Wheeler Real Estate Investment Trust, Inc.
Form 10-Q
November 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35713

WHEELER REAL ESTATE INVESTMENT TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	45-2681082
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2529 Virginia Beach Blvd., Suite 200 Virginia Beach. Virginia	23452
(Address of Principal Executive Offices)	(Zip Code)

(757) 627-9088
(Registrant's Telephone Number, Including Area Code)
N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (do not check if a smaller reporting company)	Smaller reporting company	ý

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

As of November 12, 2014, there were 7,444,919 common shares, $0.01 par value per share, outstanding.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS:		
Investment properties, net	$137,541,065	$101,772,335
Cash and cash equivalents	19,863,214	1,155,083
Rents and other tenant receivables, net	1,801,542	1,594,864
Deferred costs and other assets, net	29,057,575	20,847,984
Total Assets	$188,263,396	$125,370,266
LIABILITIES:		
Loans payable	$129,792,557	$94,562,503
Below market lease intangible, net	323,538	2,674,566
Accounts payable, accrued expenses and other liabilities	5,316,268	2,526,388
Total Liabilities	135,432,363	99,763,457
Commitments and contingencies (Note 7)	—	—
EQUITY:		
Series A preferred stock (no par value, 4,500 shares authorized, 1,809 shares issued and outstanding, respectively)	1,458,050	1,458,050
Series B convertible preferred stock (no par value, 5,000,000 shares authorized, 1,648,900 and no shares issued and outstanding, respectively)	37,427,213	—
Common stock ($0.01 par value, 75,000,000 shares authorized, 7,439,531 and 7,121,000 shares issued and outstanding, respectively)	74,396	71,210
Additional paid-in capital	28,058,066	28,169,693
Accumulated deficit	(21,657,039)	(11,298,253)
Total Shareholders’ Equity	45,360,686	18,400,700
Noncontrolling interests	7,470,347	7,206,109
Total Equity	52,831,033	25,606,809
Total Liabilities and Equity	$188,263,396	$125,370,266

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUE:				
Rental revenues	$3,448,406	$1,806,118	$9,396,506	$4,624,612
Other revenues	719,424	170,334	2,069,170	598,736
Total Revenue	4,167,830	1,976,452	11,465,676	5,223,348
OPERATING EXPENSES:				
Property operations	1,155,666	383,276	2,987,885	968,846
Depreciation and amortization	2,205,244	872,213	5,726,790	2,204,899
Provision for credit losses	46,774	32,017	18,742	69,920
Corporate general & administrative	3,041,064	2,609,726	5,258,931	4,766,293
Total Operating Expenses	6,448,748	3,897,232	13,992,348	8,009,958
Operating Loss	(2,280,918)	(1,920,780)	(2,526,672)	(2,786,610)
Interest expense	(1,720,835)	(592,231)	(4,626,410)	(1,587,946)
Net Loss	(4,001,753)	(2,513,011)	(7,153,082)	(4,374,556)
Less: Net loss attributable to noncontrolling interests	(487,284)	(793,360)	(655,987)	(950,264)
Net Loss Attributable to Wheeler REIT	(3,514,469)	(1,719,651)	(6,497,095)	(3,424,292)
Preferred stock dividends	(1,088,062)	(79,049)	(1,552,320)	(101,549)
Net Loss Attributable to Wheeler REIT Common Shareholders	$(4,602,531)	$(1,798,700)	$(8,049,415)	$(3,525,841)
Loss per share:				
Basic and Diluted	$(0.62)	$(0.38)	$(1.10)	$(0.93)
Weighted-average number of shares:				
Basic and Diluted	7,430,413	4,715,382	7,316,147	3,777,974

See accompanying notes to condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(Unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Value	Shares	Value	Shares	Value			
Balance, December 31, 2013	1,809	$1,458,050	—	—	7,121,000	$71,210	$28,169,693	$(11,298,253)	$18,400,700
Proceeds from issuance of Series B preferred stock	—	—	1,649,000	37,247,628	—	—	—	—	37,247,628
Accretion of Series B preferred stock discount	—	—	—	181,856	—	—	—	—	181,856
Conversion of Series B preferred stock to common stock	—	—	(100)	(2,271)	500	5	2,266	—	—
Conversion of Operating Partnership units to common stock	—	—	—	—	277,757	2,778	1,290,786	—	1,293,564
Issuance of common stock under Share Incentive Plan	—	—	—	—	40,274	403	189,597	—	190,000
Noncontrolling interest investments	—	—	—	—	—	—	—	—	—
Adjustment for noncontrolling interest in operating partnership	—	—	—	—	—	—	(1,594,276)	—	(1,594,276)
Dividends and distributions	—	—	—	—	—	—	—	(3,861,691)	(3,861,691)
Net loss	—	—	—	—	—	—	—	(6,497,095)	(6,497,095)
Balance, September 30, 2014 (Unaudited)	1,809	$1,458,050	1,648,900	$37,427,213	7,439,531	$74,396	$28,058,066	$(21,657,039)	$45,360,686

