directors consists of eight members, including a majority of directors who are independent within the meaning of the listing standards of the NASDAQ Capital Market. Pursuant to our charter, each of our directors will be elected by our stockholders to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies. Subject to rights pursuant to any employment agreements, officers serve at the pleasure of our board of directors.

The following table sets forth certain information concerning our directors, executive officers and certain other officers:

Name	Age	Position
David Kelly	54	Chief Executive Officer and Director (previously Chief Investment Officer)
Matthew T. Reddy	36	Chief Financial Officer (previously Chief Accounting Officer)
M. Andrew Franklin	38	Chief Operating Officer (previously Senior Vice President of Operations)
Stewart J. Brown (1)	71	Director
John McAuliffe (1)	65	Director
Carl B. McGowan, Jr. (1)	71	Director
Jeffrey Zwerdling (1)	74	Director
John Sweet (1)	74	Chairman of Board of Directors
Andrew Jones (1)	56	Director
Sean F. Armstrong (1)	57	Director

(1) Independent director.

Biographical Summaries of Directors and Executive Officers

The following are biographical summaries of the experience of our directors and executive officers.

David Kelly was appointed as CEO in January 2018 and has served as a director of the Company since 2011. Mr. Kelly has over 25 years of experience in the real estate industry. Mr. Kelly previously served as CIO. Prior to joining the Company, Mr. Kelly served as a Principal with Kelly Development, LLC, a real estate development firm he founded in March 2011, which specializes in the acquisition and management of retail properties in the Mid-Atlantic region. Prior to founding Kelly Development, Mr. Kelly served as the Director of Real Estate for Supervalu, Inc., a Fortune 100 supermarket retailer, from 1998 through 2011. Prior to his time with Supervalu, Mr. Kelly served as an Asset Manager from 1993 through 1998. Mr. Kelly currently serves on the Board of Directors of the Norfolk, Virginia SPCA. He earned a Bachelor of Science in Finance degree from Bentley College (now Bentley University). Mr. Kelly was selected as a director based upon his years of experience in the real estate industry as well as his real estate management experience within a publicly traded company.

Matthew T. Reddy was named as CFO in February 2018. Mr. Reddy previously served as our Chief Accounting Officer since June 2015. Prior to joining the Company, Mr. Reddy worked at Liberty Tax, Inc. (“Liberty”), serving as Assistant Vice President of Online Products from 2014 to 2015, where his responsibilities included coordination and leadership of Liberty’s online tax business. While employed at Liberty, Mr. Reddy was also employed as Director of Finance from 2011 to 2014, and Manager of Financial Reporting from 2008 to 2011. His primary responsibilities in these positions included overseeing corporate forecasting, assisting in the planning and analysis of business and financial strategies, and managing Liberty’s accounting team. Prior to joining Liberty, Mr. Reddy worked at KPMG LLP as a Senior Auditor. Mr. Reddy is a Certified Public Accountant and holds a degree in accounting from James Madison University.

M. Andrew Franklin was appointed to COO in February 2018. He previously served as the Senior Vice President of Operations since January 2017. Mr. Franklin has over 18 years of commercial real estate experience. Mr. Franklin is responsible for overseeing the property management, lease administration and leasing divisions of our growing portfolio of commercial assets. Prior to joining us, Mr. Franklin was a partner with Broad Reach Retail Partners where he ran the day to day operations of the company, managing the leasing team as well as overseeing the asset, property and construction management of the portfolio with assets totaling \$50 Million. Mr. Franklin is a graduate of the University of Maryland, with a Bachelor of Science degree in Finance.

Stewart J. Brown has served as a director since 2015. Mr. Brown has over 45 years of financial and organizational management experience in executive management positions within the real estate, banking, and finance industries, most recently as Chairman of the Credit/Risk Committee for Community and Southern Bank and is a member of the board’s Joint Audit Committee. Mr. Brown has also served as the past Chairman of the Board of Lodgian, Inc. of Atlanta and Opportunity Bank of Dallas. Mr. Brown also served for over 32 years as an officer in the US Army in a variety of assignments. Mr. Brown received his Bachelor’s degree in Political Science and Economics from UC Santa Barbara and has an MBA from NYU’s Leonard N. Stern’s School of Business. Based upon his leadership and organizational development expertise, we have determined that Mr. Brown should serve as a director.

John McAuliffe has served as a director since 2015. Mr. McAuliffe previously served as a director from November 2012 until April 2013. Mr. McAuliffe has over 36 years of experience in the financial services industry. Presently, Mr. McAuliffe serves as a Lead Investment Banker with Newbridge Securities Corporation, a full-service securities brokerage and investment banking firm. Prior to joining Newbridge Securities Corporation in 2005, Mr. McAuliffe ran his own consulting firm which provided advisory and structural development services to the management of small to medium sized publicly traded companies. Throughout his career, Mr. McAuliffe has participated in excess of over 200 capital raises and has been involved in all aspects of the capital formation process serving in a variety of positions ranging from institutional salesman to the Managing Director of an investment banking firm. Mr. McAuliffe received

his Bachelor of Science degree in political science and economics from State University of New York at Brockport. Mr. McAuliffe was chosen as a director because of his leadership and investment banking experience.

Carl B. McGowan, Jr., PhD, CFA has served as a director of the Company since 2013. Dr. McGowan brings over 30 years of extensive financial experience to the Board. Dr. McGowan joined the faculty of Norfolk State University in 2005 and presently serves as the Faculty Distinguished Professor of Finance. From 2004-2005, Dr. McGowan served as a Visiting Associate Professor of Finance at the University of Sharjah in the United Arab Emirates. From 2003-2004, Dr. McGowan served as the RHB Bank Distinguished Chair in Finance at the University of Kebangsaan in Malaysia. Dr. McGowan has a Bachelor of Arts in International Relations (Syracuse), an MBA in Finance (Eastern Michigan), and a PhD in Business Administration (Michigan State). Dr. McGowan has conducted extensive research in the areas of corporate finance and international finance, with specific studies relating to real estate operations. In addition to over 150 conference presentations, Dr. McGowan has published 68 articles in numerous peer-reviewed journals including: The Journal of Real Estate Research, The American Journal of Business Education, Applied Financial Economics, Decision Science, Financial Practice and Education, The Financial Review, International Business and Economics Research Journal, The International Review of Financial Analysis, The Journal of Applied Business Research, The Journal of Business Case Studies, The Journal of Diversity Management, Managerial Finance, Managing Global Transitions, The Southwestern Economic Review, and Urban Studies. Dr. McGowan was chosen as a director based upon his diverse experience and well-known authority in finance and economics, which will be valuable as we pursue the continued growth of the Company.

Jeffery M. Zwerdling has served as a director of the Company since 2013. Mr. Zwerdling is founder and managing partner of the law firm of Zwerdling, Oppleman & Adams which was formed in 1972 in Richmond, Virginia. Mr. Zwerdling's areas of concentration include corporate law, commercial and residential real estate, personal estate planning, and general litigation. From 1999-2012 he served as President and Director of The Corporate Centre, a 225,000 square foot office park complex located in Richmond, Virginia. In May of 2013, Mr. Zwerdling was appointed to the Board of Directors of Capitol Securities Management Inc. ("CSM"). CSM is a Financial Industry Regulatory Authority registered broker dealer whose assets exceed \$4 billion. Mr. Zwerdling was commissioned as a Second Lieutenant in the United States Army in 1967, served in the Army Reserve and Virginia National Guard, and received his honorable discharge after obtaining the rank of Captain in 1981. Mr. Zwerdling holds a Bachelor of Science Degree from Virginia Commonwealth University and received a Juris Doctor Degree from the College of William and Mary School of Law. He was an organizational investor in Southern Community Bank & Trust, now Village Bank. In 1998, Mr. Zwerdling was elected to the Board of Directors of Supertel Hospitality, Inc., a public company which trades on the Nasdaq Stock Exchange. Supertel is a real estate investment trust (REIT) which is a focused-service segment of the lodging industry. During his tenure at Supertel, Mr. Zwerdling served on various committees, including the Acquisitions and Dispositions Committee, and was a member and former chairman of the Audit Committee. Prior to being appointed a Director of the Company in September 2013, Mr. Zwerdling served as a Board Observer for the Company. He is a Master Mason of Fraternal Lodge No. 53, belongs to the Scottish Rite of Freemasonry, and is a Noble of the Acca Temple Shrine of Richmond, Virginia. Mr. Zwerdling was chosen as a director based upon his legal experience in real estate matters and his vast experiences with real estate investment trusts.

John Sweet has served as a director of the Company since 2016 and was appointed to Chairman of the Board in 2018. Mr. Sweet has forty years of investment banking and corporate finance experience. Mr. Sweet is the co-founder and Chief Investment Officer at Physicians Realty Trust (NYSE:DOC), a self-managed healthcare real estate investment trust. Prior to founding Physicians Realty Trust in 2013, Mr. Sweet was a Managing Director for the privately owned, full-service, specialty investment firm, Ziegler. While at Ziegler, Mr. Sweet assisted in the financing and then management of a medical office building investment fund which became the initial core portfolio for Physicians Realty Trust. In 2002, Mr. Sweet also co-founded Windrose Medical Properties Trust, a publicly traded medical office REIT that was sold to Healthcare REIT (NASDAQ:HCN) in 2006. John has been involved at a senior financial level in publicly traded and private companies, family offices and investment banking firm over the course of his career. He has also served on the boards of philanthropic and charitable organizations and was in the Army from 1968-1970. Mr. Sweet received his Bachelor's degree in Business Administration from St. John Fisher College and an MBA from

Rochester Institute of Technology. Mr. Sweet was chosen as a director based on his leadership and experience managing a publically-traded REIT.

Andrew R. Jones, CFA, has served as a director of the Company since 2018. Mr. Jones is Founder and Chief Executive Officer of North Star Partners, LP. Since its founding in January 1996, North Star has been an alternative investment program that is dedicated to value investing and focuses on the small-cap sector of the U.S. equity markets. Prior to the formation of North Star, Mr. Jones was a Managing Director at Tweedy, Browne Company, LP. Mr. Jones is a former director of Certus Bank, NA, Cornell Companies, Inc. and Chem Rx Corporation. He is a Chartered Financial Analyst and is a member of the New York Society of Securities Analysts. Mr. Jones received a BS in Finance from Ithaca College and an MBA in Finance from the

University of Chicago. Mr. Jones was chosen as a director based on his expertise within the real estate industry and financial markets.

Sean F. Armstrong, CFA, has served as a director of the Company since 2018. Mr. Armstrong serves as Principal & Portfolio Manager of Westport Capital Partners LLC. Mr. Armstrong has over 24 years of real estate investment experience across the spectrum of property types, including retail shopping centers. He has had direct experience in the asset management for both transitional and stabilized properties, including new development. Prior to joining Westport in 2006, Mr. Armstrong was a Managing Director at Oaktree Capital Management and one of the real estate group's senior professionals. Mr. Armstrong was formerly a director of Lodgian, Inc., a Delaware corporation listed on the American Stock Exchange. Mr. Armstrong graduated with a B.S. in Biomedical Engineering magna cum laude from the University of Southern California, where he was elected to Phi Beta Kappa. He went on to earn an MBA in Finance magna cum laude, also from the University of Southern California. He is a Chartered Financial Analyst. Mr. Armstrong was chosen as a director based on his expertise within the real estate industry and the financial markets.

Corporate Governance Profile

Our board consists of eight directors, seven of whom are independent as determined in accordance with the listing standards established by the NASDAQ Capital Market, and our board makes an affirmative determination as to the independence of each of our directors on an annual basis. We have adopted a code of business ethics and corporate governance principles.

Role of the Board in Risk Oversight

One of the key functions of our Board of Directors is informed oversight of our risk management process. Our Board of Directors administers this oversight function directly, with support from its five standing committees, the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, the Investment Committee and the Finance Committee, each of which addresses risks specific to their respective areas of oversight. In particular, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. Our Investment Committee is responsible for reviewing and analyzing strategic real estate acquisitions and investments. Our Finance Committee is responsible for overseeing the financial policies and practices of the Company.

Selection of Nominees for the Board

The Nominating and Corporate Governance Committee will consider candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. The committee may also retain a third-party executive search firm to identify candidates upon request of the committee from time to time. A stockholder who wishes to recommend a prospective nominee for the Board should notify the Company's Corporate Secretary or any member of the Nominating and Corporate Governance Committee in writing with whatever supporting material the stockholder considers appropriate. The Nominating and Corporate Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of the Company's Bylaws relating to stockholder nominations.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the committee will make an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination will be based on whatever information is provided to the committee with the recommendation of the prospective

candidate, as well as the committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination will be based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the committee determines, in consultation with the Chairman of the Board and other

Board members as appropriate, that additional consideration is warranted, it may request the third-party search firm to gather additional information about the prospective nominee's background and experience and to report its findings to the committee. The committee will then evaluate the prospective nominee against the standards and qualifications generally set out in the Company's Corporate Governance Guidelines, including:

- the ability of the prospective nominee to represent the interests of the stockholders of the Company;
- the prospective nominee's standards of integrity, commitment and independence of thought and judgment; the prospective nominee's ability to dedicate sufficient time, energy, and attention to the diligent performance of his
- or her duties, including the prospective nominee's service on other public company boards, as specifically set out in the Company's Corporate Governance Guidelines;
- the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board;
- the extent to which the prospective nominee helps the Board reflect the diversity of the Company's stockholders, employees, customers, guests and communities; and
- the willingness of the prospective nominee to meet any minimum equity interest holding guideline.

The Nominating and Corporate Governance Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. In connection with this evaluation, the Nominating and Corporate Governance Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Nominating and Corporate Governance Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the committee.

The Nominating and Corporate Governance Committee will consider persons recommended by stockholders to become nominees for election as directors, provided that those recommendations are submitted in writing to our Corporate Secretary specifying the nominee's name and qualifications for Board membership. For a stockholder to nominate a director candidate, the stockholder must comply with the advance notice provisions and other requirements of Section 11 of Article II of our bylaws.

We urge any stockholder who intends to recommend a director candidate to the Nominating and Corporate Governance Committee for consideration to review thoroughly our Nominating and Corporate Governance Committee Charter and Section 11 of Article II of our bylaws. Copies of our Nominating and Corporate Governance Committee Charter and our bylaws are available upon written request to Angelica Beltran, Wheeler Real Estate Investment Trust, Inc., Riversedge North, 2529 Virginia Beach Boulevard, Virginia Beach, Virginia 23452

Stockholder proposals including nominations for persons for election to the Board of Directors, for our Annual Meeting to be held in 2019 must be received by us between April 3, 2019 and May 3, 2019, and must otherwise comply with the rules promulgated by the SEC to be considered for inclusion in our proxy statement for that year.

Determinations of Director Independence

The Board of Directors reviews the independence of each director yearly. During this review, the Board of Directors considers transactions and relationships between each director (and his or her immediate family and affiliates) and the Company and its management to determine whether any such relationships or transactions are inconsistent with a determination that the director is independent in light of applicable law, listing standards and the Company's director independence standards. The Company believes that it maintains a majority of independent directors who are deemed to be independent under the definition of independence provided by NASDAQ Listing Rule 5605(a)(2).

Board Meetings During Fiscal 2018

The Board met nineteen times during fiscal year 2018. No directors attended fewer than 75% of the meetings of the aggregate of: (i) The total number of meetings of the Board (held during the period for which he or she has been a director); and (ii) the total number of meetings held by all committees of the Board on which he or she served (during the periods that he or she served). Under the Company's Corporate Governance Guidelines, each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the stockholders of the Company, the Board and Committees of which he or she is a member.

Board Committees

Our Board of Directors has established five standing committees: an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation Committee, an Investment Committee and a Finance Committee. The principal functions of each committee are briefly described below. Each of these committees is comprised exclusively of independent directors. Additionally, our board of directors may from time to time establish certain other committees to facilitate the management of our company.

Audit Committee

Our Audit Committee consists of three of our independent directors: Carl B. McGowan, Jr., Stewart Brown and Andrew Jones. Dr. McGowan, the chairman of our Audit Committee, qualifies as an "audit committee financial expert" as that term is defined by the applicable SEC regulations and NASDAQ Capital Market corporate governance requirements. In addition, each of the Audit Committee members is "financially sophisticated" as that term is defined by the NASDAQ Capital Market corporate governance requirements. The functions of the Audit Committee are described below under the heading "Report of the Audit Committee." The charter of the Audit Committee was adopted on November 16, 2012, and is available on the Company's Investor Relations tab of our website (www.whlr.us). All of the members of the Audit Committee are independent within the meaning of SEC regulations, the listing standards of the Nasdaq Stock Market and the Company's Corporate Governance Principles. The Audit Committee met five times in 2018.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of three of our independent directors: Stewart J. Brown, John Sweet and Carl B. McGowan, Jr.. Mr. Brown has been designated as chair of this committee. The Nominating and Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including reviewing and monitoring implementation of the Company's Corporate Governance Guidelines. In addition, the Nominating and Corporate Governance Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Nominating and Corporate Governance Committee also prepares and supervises the Board's annual review of director independence and the Board's performance self-evaluation. The charter of the Nominating and Corporate Governance Committee was adopted on November 16, 2012 and updated in 2016, and is available on the Company's Investor Relations website (www.whlr.us). All of the members of the Nominating and Corporate Governance Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Company's Corporate Governance Principles. The Nominating and Corporate Governance Committee met six times in 2018.

Compensation Committee

Our Compensation Committee consists of three of our independent directors: John McAuliffe, Jeffrey Zwerdling, and John Sweet. Mr. Zwerdling has been designated as chair of the Compensation Committee. The Compensation Committee is responsible for overseeing the policies of the Company relating to compensation to be paid by the Company to the Company's principal executive officer and any other officers designated by the Board, and to make recommendations to the Board with respect to such policies, produce necessary reports on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations and to monitor the development and implementation of succession plans for the principal executive officer and other key executives and make recommendations to the Board with respect to such plans. The charter of the Compensation Committee was adopted on November 16, 2012 and updated in 2014 and 2016, and is available on the Company's Investor Relations

website (www.whlr.us). All of the members of the Compensation Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Company's Corporate Governance Principles. The Compensation Committee may not delegate its authority to other persons. While the Company's executives will communicate with the Compensation Committee regarding executive compensation issues, the Company's executive officers do not participate in any executive compensation decisions. The Compensation Committee met once in 2018.

The Compensation Committee retained Mercer as its independent compensation consultant to assist in executive compensation issues. Specifically, Mercer assisted the Compensation Committee in its review and design of the Company's executive compensation program for executives and directors. Mercer was engaged by the Compensation Committee after review and consideration of other proposals submitted by prospective compensation consultants. The Compensation Committee engaged Mercer based upon the value and the scope of services that they provide. The Compensation Committee instructed Mercer to provide market assessment of executive and officer compensation, and provide appropriate executive compensation plan designs. Mercer reported directly to the Compensation Committee and performs no other work for the Company.

The Compensation Committee has analyzed whether the work of Mercer as a compensation consultant has raised any conflict of interest, taking into consideration the following factors:

- i. The provision of other services to the Company by Mercer;
 - ii. The amount of fees from the Company paid to Mercer as a percentage of the firm's total revenue;
- iii. Mercer policies and procedures that are designed to prevent conflicts of interest;
- iv. Any business or personal relationship of Mercer or the individual compensation advisors employed by the firm with an executive officer of the Company;
- v. Any business or personal relationship of the individual compensation advisors with any member of the Compensation Committee; and
- vi. Any stock of the Company owned by Mercer or the individual compensation advisors employed by the firm.