See accompanying notes to condensed consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(7,153,082)	$(4,374,556)
Adjustments to reconcile consolidated net loss to net cash from operating activities		
Depreciation	2,288,543	1,086,837
Amortization	3,438,247	1,118,062
Other noncash adjustments	413,200	(320,540)
Share-based compensation	190,000	—
Provision for credit losses	18,742	69,920
Changes in assets and liabilities		
Rent and other tenant receivables, net	(386,524)	(234,337)
Unbilled rent	179,953	22,446
Deferred costs and other assets, net	(3,744,005)	(2,415,024)
Accounts payable, accrued expenses and other liabilities	30,889	3,350,664
Net cash from operating activities	(4,724,037)	(1,696,528)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment property acquisitions	(11,416,213)	(14,065,085)
Capital expenditures	(195,529)	(285,827)
Net cash from investing activities	(11,611,742)	(14,350,912)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends and distributions paid	(3,360,817)	(1,853,682)
Proceeds from sales of preferred stock, net of expenses	37,449,628	4,005,736
Conversion of preferred stock	—	(7,168)
Proceeds from sales of common stock, net of expenses	—	12,001,647
Net payments to related parties	(417,849)	(120,684)
Loan proceeds	9,044,435	12,891,045
Loan principal payments	(7,671,487)	(11,101,589)
Net cash from financing activities	35,043,910	15,815,305
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,708,131	(232,135)
CASH AND CASH EQUIVALENTS, beginning of period	1,155,083	2,053,192
CASH AND CASH EQUIVALENTS, end of period	$19,863,214	$1,821,057
Supplemental Disclosures:		
Non-Cash Transactions:		
Debt incurred for acquisitions	$33,921,261	$33,212,500
Noncontrolling interests resulting from the issuance of common units	$1,240,234	$—
Other Cash Transactions:		
Cash paid for interest	$4,431,852	$1,544,076

See accompanying notes to condensed consolidated financial statements.

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

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. (the "Trust" or "REIT") is a Maryland corporation formed on June 23, 2011. The Trust serves as the general partner of Wheeler Real Estate Investment Trust, L.P. (the "Operating Partnership") which was formed as a Virginia limited partnership on April 5, 2012. As of September 30, 2014, the Trust, through the Operating Partnership, owned and operated twenty-nine centers and three undeveloped properties in Virginia, North Carolina, South Carolina, Georgia, Florida, Oklahoma, Tennessee, Kentucky and New Jersey. Accordingly, the use of the word "Company" refers to the Trust and its consolidated subsidiaries, except where the context otherwise requires.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Form 10-Q") are unaudited. However, amounts presented in the condensed consolidated balance sheet as of December 31, 2013 are derived from the Company's audited consolidated and combined financial statements as of that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The Company prepared the accompanying condensed consolidated financial statements in accordance with GAAP for interim financial statements. All material balances and transactions between the consolidated entities of the Company have been eliminated. You should read these condensed consolidated financial statements in conjunction with our 2013 Annual Report filed on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K").

2. Summary of Significant Accounting Policies

Rents and Other Tenant Receivables, net

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The Company determines an allowance for the uncollectible portion of accrued rents and accounts receivable based upon customer credit-worthiness (including expected recovery of a claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends. The Company considers a receivable past due once it becomes delinquent per the terms of the lease. The Company's standard lease form considers a rent charge past due after five days. A past due receivable triggers certain events such as notices, fees and other allowable and required actions per the lease. As of September 30, 2014 and December 31, 2013, the Company's allowance for uncollectible accounts totaled $200,820 and $182,078, respectively. During the three and nine months ended September 30, 2014, the Company recorded bad debt expenses in the amounts of $46,774 and $18,742, respectively. During the three and nine months ended September 30, 2013, the Company recorded bad debt expenses in the amount of $32,017 and $69,920, respectively, related to tenant receivables that were specifically identified as potentially uncollectible based on an assessment of the tenant's credit-worthiness. During the three and nine months ended September 30, 2014 and 2013, the Company did not realize any recoveries related to tenant receivables previously written off.

Deferred Costs and Other Assets, net

The Company's deferred costs and other assets consist primarily of internal and external leasing commissions, fees incurred in order to obtain long-term financing, leases in place intangible assets, legal and marketing costs and tenant relationship intangible assets associated with acquisitions, and various property escrow accounts for real estate taxes, insurance, tenant improvements and replacements. The Company records amortization of financing costs using the effective interest method over the terms of the respective loans or agreements. The Company's lease origination costs consist primarily of commissions paid in connection with lease originations and renewals. The Company records amortization of lease origination costs on a straight-line basis over the terms of the related leases. The Company's leases in place intangible asset relates to values assigned leases associated with acquired properties. Leases in place are amortized over the term of the respective leases, while legal and marketing and tenant relationship intangible assets are amortized over their estimated useful lives. Acquisition deposits and escrows relate to advance funding of acquisitions to be completed.

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Details of these deferred costs, net of amortization, and other assets are as follows:

	September 30, 2014 (unaudited)	December 31, 2013
Lease origination costs, net	$3,658,830	$3,720,812
Leases in place, net	10,772,858	8,754,154
Financing costs, net	3,528,791	3,110,904
Property reserves	4,029,722	2,151,755
Acquisition deposits and escrows	2,536,200	—
Legal and marketing costs, net	219,156	203,819
Tenant relationships	3,935,339	2,372,600
Other	376,679	533,940
Total Deferred Costs and Other Assets, net	$29,057,575	$20,847,984

Amortization of lease origination costs, leases in place and legal and marketing costs represents a component of depreciation and amortization expense. The Company reports amortization of financing costs, amortization of premiums, and accretion of discounts as part of interest expense. Future amortization of lease origination costs, leases in place, financing costs, legal and marketing costs and tenant relationships is as follows:

For the Periods Ending September 30,	Lease Origination Costs	Leases In Place	Financing Costs	Legal & Marketing Costs	Tenant Relationships
2015	$490,733	$2,881,842	$1,047,379	$44,367	$1,571,552
2016	453,352	2,161,425	617,635	36,421	1,017,224
2017	406,096	1,560,413	415,606	29,532	596,139
2018	330,340	1,027,746	367,664	23,316	336,618
2019	253,536	615,441	242,631	19,243	165,286
Thereafter	1,724,773	2,525,991	837,876	66,277	248,520
	$3,658,830	$10,772,858	$3,528,791	$219,156	$3,935,339

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. Thus, the Company made no provision for federal income taxes for the REIT in the accompanying condensed consolidated financial statements. 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 failed to qualify. If the Company loses its REIT status, it could not elect to be taxed as a REIT for five years unless the Company’s failure to qualify was due to a reasonable cause and certain other conditions were satisfied.

Use of Estimates

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

Noncontrolling Interests

Noncontrolling interests is the portion of equity in the Operating Partnership not attributable to the Trust. Accordingly, the Company has reported noncontrolling interests in equity on the September 30, 2014 unaudited condensed consolidated balance sheet but separate from the Company’s shareholders’ equity. On the September 30, 2014 unaudited condensed consolidated statements of operations, the subsidiaries are reported at the consolidated amount, including both the amount attributable to the

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Wheeler Real Estate Investment Trust, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)
2. Summary of Significant Accounting Policies (continued)

Company and noncontrolling interests. The unaudited condensed consolidated statement of equity includes beginning balances, activity for the period and ending balances for shareholders' equity, noncontrolling interests and total equity. The noncontrolling interest of the Operating Partnership common unit holders is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's net assets (total assets less total liabilities). The noncontrolling interest percentage is calculated at any point in time by dividing the number of units not owned by the Company by the total number of units outstanding. The noncontrolling interest ownership percentage will change as additional units are issued or as units are exchanged for the Company's Common Stock. 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 issued Accounting Standards Update 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. The new standard is effective for the Company in the first quarter of the year ended December 31, 2017 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to prior period amounts to make their presentation comparable with the current period. These reclassifications had no impact on net income.

3. Investment Properties

Investment properties consist of the following:

	September 30, 2014 (unaudited)	December 31, 2013
Land	$33,990,680	$26,828,228
Land held for improvement	4,196,918	—
Buildings and improvements	106,701,707	80,003,805
Investment properties at cost	144,889,305	106,832,033
Less accumulated depreciation and amortization	(7,348,240)	(5,059,698)
Investment properties, net	$137,541,065	$101,772,335

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.

Acquisitions

Cypress Shopping Center Acquisition

On July 1, 2014, the Company completed its acquisition of Cypress Shopping Center, an 80,435 square foot grocery-anchored shopping center located in Boiling Springs, South Carolina ("Cypress") for a contract price of $8,300,000, paid through a combination of cash and debt. Cypress is currently 94% leased and its major tenants include Bi-Lo and Dollar General.