The Compensation Committee has determined, based on its analysis of the above factors, that the work of Mercer and the individual compensation advisors employed by Mercer as compensation consultants to the Company has not created any conflict of interest.

Investment Committee

Our Investment Committee consists of two independent directors: Sean Armstrong and Jeffrey Zwerdling. Mr. Armstrong has been designated as the chair of this committee. The Investment Committee is responsible for reviewing and analyzing strategic real estate acquisitions and investments. In addition, the Investment Committee makes recommendations to the Board regarding the potential real estate acquisitions and investments. The Investment Committee was formed on September 25, 2013 and has not adopted a charter. All of the members of the Investment Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Company's Corporate Governance Principles. Members of the Investment Committee toured certain properties of ours in 2018.

Finance Committee

Our Finance Committee consists of four independent directors: Stewart J. Brown, John McAuliffe, Sean Armstrong and Andrew Jones. Mr. McAuliffe has been designated as chair of this committee. The Finance Committee is responsible for overseeing the financial policies and practices of the Company. In addition, the Finance Committee oversees the budget process of the Company, including the review of budget policies, practices, and annual budget schedule. The Finance Committee provides regular review of the budget throughout the year and recommends to the Board any changes, additions or deletions to the financial policies and practices as it deems appropriate. The Finance Committee was formed in February 2016 and has not adopted a charter. All of the members of the Finance Committee are independent within the meaning of the listing standards of the Nasdaq Stock Market and the Company's Corporate Governance Principles.

Compliance with Section 16(a) of Reporting Requirements

Based solely on a review of Forms 3 and 4 and any amendments thereto furnished us pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, or representations that no Forms 5 were required, we believe that with respect to fiscal 2018 our officers, directors, and beneficial owners of more than 10% of our equity timely complied with all applicable Section 16(a) filing requirements, except a late Form 4 was filed for one of our Directors, Stewart Brown on March 27, 2018 reporting the March 21, 2018 and March 22, 2018 purchase of 2,300 and 400 shares of common stock, respectively.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics, which applies to all directors, officers and employees. The text of the document is available on the Company's Investor Relations tab of our website (www.whlr.us). The Company intends to post any amendments to or waivers from its Code of Ethics (to the extent applicable to the Company's CEO and CFO) at this location on its website. The Company will provide a copy of our Code of Business Conduct and Ethics, without charge, to its shareholders. Request for copies should be directed to the Company's CEO at the address indicated on the cover page of this Annual Report on Form 10-K.

Item 11. Executive Compensation.

Role of Compensation Committee

Executive compensation is overseen by the Compensation Committee, which we created in connection with our IPO in 2012. Our Compensation Committee consists of three of our independent directors: John Sweet, John McAuliffe and Jeffrey Zwerdling. Mr. Zwerdling has been designated as chair of the Compensation Committee. The committee is responsible for establishing, implementing, and continually monitoring adherence to our compensation philosophy as applied to our NEOs.

Employment Agreements With The Company's Executive Officers

Generally

In 2018, we entered into employment agreements with David Kelly, CEO, Matthew Reddy, CFO, and M. Andrew Franklin, COO. The employment agreements for Jon S. Wheeler, former CEO, and Wilkes Graham, former CFO, were terminated in January 2018. We believe that the protections contained in our current executive employment agreements help to ensure the day-to-day stability necessary to our executives to enable them to properly focus their attention on their duties and responsibilities with the Company and provide security with regard to some of the most uncertain events relating to continued employment, thereby limiting concern and uncertainty and promoting productivity. Each of our employment agreements with our executive officers provides for a term of three years.

Employment Agreement of David Kelly

Employment Agreement and Salary. On February 14, 2018, the Company on its behalf and on behalf of its subsidiaries, including Wheeler REIT, L.P. entered into an employment agreement with David Kelly (the "Kelly Employment Agreement") for a period of three years beginning on February 14, 2018, and ending on February 13, 2021 (the "Initial Term"). At the end of the Initial Term, the Kelly Employment Agreement will automatically renew for subsequent one-year terms (each an "Annual Term") unless terminated pursuant to the terms of the Kelly Employment Agreement. Under the terms of the Kelly Employment Agreement, Mr. Kelly shall be employed as the Company's President and CEO and is required to devote his best efforts to the Company's business and affairs and in return will receive the following:

• Base compensation of \$400,000 per annum; and

• Reimbursement of reasonable and necessary business expenses, and Mr. Kelly is eligible to participate in any current or future bonus, incentive and other compensation plans available to the Company's executives.

Severance Terms. Under the Kelly Employment Agreement, if Mr. Kelly's employment is terminated by the Company without "Cause" (as defined in the Kelly Employment Agreement) then Mr. Kelly shall generally be entitled to severance pay of the greater of (i) salary continuation payments at Mr. Kelly's current salary, less mandatory deductions, for six months plus one additional month for each full calendar quarter remaining in the then-current term of Mr. Kelly's employment or (ii) salary continuation equal to the sum of Mr. Kelly's then current base salary for a period equal to the remainder of the term of the Kelly Employment Agreement. Mr. Kelly will also be entitled to any annual bonuses that would have been earned based solely on his continued employment for the remainder of the term of the Kelly Employment Agreement. In addition, Mr. Kelly is entitled to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Kelly is receiving immediately prior to the date of termination or the cash equivalent, offset by any comparable benefits actually received by Mr. Kelly.

In the event Mr. Kelly terminates his employment with "Good Reason" (as defined in the Kelly Employment Agreement), but not a "Change in Control" (as defined in the Kelly Employment Agreement) then Mr. Kelly shall generally be entitled to the greater of current base salary, less mandatory deductions (i) for the remainder of the term or (ii) 12 months, plus any earned but unpaid bonus for the fiscal year prior to the year in which termination occurs. In addition, Mr. Kelly is entitled

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to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Kelly is receiving immediately prior to the date of termination or the cash equivalent, offset by any comparable benefits actually received by Mr. Kelly.

In the event Mr. Kelly terminates his employment with Good Reason, which follows a Change in Control or by the Company without Cause and such termination occurs within six months of a Change of Control then Mr. Kelly shall generally be entitled to a lump sum payment equal to 2.99 times Mr. Kelly's annual base salary less mandatory deductions payable within 90 calendar days of the termination. In addition, Mr. Kelly is entitled to health care coverage pursuant to COBRA at Mr. Kelly's expense for up to 18 months.

Mr. Kelly shall not be entitled to any benefits under the Kelly Employment Agreement in the case of the Company terminating his employment for Cause or Mr. Kelly terminating his employment without Good Reason.

Death and Disability. In the event of a termination of employment on account of death occurring during the Initial Term or Annual Term then Mr. Kelly's estate shall generally be entitled to: (a) Mr. Kelly's regular base salary (determined on the date of death) for a period of twelve months following death; (b) the amount of any bonus remaining payable by the Company to Mr. Kelly for its fiscal year prior to death; and (c) any accrued and unpaid bonus determined by the Board of Directors for the year in which the death occurs prorated for the number of completed calendar months served prior to death.

In the event of a "Disability" (as defined in the Kelly Employment Agreement) by Mr. Kelly for 120 consecutive days or longer at any point during his employment, then the Company will pay to Mr. Kelly his regular base salary for a twelve month period following the date on which the Disability first begins, net of any benefits received by Mr. Kelly under any disability policy obtained by the Company or Mr. Kelly, the premiums for which are paid by the Company. Mr. Kelly will also be entitled to any bonus remaining payable by the Company to Mr. Kelly for its fiscal year prior to the date the Disability began and any unpaid bonus determined by the Board of Directors for the fiscal year in which the disability occurs prorated for the number of completed calendar months served prior to the date of Disability.

Miscellaneous Provisions. The Kelly Employment Agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Kelly is required to keep confidential the Company's trade secrets that he acquired during the course of his employment. His employment contract also contains a non-solicitation of employees clause for a duration of (18) months following the last day of his employment with the Company.

Employment Agreement of Matthew Reddy

Employment Agreement and Salary. On February 14, 2018, the Company on its behalf and on behalf of its subsidiaries, including Wheeler REIT, L.P. entered into an employment agreement with Matthew Reddy (the "Reddy Employment Agreement") for a period of three years beginning on February 14, 2018, and ending on February 13, 2021 (the "Initial Term"). At the end of the Initial Term, the Reddy Employment Agreement will automatically renew for subsequent one-year terms (each an "Annual Term") unless terminated pursuant to the terms of the Reddy Employment Agreement. Under the terms of the Reddy Employment Agreement, Mr. Reddy shall be employed as the Company's CFO and is required to devote his best efforts to the Company's business and affairs and in return will receive the following:

• Base compensation of \$250,000 per annum; and

• Reimbursement of reasonable and necessary business expenses, and Mr. Reddy is eligible to participate in any current or future bonus, incentive and other compensation plans available to the Company's executives.

Severance Terms. Under the Reddy Employment Agreement, if Mr. Reddy's employment is terminated by the Company without "Cause" (as defined in the Reddy Employment Agreement) then Mr. Reddy shall generally be entitled to severance pay of the greater of (i) salary continuation payments at Mr. Reddy's current salary, less mandatory deductions, for six months plus one additional month for each full calendar quarter remaining in the then-current term of Mr. Reddy's employment or (ii) salary continuation equal to the sum of Mr. Reddy's then current base salary for a period equal to the remainder of the term of the Reddy Employment Agreement. Mr. Reddy will also be entitled to any annual bonuses that would have been earned based solely on his continued employment for the remainder of the term of the Reddy Employment Agreement. In addition, Mr. Reddy is entitled to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Reddy is receiving immediately prior to the date of termination or the cash equivalent, offset any by comparable benefits

actually received by Mr. Reddy.

In the event Mr. Reddy terminates his employment with “Good Reason” (as defined in the Reddy Employment Agreement), but not a “Change in Control” (as defined in the Reddy Employment Agreement) then Mr. Reddy shall generally be entitled to the greater of current base salary, less mandatory deductions (i) for the remainder of the term or (ii) 12 months,

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plus any earned but unpaid bonus for the fiscal year prior to the year in which termination occurs. In addition, Mr. Reddy is entitled to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Reddy is receiving immediately prior to the date of termination or the cash equivalent, offset by any comparable benefits actually received by Mr. Reddy.

In the event Mr. Reddy terminates his employment with Good Reason, which follows a Change in Control or by the Company without Cause and such termination occurs within six months of a Change in Control then Mr. Reddy shall generally be entitled to a lump sum payment equal to 2.99 times Mr. Reddy's annual base salary less mandatory deductions payable within 90 calendar days of the termination. In addition, Mr. Reddy is entitled to health care coverage pursuant to COBRA at Mr. Reddy's expense for up to 18 months.

Mr. Reddy shall not be entitled to any benefits under the Reddy Employment Agreement in the case of the Company terminating his employment for Cause or Mr. Reddy terminating his employment without Good Reason.

Death and Disability. In the event of a termination of employment on account of death occurring during the Initial Term or Annual Term then Mr. Reddy's estate shall generally be entitled to: (a) Mr. Reddy's regular base salary (determined on the date of death) for a period of twelve months following death; (b) the amount of any bonus remaining payable by the Company to Mr. Reddy for its fiscal year prior to death; and (c) any accrued and unpaid bonus determined by the Board of Directors for the year in which the death occurs prorated for the number of completed calendar months served prior to death.

In the event of a "Disability" (as defined in the Reddy Employment Agreement) by Mr. Reddy for 120 consecutive days or longer at any point during his employment, then the Company will pay to Mr. Reddy his regular base salary for a twelve month period following the date on which the Disability first begins, net of any benefits received by Mr. Reddy under any disability policy obtained by the Company or Mr. Reddy, the premiums for which are paid by the Company. Mr. Reddy will also be entitled to any bonus remaining payable to Mr. Reddy for his fiscal year prior to the date the Disability began and any unpaid bonus for the fiscal year in which the disability occurs prorated for the number of completed calendar months served prior to the date of Disability.

Miscellaneous Provisions. The Reddy Employment Agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Reddy is required to keep confidential the Company's trade secrets that he acquired during the course of his employment. His employment contract also contains a non-solicitation of employees clause for a duration of (18) months following the last day of his employment with the Company.

Employment Agreement of M. Andrew Franklin

Employment Agreement and Salary. On February 14, 2018, the Company on its behalf and on behalf of its subsidiaries, including Wheeler REIT, L.P. entered into an employment agreement with M. Andrew Franklin (the "Franklin Employment Agreement") for a period of three years beginning on February 14, 2018, and ending on February 13, 2021 (the "Initial Term"). At the end of the Initial Term, the Franklin Employment Agreement will automatically renew for subsequent one-year terms (each an "Annual Term") unless terminated pursuant to the terms of the Franklin Employment Agreement. Under the terms of the Franklin Employment Agreement, Mr. Franklin shall be employed as the Company's COO and is required to devote his best efforts to the Company's business and affairs and in return will receive the following:

• Base compensation of \$250,000 per annum; and

• Reimbursement of reasonable and necessary business expenses, and Mr. Franklin is eligible to participate in any current or future bonus, incentive and other compensation plans available to the Company's executives.

Severance Terms. Under the Franklin Employment Agreement, if Mr. Franklin's employment is terminated by the Company without "Cause" (as defined in the Franklin Employment Agreement) then Mr. Franklin shall generally be entitled to severance pay of the greater of (i) salary continuation payments at Mr. Franklin's current salary, less mandatory deductions, for six months plus one additional month for each full calendar quarter remaining in the then-current term of Mr. Franklin's employment or (ii) salary continuation equal to the sum of Mr. Franklin's then current base salary for a period equal to the remainder of the term of the Franklin Employment Agreement. Mr. Franklin will also be entitled to any annual bonuses that would have been earned based solely on his continued employment for the remainder of the term of the Franklin Employment Agreement. In addition, Mr. Franklin is

entitled to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Franklin is receiving immediately prior to the date of termination or the cash equivalent, offset by any comparable benefits actually received by Mr. Franklin.

In the event Mr. Franklin terminates his employment with “Good Reason” (as defined in the Franklin Employment Agreement), but not a “Change in Control” (as defined in the Franklin Employment Agreement) then Mr. Franklin shall generally be entitled to the greater of current base salary, less mandatory deductions (i) for the remainder of the term or (ii) 12 months, plus any earned but unpaid bonus for the fiscal year prior to the year in which termination occurs. In addition, Mr. Franklin is entitled to disability, accident and health insurance for a 12 month period following termination substantially similar to those insurance benefits Mr. Franklin is receiving immediately prior to the date of termination or the cash equivalent, offset by any comparable benefits actually received by Mr. Franklin.

In the event Mr. Franklin terminates his employment with Good Reason, which follows a Change in Control or by the Company without Cause and such termination occurs within six months of a Change of Control then Mr. Franklin shall generally be entitled to a lump sum payment equal to 2.99 times Mr. Franklin’s annual base salary less mandatory deductions payable within 90 calendar days of the termination. In addition, Mr. Franklin is entitled to health care coverage pursuant to COBRA at Mr. Franklin's expense for up to 18 months.

Mr. Franklin shall not be entitled to any benefits under the Franklin Employment Agreement in the case of the Company terminating his employment for Cause or Mr. Franklin terminating his employment without Good Reason. Death and Disability. In the event of a termination of employment on account of death occurring during the Initial Term or Annual Term then Mr. Franklin’s estate shall generally be entitled to: (a) Mr. Franklin’s regular base salary (determined on the date of death) for a period of twelve months following death; (b) the amount of any bonus remaining payable by the Company to Mr. Franklin for its fiscal year prior to death; and (c) any accrued and unpaid bonus determined by the Board of Directors for the year in which the death occurs prorated for the number of completed calendar months served prior to death.

In the event of a “Disability” (as defined in the Franklin Employment Agreement) by Mr. Franklin for 120 consecutive days or longer at any point during his employment, then the Company will pay to Mr. Franklin his regular base salary for a twelve month period following the date on which the Disability first begins, net of any benefits received by Mr. Franklin under any disability policy obtained by the Company or Mr. Franklin, the premiums for which are paid by the Company. Mr. Franklin will also be entitled to any bonus remaining payable to Mr. Franklin for his fiscal year prior to the date the Disability began and any unpaid bonus for the fiscal year in which the disability occurs prorated for the number of completed calendar months served prior to the date of Disability.

Miscellaneous Provisions. The Franklin Employment Agreement provides for confidentiality and nondisclosure provisions, whereby Mr. Franklin is required to keep confidential the Company’s trade secrets that he acquired during the course of his employment. His employment contract also contains a non-solicitation of employees clause for a duration of (18) months following the last day of his employment with the Company.

Stock Plans

2015 Long-Term Incentive Plan

Pursuant to our 2015 Long-Term Incentive Plan, we may award incentives covering an aggregate of 125,000 shares of our Common Stock. As of February 27, 2019, we have issued 83,896 shares under the plan to employees, directors and outside contractors for services provided.

2016 Long-Term Incentive Plan

Pursuant to our 2016 Long-Term Incentive Plan, we may award incentives covering an aggregate of 625,000 shares of our Common Stock. As of February 27, 2019, we have issued 491,104 under the plan to employees, directors and outside contractors for services provided.

Security Authorized For Issuance Under Equity Compensation Plan

The following table sets forth information as of December 31, 2018 regarding our compensation plans and the Common Stock we may issue under the plan.

Equity Compensation Plan Information Table

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders ⁽¹⁾	—	—	355,618
Equity compensation plans not approved by stockholders	—	—	—
Total	—	—	355,618

(1) Includes our 2015 and 2016 Long-Term Incentive Plans, which authorized a maximum of 125,000 and 625,000 shares, respectively, of our Common Stock for issue. Awards are granted by the Compensation Committee.

Grants of Plan Based Awards in 2018

The following Common Stock share awards were made in 2018. Awards were made in 2018 to the named executive officer.

Name	Grant Date	All Other Stock Awards: Number of shares of stock or units ⁽¹⁾	Grant Date Fair Value
Wilkes Graham	September 12, 2018	10,869	\$50,000
Total		10,869	\$50,000

(1) Dividends are paid on all issued shares of Common Stock at the same rate and time as paid to all other holders of our shares of Common Stock as declared by our Board.

Outstanding Equity Awards at Fiscal-Year End

The Company has no outstanding Equity Awards at the end of the 2018 fiscal year.

Compensation Tables

Summary Compensation Table

The table below summarizes the total compensation for the fiscal years indicated paid or awarded to each of the NEOs, calculated in accordance with SEC rules and regulations.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation (\$)	Total (\$)
David Kelly Chief Executive Officer (2)	2018	388,462	—	—	—	—	14,179	(1)402,641
	2017	298,077	—	—	—	—	11,007	(6)309,084
Jon S. Wheeler Former Chief Executive Officer (5)	2018	47,500	—	—	—	—	2,495	(1)49,995
	2017	475,000	—	—	—	—	8,618	(6)483,618
Andrew Franklin Chief Operating Officer (3)	2018	244,231	—	—	—	—	17,334	(1)261,565
Matthew Reddy Chief Financial Officer (4)	2018	246,731	—	—	—	—	17,027	(1)263,758

(1) Company's match on 401(k) plan other Company provided benefits (ex. Group Term Life, Short-term and Long-term Disability and Medical Coverage) available to all employees.