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

Harrodsburg Marketplace Acquisition
On July 1, 2014, the Company completed its acquisition of Harrodsburg Marketplace, a 60,048 square foot grocery-anchored shopping center located in Harrodsburg, Kentucky ("Harrodsburg") for a contract price of $5,000,000, paid through a combination of cash and debt. Harrodsburg is currently 97% leased and its major tenants include Kroger and Arby's.
Port Crossing Shopping Center Acquisition
On July 3, 2014, the Company completed the acquisition of Port Crossing Shopping Center, a 65,365 square foot grocery-anchored shopping center located in Harrisonburg, Virginia ("Port Crossing") for a contract price of $9,311,400. Port Crossing is 92% leased and is anchored by a Food Lion grocery store. The Company acquired the property from a related party through a combination of cash, the issuance of 157,429 common units in the Operating Partnership and the assumption of outstanding debt.
LaGrange Markeplace Acquisition
On July 25, 2014, the Company completed the acquisition of LaGrange Marketplace, a 76,594 square foot grocery-anchored shopping center located in LaGrange, Georgia ("LaGrange") for a contract price of $3,695,000. LaGrange is 93% leased and is anchored by a Food Depot grocery store. The Company acquired the property from a related party through a combination of cash, the issuance of 105,843 common units in the Operating Partnership and the assumption of outstanding debt.
DF I-Courtland Acquisition
On August 15, 2014, the Company completed its acquisition of DF I-Courtland, LLC ("DF I-Courtland"), consisting of a 1.03 acre parcel of undeveloped real estate located in Courtland, Virginia, for a contract price of $893,900. The Company believes that this parcel can accommodate a 8,400 square foot facility. There are currently no development plans for DF I-Courtland, but management believes that it could support a retail facility that would be complementary to the Company's existing portfolio.
DF I-Moyock Acquisition
On August 15, 2014, the Company completed its acquisition of DF I-Moyock, LLC ("DF I-Moyock"), consisting of a 1.28 acre parcel of undeveloped real estate located in Moyock, North Carolina, for a contract price of $908,100. The Company believes that this parcel can accommodate a 9,000 square foot facility. There are currently no development plans for DF I-Moyock, but management believes that it could support a retail facility that would be complementary to the Company's existing portfolio.
Edenton Commons Acquisition
On August 15, 2014, the Company completed its acquisition of Edenton Commons ("Edenton Commons"), consisting of a 53.82 acre parcel of undeveloped real estate located in Edenton, North Carolina, for a contract price of $2,395,000. The Company believes that this parcel can accommodate a 225,000 square foot facility. There are currently no development plans for Edenton Commons, but management believes that it could support a retail facility that would be complementary to the Company's existing portfolio.
Freeway Junction Acquisition
On September 4, 2014, the Company completed the acquisition of Freeway Junction, a 156,834 square foot shopping center located in Stockbridge, Georgia ("Freeway Junction") for a contract price of $10,450,000, paid through a combination of cash and debt. Freeway Junction is 98% leased and is anchored by Northern Tool, Ollie's Bargain Outlet, Goodwill and Farmer's Furniture.
Graystone Crossing Acquisition
On September 26, 2014, the Company completed the acquisition of Graystone Crossing, a 21,997 square foot shopping center located in Tega Cay, South Carolina ("Graystone Crossing") for a contract price of $5,400,000, paid through a combination of cash and debt. Graystone Crossing is 100% leased and is anchored by T-Mobile, Tropical Smoothie Cafe, and Edible Arrangements.

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

The following summarizes the consideration paid and the preliminary estimated fair values of assets acquired and liabilities assumed in conjunction with the acquisitions described above, along with a description of the methods used to determine fair value. In determining fair values, 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. The valuations and purchase price allocations for these acquisitions remain preliminary but are expected to be finalized prior to December 31, 2014.

		Total
Preliminary estimated fair value of assets acquired and liabilities assumed:		
	Investment property (a)	$37,574,579
	Lease intangibles and other assets (b)	6,460,404
	Above market leases (b)	3,441,769
	Below market leases (b)	(1,123,434)
	Preliminary fair value of net assets acquired	$46,353,318
Purchase consideration:		
	Consideration paid with cash and debt	$45,116,509
	Consideration paid with common units	1,236,809
	Total consideration (c)	$46,353,318

a. Represents the preliminary estimated fair value of the investment property acquired which includes land, buildings, site improvements and tenant improvements. The fair value was determined using the following approaches:
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.

b. Represents the preliminary estimated fair value of lease intangibles and other assets. Lease intangibles include leasing commissions, in place leases, above/below makret leases and legal and marketing fees associated with replacing existing leases. The income approach was used to determine the fair value of these intangible assets which included estimated market rates and expenses. It was determined that carrying value approximated fair value for other asset amounts.

c. Represents the components of purchase consideration paid.

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

The Company incurred $1,905,044 in acquisition expenses for these acquisitions. These costs are included on the unaudited condensed consolidated statement of operations under the caption "Corporate general & administrative."
Unaudited pro forma financial information in the aggregate is presented below for certain acquisitions. The unaudited pro forma information presented below includes the effects of the acquisitions as if they had been consummated as of the beginning of the prior fiscal year. The pro forma results include adjustments for depreciation and amortization associated with acquired tangible and intangible assets, straight-line rent adjustments and interest expense related to debt incurred. Unaudited pro forma finanical information has not been presented for DF-I Edenton, DF-I Moyock, and DF-I Courtland as the Company's management has determined that their inclusion would not be meaningful due to the lack of operating history.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Rental revenue	$3,684,359	$2,604,383	$11,149,907	$6,934,315
Net loss	$(4,093,147)	$(2,861,306)	$(8,013,106)	$(5,651,799)
Basic loss per share	$(0.55)	$(0.61)	$(1.10)	$(1.50)
Diluted loss per share	$(0.55)	$(0.61)	$(1.10)	$(1.50)