(2) Mr. Kelly was appointed to this position in 2018, prior to this he was the Chief Investment Officer.

(3) Mr. Franklin was appointed to this position in 2018, prior to this he was the Senior Vice President of Operations and not a named executive officer.

(4) Mr. Reddy was appointed to this position in 2018, prior to this he was the Chief Accounting Officer and not a named executive officer.

(5) Mr. Wheeler was terminated in January 2018.

(6) Company's match on 401(k) plan and Group Term Life Insurance.

Director Compensation

Directors who are officers of our Company do not receive any compensation for their services. Non-employee directors are entitled to receive \$40,000 per year for serving as directors and may receive stock grants from our Company. The Board set annual retainers for the Audit, Compensation, Nominating and Governance, Investment, and Finance committee chairs at \$10,000, \$8,000, \$8,000, \$8,000, and \$8,000, respectively. The Board set an annual retainer for the chairman at \$20,000. Additionally, each board member received a \$50,000 in equity incentive compensation. We reimburse each of our directors for his or her travel expenses incurred in connection with his or her attendance at full board of directors and committee meetings. In 2018, Directors agreed to receive the majority of their compensation in stock grants in lieu of cash. The following table summarizes directors' compensation for 2018, including \$173 thousand paid in 2019:

Name	Fees Earned or Paid in Cash	Stock Awards	Total
Stewart J. Brown	\$ 11,250	\$84,745	\$95,995
Kurt R. Harrington (1)	12,250	12,255	24,505
William W. King (1)	11,250	11,248	22,498
John McAuliffe	47,000	51,000	98,000
Carl B. McGowan, Jr.	12,500	87,500	100,000
Jeffrey M. Zwerdling	14,751	88,853	103,604
John Sweet	12,250	95,004	107,254
Sean F. Armstrong (2)	—	72,641	72,641
Andrew Jones (2)	—	67,503	67,503

(1) Resigned from the Board in April 2018.

(2) Appointed to the Board in April 2018.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans

See "Stock Plans" in Item 11.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth certain information regarding the beneficial ownership of shares of our common stock and shares of common stock into which common units are exchangeable for (1) each person who is the beneficial owner of 5% or more of our outstanding common stock, (2) each of our directors and named executive officers, and (3) all of our directors and executive officers as a group. Each person or entity named in the tables has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the tables. The extent to which a person will hold shares of common stock as opposed to units is set forth in the footnotes below.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common shares subject to options or other rights (as set forth above) held by that person that are exercisable as of this filing or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. As of February 27, 2019, we had 176 stockholders of record. This number excludes our common shares owned by shareholders holding under nominee security position listings.

Unless otherwise indicated, the address of each named person is c/o Wheeler Real Estate Investment Trust, Inc., Riversedge North, 2529 Virginia Beach Blvd., Suite 200, Virginia Beach, Virginia 23452.

	Number of Shares Beneficially Owned	Percentage of All Shares(1)	
David Kelly	30,219	*	
M. Andrew Franklin	4,295	*	
Matthew Reddy	3,690	*	
Carl B. McGowan, Jr.	58,673	*	
Jeff Zwerdling	143,011	(2)*	
John Sweet	60,611	*	
Stewart Brown	57,807	*	
John McAuliffe	38,349	*	
Sean Armstrong	39,104	*	
Andrew Jones	555,143	(3)5.7	%
All directors, director nominees and executive officers as a group (10 persons)	990,902	10.2	%

*Less than 1.0%

Based upon 9,692,082 shares of common stock outstanding on February 27, 2019. In addition, amounts for (1) individuals assume that all Series B and Series D convertible preferred stock held by the individual are converted into common stock and all warrants held by the person are exercised.

(2)Includes 98,454 shares of common stock, 14,000 shares of Series B convertible preferred stock convertible into 8,750 shares of common stock, 16,800 warrants to purchase 2,100 shares of common stock, and 5,000 shares of Series D cumulative convertible preferred stock convertible into 7,370 shares of common stock. In addition,

includes 17,812 shares of common stock, 11,000 shares of Series B convertible preferred stock convertible into 6,875 shares of

common stock and 13,200 warrants to purchase 1,650 shares of common stock, which are held by a trust in which Mr. Zwerdling serves as co-trustee and has voting and investing authority over the shares.

Includes 493,656 shares of common stock, 47,435 shares of Series B convertible preferred stock convertible into 29,647 shares of common stock and 21,600 shares of Series D cumulative convertible preferred stock convertible into 31,840 shares of common stock. Of these securities Mr. Jones owns 12,464 shares of common stock and 2,100 (3) shares of Series B preferred stock personally and the remaining shares are held by various investment partnerships, funds and managed accounts, in which NS Advisors, LLC (“NS Advisors”) serves as the investment manager. Mr. Jones is the managing member of NS Advisors and has sole voting and investment authority over the shares.

Based upon our records and the information reported in filing with the SEC, the following were beneficial owners of more than 5% of our shares of Common Stock as of February 27, 2019.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Our Outstanding Shares (1)
Stilwell Value Partners VII, L.P. (2) 111 Broadway, 12th Floor New York, NY 10006-1901	919,540	9.5 %
Richard S. Strong (3) c/o Godfrey & Kahn, S.C. 833 East Michigan St., Suite 1800 Milwaukee, WI 53202	683,724	7.1 %
Westport Capital Partners, LLC (4) 40 Danbury Road Wilton, CT 06897	857,864	8.9 %
FMR, LLC (5) 245 Summer Street Boston, MA 02210	1,092,673	11.3 %
NS Advisors, LLC (6) 274 Riverside Associates Westport, CT 06880	555,143	5.7 %
Eidelman Virant Capital, Inc. (7) 8000 Maryland Ave, Suite 600 Saint Louis, Missouri 63105	537,187	5.5 %
Total of 5% or more shareholders as a group (5 shareholders)	4,646,131	48.0 %

(1) Based upon 9,692,082 shares of common stock outstanding on February 27, 2019.

Based solely upon the Schedule 13D/A filed with the SEC by the beneficial owner on October 29, 2018 reporting beneficial ownership as of October 29, 2018 of 919,540 shares, which includes 25,400 shares of Series D

(2) cumulative convertible preferred stock that are convertible into 37,441 shares of common stock. Stillwell Activist Fund, L.P., Stillwell Activist Investments, L.P., Stillwell Value LLC and Joseph Stillwell possess shared voting and dispositive power over 919,540 shares with Stillwell Value Partners VII, L.P.

Based solely upon the Schedule 13G/A filed with the SEC by the beneficial owner on January 18, 2019 reporting beneficial ownership as of December 31, 2018 of 683,724 shares. Mr. Strong possesses shared voting power over (3) 559,157 of the shares with Calm Waters Partnership. Mr. Strong possesses sole voting power over 124,567 of the shares.

(4) Based solely upon the Schedule 13D/A filed with the SEC by the beneficial owner on April 13, 2018 reporting beneficial ownership as of April 11, 2018. In addition, based solely upon the Schedule 13D, Russel Bernard, Sean Armstrong, Wm. Gregory Geiger, Jordan Socaransky and Marc Porosoff are members of the investment committee

of Westport Capital Partners LLC and may be deemed to have beneficial ownership over the shares. The 857,864 shares include 373,390 shares held by the record owner WCP Real Estate Fund IV, L.P, and 187,930 shares held by the record owner WCP Real Estate Fund IV (ERISA), L.P.

Based solely upon the Schedule 13G filed with the SEC by the beneficial owner on February 12, 2018 reporting (5) beneficial ownership as of February 9, 2018 of 1,092,673 shares. Includes the shares reported by Abigail Johnson and Fidelity Real Estate Income Fund.

Based solely upon the Form 4 filed with the SEC by the beneficial owner on February 27, 2019 reporting beneficial ownership as of February 27, 2019 of 555,143 shares. NS Advisors possesses shared voting power of 505,258 with (6) Andrew R. Jones. In addition, Andrew R. Jones possesses sole voting power of an additional 49,885 shares. These are the same shares beneficially owned by Mr. Jones identified in the executive officer and director table above.

Based solely upon the Schedule 13G filed with the SEC by the beneficial owner on February 12, 2019 reporting (7) beneficial ownership as of December 31, 2018 of 537,187 shares.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Partnership Agreement

In connection with the completion of our initial public offering, we entered into a partnership agreement with various persons receiving common units in the formation transactions, including our former Chairman and CEO Mr. Wheeler, his affiliates and certain former executive officers or our Company. As a result, these persons became limited partners of our operating partnership, Wheeler REIT, L.P. (the “Operating Partnership”).

Pursuant to the partnership agreement with our Operating Partnership, limited partners of the Operating Partnership and some assignees of limited partners will have the right, beginning 12 months after acquiring the common units, to require our Operating Partnership to redeem part or all of their common units for cash equal to the then-current market value of an equal number of shares of our Common Stock (determined in accordance with and subject to adjustment under the Partnership Agreement), or, at our election, to exchange their common units for shares of our Common Stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter.

Employment Agreements

Our CEO, CFO and COO have entered into three-year employment agreements, which in addition to the items noted throughout this Compensation Discussion and Analysis, include disability and termination provisions, among other provisions. See “Employment Agreements With The Company’s Executive Officers” for a summary of the terms of Mr. Kelly and Mr. Reddy’s and Mr. Franklin’s employment agreements.

Indemnification of Officers and Directors

Our charter and bylaws provide for certain indemnification rights for our directors and officers and we will enter into an indemnification agreement with each of our executive officers and directors, providing for procedures for indemnification and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors to the maximum extent permitted by Maryland law.

Other Related Party Transactions

The following summarizes related party activity as of and for the years ended December 31, 2018 and 2017. The amounts disclosed below reflect the activity between the Company and Mr. Wheeler’s affiliates (in thousands).

	December 31,	
	2018	2017
Amounts paid to affiliates	\$15	\$48
Amounts received from affiliates	\$116	\$2,517
Amounts due from affiliates	\$—	\$—
Notes receivable	\$5,000	\$6,739

The Company loaned \$11.00 million for the partial funding of Pineland Station Shopping Center in Hilton Head, South Carolina to be known in the future as Sea Turtle Development and loaned \$1.00 million for the sale of land to be used in the development. At December 31, 2018 and 2017, the Company recognized a \$1.74 million and \$5.26 million, respectively, impairment charge on the note receivable as discussed in greater detail in Note 4 of the consolidated financial statements. The Company has placed the notes receivable on nonaccrual status and has not recognized \$1.44 million of interest income due on the notes for the twelve months ended December 31, 2018, respectively. In February 2018, the Company’s agreement to perform development, leasing, property and asset management services for Sea Turtle Development was terminated. Sea Turtle Development 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, development fees of 5% of hard costs incurred were earned by the Company. Leasing, property and asset management fees were consistent with those charged for services provided to non-related properties.

The Company recovered \$77 thousand in amounts due from related parties for the year ended December 31, 2018, which were previously reserved. The recovery is included in “provision for credit losses” on the consolidated statements of operations. The total allowance on related party receivables at December 31, 2018 and 2017 is \$2.20 million and \$2.36 million, respectively.

Amounts due from Sea Turtle Development are reserved due to uncertainty surrounding the collectability given the information currently available to the Company. Amounts due from other non-REIT properties have been reserved based on available cash flows at the respective properties and payment history. The management agreements for these properties have been terminated.

In 2016, in connection with the acquisition of Berkley and Sangaree/Tri-County, the Operating Partnership entered into a tax protection agreement that obligates the Operating Partnership to reimburse Jon Wheeler, the Company's former CEO for his tax liabilities resulting from the recognition of certain taxable income or gain in the event the Operating Partnership takes certain action prior to November 10, 2023 with respect to Sangaree Plaza, Tri-County Plaza and Berkley.

Item 14. Principal Accounting Fees and Services.

The Audit Committee has appointed Cherry Bekaert LLP as the independent registered public accounting firm of the Company for the 2018 fiscal year and to conduct quarterly reviews through March 31, 2019. The Company's Bylaws do not require that stockholders ratify the appointment of Cherry Bekaert LLP as the Company's independent registered public accounting firm. Cherry Bekaert LLP has served as the Company's independent public accounting firm for each of the fiscal years ended December 31, 2011 through December 31, 2018. The Audit Committee will consider the outcome of this vote in its decision to appoint an independent registered public accounting firm next year. The Company, however, is not bound by the stockholders' decision. Even if the selection is ratified, the Audit Committee, in its sole discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

A representative of Cherry Bekaert LLP will attend the Annual Meeting. The representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from the stockholders.

The following table summarizes fees paid to independent registered public accounting firm for the years ended December 31, 2018 and 2017:

Types of Fee	2018	2017
	(in thousands)	
Audit Fees ⁽¹⁾	\$341	\$335
Audit Related Fees ⁽²⁾	50	15
Tax Fees ⁽³⁾	159	134
All Other Fees	3	—
Total	\$553	\$484

(1) Audit fees includes annual audits, quarterly reviews, SOX and property audits.

(2) Audit related fees for services related to the REIT's financing offering documents and associated filings.

(3) Tax fees related primarily to tax advisory services related to REIT status.

Audit Committee Pre-Approval Policies

Before Cherry Bekaert was engaged by the Company to render audit or non-audit services, the engagement was approved by the Company's Audit Committee. All services rendered by Cherry Bekaert have been so approved.

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements. The following financial statements filed as a part of this Annual Report on Form 10-K is as follows:

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	<u>Report</u>
	<u>of</u>
	<u>Independent</u>
	<u>Registered</u>
	<u>Public</u>
	<u>Accounting</u>
	<u>Firm</u>
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2. Financial Statement Schedules.

- a. Schedule II- Valuation and Qualifying Accounts
- b. Schedule III- Real Estate and Accumulated Depreciation

All other financial statements schedules have been omitted because the required information of such schedules is not present, is not present in amounts sufficient to require a schedule or is included in the consolidated financial statements.

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3. Exhibits. The list of exhibits filed as a part of this Annual Report on Form 10-K in response to Item 601 of Regulation S-K is submitted on the Exhibit Index attached hereto and incorporated herein by reference.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHEELER REAL ESTATE
INVESTMENT TRUST,
INC.

By: /s/ MATTHEW REDDY
Matthew Reddy
Chief Financial Officer
Date: February 28, 2019

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints each of Dave Kelly and Matthew T. Reddy as his or her attorney-in-fact and agent, with full power of substitution and resubstitution for him or her in any and all capacities, to sign any or all amendments to this Report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his or her substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/S/ DAVID KELLY	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2019
David Kelly		
/S/ MATTHEW REDDY	Chief Financial Officer	February 28, 2019
Matthew Reddy		
/S/ STEWART J. BROWN	Director	February 28, 2019
Stewart J. Brown		
/S/ SEAN F. ARMSTRONG	Director	February 28, 2019
Sean F. Armstrong		
/S/ ANDREW JONES	Director	February 28, 2019
Andrew Jones		
/S/ JOHN MCAULIFFE	Director	February 28, 2019
John McAuliffe		
/S/ CARL B. MCGOWAN, JR.	Director	February 28, 2019
Carl B. McGowan, Jr.		
/S/ JOHN SWEET	Director	February 28, 2019

John Sweet

/S/ JEFFREY ZWERDLING Director February 28, 2019

Jeffrey Zwerdling

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Virginia Beach, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wheeler Real Estate Investment Trust, Inc. and Subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ Cherry Bekaert LLP

We have served as the Company’s auditor since 2012.

Virginia Beach, Virginia
February 28, 2019

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

	December 31,	
	2018	2017
ASSETS:		
Investment properties, net	\$433,142	\$375,199
Cash and cash equivalents	3,544	3,677
Restricted cash	14,455	8,609
Rents and other tenant receivables, net	5,539	5,619
Notes receivable, net	5,000	6,739
Goodwill	—	5,486
Assets held for sale	8,982	9,135
Above market lease intangible, net	7,346	8,778
Deferred costs and other assets, net	30,073	34,432
Total Assets	\$508,081	\$457,674
LIABILITIES:		
Loans payable, net	\$360,117	\$307,375
Liabilities associated with assets held for sale	4,632	792
Below market lease intangible, net	10,045	9,616
Accounts payable, accrued expenses and other liabilities	12,077	10,579
Dividends payable	—	5,480
Total Liabilities	386,871	333,842
Commitments and contingencies	—	—
Series D Cumulative Convertible Preferred Stock (no par value, 4,000,000 shares authorized, 3,600,636 and 2,237,000 shares issued and outstanding; \$91.98 million and \$55.93 million aggregate liquidation preference, respectively)	76,955	53,236
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 and 1,875,848 shares issued and outstanding, respectively; \$46.90 million aggregate liquidation preference)	41,000	40,915
Common Stock (\$0.01 par value, 18,750,000 shares authorized, 9,511,464 and 8,744,189 shares issued and outstanding, respectively)	95	87
Additional paid-in capital	233,697	226,978
Accumulated deficit	(233,184)	(204,925)
Total Shareholders' Equity	42,061	63,508
Noncontrolling interests	2,194	7,088
Total Equity	44,255	70,596
Total Liabilities and Equity	\$508,081	\$457,674
See accompanying notes to consolidated financial statements.		

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

	Years Ended December 31,		
	2018	2017	2016
REVENUE:			
Rental revenues	\$50,952	\$44,156	\$33,165
Asset management fees	189	927	855
Commissions	140	899	964
Tenant reimbursements	12,595	11,032	8,649
Development and other revenues	1,833	1,521	527
Total Revenue	65,709	58,535	44,160
OPERATING EXPENSES:			
Property operations	18,473	15,389	11,898
Non-REIT management and leasing services	75	927	1,567
Depreciation and amortization	27,094	26,231	20,637
Impairment of goodwill	5,486	—	—
Provision for credit losses	434	2,821	425
Impairment of notes receivable	1,739	5,261	—
Corporate general & administrative	8,228	7,364	9,924
Other operating expenses	250	—	—
Total Operating Expenses	61,779	57,993	44,451
Gain on disposal of properties	2,463	1,021	—
Operating Income (Loss)	6,393	1,563	(291)
Interest income	4	1,443	692
Interest expense	(20,228)	(17,165)	(13,356)
Net Loss from Continuing Operations Before Income Taxes	(13,831)	(14,159)	(12,955)
Income tax expense	(40)	(137)	(107)
Net Loss from Continuing Operations	(13,871)	(14,296)	(13,062)
Discontinued Operations			
(Loss) income from discontinued operations	(3,938)	16	136
Gain on disposal of properties	903	1,502	688
Net (Loss) Income from Discontinued Operations	(3,035)	1,518	824
Net Loss	(16,906)	(12,778)	(12,238)
Less: Net loss attributable to noncontrolling interests	(406)	(684)	(1,035)
Net Loss Attributable to Wheeler REIT	(16,500)	(12,094)	(11,203)
Preferred Stock dividends - declared	(9,790)	(9,969)	(4,713)
Preferred Stock dividends - undeclared	(3,037)	—	—
Net Loss Attributable to Wheeler REIT Common Shareholders	\$(29,327)	\$(22,063)	\$(15,916)
Loss per share from continuing operations (basic and diluted)	\$(2.85)	\$(2.70)	\$(1.98)
(Loss) income per share from discontinued operations	(0.32)	0.16	0.09
Total loss per share	\$(3.17)	\$(2.54)	\$(1.89)
Weighted-average number of shares:			
Basic and Diluted	9,256,234	8,654,240	8,420,374

See accompanying notes to consolidated financial statements.