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

4. Loans Payable
The Company's loans payable consist of the following:

Property/Description	Monthly Payment	Interest Rate	Maturity	September 30, 2014 (unaudited)	December 31, 2013
Shoppes at Eagle Harbor	$24,692	4.34 %	March 2018	$3,806,965	$3,905,321
Lumber River Plaza	$18,414	5.65 %	May 2015	2,915,044	2,973,987
Monarch Bank Building	$9,473	4.15 %	December 2017	1,444,275	1,483,230
Perimeter Square	$28,089	6.38 %	June 2016	4,325,681	4,417,812
Riversedge North	$13,556	6.00 %	January 2019	1,018,865	2,061,790
Walnut Hill Plaza	$24,273	5.50 %	July 2017	3,649,148	—
Harps at Harbor Point	$18,122	3.99 %	December 2015	3,272,979	3,335,628
Twin City Commons	$17,827	4.86 %	January 2023	3,292,179	3,330,108
Shoppes at TJ Maxx	$33,880	3.88 %	May 2020	6,289,116	6,409,077
Bixby Commons	Interest only	2.77 %	June 2018	6,700,000	6,700,000
Bank Line of Credit	Interest only	4.25 %	September 2015	2,074,432	—
Forrest Gallery	$50,973	5.40 %	September 2023	9,075,000	9,075,000
Jenks Reasors	Interest only	4.25 %	September 2016	8,550,000	8,550,000
Tampa Festival	$50,797	5.56 %	September 2023	8,776,046	8,859,888
Starbucks/Verizon	$4,383	5.00 %	July 2019	656,911	—
Winslow Plaza	Interest only	5.22 %	December 2015	5,000,000	5,000,000
Cypress Shopping Center	Interest only	4.70 %	July 2024	6,625,000	—
Harrodsburg Marketplace	Interest only	4.55 %	September 2024	3,750,000	—
Port Crossing	$34,788	4.84 %	August 2024	6,592,720	—
LaGrange Marketplace	Interest only	5.00 %	February 2020	2,477,555	—
Freeway Junction	Interest only	4.60 %	October 2024	8,150,000	—
DF I-Courtland	$1,411	6.50 %	January 2019	118,032	—
DF I-Edenton	$250,000 [1]	3.75 %	September 2016	2,150,000	—
DF I-Moyock	$10,665	5.00 %	July 2019	547,609	—
Graystone Crossing	$20,386	4.55 %	September 2024	4,000,000	—
Senior convertible notes	Interest only	9.00 %	December 2018	6,000,000	6,000,000
Senior non-convertible notes	Interest only	9.00 %	December 2015	4,000,000	4,000,000
Senior non-convertible notes	Interest only	9.00 %	January 2016	2,160,000	—
South Carolina Food Lions note	Interest only	5.25 %	January 2024	12,375,000	12,375,000
Starbucks/Verizon	$7,405	6.50 %	July 2015	—	621,197
Walnut Hill Plaza	$25,269	6.75 %	July 2014	—	3,464,465
Bank Line of Credit	Interest only	4.50 %	May 2015	—	2,000,000
Total Loans Payable				$129,792,557	$94,562,503

(1) $250,000 plus accrued interest paid quarterly until maturity.

Non-convertible senior notes

On January 31, 2014, the Company completed a second closing (“Second Closing”) consisting of the private placement of $2,160,000 of non-convertible senior notes and warrants to purchase shares of the Company’s common stock. The non-convertible senior notes have an interest rate of 9.00% per annum (payable monthly) and mature on January 31, 2016. The warrants issued permit the purchase of an aggregate of 227,372 shares of the Company’s common stock, have an exercise price of $4.75 per share, expire on January 31, 2019 and were not exercisable unless the Company obtained shareholder approval for this transaction and the issuance of the common stock underlying the warrants. The Company's shareholders approved the transaction and the issuance of the common stock underlying the warrants at its annual meeting in June 2014.

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

4. Loans Payable (continued)
Debt Maturity
The Company's scheduled principal repayments on indebtedness as of September 30, 2014 are as follows:

	For the Periods Ending September 30, (unaudited)
2015	$ 7,558,004
2016	29,327,104
2017	5,312,947
2018	12,486,112
2019	8,882,096
Thereafter	66,226,294
Total principal maturities	$ 129,792,557

Financing Activity

On July 2, 2014, the Company entered into a promissory note for $660,000 to refinance the Starbucks/Verizon loan. The new loan matures on July 2, 2019 and requires monthly principal and interest payments of $4,383 based on a 20 year amortization and a 5.00% fixed interest rate.

The Walnut Hill loan matured on April 11, 2014, and was subsequently extended until July 31, 2014. On July 31, 2014, the Company entered into a promissory note for $3,650,000 to refinance the note that matured. The new loan matures on July 30, 2017 and requires monthly principal and interest payments of $24,273 based on a 20 year amortization and a 5.50% fixed interest rate.

On September 16, 2014, the Company entered into a Promissory Note (the "Note") for a $3,000,000 line of credit. The Note matures on September 16, 2015, provides for an interest rate of 4.25% per annum and is guaranteed by a Deed of Trust and Assignment of Rents on real property. Concurrently with this transaction, the Company paid off its $2,000,000 line of credit.