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

	Series A Preferred Stock Shares	Series B Preferred Stock Shares	Series B Preferred Stock Value	Common Stock Shares	Common Stock Value	Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Total Shareholder Equity	Noncontrolling Interests Units	Noncontrolling Interests Value	Total Equity
Balance, December 31, 2015	562	729,119	\$17,085	8,282,459	\$82	\$220,950		\$(140,306)	\$98,264	506,911	\$9,101	\$107,365
Proceeds from issuance of Series B Preferred Stock	—	1,142,225	23,385	—	—	—	—	—	23,385	—	—	23,385
Accretion of Series B Preferred Stock discount	—	—	265	—	—	—	—	—	265	—	—	265
Conversion of Series B Preferred Stock to Common Stock	—	(100)	(2)	63	—	2	—	—	—	—	—	—
Conversion of senior convertible notes to Common Stock	—	—	—	174,626	2	1,602	—	—	1,604	—	—	1,604
Issuance of Common Stock under Share Incentive Plan	—	—	—	46,671	1	578	—	—	579	—	—	579
Noncontrolling interest investments	—	—	—	—	—	—	—	—	—	255,043	4,273	4,273
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	807	—	—	807	—	(807)	—
Dividends and distributions	—	—	—	—	—	—	—	(18,868)	(18,868)	—	(1,173)	(20,041)
Net loss	—	—	—	—	—	—	—	(11,203)	(11,203)	—	(1,035)	(12,238)

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Balance, December 31, 2016	562	453	1,871,244	40,733	8,503,819	85	223,939	(170,377)	94,833	761,954	10,359	105,192
Proceeds from issuance of Series B Preferred Stock, net of expenses	—	—	4,604	96	—	—	—	—	96	—	—	96
Accretion of Series B Preferred Stock discount	—	—	—	86	—	—	—	—	86	—	—	86
Conversion of senior convertible notes to Common Stock	—	—	—	—	2,509	—	31	—	31	—	—	31
Conversion of operating partnership units to Common Stock	—	—	—	—	126,870	1	1,370	—	1,371	(126,870)	(1,371)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	110,991	1	1,415	—	1,416	—	—	1,416
Redemption of fractional units as a result of reverse stock split	—	—	—	—	—	—	—	—	—	(66)	(1)	(1)
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	223	—	223	—	(223)	—
Dividends and distributions	—	—	—	—	—	—	—	(22,454)	(22,454)	—	(992)	(23,446)
Net loss	—	—	—	—	—	—	—	(12,094)	(12,094)	—	(684)	(12,778)
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

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

	Series A Preferred Stock Shares	Value	Series B Preferred Stock Shares	Value	Common Stock Shares	Value	Additional Paid-in Capital	Accumulated Deficit	Total Shareholder Equity	Noncontrolling Interests Units	Value	Total Equity
Accretion of Series B Preferred Stock	—	\$—	—	\$87	—	\$—	\$—	\$—	\$87	—	\$—	\$87
Stock discount												
Conversion of Series B Preferred Stock to Common Stock	—	—	(100	) (2	) 62	—	2	—	—	—	—	—
Conversion of operating partnership units to Common Stock	—	—	—	—	399,986	4	1,514	—	1,518	(399,986)	(1,518)	—
Issuance of Common Stock under Share Incentive Plan	—	—	—	—	206,358	2	1,055	—	1,057	—	—	1,057
Issuance of Common Stock outside Share Incentive Plan	—	—	—	—	10,869	—	50	—	50	—	—	50
Issuance of Common Stock for acquisition of JANAF	—	—	—	—	150,000	2	1,128	—	1,130	—	—	1,130
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	2,970	—	2,970	—	(2,970)	—
Dividends and distributions	—	—	—	—	—	—	—	(11,759)	(11,759)	—	—	(11,759)
Net loss	—	—	—	—	—	—	—	(16,500)	(16,500)	—	(406)	(16,906)
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

See accompanying notes to consolidated financial statements.

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

	For the Years Ended December		
	31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(16,906)	\$(12,778)	\$(12,238)
Adjustments to reconcile consolidated net loss to net cash provided by (used in) operating activities			
Depreciation	12,660	10,590	7,883
Amortization	14,434	15,641	12,754
Loan cost amortization	2,363	3,087	2,126
Above (below) market lease amortization, net	(695)	453	29
Share-based compensation	940	870	1,454
Gain on disposal of properties	(2,463)	(1,021)	—
Gain on disposal of properties-discontinued operations	(903)	(1,502)	(688)
Provision for credit losses	434	2,821	425
Impairment of notes receivable	1,739	5,261	—
Impairment of goodwill	5,486	—	—
Impairment of land-discontinued operations	3,938	—	—
Changes in assets and liabilities, net of acquisitions			
Rent and other tenant receivables, net	(145)	(990)	(1,065)
Unbilled rent	(820)	(1,101)	(384)
Related party receivables	77	(909)	(974)
Deferred costs and other assets, net	(236)	(74)	(695)
Accounts payable, accrued expenses and other liabilities	2,104	3,406	2,486
Net operating cash flows (used in) provided by discontinued operations	(5)	64	(13)
Net cash provided by operating activities	22,002	23,818	11,100
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment property acquisitions, net of restricted cash acquired	(23,153)	—	(49,159)
Capital expenditures	(5,567)	(7,308)	(1,885)
Issuance of notes receivable	—	—	(9,404)
Cash received from disposal of properties	3,530	2,416	—
Cash received from disposal of properties-discontinued operations	2,747	1,871	1,385
Net investing cash flows used in discontinued operations	(7)	(58)	(73)
Net cash used in investing activities	(22,450)	(3,079)	(59,136)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments for deferred financing costs	(1,870)	(1,065)	(5,174)
Dividends and distributions paid	(14,591)	(20,742)	(17,692)
Proceeds from sales of Preferred Stock, net of expenses	21,158	78	75,763
Loan proceeds	30,534	18,886	21,600
Loan principal payments	(28,856)	(18,227)	(29,163)
Net financing cash flows used in discontinued operations	(214)	(1,898)	(854)
Net cash provided by (used in) financing activities	6,161	(22,968)	44,480
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	5,713	(2,229)	(3,556)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH , beginning of year	12,286	14,515	18,071
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$17,999	\$12,286	\$14,515
Supplemental Disclosures:			

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Other Cash Transactions:

Cash paid for taxes	\$42	\$230	\$—
Cash paid for interest	\$17,574	\$13,936	\$11,015

Non-cash Transactions:

Debt incurred for acquisitions	\$58,867	\$—	\$134,398
Noncontrolling interests resulting from the issuance of common units	\$—	\$—	\$4,273
Conversion of Series B Preferred Stock to Common Stock	\$2	\$—	\$2
Conversion of common units to Common Stock	\$1,518	\$1,371	\$—
Conversion of senior convertible debt into Common Stock	\$—	\$31	\$1,600
Issuance of Common Stock for acquisition	\$1,130	\$—	\$—
Accretion of Preferred Stock discounts	\$678	\$809	\$417
Note receivable in consideration of land	\$—	\$—	\$1,000

See accompanying notes to consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. (the “Trust” or “REIT”) 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 December 31, 2018, the Trust, through the Operating Partnership, owned and operated sixty-four centers, one office and six undeveloped properties. Thirteen of these properties are located in Virginia, three are located in Florida, seven are located in North Carolina, twenty-five are located in South Carolina, twelve are located in Georgia, two are located in Kentucky, two are located in Tennessee, one is located in New Jersey, one is located in Alabama, one is located in West Virginia, three are located in Oklahoma and one is located in Pennsylvania. The Company’s portfolio had total net rentable space of approximately 5,716,000 square feet and an occupancy level of approximately 89.11% at December 31, 2018. Accordingly, the use of the word “Company” refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires. The Company includes the Trust, the Operating Partnership, the entities included in the REIT formation and the entities acquired since November 2012. The Company prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP. All material balances and transactions between the consolidated entities of the Company have been eliminated.

The Company was formed with the principal objective of acquiring, financing, developing, leasing, owning and managing income producing, strip centers, neighborhood, grocery-anchored, community and free-standing retail properties with a strategy to acquire high quality, well-located, dominant retail properties that generate attractive risk-adjusted returns. The Company targeted competitively protected properties in communities that have stable demographics and have historically exhibited favorable trends, such as strong population and income growth. The Company considers competitively protected properties to be located in the most prominent shopping districts in their respective markets, ideally situated at major “Main and Main” intersections. The Company generally leases its properties to national and regional supermarket chains and selects retailers that offer necessity and value oriented items and generate regular consumer traffic. The Company’s tenants carry goods that are less impacted by fluctuations in the broader U.S. economy and consumers’ disposable income, which it believes generates more predictable property-level cash flows. Subsequent to the 2018 JANAF acquisition, as disclosed in Note 3 “Real Estate”, the Company shifted focus from acquisitions and managing to owning and operating its current portfolio.

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 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.

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

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

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

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

The Company reviews investment properties for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of investment properties may not be recoverable, but at least annually. These circumstances include, but are not limited to, declines in the property's cash flows, occupancy and fair market value. The Company measures any impairment of investment property when the estimated undiscounted future operating income before depreciation and amortization, plus its residual value, is less than the carrying value of the property. Estimated discounted operating income before depreciation and amortization includes various level 3 fair value assumptions including renewal and renegotiations of current leases, 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 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. The Company did not recognize any impairment charges to its investment properties for the years ended December 31, 2018, 2017 and 2016.

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

2. Summary of Significant Accounting Policies (continued)

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 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. The Company recorded a \$3.94 million impairment charge for year ended December 31, 2018 on its undeveloped land parcels classified as held for sale and discontinued operations after making the decision to no longer pursue future development activities. No impairment charges were recorded for the years ended December 31, 2017 and 2016.

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.

Conditional Asset Retirement Obligation

A conditional asset retirement obligation represents a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement depends on a future event that may or may not be within the Company's control. Currently, the Company does not have any conditional asset retirement obligations. However, any such obligations identified in the future would result in the Company recording a liability if the fair value of the obligation can be reasonably estimated. Environmental studies conducted at the time the Company acquired its properties did not reveal any material environmental liabilities, and the Company is unaware of any subsequent environmental matters that would have created a material liability. The Company believes that its properties are currently in material compliance with applicable environmental, as well as non-environmental, statutory and regulatory requirements. The Company did not record any conditional asset retirement obligation liabilities as of December 31, 2018, 2017 and 2016.

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 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 December 31, 2018 and 2017, the Company's allowance for uncollectible tenant receivables totaled \$1.26 million and \$705

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

2. Summary of Significant Accounting Policies (continued)

thousand, respectively. During the years ended December 31, 2018, 2017 and 2016, the Company recorded bad debt expenses in the amount of \$511 thousand, \$457 thousand and \$425 thousand, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on the an assessment of the tenant's credit-worthiness. During the years ended December 31, 2018, 2017 and 2016, 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. The impairment on the Sea Turtle Development note is further discussed at Note 4.

Goodwill

Goodwill is deemed to have an indefinite economic life and is not subject to amortization. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The Company performs its goodwill impairment test using the simplified method, whereby the fair value of this reporting unit is compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired by an amount equal to that difference.

During the last quarter of 2018, the market capitalization of the Company's common stock sustained a significant decline so that it fell below the book value of the Company's net assets. The outcome of the annual goodwill impairment test resulted in an impairment of goodwill of \$5.49 million, which was recorded in the consolidated financial statements during the year ended December 31, 2018. See Note 5 for assessment of Goodwill impairment for the year ended December 31, 2018.

Above and Below Market Lease Intangibles, net

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

Deferred Costs and Other Assets, net

The Company's deferred costs and other assets consist primarily of leasing commissions, leases in place, capitalized legal and marketing costs, tenant relationships and ground lease sandwich interest intangibles associated with acquisitions. The Company's lease origination costs consist primarily of the portion of property acquisitions allocated to lease originations and commissions paid in connection with lease originations.

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

2. Summary of Significant Accounting Policies (continued)

The Company generally records amortization of lease origination costs on a straight-line basis over the terms of the related leases. Details of these deferred costs, net of amortization and other assets are as follows (in thousands):

	December 31,	
	2018	2017
Leases in place, net	\$21,785	\$25,118
Tenant relationships, net	3,764	6,804
Ground lease sandwich interest, net	2,488	—
Lease origination costs, net	1,261	1,077
Other	716	810
Deposits on acquisitions	—	547
Legal and marketing costs, net	59	76
Total Deferred Costs and Other Assets, net	\$30,073	\$34,432

Amortization of lease origination costs, leases in place, legal and marketing costs and tenant relationships and ground lease sandwich interest represents a component of depreciation and amortization expense. As of December 31, 2018 and December 31, 2017, the Company's intangible accumulated amortization totaled \$50.55 million and \$41.83 million, respectively. During the years ended December 31, 2018, 2017 and 2016, the Company's intangible amortization expense totaled \$14.43 million, \$15.64 million, and \$12.75 million, respectively. Amortization expense for the year ended December 31, 2018 includes \$1.38 million of accelerated amortization on intangibles related to the SEG early lease termination at Ladson Crossing, South Park, St. Matthews and Tampa Festival. Amortization expense for the year ended December 31, 2017 includes \$1.74 million of accelerated amortization on intangibles related to the BI-LO early lease termination at the Shoppes at Myrtle Park. Future amortization of lease origination costs, leases in place, legal and marketing costs, tenant relationships and ground lease sandwich interest is as follows (in thousands):

For the Years Ended December 31,	Leases In Place, net	Tenant Relationships, net	Lease Origination Costs, net	Legal & Marketing Costs, net	Ground Lease Sandwich Interest, net	Total
2019	\$6,391	\$ 1,567	\$ 233	\$ 14	\$ 274	\$8,479
2020	4,553	865	190	11	274	5,893
2021	2,850	453	175	9	274	3,761
2022	2,181	359	134	6	274	2,954
2023	1,696	232	116	6	274	2,324
Thereafter	4,114	288	413	13	1,118	5,946
	\$21,785	\$ 3,764	\$ 1,261	\$ 59	\$ 2,488	\$29,357

Revenue Recognition

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

As detailed in "Recent Accounting Pronouncements," the Company adopted Topic 606, Revenue from Contracts with Customers on January 1, 2018. The cumulative effect of initially applying the standard recognized on this date was immaterial. As a result, the Company has changed its accounting policies for revenue recognized on non-real estate lease contracts. As of adoption, non-lease revenue streams are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

Lease Contract Revenue

The Company retains substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases. 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 December 31, 2018 and 2017, there were \$3.12 million and \$2.34 million, respectively, in unbilled rent which is included in "rents and other

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

2. Summary of Significant Accounting Policies (continued)

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.

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. The Company accrues reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. 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 differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material for the twelve months ending December 31, 2018, 2017 and 2016.

The Company recognizes lease termination fees 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. Lease termination fees during the year ended December 31, 2018 are primarily a result of early lease termination fees on SEG recaptures and the early termination of the Farm Fresh at Berkley Shopping Center. Lease termination fees during the year ended December 31, 2017 are primarily a result of the BI-LO at Shoppes at Myrtle Park early lease termination.

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, back office (collecting rents, 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, document preparation, etc. 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.

Development Income

Non-REIT properties pay development fees of 5% of hard costs. Revenues are governed by the development agreements for each development. Obligations under the agreements include overseeing the development of the project. The Company's performance creates or enhances the project that the Non-REIT property controls as such this revenue is recognized over time. The projects are billed monthly and typically pay monthly for these services. The below table disaggregates the Company's revenue by type of service for the years ended December 31, 2018, 2017 and 2016 (in thousands):

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

2. Summary of Significant Accounting Policies (continued)

	Twelve Months Ended December 31,		
	2018	2017	2016
Minimum rent	\$50,698	\$43,957	\$32,876
Tenant reimbursements	12,595	11,032	8,649
Lease termination fees	1,271	560	26
Percentage rent	254	199	289
Asset management fees	189	927	855
Commissions	140	899	964
Development income	—	537	244
Other	562	424	257
Total	\$65,709	\$58,535	\$44,160

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 \$13 thousand and \$15 thousand at December 31, 2018 and 2017, respectively, for federal and state income tax expenses. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to reasonable cause and certain other conditions were satisfied.

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

Taxable REIT Subsidiary Cost Allocation

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

Service vendors bill the majority of the direct costs of operating the properties directly to the REIT Properties and Non-REIT Properties and each property pays them accordingly. The Non-REIT Properties pay WRE property management and/or asset management fees of 3% and 2% of collected revenues, respectively. The Non-REIT Properties also pay WRE leasing commissions based on the total contractual revenues to be generated under the new/renewed lease agreement (6% for new leases and 3% for renewals). Non-REIT properties pay development fees of 5% of hard costs.

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.

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

2. Summary of Significant Accounting Policies (continued)

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 period. The Company's actual results could differ from these estimates.

Advertising Costs

The Company expenses advertising and promotion costs as incurred. The Company incurred advertising and promotion costs of \$261 thousand, \$237 thousand and \$228 thousand for the years ended December 31, 2018, 2017 and 2016, respectively.

Corporate General and Administrative Expense

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

	December 31,		
	2018	2017	2016
Professional fees	\$2,844	\$1,780	\$1,683
Compensation and benefits	2,673	2,736	5,046
Acquisition and development costs	300	1,101	2,018
Corporate administration	1,272	1,156	1,111
Capital related costs	576	663	514
Travel	240	289	481
Advertising	261	237	228
Taxes and licenses	212	90	162
	8,378	8,052	11,243
Less: Allocation of CG&A to Non-REIT management and leases services	(150)	(688)	(1,319)
Total	\$8,228	\$7,364	\$9,924

In 2017, the Company started allocating professional fees, compensation and benefits, corporate administration and travel to Non-REIT management and leasing services on the statements of operations. This allocation varies period to period depending on the relative operational fluctuations of Non-REIT management and leasing services.

Other Operating Expense

In July 2018, the Company recorded lease termination expense of \$250 thousand to allow a space to be available for a high credit grocery store tenant.

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 consolidated balance sheets but separate from the Company's equity. On

the consolidated statements of operations, the subsidiaries are reported at the consolidated amount, including both the amount attributable to the Company and noncontrolling interests. Consolidated statements of changes in equity include 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

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

2. Summary of Significant Accounting Policies (continued)

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, "Revenue from contracts with customers (Topic 606): Identifying Performance Obligations and Licensing," which provides further guidance on identifying performance obligations and intellectual property licensing implementation. In June 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients", which relates to assessing collectability, presentation of sales taxes, noncash consideration and completed contracts and contract modifications in transition. In December 2016, the FASB issued 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers," which clarifies or corrects unintended application of the standard. Companies are permitted to adopt the ASUs as early as fiscal years beginning after December 15, 2016, but the adoption is required for fiscal years beginning after December 15, 2017. In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605)," "Revenue from Contracts with Customers (Topic 606)," "Leases (Topic 840)," and "Leases (Topic 842)." These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)."

On January 1, 2018, the Company adopted Topic 606. The cumulative effect of initially applying the standard as of this date to those contracts which were not completed as of January 1, 2018 was immaterial. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. The majority of the Company's revenue is based on real estate lease contracts which are not within the scope of this ASU. The Company has identified its non-lease revenue streams and adoption of this standard does not have a material impact on our financial position or results of operations. The Company has increased disclosures around revenue recognition in the notes to consolidated financial statements to comply with the standard.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets referred to as "Lessees" to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to

understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e. operating and capital) to be recognized on the balance sheet. The FASB lessee accounting model will continue to account for both types of leases. The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing GAAP. The operating lease will be accounted for in a manner similar to operating leases under existing GAAP, except that lessees will recognize a lease liability and a lease asset for all of those leases.