5. Rentals under Operating Leases

Future minimum rentals to be received under noncancelable tenant operating leases for each of the next five years and thereafter, excluding CAM and percentage rent based on tenant sales volume, as of September 30, 2014 are as follows:

	For the Periods Ending September 30, (unaudited)
2015	$ 15,458,543
2016	13,880,334
2017	11,985,750
2018	9,004,755
2019	6,329,581
Thereafter	35,858,260

$92,517,223

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

6. Equity

Earnings per share

Basic earnings per share for the Company’s common shareholders is calculated by dividing income 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 attributable to common shareholders, excluding amounts attributable to preferred shareholders and the net loss attributable to noncontrolling interests, by the weighted-average number of common shares including any dilutive shares.

As of September 30, 2014, 1,708,250 of the Operating Partnership’s common units outstanding to noncontrolling interests are eligible to be converted into shares of common stock on a one-to-one basis. Additionally, 1,648,900 shares of Series B convertible preferred stock ("Series B Preferred Stock") and $6,000,000 of senior convertible debt are eligible to be converted into 9,661,579 shares of the Company's common stock and warrants to purchase 2,635,025 shares of the Company's common stock were outstanding at September 30, 2014. The common units, convertible preferred stock, senior convertible debt and warrants have been excluded from the Company’s diluted earnings per share calculation because their inclusion would be antidilutive.

Dividends

Dividends were made to holders of common units, common shares and preferred shares as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Common unit and common shareholders	$996,657	$809,120 [1]	$2,930,094	$1,892,630
Preferred shareholders	$1,088,062	$79,049	$1,552,320	$101,549

(1) Amount was previously erroneously disclosed as $989,705; however, it had no effect on any previously reported amounts.

On September 16, 2014, the Company declared a $0.035 per share dividend payable on or about October 31, 2014 to shareholders and unitholders of record as of September 30, 2014. Accordingly, the Company has accrued $332,436 as of September 30, 2014 for this dividend.

During the three months ended September 30, 2014, the Company declared quarterly dividends of $968,209 to preferred shareholders of record as of September 30, 2014 to be paid on October 15, 2014. Accordingly, the Company has accrued $968,209 as of September 30, 2014 for this dividend.

Series B Preferred Stock Offering

On April 29, 2014, the Company completed its Series B Preferred Stock Offering (“Offering”), in which 144,000 units were issued, consisting of 720,000 shares of Series B Preferred Stock and warrants to purchase 864,000 of the Company’s common stock. On May 21, 2014, the Company's underwriters exercised their over-allotment option, in which 21,600 units were issued, consisting of 108,000 additional shares of Series B Preferred Stock, and an additional 129,600 warrants. The Series B Preferred Stock bears interest at a rate of 9% per annum and has a conversion price of $5.00 per share of common stock, which if fully converted would result in the issuance of 9,661,579 shares of the Company's common stock. The Series B Preferred Stock will automatically convert into shares of the Company’s common stock if the 20-day volume weighted adjusted closing price of the Company's common stock exceeds $7.25 per share on the NASDAQ Capital Market. Each warrant permits investors to purchase one share of common stock at an exercise price of $5.50 per share, subject to adjustment. Net proceeds from the Offering totaled $18,671,378, which includes the impact of the underwriters' selling commissions and legal, accounting and other professional fees. Proceeds from the Offering will be used for future acquisitions and for general corporate purposes.

On September 17, 2014, the Company completed a follow-on Series B Preferred Stock Offering ("Secondary Offering"), in which 144,000 units were issued, consisting of 720,000 shares of Series B Preferred Stock and warrants to purchase 864,000 of the Company's common stock. On September 23, 2014, the Company's underwriters exercised their over-allotment option, in which 20,200 units were issued, consisting of 101,000 additional shares of Series B Preferred Stock, and an additional 129,600 warrants. Net proceeds from the Secondary Offering totaled $18,576,250, which includes the impact of the

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underwriters' selling commissions and legal, accounting and other professional fees. Proceeds from the Secondary Offering will be used for future acquisitions and for general corporate purposes.

On April 24, 2014, in contemplation of the Offering, the Company increased the number of preferred shares authorized from 500,000 to 5,000,000, and authorized 1,000,000 shares of Series B Preferred Stock for the Offering. On August 19, 2014, the number of Series B Preferred Stock authorized was increased from 1,000,000 to 3,000,000 in contemplation of the Secondary Offering.

Equity Issuances under Share Incentive Plan

During the nine months ended September 30, 2014, the Company issued 40,274 shares to directors, officers and consultants for services rendered to the Company. The market value of these shares at the time of issuance was approximately $190,000. As of September 30, 2014, there are 459,726 shares available for issuance under the Company’s Share Incentive Plan.

7. Commitments and Contingencies

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.

On July 10, 2008, one of the Company’s subsidiaries, Perimeter Associates, LLC (“Perimeter”), sued a tenant for breach of contract, guaranty of the contract and fraud related to an executed lease. In response, on August 22, 2008, the defendant filed a counterclaim against Perimeter for breach of contract, unjust enrichment and fraud. On April 8, 2013, the court found in favor of the defendant and assessed damages against Perimeter in the amount of $13,300. On or about May 8, 2013, Perimeter appealed the judgment of the lower court to the Oklahoma Supreme Court. Subsequent to the initial judgment, the defendant’s attorney applied to the court to be reimbursed for approximately $368,000 in legal fees incurred by the defendant during litigation. On July 9, 2013, the lower court awarded the defendant approximately $267,000 of the defendant’s legal fees. Perimeter expects to amend its appeal with the Oklahoma Supreme Court to include the issue of the award of legal fees. The Company has posted bonds for both judgments and has accrued for the judgments in its financial statements. The Company will continue to vigorously litigate the issues raised upon appeal.

8. Related Party Transactions

Jon S. Wheeler (“Mr. Wheeler”), the Company’s Chairman and Chief Executive Officer, when combined with his affiliates, represents the Company’s largest stockholder.

Wheeler Interests, LLC (“Wheeler Interests”), which is controlled by Mr. Wheeler, leases the Company’s Riversedge property under a 10 year operating lease expiring in November 2017, with four five year renewal options available. The lease currently requires monthly base rent payments of $24,000 and provides for annual increases throughout the term of the lease and subsequent option periods. Additionally, Wheeler Interests reimburses the Company for a portion of the property’s operating expenses and real estate taxes.

The following summarizes related party activity as of and for the nine months ended September 30, 2014 and 2013 (unaudited):

	September 30,	
	2014	2013
Amounts paid to Wheeler Interests and its affiliates	$2,798,847	$1,412,126
Amounts due to/(from) Wheeler Interests and its affiliates	$(193,532)	$69,485
Rent and reimbursement income received from Wheeler Interests	$296,403	$297,432
Rent and other tenant receivables due from Wheeler Interests	$509,331	$379,481

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9. Subsequent Events

Bryan Station Acquisition

On October 2, 2014, the Company completed its acquisition of Bryan Station, an 54,397 square foot shopping center located in Lexington, Kentucky (“Bryan Station”) for a contract price of $6,100,000, paid through a combination of cash and debt. Bryan Station is currently 100% leased and its major tenants include Planet Fitness and Shoe Carnival.

Crockett Square Acquisition

On November 5, 2014, the Company completed its acquisition of Crockett Square, a 101,722 square foot shopping center located in Morristown, Tennessee ("Crockett Square") for a contract price of $9,750,000, paid through a combination of cash and debt. Crockett Square is currently 100% leased and its major tenants include Hobby Lobby, Dollar Tree and Pier 1 Imports.

Contribution of Operating Companies' Membership Interests

On October 24, 2014, the Operating Partnership entered into a Membership Interest Contribution Agreement ("Contribution Agreement") with Mr. Wheeler, for the contribution of Mr. Wheeler's membership interests in Wheeler Interests and WHLR Management, LLC ("WHLR Management", along with Wheeler Interests collectively the "Operating Companies"). Wheeler Interests wholly owns Wheeler Real Estate, LLC. These entities were wholly owned by Mr. Wheeler at the time of the Contribution Agreement. The purpose of the Contribution Agreement was to internalize the management of the Trust. Pursuant to the terms of the Contribution Agreement, Mr. Wheeler received 1,516,853 common units of the Operating Partnership worth $6,750,000 at the time of issuance.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in this Form 10-Q, along with the consolidated and combined financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Form 10-K for the year ended December 31, 2013. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited condensed consolidated financial statements included in this Form 10-Q.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "potential," "predicts," "anticipates," "expects," "intends," "plans," "believes," " "estimates" or the negative of such terms and variations of these words and similar expressions, although not all forward-looking statements include these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned not to place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Form 10-Q. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" sections of our Registration Statement on Form S-11 (as amended) filed with the Securities and Exchange Commission ("SEC") on September 9, 2014.

Executive Overview

The September 30, 2014 three and nine month periods include the combined operations of all properties owned at December 31, 2013 as described in our 2013 Form 10-K, and a partial quarter of operations for Cypress Shopping Center, Port Crossing Shopping Center, Harrodsburg Marketplace, LaGrange Marketplace, Freeway Junction, and Graystone Crossing. Conversely, the September 2013 three and nine month periods only include a full period of combined operations for all properties owned at December 31, 2012 as described in our 2012 Annual Report on Form 10-K ("2012 Form 10-K"), a full quarter of operations for the Bixby Commons property that was acquired in June 2013, and a partial quarter of operations for the Jenks Reasors, Forrest Gallery and Tampa Festival properties, which were all acquired in August and September 2013. In providing the following discussion and analysis of our results of operations, we have separately identified the activities of properties owned for the entire 2013 annual period (collectively referred to as "same stores") and of those properties acquired during 2013 and 2014(collectively referred to as "new stores"). This illustrates the significant impact the properties acquired during 2013 had on our results of operations.

Leasing Activity

Renewals during the first nine months of 2014 were comprised of twenty-three deals totaling 106,470 square feet with a weighted average increase of $0.15 per square foot. The rates on negotiated renewals resulted in a weighted average increase of $0.93 per square foot on eleven renewals and a $5.19 per square foot decrease on four renewals. Eight of the twenty-three renewals resulted in no changes to rent per square foot, while eleven renewals represented options being exercised.