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

2. Summary of Significant Accounting Policies (continued)

In September 2017, the FASB issued ASU 2017-13, "Revenue Recognition (Topic 605)," "Revenue from Contracts with Customers (Topic 606)," "Leases (Topic 840)," and "Leases (Topic 842)," which provides additional implementation guidance on the previously issued ASU 2016-02, "Leases (Topic 842)."

In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11 "Leases (Topic 842): Targeted Improvements". ASU 2018-10 provides narrow amendments that clarify how to apply certain aspects of the guidance in ASU 2016-02. ASU 2018-11 provides lessors with a practical expedient in combining lease and non-lease components, if certain criteria are met.

The leasing standard will be effective for calendar year-end public companies beginning after December 15, 2018. Public companies will be required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption will be permitted for all companies and organizations upon issuance of the standard. For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018 and 2017. The accounting for leases under which we are the lessor remains largely unchanged. Lessees with a large portfolio of leases are likely to see a significant increase in balance sheet assets and liabilities. While we are currently assessing the impact of the standard on our financial position and results of operations we expect the primary impact to be on those ground leases which we are the lessee. The new standard will result in the recording of right of use assets and lease obligations. See Note 10 for the Company's current lease commitments. The Company continues to evaluate the impact of ASU 2016-02 and the related ASU amendments on its financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)." The ASU provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows in an effort to reduce diversity in practice. The standard requires a reconciliation of total cash, cash equivalents and restricted cash in the cash flow statement or in the notes to the financial statements. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. The new standard is to be applied retrospectively for all periods presented. The Company adopted this ASU as of January 1, 2018 and applied retrospectively. The adoption resulted in a reduction of \$942 thousand and an increase of \$658 thousand in net cash provided by operating activities and a reduction of \$101 thousand and an increase of \$1.40 million in net cash provided by investing activities for the years ended December 31, 2017 and 2016, respectively, on the consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. The new standard is to be applied prospectively. The adoption of this standard will most likely result in less real estate acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that are not businesses will be capitalized rather than expensed. The Company adopted this ASU as of January 1, 2018. As a result of this adoption, the acquisition costs incurred in 2018 with the purchase of JANAF were capitalized as a cost of the asset.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the test for Goodwill Impairment." The amendments in ASU 2017-04 eliminate the current two-step approach used to test goodwill for impairment and require an entity to apply a one-step quantitative test and record the amount of goodwill

impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company adopted this standard for the fourth quarter of 2018, and applied the guidance to its annual goodwill impairment test at that time. Refer to Note 5 for details of the goodwill impairment test performed.

In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." This amendment provides guidance for partial sales of nonfinancial assets. This ASU is effective for annual periods beginning after December 15, 2017. Early adoption is permitted. The standard is to be applied retrospectively or modified retrospectively. The Company adopted this ASU as of January 1, 2018. The adoption did not have a material impact on the financial position or results of operations.

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

2. Summary of Significant Accounting Policies (continued)

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This update clarifies when modification accounting guidance in Topic 718 should be applied to a change in terms or conditions of a share-based payment award. This ASU is effective for annual and interim periods beginning after December 15, 2017 with early adoption permitted. The new standard is to be applied prospectively to an award modified on or after the adoption date. The Company adopted this ASU as of January 1, 2018. The adoption did not have a material impact on the financial position or results of operations.

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

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

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

3. Real Estate

Investment properties consist of the following (in thousands):

	December 31,	
	2018	2017
Land and land improvements	\$98,846	\$91,108
Land held for development	—	2,305
Buildings and improvements	374,485	312,831
Investment properties at cost	473,331	406,244
Less accumulated depreciation	(40,189)	(31,045)
Investment properties, net	\$433,142	\$375,199

The Company's depreciation expense on investment properties was \$12.66 million, \$10.59 million and \$7.88 million for the years ended December 31, 2018, 2017 and 2016, 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.

JANAF Acquisition

On January 18, 2018, the Company acquired JANAF, a retail shopping center located in Norfolk, Virginia, for a purchase price of \$85.65 million, paid through a combination of cash, restricted cash, debt assumption and the issuance of 150,000 shares of Common Stock at \$7.53 per share. The shopping center, anchored by BJ's Wholesale Club, totals 810,137 square feet and was 94% leased at the acquisition date.

The following summarizes the consideration paid and the purchase allocation of assets acquired and liabilities assumed in conjunction with the acquisition described above in accordance with ASU 2017-01, along with a description of the methods used to determine the purchase price allocation (in thousands, unaudited). In determining the purchase price allocation, the Company considered many factors including, but not limited to, cash flows, market cap rates, location, occupancy rates, appraisals, other acquisitions and management's knowledge of the current acquisition market for similar properties.

Purchase price

allocation of
assets

acquired:

Investment property (a)	\$ 75,123
Lease intangibles and other assets (b)	10,718
Above market leases (d)	2,019
Restricted cash (c)	2,500
Below market leases (d)	(4,710)
	\$ 85,650

Net purchase
price
allocation of
assets
acquired:

Purchase
consideration:

Consideration
paid with \$ 23,153
cash

Consideration
paid with 2,500
restricted
cash (c)

Consideration
paid with 58,867
assumption of
debt (e)

Consideration
paid with 1,130
common
stock

Total
consideration \$ 85,650
(f)

Represents the purchase price allocation of the net investment properties acquired which includes land, buildings, a. site improvements and tenant improvements. The purchase price allocation was determined using following approaches:

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

3. Real Estate (continued)

- i. the market approach valuation methodology for land by considering similar transactions in the markets;
- ii. a combination of the cost approach and income approach valuation methodologies for buildings, including replacement cost evaluations, “go dark” analyses and residual calculations incorporating the land values; and
- iii. the cost approach valuation methodology for site and tenant improvements, including replacement costs and prevailing quoted market rates.

Represents the purchase price allocation of lease intangibles and other assets. Lease intangibles includes in place leases and ground lease sandwich interests associated with replacing existing leases. The income approach was used to determine the allocation of these intangible assets which included estimated market rates and expenses.

Represents the purchase price allocation of deleveraging reserve (the “Deleveraging Reserve”) released upon the maturity or earlier payment in full of the loan or until the reduction of the principal balance of the loan to \$50,000,000.

Represents the purchase price allocation of above/below market leases. The income approach was used to determine the allocation of above/below market leases using market rental rates for similar properties.

Assumption of \$53.71 million of debt at a rate of 4.49%, maturing July 2023 with monthly principal and interest payments of \$333,159 and assumption of \$5.16 million of debt at a rate of 4.95%, maturing January 2026 with monthly principal and interest payments of \$29,964.

Represents the components of purchase consideration paid.

Assets Held for Sale

In 2018, the Company’s management and Board of Directors committed to a plan to sell the seven undeveloped land parcels (the “Land Parcels”), along with the Monarch Bank Building, Shoppes at Eagle Harbor, Graystone Crossing and Jenks Plaza. Accordingly, these properties have been classified as held for sale.

The sale of the Land Parcels 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 Land Parcels have been reclassified for all periods presented. See Note 6, for disclosure of operating results of discontinued operations.

As of December 31, 2018 and 2017, assets held for sale and associated liabilities, excluding discontinued operations, consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Investment properties, net	\$ 4,912	\$ —
Rents and other tenant receivables, net	72	—
Above market lease, net	420	—
Deferred costs and other assets, net	228	—
Total assets held for sale, excluding discontinued operations	\$ 5,632	\$ —
	December 31, 2018	December 31, 2017
Loans payable	\$ 3,818	\$ —
Accounts payable	240	—
	\$ 4,058	\$ —

Total liabilities
associated with
assets held for
sale, excluding
discontinued
operations

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

3. Real Estate (continued)

As of December 31, 2018 and 2017, assets held for sale and associated liabilities for discontinued operations, consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Investment properties, net	\$ 3,350	\$ 9,135
Total assets held for sale, discontinued operations	\$ 3,350	\$ 9,135

	December 31, 2018	December 31, 2017
Loans payable	\$ 533	\$ 747
Accounts payable	41	45
Total liabilities associated with assets held for sale, discontinued operations	\$ 574	\$ 792

Dispositions	Property	Contract Price (in thousands)	Gain/(Loss)	Net Proceeds
October 22, 2018	Monarch Bank Building	\$ 1,750	\$ 151	\$ 299
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
June 27, 2017	Carolina Place Land Parcel (2.14 acres)	250	(12)	238
June 26, 2017	Steak n' Shake outparcel at Rivergate (1.06 acres)	2,250	1,033	2,178
February 28, 2017	Ruby Tuesday's and Outback at Pierpont	2,285	1,502	1,871
June 29, 2016	Starbucks/Verizon	2,128	688	1,385

The sale of the Chipotle ground lease at Conyers Crossing, Shoppes at Eagle Harbor, Monarch Bank Building, Steak n' Shake outparcel at Rivergate and the land parcel at Carolina Place 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. See Note 6 for discontinued operation disclosures for the sales of Laskin Road, Ruby Tuesday's and Outback at Pierpont and Starbuck/Verizon.

Impairment of Investment Properties and Assets Held for Sale

The annual review of investment properties for impairment performed for the year ended December 31, 2018 resulted in no impairment adjustment for the Company's properties in continuing operations.

During 2018, the Company made the strategic decision to sell the undeveloped land parcels as opposed to holding for development purposes. Upon this determination the properties were classified as held for sale. Based on recent real estate sales transactions for undeveloped land within the surrounding markets it was determined that the carrying value of the properties exceeded the fair value, less estimated selling costs by \$3.94 million; accordingly, an

impairment loss of that amount was recognized and is included in the loss from discontinued operations in the consolidated statement of operations, see Note 6. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 3 inputs.

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 and a \$1.00 million note receivable in consideration for the sale of 10.39 acres of land owned by the Company. Sea Turtle Development was a related party as Jon Wheeler, the Company's former CEO and shareholder of the

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

4. Notes Receivable (continued)

Company, is the managing member as discussed in Note 11. Both promissory notes are collateralized by a 2nd deed of trust on the property and accrue interest at a rate of 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.

For the years ended December 31, 2018 and 2017, the Company recognized \$1.74 million and \$5.26 million impairment charges, respectively, on the notes receivable reducing the carrying value to \$5.00 million as of December 31, 2018. The Company placed the notes receivable on nonaccrual status and has not recognized \$1.44 million of interest income due on the notes for the twelve months ended December 31, 2018.

As of December 31, 2018, the Company believes the estimated fair market value of the development upon stabilization and lease up at a future date will provide for the cash required to repay the \$5.00 million carrying value of the notes receivable in the event of a sale. The Company's estimated fair value of the project is based upon cash flow models that include information available to the Company at December 31, 2018, including assumptions on future lease up and the estimated fair value at full stabilization. Capitalization rates utilized in these models are based upon rates that the Company believes to be within a reasonable range of current market rates for the respective project. 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. If the holder of the \$20.00 million, 1st deed of trust proceeds to foreclosure, this may have an adverse effect on assumptions used in the Company's fair value analysis leading to further impairment.

5. Goodwill

As part of the acquisition of the Operating Companies on October 24, 2014, the Company recorded preliminary goodwill of \$7.00 million. In June 2015, the Company finalized its valuation of the Operating Companies. In accordance with the valuation, the Company recorded a fair value discount of \$1.18 million to the \$6.75 million in common units issued for the acquisition of the Operating Companies due to the one year restriction on their conversion into shares of Common Stock, and reallocated \$337 thousand to finite-lived intangibles during the year ended December 31, 2015.

Effective December 1, 2018, the Company early adopted ASU 2017-04, Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment (Topic 350), which eliminates the requirement to compute the implied fair value of goodwill to test for impairment. Instead, a goodwill impairment is measured as the amount by which the carrying amount of a reporting unit exceeds its fair value. For the purposes of the goodwill impairment test performed during the year ended December 31, 2018, the Company estimated the fair value of its sole reporting unit, described above, using the market approach. Under the market approach, the Company utilized the market capitalization of its Common Stock, Series B Preferred, Series D Preferred and noncontrolling operating partnership units. The significant inputs used in this analysis are readily available from public markets and can be derived from identical market transactions, as such they have been classified as level 1 within the fair value hierarchy. Based on this approach, the Company determined that the carrying value of its sole reporting unit exceeded its fair value by more than the goodwill balance \$5.49 million, resulting in a \$5.49 million impairment of goodwill for the year ended December 31, 2018. No adjustments to goodwill were made in the years ending December 31, 2017 and 2016.

6. Discontinued Operations

The consolidated statements of operations reflect reclassifications of revenue, property operating expenses, corporate general and administrative expenses and interest expense from continuing operations to income from discontinued

operations for all periods presented. All interest expense disclosed below is directly related to the debt incurred to acquire the Freestanding Properties.

The net income from discontinued operations for the twelve months ended December 31, 2018, 2017 and 2016, consists of the 2018 gain on disposal of Laskin Road, the 2017 gain on disposal and related operating activity of Ruby Tuesday's and Outback Steakhouse at Pierpont Centre and the 2016 gain on disposal and related operating activity of Starbucks/Verizon.

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

6. Discontinued Operations (continued)

The following is a summary of the income from discontinued operations for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Years Ended		
	December 31,		
	2018	2017	2016
Revenues	\$—	\$26	\$284
Expenses	—	1	79
Impairment of land	3,938	—	—
Operating (loss) income	(3,938)	25	205
Interest expense	—	9	69
(Loss) income from discontinued operations before gain on disposals	(3,938)	16	136
Gain on disposal of properties	903	1,502	688
(Loss) income from discontinued operations	\$(3,035)	\$1,518	\$824

The \$3.94 million impairment of land is based on the carrying value of the properties exceeding the fair value, less estimated selling costs based on recent real estate sales transactions for undeveloped land within the surrounding markets. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 3 inputs.

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Notes to Consolidated Financial Statements (Continued)

7. Loans Payable

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

Property/Description	Monthly Payment	Interest Rate	Maturity	December 31, 2018	December 31, 2017
Harbor Pointe ⁽¹⁾	\$ 11,024	5.85	% December 2018	\$460	\$553
Perimeter Square	Interest only	5.50	% December 2018	6,250	5,382
Perimeter Square construction loan	Interest only	6.00	% December 2018	247	—
KeyBank Line of Credit	Interest only	Libor + 250 basis points	February 2019	3,830	15,532
Revere Term Loan	\$109,658	10.00	% February 2019	1,059	6,808
Monarch Bank Building	\$7,340	4.85	% June 2019	—	1,266
Senior convertible notes	\$234,199	9.00	% June 2019	1,369	1,369
DF I-Moyock ⁽¹⁾	\$10,665	5.00	% July 2019	73	194
Rivergate	\$144,823	Libor + 295 basis points	December 2019	22,117	22,689
KeyBank Line of Credit	Interest only	Libor + 250 basis points	December 2019	48,272	52,500
LaGrange Marketplace	\$15,065	Libor + 375 basis points	March 2020	—	2,317
Folly Road	\$32,827	4.00	% March 2020	6,073	6,181
Columbia Fire Station construction loan	\$25,452	4.00	% May 2020	4,189	3,421
Shoppes at TJ Maxx	\$33,880	3.88	% May 2020	5,539	5,727
First National Bank Line of Credit	Interest only	Libor + 300 basis points	September 2020	2,938	3,000
Lumber River	\$10,723	Libor + 350 basis points	October 2020	1,448	1,500
JANAF Bravo	Interest only	4.65	% January 2021	6,500	—
Walnut Hill Plaza	\$26,850	5.50	% September 2022	3,868	3,903
Riversedge North	\$11,436	5.77	% December 2023	1,800	863
Twin City Commons	\$17,827	4.86	% January 2023	3,048	3,111
Shoppes at Eagle Harbor	\$26,528	5.10	% March 2023	—	3,341
New Market	\$48,747	5.65	% June 2023	6,907	—
Benefit Street Note ⁽³⁾	\$53,185	5.71	% June 2023	7,567	—
Deutsche Bank Note ⁽²⁾	\$33,340	5.71	% July 2023	5,713	—
JANAF	\$333,159	4.49	% July 2023	52,253	—
Tampa Festival	\$50,797	5.56	% September 2023	8,227	8,368
Forrest Gallery	\$50,973	5.40	% September 2023	8,529	8,669
South Carolina Food Lions Note	\$68,320	5.25	% January 2024	11,867	12,050

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Cypress Shopping Center	\$34,360	4.70	% July 2024	6,379	6,485
Port Crossing	\$34,788	4.84	% August 2024	6,150	6,263
Freeway Junction	\$41,798	4.60	% September 2024	7,863	7,994
Harrodsburg Marketplace	\$19,112	4.55	% September 2024	3,486	3,553
Graystone Crossing ⁽¹⁾	\$20,386	4.55	% October 2024	3,863	3,928
Bryan Station	\$23,489	4.52	% November 2024	4,472	4,547
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	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	5,065	—
Chesapeake Square	\$23,857	4.70	% August 2026	4,434	4,507
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	Interest only	4.93	% January 2027	8,516	8,516
Total Principal Balance ⁽¹⁾				369,612	313,778
Unamortized debt issuance cost ⁽¹⁾				(5,144)	(5,656)
Total Loans Payable, including Assets Held for Sale				364,468	308,122
Less loans payable on assets held for sale, net loan amortization costs				4,351	747
Total Loans Payable, net				\$360,117	\$307,375

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

(2) This loan is collateralized by LaGrange Marketplace, Ridgeland and Georgetown.

(3) This loan is collateralized by Ladson Crossing, Lake Greenwood Crossing and South Park.

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

7. Loans Payable (continued)

KeyBank Credit Agreement

On May 29, 2015, the Operating Partnership entered into a \$45.00 million revolving credit line (the "Credit Agreement") with KeyBank National Association ("KeyBank"). Pursuant to the Credit Agreement, outstanding borrowings accrue monthly interest which is paid at a rate of the one-month London Interbank Offer Rate ("LIBOR") plus a margin ranging from 1.75% to 2.50% depending on the Company's consolidated leverage ratio. On April 12, 2016, the Operating Partnership entered into a First Amendment and Joinder Agreement ("First Amendment") to the Credit Agreement. The First Amendment increased the \$45.00 million revolving credit line with KeyBank to \$67.20 million and the Company utilized this additional borrowing capacity to acquire the A-C Portfolio. Pursuant to the terms of the First Amendment, the monthly interest of the increased credit facility was adjusted to LIBOR plus a margin of 5.00% until such time that the Company can meet certain repayment and leverage conditions. The Company used proceeds from the 2016 Series B Preferred Stock Offering to reduce its borrowings under the Credit Agreement to \$46.10 million and the margin reduced back to the stated range of the original Credit Agreement on August 15, 2016. On December 7, 2016, the Operating Partnership entered into a Second Amendment and Joinder Agreement ("Second Amendment") to the Credit Agreement. The Second Amendment increased the line of credit to \$75.0 million. Pursuant to the terms of the Second Amendment, the pricing reverts back to the original Credit Agreement. On August 7, 2017, the Company executed a Third Amendment to the KeyBank Credit Agreement (the "Third Amendment"). The Third Amendment changed the interest payment date to the first day of each calendar month and decreased the total commitment on the revolving credit line by \$25.00 million to \$50.00 million effective October 7, 2017. The Company and KeyBank agreed Shoppes at Myrtle Park shall continue to be included in the calculation of the Borrowing Base Availability (as defined in the Credit Agreement) through December 21, 2017. On October 6, 2017, the Company executed a Fourth Amendment to the KeyBank Credit Agreement (the "Fourth Amendment"). The Fourth Amendment provided for a sixty day extension from October 7, 2017 to December 6, 2017 upon which the \$75.00 million total commitment on the revolving credit line was to decrease to \$50.00 million.