New lease activity during the first nine months of 2014 was comprised of fourteen deals totaling 33,996 square feet with a weighted average rate of $12.60 per square foot. There were no leases that expired during the period that were not renewed by the tenant.

Approximately 5.56% of our gross leasable area is subject to leases that expire during the twelve months ending September 30, 2015 that have not already been renewed. Based on recent market trends, we believe that these leases will be renewed at amounts and terms comparable to existing lease agreements.

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Acquisitions

On July 1, 2014, we completed the acquisition of Cypress Shopping Center, an 80,435 square foot grocery-anchored shopping center located in Boiling Springs, South Carolina (“Cypress”) for a contract price of $8,300,000, paid through a combination of cash and debt. Cypress is currently 94% leased and its major tenants include Bi-Lo and Dollar General.

On July 1, 2014, we completed the acquisition of Harrodsburg Marketplace, a 60,048 square foot grocery-anchored shopping center located in Harrodsburg, Kentucky ("Harrodsburg") for a contract price of $5,000,000, paid through a combination of cash and debt. Harrodsburg is currently 97% leased and its major tenants include Kroger and Arby's.

On July 3, 2014, we completed the acquisition of Port Crossing Shopping Center, a 65,365 square foot grocery-anchored shopping center located in Harrisonburg, Virginia ("Port Crossing") for a contract price of $9,311,400. Port Crossing is 92% leased and is anchored by a Food Lion grocery store. we acquired the property from a related party through a combination of cash, the issuance of 157,429 common units in the Operating Partnership and the assumption of outstanding debt.

On July 25, 2014, we completed the acquisition of LaGrange Marketplace, a 76,594 square foot grocery-anchored shopping center located in LaGrange, Georgia ("LaGrange") for a contract price of $3,695,000. LaGrange is 93% leased and is anchored by a Food Depot grocery store. We acquired the property from a related party through a combination of cash, the issuance of 105,843 common units in the Operating Partnership and the assumption of outstanding debt.

On August 15, 2014, we completed its acquisition of DF I-Courtland, LLC ("DF I-Courtland"), consisting of a 1.03 acre parcel of undeveloped real estate located in Courtland, Virginia, for a contract price of $893,900. We believe that this parcel can accommodate a 8,400 square foot facility. There are currently no development plans for DF I-Courtland, but we believe that it could support a retail facility that would be complementary to our existing portfolio.

On August 15, 2014, we completed its acquisition of DF I-Moyock, LLC ("DF I-Moyock"), consisting of a 1.28 acre parcel of undeveloped real estate located in Moyock, North Carolina, for a contract price of $908,100. We believe that this parcel can accommodate a 9,000 square foot facility. There are currently no development plans for DF I-Moyock, but we believe that it could support a retail facility that would be complementary to our existing portfolio.

On August 15, 2014, we completed its acquisition of Edenton Commons ("Edenton Commons"), consisting of a 53.82 acre parcel of undeveloped real estate located in Edenton, North Carolina, for a contract price of $2,395,000. We believe that this parcel can accommodate a 225,000 square foot facility. There are currently no development plans for Edenton Commons, but we believe that it could support a retail facility that would be complementary to our existing portfolio.

On September 4, 2014, we completed the acquisition of Freeway Junction, a 156,834 square foot shopping center located in Stockbridge, Georgia ("Freeway Junction") for a contract price of $10,450,000, paid through a combination of cash and debt. Freeway Junction is 98% leased and is anchored by Northern Tool, Ollie's Bargain Outlet, Goodwill and Farmer's Furniture.

On September 26, 2014, we completed the acquisition of Graystone Crossing, a 21,997 square foot shopping center located in Tega Cay, South Carolina ("Graystone Crossing") for a contract price of $5,400,000, paid through a combination of cash and debt. Graystone Crossing is 100% leased and is anchored by T-Mobile, Tropical Smoothie Cafe, and Edible Arrangements.

On October 2, 2014, the Company completed its acquisition of Bryan Station, an 54,397 square foot shopping center located in Lexington, Kentucky (“Bryan Station”) for a contract price of $6,100,000, paid through a combination of cash and debt. Bryan Station is currently 100% leased and its major tenants include Planet Fitness and Shoe Carnival.

On November 5, 2014, the Company completed its acquisition of Crockett Square, a 101,722 square foot shopping center located in Morristown, Tennessee ("Crockett Square") for a contract price of $9,750,000, paid through a combination of cash and debt. Crockett Square is currently 100% leased and its major tenants include Hobby Lobby, Dollar Tree and Pier 1 Imports.

Critical Accounting Policies

In preparing the condensed consolidated financial statements, we have made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results may differ from these estimates. A summary of our critical accounting policies is included in our 2013 Form 10-K under "Management's Discussion and Analysis of Financial Condition and Results of Operations." There have been no significant changes to these policies during the nine months ended September 30, 2014. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the condensed consolidated financial statements included in this Form 10-Q.

Three and Nine Months Ended September 30, 2014 Compared to the Three and Nine Months Ended September 30, 2013

Results of Operations

The following table presents a comparison of the condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013, respectively.