On December 21, 2017, the Company entered into an Amended and Restated Credit Agreement to the Credit Agreement (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement provides for an increase in borrowing capacity from \$50.00 million to \$52.50 million and also increases the accordion feature by \$50.00 million to \$150.00 million. Additionally, the Amended and Restated Credit Agreement provides for an extension of the requirement to reduce the outstanding borrowings under the facility from \$68.03 million to \$52.50 million by July 1, 2018. 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). The unutilized amounts available to the Company under the Credit Agreement accrue fees which are paid at a rate of 0.25%.

On March 2, 2018, KeyBank reduced the liquidity requirement from \$5.00 million to \$3.50 million through March 31, 2018. The liquidity requirement reverts back to \$5.00 million subsequent to March 31, 2018 until such time as the Total Commitment (as defined in the Amended and Restated Credit Agreement) has been reduced to \$52.50 million and \$3.50 million at all times thereafter.

On June 28, 2018, the Company refinanced the New Market, Ridgeland and Georgetown collateralized portions of the Amended and Restated Credit Agreement resulting in a paydown of \$9.13 million.

On August 7, 2018, the Company and KeyBank agreed to modify the existing Amended and Restated Credit Agreement effective July 1, 2018 which provided for an extension to August 23, 2018 by which the outstanding borrowings were to be reduced to \$52.50 million, in addition to modifying certain covenants. The Company and KeyBank anticipated that an over advance (the "Overadvance") on the Borrowing Base Availability (as defined in the Amended and Restated Credit Agreement) would exist and agreed that the Company should have a period through October 31, 2018 to repay such Overadvance or otherwise properly balance the Borrowing Base Availability.

In September 2018, the Company refinanced the Ladson Crossing, Lake Greenwood and South Park collateralized portion of the Amended and Restated Credit Agreement resulting in a paydown of \$6.80 million and a \$3.83 million Overadvance on the Borrowing Base Availability.

On October 15, 2018, KeyBank extended the time which the Company is to repay the Overadvance of \$3.83 million to February 28, 2019 or otherwise properly balance the Borrowing Base Availability. Based on discussions and correspondence

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

7. Loans Payable (continued)

with KeyBank, KeyBank is drafting documents to extend the time which the Company is to repay the Overadvance until at least March 31, 2019.

As of December 31, 2018, the Company has borrowed \$52.10 million under the Credit Agreement, which is collateralized by 10 properties. At December 31, 2018, the outstanding borrowings are accruing interest at 5.02%. The Amended and Restated Credit Agreement contains certain financial covenants that the Company must meet, including minimum leverage, fixed charge 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 December 31, 2018. The Amended and Restated Credit Agreement also contains certain events of default that if they occur may cause KeyBank to terminate the Amended and Restated Credit Agreement and declare amounts owed to become immediately payable. As of December 31, 2018, the Company has not incurred an event of default under the Amended and Restated Credit Agreement.

Revere Term Loan Agreement

In connection with the closing of the A-C Portfolio, the Operating Partnership, as borrower, and Revere High Yield Fund, LP, a Delaware limited partnership ("Revere"), as lender, entered into a Term Loan Agreement dated as of April 8, 2016 ("Revere Term Loan") in the principal amount of \$8.0 million. The Revere Term Loan has a maturity date of April 30, 2017 and an interest rate of 8.00% per annum. The Company and certain of its subsidiaries serve as guarantors under the Revere Term Loan. The proceeds of the Revere Term Loan were used as partial consideration for the purchase of the A-C Portfolio. A warrant ("Warrant") to purchase an aggregate of 750,000 shares of the Company's Common Stock (under circumstances described below under the section "Revere Warrant Agreement") serves as collateral for the Revere Term Loan.

On May 1, 2017, the Operating Partnership extended the remaining \$7.45 million Revere Term Loan maturity to April 30, 2018, as permitted within the terms of the loan agreement, with a \$450 thousand principal payment and \$140 thousand extension fee. In June 2017, upon the completion of the sale of Carolina Place, as discussed in Note 3, a \$167 thousand principal payment was made on the loan. On August 29, 2017, a \$25 thousand principal payment was made on the loan as a result of the Walnut Hill Plaza amendment, discussed below.

On May 3, 2018, the Company extended the \$6.81 million Revere Term Loan to May 15, 2018.

On May 14, 2018, the Company entered into a Second Amendment to Loan Documents to the Revere Term Loan (the "Revere Second Amendment"). The Revere Second Amendment extends the maturity from May 15, 2018 to November 1, 2018 with monthly principal payments of \$200 thousand, until the balance of the Revere Term Loan is less than \$3.50 million, at which time the monthly principal payments are reduced to \$100 thousand. The Revere Second Amendment increased the interest rate from 8.00% to 9.00% and increased the "Exit Fee" from \$360 thousand to \$500 thousand. If the balance of the Revere Term Loan was not less than \$3.50 million by July 15, 2018, then the interest rate would increase to 10%. The Company paid \$500 thousand towards principal on the Revere Term Loan in conjunction with the Second Amendment.

On June 19, 2018, the Company paid down \$2.60 million on the Revere Term Loan in conjunction with the sale of the undeveloped land parcel at Laskin Road, as detailed in Note 3, and made a \$150,000 principal payment on June 28, 2018 as part of the Deutsche Bank refinance, as discussed below.

On September 27, 2018, the Company paid down \$1.30 million on the Revere Term Loan in conjunction with the sale of Shoppes at Eagle Harbor, as detailed in Note 3 and per Third Amendment to the Loan Documents to the Revere Term Loan the Company paid a \$75 thousand release fee.

On October 22, 2018, the Company paid down \$299 thousand as part of the sale of Monarch Bank.

On November 5, 2018, the Company entered into a Fourth Amendment to Loan Documents to the Revere Term Loan (the "Revere Fourth Amendment"). The Fourth Amendment extends the maturity date to February 1, 2019 from November 1, 2018, increased the "Exit Fee" to \$575 thousand from \$500 thousand and increased the interest rate to 10% from 9%. The Company paid down \$100 thousand on the Revere Term Loan in conjunction with this Fourth Amendment, see Note 12.

On November 21, 2018, the Company entered into a Fifth Amendment to Loan Documents to the Revere Term Loan (the "Revere Fifth Amendment"). The Fifth Amendment resulted in the Company paying the \$575 thousand Exit Fee with proceeds from the Riversedge North refinance.

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

7. Loans Payable (continued)

As of December 31, 2018 and 2017, the balance of the Revere Term Loan was \$1.06 million and \$6.81 million with future monthly principal and interest payments of \$110 thousand at a rate of 10.00%.

Revere Warrant Agreement

In connection with the Revere Term Loan, the Company and Revere entered into the Revere Warrant Agreement dated as of April 8, 2016, pursuant to which the Company agreed to issue the Warrant to Revere. The terms of the Revere Warrant Agreement provide that solely in the event of an Event of Default (as defined in the Revere Term Loan) under the Revere Term Loan, Revere shall have the right to purchase an aggregate of up to 750,000 shares of the Company's Common Stock for an exercise price equal to \$0.0001 per share. The Warrant is exercisable at any time and from time to time during the period starting on April 8, 2016 and expiring on February 1, 2019 at 11:59 p.m. (see Note 12), Virginia Beach, Virginia time, solely in the event of an Event of Default under the Revere Term Loan. The Company will not receive any proceeds from the issuance of the Warrant; rather the Warrant serves as collateral for the Revere Term Loan, the proceeds of which were used as partial consideration for the A-C Portfolio. The issuance of the Warrant is exempt from registration pursuant to the exemption provided by Rule 506 of Regulation D under the Securities Act of 1933, as amended based upon the above facts, because Revere is an accredited investor and because the issuance of the Warrant was a private transaction by the Company and did not involve any public offering. The Warrant is treated as embedded equity and separate disclosure is not necessary.

Senior Convertible Notes Amendment

Effective as of April 28, 2016, the Company and certain investors: Calapasas West Partners, L.P.; Full Value Partners, L.P.; Full Value Special Situations Fund, L.P.; MCM Opportunity Partners, L.P.; Mercury Partners, L.P.; Opportunity Partners, L.P.; Special Opportunities Fund, Inc.; and Steady Gain Partners, L.P. (collectively the "Bulldog Investors") amended the convertible 9% senior notes ("Amended Convertible Notes") to purchase shares of the Company's Common Stock. Prior to the amendment, the aggregate principal amount of the Convertible Notes ("Convertible Notes") was \$3,000,000.

Pursuant to the terms of the Amended Convertible Notes, upon thirty (30) calendar days' notice ("Notice"), the Company may prepay any portion of the outstanding Principal Amount and accrued and unpaid interest, if any, without penalty. In addition, upon Notice the Bulldog Investors may now exercise their right to convert all or any portion of the outstanding Principal Amount and any accrued but unpaid interest into shares of Common Stock any time prior to the repayment in full of the Amended Convertible Notes. The maximum number of shares of Common Stock issuable upon conversion of the Amended Convertible Notes is 1,417,079 shares. As of December 31, 2017, the Bulldog Investors converted approximately \$1.64 million of principal amount into 1,417,079 shares, pre-reverse split of the Company's Common Stock, the maximum number of shares allowed.

Effective as of December 15, 2018, the Company extended the \$1.37 million Amended Convertible Notes to June 15, 2019 with monthly principal and interest payments of \$234,199 at a rate of 9.00% (the "Amended and Restated Notes").

Perimeter Square Refinance and Construction Loan

On June 14, 2017, the Company executed a promissory note for \$6.25 million to refinance the Perimeter loan totaling \$4.50 million. The loan matures December 2018 with monthly interest only payments. Principal is due at maturity. The loan bears interest at 5.50%.

On October 5, 2018, the Company executed a promissory note for \$247 thousand for construction at Perimeter at a rate of 6.00%. The loan matures in December 2018 with monthly interest only payments due through December 2018, see Note 12.

Rivergate

With the sale of the Steak n' Shake outparcel at Rivergate, as discussed in Note 3, a \$1.52 million principal payment was made on the Rivergate loan.

Folly Road Refinance

On March 22, 2017, the Company executed a promissory note for \$8.57 million to refinance the Folly Road collateralized portion of the KeyBank Credit Agreement totaling \$6.05 million. The loan matures in March 2020 with monthly

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

7. Loans Payable (continued)

interest only payments due through April 2018 at which time monthly principal and interest payments begin based on a 25 year amortization. The loan bears interest at 4.00%.

Columbia Fire Station Construction Loan

On May 3, 2017, the Company executed a promissory note for \$4.30 million related to construction at Columbia Fire Station ("Columbia Fire Station Construction Loan") at which time the original Columbia Fire Station note ("Columbia Fire Station Loan") was paid down to \$262 thousand. The loan matures in May 2020 with monthly interest only payments through November 2018 at which time monthly principal and interest payments begin based on a 20 year amortization. The loan bears interest at 4.00%. As of December 31, 2018, construction is complete.

Walnut Hill Plaza Amendment

On July 18, 2017, the Company extended the \$3.39 million Walnut Hill Plaza loan maturity to October 31, 2017.

On August 29, 2017, the Company amended the Walnut Hill Plaza promissory note for \$3.90 million. The amended loan matures in September 2022 with monthly interest only payments through August 2018 at which time monthly principal and interest payments of \$26,850 begin based on a 20 year amortization. The loan bears interest at 5.50%.

First National Bank Line of Credit Renewal

On September 16, 2017, the Company extended the \$3.00 million First National Bank line of credit ("First National Bank Line of Credit") to December 15, 2017.

On January 10, 2018, the Company extended the First National Bank Line of Credit to June 15, 2018 with interest only payments due monthly at a rate of Libor + 3.00% with a floor of 4.25%.

On June 15, 2018 the Company extended the First National Bank Line of Credit to October 10, 2018 with principal and interest payments due monthly at a rate of Libor + 3.50%.

On October 15, 2018, the Company extended the First National Bank Line of Credit to September 15, 2020 with interest only payments due monthly at a rate of Libor + 3.00% with a floor of 4.25%.

Monarch Bank Building

On December 12, 2017, the Company extended the \$1.27 million Monarch Bank Building loan to June 2019 with monthly principal and interest payments of \$7,340 at a rate of 4.85%.

On October 22, 2018, the principal balance on the Monarch Bank Building loan was paid in full with the sale of the property, as detailed in Note 3.

Columbia Fire Station

On December 21, 2017, the Company paid \$262 thousand to satisfy the loan in full.

JANAF

On January 18, 2018, the Company assumed a promissory note for \$53.71 million for the purchase of JANAF at a rate of 4.49%. The loan matures in July 2023 with monthly principal and interest payments of \$333,159.

JANAF - BJ's

On January 18, 2018, the Company assumed a promissory note for \$5.16 million for the purchase of JANAF at a rate of 4.95%. The loan matures in January 2026 with monthly principal and interest payments of \$29,964.

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

7. Loans Payable (continued)

JANAF - Bravo

On January 18, 2018, the Company executed a promissory note for \$6.50 million for the purchase of JANAF at a rate of 4.65%. The loan matures in January 2021 with interest due monthly through January 2019 and monthly principal and interest payments of \$36,935 beginning in February 2019.

Shoppes at Eagle Harbor Renewal and Payoff

On March 11, 2018, the Company renewed the promissory note for \$3.32 million on Shoppes at Eagle Harbor for five years. The loan matures in March 2023 with monthly principal and interest payments of \$26,528. The loan bears interest at 5.10%.

On September 27, 2018, the Company paid down the remaining balance on the Shoppes at Eagle Harbor promissory note in conjunction with the sale of Shoppes at Eagle Harbor, as detailed in Note 3.

New Market Refinance

On May 23, 2018, the Company executed a promissory note for \$7.00 million for the refinancing of New Market at a rate of 5.65%. The loan matures in June 2023 with monthly principal and interest payments of \$48,747.

Lumber River Renewal

On June 15, 2018, the Company extended the \$1.48 million promissory note on Lumber River to October 10, 2018 with monthly principal and interest payments of \$10,723 at a rate of Libor + 3.50%.

On November 8, 2018, the Company extended the \$1.46 million promissory note on Lumber River to October 10, 2020 with monthly principal and interest payments of \$10,723 at a rate of Libor + 3.50%.

Deutsche Bank

On June 28, 2018, the Company executed a loan agreement for \$5.74 million on Georgetown, Ridgeland and LaGrange Marketplace at a rate of 5.71%. The loan matures in July 2023 with monthly principal and interest payments of \$33,340.

Benefit Street Refinance

On September 7, 2018, the Company executed a promissory note for \$7.60 million for the refinancing of Ladson Crossing, Lake Greenwood Crossing and South Park at a rate of 5.71%. The loan matures in June 2023 with monthly principal and interest payments of \$53,185.

Riversedge Refinance

On December 11, 2018, the Company executed a promissory note for \$1.80 million for the refinance of Riversedge to December 10, 2023 with monthly principal and interest payments of \$11,436 at a rate of 5.77%. In conjunction with

the refinance, the Company paid the \$575 thousand exit fee on the Revere Term Loan.

Loan Covenants

Certain of the Company's loans payable have covenants with which the Company is required to comply. As of December 31, 2018, the Company is not in compliance with the interest coverage ratio on the Revere Term Loan which was adversely impacted by the impairment on notes receivable, impairment of goodwill and reserve on related party receivables recognized during fourth quarter 2018. The Revere Term Loan has been paid down \$553 thousand since December 31, 2018 to a remaining balance of \$505 thousand as of February 27, 2019. The Company intends to make payment in full by April 1, 2019. As of December 31, 2018, the Company believes it is in compliance with all other applicable covenants.

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

7. Loans Payable (continued)

Debt Maturity

The Company's scheduled principal repayments on indebtedness as of December 31, 2018, including loans payable on assets held for sale, are as follows (in thousands):

	For the Years Ended December 31,
2019	\$ 88,036
2020	23,806
2021	10,628
2022	8,152
2023	84,982
Thereafter	154,008
Total principal repayments and debt maturities	\$ 369,612

The Company has considered our short-term (one year or less) liquidity needs and the adequacy of our estimated cash flows from operating activities and other expected financing sources to meet these needs. In particular, we have considered our scheduled debt maturities and principal payments for the year ended December 31, 2019 of \$88.04 million. Included in the \$88.04 million due in the year ended December 31, 2019 is \$52.10 million on the KeyBank Line of Credit. The KeyBank Line of Credit is collateralized by ten properties within our portfolio and may be extended at the Company's option for an additional one year period, subject to certain customary conditions. The Revere Term Loan has been reduced by \$553 thousand subsequent to December 31, 2018, \$200 thousand from operating cash, \$323 thousand in proceeds from the Jenks Plaza sale and \$30 thousand in proceeds from the Harbor Pointe sale. Subsequent to year end, upon the sale of a portion of the Harbor Pointe property the \$460 thousand loan was paid in full. Additionally, \$1.44 million in maturing debt fully amortizes through regularly scheduled principal payments. All loans due to mature are collateralized by properties within our portfolio. Additionally, the Company expects to meet the short-term liquidity requirements, through a combination of the following:

- suspension of 2018 fourth quarter and 2019 first quarter dividend payments on Series A Preferred, Series B Preferred and Series D Preferred;
- available cash and cash equivalents;
- cash flows from operating activities;
- refinancing of maturing debt; and
- intended sale of six undeveloped land parcels and sale of additional properties, if necessary.

Management is currently working with lenders to refinance the loans noted above. 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.

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

8. 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 December 31, 2018 are as follows (in thousands):

	For the Years Ended December 31,
2019	\$ 46,186
2020	38,758
2021	30,541
2022	24,218
2023	18,715
Thereafter	47,141
Total minimum rents	\$ 205,559

9. Equity and Mezzanine Equity

Common Stock One-for-Eight Reverse Stock Split

On February 27, 2017, we announced that our Board of Directors had approved the Reverse Stock Split. The Reverse Stock Split took effect at approximately 5:00 p.m. Eastern Time on March 31, 2017 (the "Effective Time"). At the Effective Time, every eight issued and outstanding shares of Common Stock were converted into one share of Common Stock, and as a result, the number of outstanding shares of Common Stock was reduced from approximately 68,707,755 to approximately 8,588,470. At the Effective Time, the number of authorized shares of Common Stock was also reduced, on a one-for-eight basis, from 150,000,000 to 18,750,000. The par value of each share of Common Stock remained unchanged. No fractional shares were issued in connection with the Reverse Stock Split. Instead, the Company's transfer agent, aggregated all fractional shares that otherwise would have been issued as a result of the Reverse Stock Split and those shares were sold into the market. Shareholders who would otherwise hold a fractional share of the Company's stock received a cash payment from the net proceeds of the sale in lieu of such fractional shares. All share and share-related information presented in this Annual Report on Form 10-K have been retroactively adjusted to reflect the decreased number of shares resulting from the Reverse Stock Split.

The Company has authority to issue 33,750,000 shares of stock, consisting of 18,750,000 shares of \$0.01 par value Common Stock ("Common Stock") and 15,000,000 shares of preferred stock of which 5,000,000 shares have been classified as no par value Series B Preferred Stock ("Series B Preferred"), 4,000,000 shares as Redeemable Preferred Stock ("Series D Preferred") and 4,500 shares of Series A Preferred Stock ("Series A Preferred"). The Company increased the number of shares of Common Stock authorized from 1,875,000 to 9,375,000 during June 2013, and from 9,375,000 to 18,750,000 during June 2015.

Substantially all of our business is conducted through the Company's Operating Partnership. The Trust is the sole general partner of the Operating Partnership and owned a 98.33% interest in the Operating Partnership as of December 31, 2018. Limited partners in the Operating Partnership have the right to redeem their common units for cash or, at our option, common shares at a ratio of one common unit for one common share. Distributions to common unit holders are paid at the same rate per unit as dividends per share to the Trust's common shareholders. As of

December 31, 2018 and 2017, there were 14,105,712 and 11,226,868, respectively, of common units outstanding with the Trust owning 13,870,680 and 10,591,850, respectively, of these common units.

Series A Preferred Stock

At December 31, 2018 and December 31, 2017, the Company had 562 shares without par value Series A Preferred Stock ("Series A Preferred") issued and outstanding, 4,500 authorized and a \$1,000 liquidation preference per share, or \$562 thousand in aggregate. The Series A Preferred accrues cumulative dividends at a rate of 9% per annum, which is paid 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.

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

9. Equity and Mezzanine Equity (continued)

Series B Preferred Stock

On July 7, 2016 the Company filed a shelf registration statement relating to the potential issuance of up to \$50.00 million of our Series B Preferred. On July 21, 2016, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with a third party agent to sell such securities. As of December 31, 2018, the Company has issued 1,146,829 shares of Series B Preferred, 1,142,225 in 2016 and 4,604 in 2017, pursuant to the Equity Distribution Agreement in addition to the 729,119 shares that were currently issued and outstanding. The Series B Preferred has no redemption rights. However, the Series B Preferred is subject to a mandatory conversion once the 20-trading day volume-weighted average closing price of our Common Stock, \$0.01 par value per share, exceeds \$58 per share; once this weighted average closing price is met, each share of our Series B Preferred will automatically convert into shares of our Common Stock at a conversion price equal to \$40.00 per share. In addition, holders of our Series B Preferred also have the option, at any time, to convert shares of our Series B Preferred into shares of our Common Stock at a conversion price of \$40.00 per share of Common Stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of shares of our Series B Preferred shall be entitled to be paid out of our assets a liquidation preference of \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends to and including the date of payment. The Series Preferred B has no maturity date and will remain outstanding indefinitely unless subject to a mandatory or voluntary conversion as described above.

Net proceeds from the Series B Preferred offering totaled \$96 thousand and \$23.40 million which includes the impact of the underwriters' selling concessions and legal, accounting and other professional fees for years ended December 31, 2017 and 2016, respectively.

In conjunction with the 2014 issuances of Series B Preferred 1,986,600 warrants were issued. Each warrant permits investors to purchase 0.125 share of Common Stock at an exercise price of \$44 per share of Common Stock, subject to adjustment. The warrants expire in April 2019.

At December 31, 2018 and December 31, 2017, the Company had 1,875,748 and 1,875,848 shares, respectively, and 5,000,000 shares of no par value Series B Preferred issued and authorized with a \$25.00 liquidation preference per share, or \$46.90 million. The Series B Preferred bears interest at a rate of 9% per annum.

Series D Preferred Stock- Redeemable Preferred Stock

In 2016, the Company issued and sold 2,237,000 shares of Series D Cumulative Convertible Preferred Stock, without par value ("Series D Preferred"), liquidation value \$25.00 per share, in a combination of two public offerings. In September 2016, 1,600,000 shares of Series D Preferred were sold to investors at an offering price of \$25.00 per share. In December 2016, 637,000 shares of Series D Preferred were sold to investors at an offering price of \$24.00 per share. In January 2018, the Company, issued and sold 1,363,636 shares of Series D Preferred, in a public offering. Each share of Series D Preferred Stock was sold to investors at an offering price of \$16.50 per share. Until September 21, 2023, the holders of the Series D Preferred are entitled to receive cumulative cash dividends at a rate of 8.75% per annum of the \$25.00 liquidation preference per share (equivalent to the fixed annual amount of \$2.1875 per share) (the "Initial Rate"). Commencing September 21, 2023, the holder's will be entitled to cumulative cash dividends at an annual dividend rate of the Initial Rate increased by 2% of the liquidation preference per annum on each subsequent

anniversary thereafter, subject to a maximum annual dividend rate of 14%. Dividends are payable quarterly in arrears on or before January 15th, April 15th, July 15th and October 15th of each year. On or after September 21, 2021, the Company, may at its option, redeem the Series D Preferred, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date. The holder of the Series D Preferred may convert shares at any time into shares of the Company's Common Stock at an initial conversion rate of \$16.96 per share of Common Stock. On September 21, 2023, the holders of the Series D Preferred may, at their option, elect to cause the Company to redeem any or all of their shares at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends, if any, to and including the redemption date, payable in cash or in shares of Common Stock, or any combination thereof, at the holder's option.

Net proceeds from the 2016 public offerings totaled \$52.4 million and \$21.16 million from the 2018 public offering, both which include the impact of the underwriters' selling commissions and legal, accounting and other professional fees.

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

9. Equity and Mezzanine Equity (continued)

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

Dividends on the Series D Preferred cumulate from the end of the most recent dividend period for which dividends have been paid. Dividends on the Series D Preferred cumulate whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by 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.

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.

On May 3, 2018, the Company filed a Certificate of Correction (the “Certificate of Correction”) with the State Department of Assessments and Taxation of Maryland (the “SDAT”) correcting an inadvertently omitted reference to “accumulated amortization” in “Section 10(a) (Mandatory Redemption for Asset Coverage)” of the Articles Supplementary for the Series D Preferred that was previously filed with SDAT on September 16, 2016. The Certificate of Correction became effective upon filing.

Accretion of Series D Preferred discount was \$591 thousand, \$723 thousand and \$0 thousand for the years ended December 31, 2018, 2017 and 2016, respectively. The carrying value of Series D Preferred increased \$1.97 million for undeclared fourth quarter 2018 dividends.

At December 31, 2018 and December 31, 2017, the Company had 3,600,636 and 2,237,000 issued, respectively and 4,000,000 authorized shares of Series D Preferred with a \$25.00 liquidation preference per share, or \$91.98 million and \$55.93 million in aggregate.

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

9. Equity and Mezzanine Equity (continued)

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

As of December 31, 2018, 2017 and 2016, the below shares are able to be converted to Common Stock. The common units, convertible preferred stock, cumulative convertible preferred stock, and warrants have been excluded from the Company's diluted earnings per share calculation because their inclusion would be antidilutive. In addition to the below, 750,000 shares of the Company's Common Stock may be issued upon exercise of a warrant, solely in the event of a default under a loan agreement in which we serve as a guarantor.

	December 31, 2018		December 31, 2017		December 31, 2016	
	Outstanding shares	Potential Dilutive Shares	Outstanding shares	Potential Dilutive Shares	Outstanding shares	Potential Dilutive Shares
Common units	235,032	235,032	635,018	635,018	761,954	506,911
Series B Preferred Stock	1,875,748	1,172,343	1,875,848	1,172,405	1,871,244	1,169,528
Series D Preferred Stock	3,600,636	5,307,541	2,237,000	3,297,465	2,237,000	3,297,465
Warrants to purchase Common Stock		276,746		329,378		329,378
Senior Convertible Notes					2,509	2,509

Dividends

Dividends declared to holders of common units, common shares and preferred shares are as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Common unit and common shareholders	\$—	\$13,477	\$15,328
Preferred shareholders	9,790	9,969	4,713
Total	\$9,790	\$23,446	\$20,041

Dividends declared per share type are as follows:

	Years Ended December 31,		
	2018	2017	2016
Dividends declared per common share	\$—	\$1.44	\$1.68

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Dividends declared per Series A Preferred share	\$67.50	\$90.00	\$90.00
Dividends declared per Series B Preferred share	\$1.69	\$2.25	\$2.25
Dividends declared per Series D Preferred share	\$1.64	\$2.19	\$0.61

On December 20, 2018, the Board of Directors suspended payment of the fourth quarter dividends on shares of its Series A Preferred, Series B Preferred and Series D Preferred. At December 31, 2018, the amounts of dividends in arrears are

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

9. Equity and Mezzanine Equity (continued)

\$13 thousand (\$22.50 per share) on Series A Preferred, \$1.06 million (\$0.56 per share) on Series B Preferred and \$1.97 million (\$0.55 per share) on Series D Preferred for a total of \$3.04 million.

2015 Long-Term Incentive Plan

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

For the Years Ended December 31,	Shares Issued	Market Value
		(in thousands)
2018	—	\$ —
2017	11,464	155
2016	42,070	519

As of December 31, 2018, there are 41,104 shares available for issuance under the Company's 2015 Incentive Plan.

2016 Long-Term Incentive Plan

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

For the Years Ended December 31,	Shares Issued	Market Value
		(in thousands)
2018	206,358	\$ 1,057
2017	99,527	1,261
2016	4,601	60

As of December 31, 2018, there are 314,514 shares available for issuance under the Company's 2016 Incentive Plan.

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

10. Commitments and Contingencies

Lease Commitments

The following properties are subject to ground leases which requires the Company to make a fixed annual rental payment and includes escalation clauses and renewal options as follows (in thousands):

	For the Years			Expiration Year
	Ended December 31,			
	2018	2017	2016	
Amscot	\$18	\$18	\$18	2045
Beaver Ruin Village	46	46	46	2054
Beaver Ruin Village II	19	19	18	2056
Leased office space Charleston, SC	100	100	92	2019
Moncks Corner	121	121	87	2040
Devine Street	250	251	180	2035
JANAF	258	—	—	2069
Total Ground Leases	\$812	\$555	\$441	

JANAF ground lease expense of \$258 thousand for the year ended December 31, 2018, includes \$113 thousand in percentage rent.

Future minimum lease payments due under the operating leases, including applicable automatic extension options, are as follows (in thousands):

	For the Years Ended December 31,
2019	\$ 644
2020	583
2021	635
2022	638
2023	640
Thereafter	16,063
Total minimum lease payments	\$ 19,203

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.

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

10. Commitments and Contingencies (continued)

The Company's portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in the Northeast, Mid-Atlantic, Southeast and Midwest, which markets represented approximately 4%, 19%, 76% and 1%, respectively, of the total annualized base rent of the properties in its portfolio as of December 31, 2018. The Company's geographic concentration may cause it to be more susceptible to adverse developments in those markets than if it owned a more geographically diverse portfolio. Additionally, the Company's retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Regulatory and Environmental

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

Litigation

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

In May 2018, former Chief Executive Officer and President Jon S. Wheeler filed suit against the Company in the Circuit Court for the City of Virginia Beach, Virginia, asserting claims for breaches of his employment agreement with the Company and retaliatory termination. The Company is vigorously defending the claims set forth in the lawsuit. The non-jury trial of the lawsuit is scheduled for April 17-18, 2019. The parties are presently engaging in discovery. At this juncture, the outcome of the matter cannot be predicted.

On or about June 28, 2018, JCP Investment Partnership, LP and JCP Investment Partnership II, Master Fund LP filed suit against the Company in the Circuit Court for Baltimore County, Maryland, alleging the Company failed to maintain the designated asset coverage ratio under the Articles Supplementary governing the issuance of the Company's Series D Preferred Stock, and is therefore required to redeem those Preferred Shares at the price of \$25.00 per share. The Company is responding to the lawsuit, defending the lawsuit and has filed an answer denying liability;

however, the parties are engaging in discovery. Trial has been scheduled for March 2-6, 2020. At this early juncture, the outcome of the matter cannot be predicted.

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 CEO and President David Kelly defamed him in communications with an industry association. The Company's D&O carrier has retained counsel for Mr. Kelly, who is vigorously defending the lawsuit. The parties are presently engaging in written discovery. At this early 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

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

10. Commitments and Contingencies (continued)

2.29%, not to exceed 14% and payable in 50 semi-annual installments. The proceeds of the bonds were to provide funding for the construction of public infrastructure and other site improvements and to be repaid by incremental additional property taxes generated by development. Harbor Pointe Associates, LLC, then owned by an affiliate of 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 "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 Agreement will be no more than \$2.28 million, the principal amount of the bonds, as of December 31, 2018. 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. In 2018, 2017, and 2016, we funded approximately \$73 thousand, \$58 thousand and \$49 thousand, respectively in debt service shortfalls. No amounts have been accrued for this as of December 31, 2018 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 as of and for the years ended December 31, 2018, 2017 and 2016. The amounts disclosed below reflect the activity between the Company and its affiliates (in thousands).

	December 31,		
	2018	2017	2016
Amounts paid to affiliates	\$15	\$48	\$125
Amounts received from affiliates	\$116	\$2,517	\$1,347
Amounts due from affiliates	\$—	\$—	\$1,456
Notes receivable	\$5,000	\$6,739	\$12,000

As discussed in Note 4, the Company loaned \$11.00 million for the partial funding of Pineland Station Shopping Center in Hilton Head, South Carolina to be known in the future as Sea Turtle Development and loaned \$1.00 million for the sale of land to be used in the development. At December 31, 2018 and 2017, the Company recognized a \$1.74 million and \$5.26 million impairment charge, respectively, on the note receivable as discussed in greater detail in Note 4. The Company has placed the notes receivable on nonaccrual status and has not recognized \$1.44 million of interest income due on the notes for the year ended December 31, 2018. In February 2018, the Company's agreement to perform development, leasing, property and asset management services for Sea Turtle Development was terminated. Sea Turtle Development 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, 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 \$77 thousand in amounts due from related parties for the year ended December 31, 2018, respectively, which were previously reserved. The recovery is included in "provision for credit losses" on the consolidated statements of operations. The total allowance on related party receivables at December 31, 2018 and 2017 is \$2.20 million and \$2.36 million, respectively.

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

A detail of the allowance on related party receivables as of December 31, 2018 and 2017 is presented below (in thousands):

	For the Years Ended December 31,	
	2018	2017
Sea Turtle Development		
Accrued interest on note receivable - due at maturity	\$895	\$895
Accrued interest on note receivable - currently due	443	443
Leasing Commissions	107	190
Development fees	182	182
Other	18	18
Other non-REIT Properties	557	636
	\$2,202	\$2,364

Amounts due from Sea Turtle Development are reserved due to uncertainty surrounding the collectability given current cash flow models. The Company's estimated fair value of the project is based upon cash flow models that include information available to the Company at December 31, 2018, including assumptions on future lease up and the estimated fair value at full stabilization. Capitalization rates utilized in these models are based upon rates that the Company believes to be within a reasonable range of current market rates for the respective project.

Amounts due from other non-REIT properties have been reserved based on available cash flows at the respective properties and payment history. The reserve of \$636 thousand was recorded in 2017 and is included in "provision for credit losses" on the consolidated statements of operations. There were no additional reserves recorded in 2018. In February 2018 the management agreements for these properties were terminated.

In 2016, in connection with the acquisition of Berkley and Sangaree/Tri-County, the Operating Partnership entered into a tax protection agreement that obligates the Operating Partnership to reimburse Jon Wheeler, the Company's former CEO, for his tax liabilities resulting from the recognition of certain taxable income or gain in the event the Operating Partnership takes certain action prior to November 10, 2023 with respect to Sangaree Plaza, Tri-County Plaza and Berkley.

12. Subsequent Events

Jenks Plaza

On January 11, 2019, the Company completed the sale of Jenks Plaza for a contract price of \$2.20 million, resulting in a gain of \$388 thousand with net proceeds of \$1.84 million, of which \$323 thousand was used to further paydown the Revere Term Loan and \$1.51 million to paydown the portion of the First National Bank Line of Credit collateralized by Jenks Plaza.

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 mature in March 2019 with interest only payments beginning February 15, 2019. The loans bears interest at 6.50%.

Revere Term Loan Extension

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 extends the maturity date to April 1, 2019 from February 1, 2019 and creates an additional “Exit Fee” of \$20 thousand.

Harbor Pointe Sale

On February 7, 2019, the Company completed the sale of a 1.28 acre parcel of land at Harbor Pointe for a contract price of \$550 thousand, paying off the underlying mortgage and \$30 thousand on the Revere Term Loan.

Suspension of Dividends

On February 27, 2019, the Board of Directors suspended the 2019 first quarter dividends on shares of its Series A Preferred, Series B Preferred and Series D Preferred.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
 Schedule II-Valuation and Qualifying Accounts
 December 31, 2018

Description	Balance at Beginning of Year (in thousands)	Charged to Costs and Expense	Deductions from Reserves	Balance at End of Year
Allowance for doubtful accounts:				
Year Ended December 31, 2018	\$3,069	\$ 434	\$ (32)	\$3,471
Year Ended December 31, 2017	691	2,821	(443)	3,069

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Schedule III-Real Estate and Accumulated Depreciation
December 31, 2018

Property Name	Initial Cost	Costs Capitalized	Gross Amount at which	Total
	Building and Land Improvements	Subsequent to Acquisition Improvements (net)	Carrying Costs Land Building and Improvements		Carried at End of Period
(in thousands)				
Amscot Building	\$ 462	\$ 31	\$ 493	\$ 493
Lumber River Village	804,487	151	944,496	5,438
Perimeter Square	1,560,811	1,950	1,708,922	8,597
Riversedge North	910,208	721	910,929	3,839
Surrey Plaza	381,857	—	381,857	2,238
The Shoppes at TJ Maxx	2,161,519	644	2,171,563	9,478
Twin City Commons	800,041	24	800,065	3,865
Walnut Hill Plaza	732,414	1,324	733,738	4,472
Tampa Festival	4,666,591	407	4,699,556	11,751
Forrest Gallery	3,071,555	884	3,081,539	11,354
Jenks Plaza	498,118	227	498,145	1,643
Winslow Plaza	1,326,584	205	1,327,044	5,214
Clover Plaza	356,197	26	356,223	1,579
St. George Plaza	706,264	46	752,264	2,016
South Square	353,911	10	353,921	2,274
Westland Square	887,710	55	901,751	2,652
Waterway Plaza	1,280,448	136	1,280,844	2,664
Cypress Shopping Center	2,065,579	251	2,068,330	6,894
Harrodsburg Marketplace	1,423,485	78	1,509,855	3,994
Port Crossing Shopping Center	798,921	102	797,023	7,815
LaGrange Marketplace	390,648	285	430,893	3,323
DF I-Courtland ⁽¹⁾	196	—	196	196
Edenton Commons ⁽¹⁾	746	—	746	746
DF I-Moyock ⁽¹⁾	179	—	179	179
Freeway Junction	1,527,755	8	1,527,763	8,284
Graystone Crossing	922,856	—	922,856	3,778
Bryan Station	1,628,856	57	1,628,813	4,471
Crockett Square	1,561,634	183	1,569,998	8,563
Harbor Pointe ⁽¹⁾	1,538	134	1,665	1,672
DF I-Berkley	250	—	250	250
Pierpont Centre	489,221	30	509,231	9,735
Brook Run Properties	300	8	308	308
Alex City Marketplace	457,837	1,488	579,202	9,779
Butler Square	1,024,401	192	1,024,593	7,617
Brook Run Shopping Center	2,209,919	520	2,216,392	15,648
Beaver Ruin Village	2,602,484	19	2,602,403	10,907

Beaver Ruin Village II	1,15809	5	—	1,15814	3,967
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Property Name	Initial Cost		Costs Capitalized Subsequent to Acquisition		Gross Amount at which Carried at End of Period		
	Land	Building and Improvements	Improvements (net)	Carrying Costs	Land	Building and Improvements	Total
Columbia Fire Station	\$ 1,706	\$ 599	\$ 4,780	\$	—\$1,706	\$ 5,379	\$7,085
Chesapeake Square	895	4,112	900	—	1,232	4,675	5,907
Sunshine Plaza	1,183	6,368	131	—	1,183	6,499	7,682
Barnett Portfolio	3,107	8,912	141	—	3,193	8,967	12,160
Grove Park	722	4,590	3	—	722	4,593	5,315
Parkway Plaza	772	4,230	47	—	778	4,271	5,049
Fort Howard Square	1,890	7,350	246	—	1,928	7,558	9,486
Conyers Crossing	2,034	6,820	—	—	2,034	6,820	8,854
LBP Vauxhall	—	—	1	—	—	1	1
Darien Shopping Center	188	1,054	—	—	188	1,054	1,242
Devine Street	365	1,941	—	—	365	1,941	2,306
Folly Road	5,992	4,527	—	—	5,992	4,527	10,519
Georgetown	742	1,917	93	—	742	2,010	2,752
Ladson Crossing	2,981	3,920	21	—	2,981	3,941	6,922
Lake Greenwood Crossing	550	2,499	18	—	550	2,517	3,067
Lake Murray	447	1,537	—	—	447	1,537	1,984
Litchfield I	568	929	—	—	568	929	1,497
Litchfield II	568	936	—	—	568	936	1,504
Litchfield Market Village	2,970	4,716	29	—	2,970	4,745	7,715
Moncks Corner	—	1,109	—	—	—	1,109	1,109
Ridgeland	203	376	—	—	203	376	579
Shoppes at Myrtle Park	3,182	5,360	816	—	3,182	6,176	9,358
South Lake	804	2,025	(37)	)	804	1,988	2,792
South Park	943	2,967	(21)	)	943	2,946	3,889
St. Matthews	338	1,941	(9)	)	338	1,932	2,270
Berkley	1,005	2,865	(62)	)	1,005	2,803	3,808
Sangaree	2,302	2,922	236	—	2,503	2,957	5,460
Tri-County	411	3,421	139	—	552	3,419	3,971
Riverbridge	774	5,384	—	—	774	5,384	6,158
Laburnum Square	3,736	5,928	115	—	3,736	6,043	9,779
Franklin Village	2,608	9,426	—	—	2,608	9,426	12,034
Village at Martinsville	5,208	12,879	—	—	5,208	12,879	18,087
New Market Crossing	993	5,216	363	—	1,042	5,530	6,572
Rivergate Shopping Center	1,570	30,694	89	—	1,570	30,783	32,353
JANAF	8,267	66,856	21	—	8,267	66,877	75,144
Totals	\$ 101,864	\$ 361,978	\$ 18,261	\$	—\$103,604	\$ 378,499	\$482,103

(1) Includes impairment charge described in Note 3 of the consolidated audited financial statements.

Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Schedule III-Real Estate and Accumulated Depreciation

Property Name	Encumbrances	Accumulated Depreciation	Date of Construction	Date Acquired	Depreciation Life
	(in thousands)				
Amscot Building	(3)	(5) \$ 216	5/15/2004		5-40 years
Lumber River Village	\$1,448	879		11/16/2012	5-40 years
Perimeter Square	6,497	(5) 1,079		11/16/2012	5-40 years
Riversedge North	1,800	1,432	4/17/2008	12/21/2012	5-40 years
Surrey Plaza	(3)	(5) 436		12/21/2012	5-40 years
The Shoppes at TJ Maxx	5,539	1,617		11/16/2012	5-40 years
Twin City Commons	3,048	590		12/18/2012	5-40 years
Walnut Hill Plaza	3,868	(5) 1,928		12/14/2007	5-40 years
Tampa Festival	8,227	1,377		8/26/2013	5-40 years
Forrest Gallery	8,529	1,552		8/29/2013	5-40 years
Jenks Plaza	(3)	(5) 207		12/17/2013	5-40 years
Winslow Plaza	4,620	784		12/19/2013	5-40 years
Clover Plaza	2,018	176		12/23/2013	5-40 years
St. George Plaza	2,544	198		12/23/2013	5-40 years
South Square	2,072	252		12/23/2013	5-40 years
Westland Square	2,644	249		12/23/2013	5-40 years
Waterway Plaza	2,589	189		12/23/2013	5-40 years
Cypress Shopping Center	6,379	606		7/1/2014	5-40 years
Harrodsburg Marketplace	3,486	356		7/1/2014	5-40 years
Port Crossing Shopping Center	6,150	1,438		7/3/2014	5-40 years
LaGrange Marketplace	(6)	(5) 457		7/25/2014	5-40 years
DF I-Courtland (undeveloped land)		(5) —		8/15/2014	N/A
Edenton Commons (undeveloped land)		(5) —		8/15/2014	N/A
DF I-Moyock (undeveloped land)	73	(5) —		8/15/2014	N/A
Freeway Junction	7,863	955		9/4/2014	5-40 years
Graystone Crossing	3,863	302		9/26/2014	5-40 years
Bryan Station	4,472	378		10/2/2014	5-40 years
Crockett Square	6,338	950		11/5/2014	5-40 years
Harbor Pointe (undeveloped land)	460	(5) —		11/21/2014	N/A
DF I-Berkley (undeveloped land)		(5) —		12/1/2014	N/A
Pierpont Centre	8,113	1,174		1/14/2015	5-40 years
Brook Run Properties (undeveloped land)		(5) —		3/27/2015	N/A
Alex City Marketplace	5,750	1,001		4/1/2015	5-40 years
Butler Square	5,640	687		4/15/2015	5-40 years
Brook Run Shopping Center	10,950	2,598		6/2/2015	5-40 years
Beaver Ruin Village	(4)	870		7/1/2015	5-40 years
Beaver Ruin Village II	(4)	280		7/1/2015	5-40 years
Columbia Fire Station	4,189	(5) 73	8/31/2018	7/1/2015	5-40 years
Chesapeake Square	4,434	660		7/10/2015	5-40 years

Sunshine Plaza

5,900 690

7/21/2015 5-40 years

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Property Name	Encumbrances (in thousands)	Accumulated Depreciation	Date of Construction	Date Acquired	Depreciation Life
Barnett Portfolio	\$8,770	\$ 1,055		8/21/2015	5-40 years
Grove Park	3,800	585		9/9/2015	5-40 years
Parkway Plaza	3,500	440		9/15/2015	5-40 years
Fort Howard Square	7,100	724		9/30/2015	5-40 years
Conyers Crossing	5,960	891		9/30/2015	5-40 years
Darien Shopping Center	(1)	90		4/12/2016	5-40 years
Devine Street	(1)	148		4/12/2016	5-40 years
Folly Road	6,073	357		4/12/2016	5-40 years
Georgetown	(6)	156		4/12/2016	5-40 years
Ladson Crossing	(7)	328		4/12/2016	5-40 years
Lake Greenwood Crossing	(7)	202		4/12/2016	5-40 years
Lake Murray	(1)	155		4/12/2016	5-40 years
Litchfield I	(1)	93		4/12/2016	5-40 years
Litchfield II	(1)	106		4/12/2016	5-40 years
Litchfield Market Village	(1)	414		4/12/2016	5-40 years
Moncks Corner	(1)	94		4/12/2016	5-40 years
Ridgeland	(6)	38		4/12/2016	5-40 years
Shoppes at Myrtle Park	(1)	466		4/12/2016	5-40 years
South Lake	(1)	158		4/12/2016	5-40 years
South Park	(7)	220		4/12/2016	5-40 years
St. Matthews	(1)	138		4/12/2016	5-40 years
Berkley	(2)	191		11/10/2016	5-40 years
Sangaree	(2)	319		11/10/2016	5-40 years
Tri-County	(2)	325		11/10/2016	5-40 years
Riverbridge	4,000	384		11/15/2016	5-40 years
Laburnum Square	(1)	403		12/7/2016	5-40 years
Franklin Village	8,516	574		12/12/2016	5-40 years
Village at Martinsville	(1)	888		12/16/2016	5-40 years
New Market Crossing	6,907	342		12/20/2016	5-40 years
Rivergate Shopping Center	22,117	1,833		12/21/2016	5-40 years
JANAF	63,818	1,946		1/18/2018	5-40 years
Totals		\$ 40,699			

- (1) Properties secure a \$52.1 million mortgage note.
- (2) Properties secure a \$9.4 million mortgage note.
- (3) These properties secure a \$3.0 million bank line of credit.
- (4) Properties secure a \$9.4 million mortgage note.
- (5) Properties secure the \$1.1 million Revere Term Loan.
- (6) Properties secure a \$5.74 million mortgage note.
- (7) Properties secure a \$7.60 million mortgage note.

	2018	2017
	(in thousands)	
Balance at beginning of period	\$415,379	\$409,585
Additions during the period:		
Acquisitions	75,123	—
Improvements	5,567	7,367
Impairments	(3,938)	—
Disposals	(10,028)	(1,573)
Balance at end of period	\$482,103	\$415,379

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Item 16. Form 10-K Summary.

Not applicable.

EXHIBIT INDEX

Exhibit

- 3.1 Articles of Amendment and Restatement of the Registrant. (1)
- 3.2 Articles of Supplementary of the Registrant dated September 16, 2016. (15)
- 3.3 Articles of Supplementary of the Registrant dated December 1, 2016. (17)
- 3.4 Articles of Amendment and Restatement, effective March 31, 2017 (18)
- 3.5 Articles of Amendment and Restatement, effective March 31, 2017 (18)
- 3.6 Amended and Restated Bylaws of Registrant (2)
- 3.7 Certificate of Correction of Articles Supplementary (30)
- 4.1 Form of Certificate of Common Stock of Registrant (18)
- 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 (15)
- 4.4 Form of Warrant Certificate of Registrant (3)
- 4.5 Form of Warrant Agreement for December 2013/January 2014 Private Placement Offering (4)
- 4.6 Form of Warrant Agreement with Revere High Yield Fund, LP. (11)
- 4.7 Calapasas West Partners, L.P. Amended Convertible Promissory Note. (12)
- 4.8 Full Value Partners, L.P. Amended Convertible Promissory Note. (12)
- 4.9 Full Value Special Situations Fund, L.P. Amended Convertible Promissory Note. (12)
- 4.10 MCM Opportunity Partners, L.P. Amended Convertible Promissory Note. (12)
- 4.11 Mercury Partners, L.P. Amended Convertible Promissory Note. (12)
- 4.12 Opportunity Partners, L.P. Amended Convertible Promissory Note. (12)
- 4.13 Special Opportunities Fund, Inc. Amended Convertible Promissory Note. (12)
- 4.14 Steady Gain Partners, L.P. Amended Convertible Promissory Note. (12)

- 4.15 Warrant Agreement by and among the Registrant, Computershare, Inc. and Computershare Trust Company, N.A. (3)
- 10.1 Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. (5)
- 10.2 Amendment to the Amended and Restated Agreement of Limited Partnership of Wheeler REIT, L.P. Designation of Series A Convertible Preferred Units. (6)
- 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. (16)
- 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. (15)
- 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. (17)
- 10.6 Wheeler Real Estate Investment Trust, Inc. 2015 Long-Term Incentive Plan (7)

- [10.7 Wheeler Real Estate Investment Trust, Inc. 2016 Long-Term Incentive Plan \(14\)](#)
- [10.8 Employment Agreement with Jon S. Wheeler \(10\)](#)
- [10.9 Employment Agreement with Wilkes Graham \(10\)](#)
- [10.10 Employment Agreement with David Kelly \(22\)](#)
- [10.11 Employment Agreement with Matthew Reddy \(22\)](#)
- [10.12 Employment Agreement with M. Andrew Franklin \(22\)](#)
- [10.13 Tax Protection Agreement dated October 24, 2014, by and among Jon S. Wheeler, Wheeler REIT, L.P., and Wheeler Real Estate Investment Trust, Inc. \(8\)](#)
- [10.14 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. \(9\)](#)
- [10.15 Board Observer Rights Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and MFP Investors, LLC. \(9\)](#)
- [10.16 Letter Agreement, dated March 19, 2015, by and between Wheeler Real Estate Investment Trust, Inc. and Jon S. Wheeler. \(9\)](#)
- [10.17 Term Loan Agreement by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated April 8, 2016. \(11\)](#)
- [10.18 First Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated August 25, 2017. \(25\)](#)
- [10.19 Second Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated May 14, 2018. \(25\)](#)
- [10.20 Third Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated September 26, 2018. \(26\)](#)
- [10.21 Fourth Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated November 5, 2018. \(26\)](#)
- [10.22 Fifth Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated November 5, 2018. \(31\)](#)
- [10.23 Sixth Amendment by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated January 29, 2019. \(31\)](#)
- [10.24 Borrower's Certification Regarding Loan Extension and Guarantor's Reaffirmation of Obligation as Lender Guaranty by and between Wheeler REIT, LP and Revere High Yield Fund, LP dated May 3, 2018. \(25\)](#)
- [10.25 Tax Protection Agreement dated February 8, 2017 \(13\)](#)

- 10.26 Amended and Restated Credit Agreement dated December 21, 2017. (19)
- 10.27 Keybank Letter Agreement Amendment to the Amended and Restated Credit Agreement dated March 2, 2018. (27)
- 10.28 KeyBank Letter Amendment to the Amended and Restated Credit Agreement dated August 7, 2018. (28)
- 10.29 KeyBank Letter Amendment to the Amended and Restated Credit Agreement dated October 15, 2018. (29)
- 10.30 Purchase and Sale Agreement dated November 3, 2016 between WHLR-JANAF, LLC, JANAF Shopping Center, LLC, JANAF Shops, LLC, JANAF HQ, LLC, and JANAF Crossing, LLC. (20)
- 10.31 First Amendment to JANAF Purchase and Sale Agreement, dated December 2, 2016. (20)
- 10.32 Second Amendment to JANAF Purchase and Sale Agreement, dated January 6, 2017. (20)
- 10.33 Third Amendment to JANAF Purchase and Sale Agreement, dated January 9, 2017. (20)
- 10.34 Fourth Amendment to JANAF Purchase and Sale Agreement, dated January 11, 2017. (20)

<u>10.35</u>	<u>Fifth Amendment to JANAF Purchase and Sale Agreement, dated January 13, 2017. (20)</u>
<u>10.36</u>	<u>Sixth Amendment to JANAF Purchase and Sale Agreement, dated February 3, 2017. (20)</u>
<u>10.37</u>	<u>Seventh Amendment to JANAF Purchase and Sale Agreement, dated March 6, 2017. (20)</u>
<u>10.38</u>	<u>Eighth Amendment to JANAF Purchase and Sale Agreement, dated March 7, 2017. (20)</u>
<u>10.39</u>	<u>Ninth Amendment to JANAF Purchase and Sale Agreement, dated March 8, 2017. (20)</u>
<u>10.40</u>	<u>Tenth Amendment to JANAF Purchase and Sale Agreement, dated June 9, 2017. (20)</u>
<u>10.41</u>	<u>Eleventh Amendment to JANAF Purchase and Sale Agreement, dated October 17, 2017. (20)</u>
<u>10.42</u>	<u>Twelfth Amendment to JANAF Purchase and Sale Agreement, dated November 9, 2017. (20)</u>
<u>10.43</u>	<u>Thirteenth Amendment to JANAF Purchase and Sale Agreement, dated November 30, 2017. (20)</u>
<u>10.44</u>	<u>Fourteenth Amendment to JANAF Purchase and Sale Agreement, dated December 19, 2017. (20)</u>
<u>10.45</u>	<u>Fifteenth Amendment to JANAF Purchase and Sale Agreement, dated January 17, 2018 (23)</u>
<u>10.46</u>	<u>JANAF Loan Agreement dated June 5, 2013. (21)</u>
<u>14.1</u>	<u>Code of Ethics (24)</u>
<u>21.1</u>	<u>Subsidiaries of Registrant (31)</u>
<u>23.1</u>	<u>Consent of Cherry Bekaert LLP (31)</u>
<u>31.1</u>	<u>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 (31)</u>
<u>31.2</u>	<u>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 (31)</u>
<u>32.1</u>	<u>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 (31)</u>
<u>32.2</u>	<u>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 (31)</u>
101.INS XBRL	Instance Document (31)
101.SCH	XBRL Taxonomy Extension Schema Document (31)

101.CAL [XBRL Taxonomy Extension Calculation Linkbase \(31\)](#)

101.DEF [XBRL Taxonomy Extension Definition Linkbase \(31\)](#)

101.LAB [XBRL Taxonomy Extension Labels Linkbase \(31\)](#)

101.PRE [XBRL Taxonomy Extension Presentation Linkbase \(31\)](#)

- (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 Report on Form 8-K, filed on December 18, 2013 and hereby incorporated by reference.

- (5) 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.
- (6) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on April 15, 2015 and hereby incorporated by reference.
- (7) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on June 8, 2015 and hereby incorporated by reference.
- (8) Filed as an exhibit to the Registrant's report on Form 8-K, filed on October 30, 2014 and hereby incorporated by reference.
- (9) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on March 19, 2015 and hereby incorporated by reference.
- (10) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on March 16, 2016 and hereby incorporated by reference.
- (11) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on April 12, 2016 and hereby incorporated by reference.
- (12) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on January 4, 2019 and hereby incorporated by reference.
- (13) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on February 10, 2017 and hereby incorporated by reference.
- (14) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on June 16, 2016 and hereby incorporated by reference.
- (15) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on September 20, 2016 and hereby incorporated by reference.
- (16) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on July 15, 2016 and hereby incorporated by reference.
- (17) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on December 5, 2016 and hereby incorporated by reference.
- (18) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on April 3, 2017 and hereby incorporated by reference.
- (19) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on December 22, 2017 and hereby incorporated by reference.
- (20) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on January 9, 2018 and hereby incorporated by reference.
- (21) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on January 23, 2018 and hereby incorporated by reference.
- (22) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on February 20, 2018 and hereby incorporated by reference.
- (23) Filed as an exhibit to the Registrant's Report on Form 10-K, filed on March 7, 2018 and hereby incorporated by reference.
- (24) Filed as an exhibit to the Registrant's Report on Form S-11 (Registration No. 333-177262) previously filed on October 12, 2011 pursuant to the Securities Act of 1933 and hereby incorporated by reference.
- (25) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on May 17, 2018 and hereby incorporated by reference.
- (26) Filed as an exhibit to the Registrant's Report on Form 10-Q, filed on November 7, 2018 and hereby incorporated by reference.
- (27) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on March 7, 2018 and hereby incorporated by reference.
- (28) Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on August 8, 2018 and hereby incorporated by reference.
- (29)

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Filed as an exhibit to the Registrant's Report on Form 8-K/A, filed on October 19, 2018 and hereby incorporated by reference.

(30) Filed as an exhibit to the Registrant's Report on Form 8-K, filed on May 4, 2018 and hereby incorporated by reference.

(31) Filed herewith.

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