

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

Commission file number 001-35713

**WHEELER REAL ESTATE INVESTMENT
TRUST, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

45-2681082
(I.R.S. Employer
Identification No.)

2529 Virginia Beach Blvd., Suite 200
Virginia Beach, Virginia
(Address of Principal Executive Offices)

23452
(Zip Code)

(757) 627-9088
(Registrant's Telephone Number, Including Area Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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

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

As of December 6, 2012, there were 3,301,502 shares of common stock, \$0.01 par value per share, outstanding.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Unaudited Pro Forma Condensed Consolidated Financial Statements

Wheeler Real Estate Investment Trust, Inc. (the “Trust”) is a Maryland corporation formed on June 23, 2011 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Jon S. Wheeler and/or his affiliates, including certain entities controlled by Plume Street Financial, LLC (“PSF”). In conjunction with acquiring the various entities, the Trust filed a Registration Statement with the Securities and Exchange Commission (“SEC”) on Form S-11 (“Registration Statement”) in order to complete an initial public offering (the “offering”). On October 23, 2012, the Trust’s Registration Statement became effective and the common stock was priced at \$5.25. On November 16, 2012, the Trust closed the offering by selling 3,016,045 shares of common stock at \$5.25 per share, generating approximately \$15.83 million in gross proceeds. Additionally, the formation transactions as described in our Registration Statement and in this Quarterly Report on Form 10-Q (the “Form 10-Q”) (the “formation transactions”) were executed. The pro forma effect of the executed offering and the formation transactions on the financial statements is presented below. You should read the information below along with all other financial information and analysis presented in this Form 10-Q and the Registration Statement, including the sections captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; the Wheeler Real Estate Investment Trust, Inc. and Affiliates historical financial statements and related notes; and the historical financial statements and related notes of the PSF Entities.

Wheeler Real Estate Investment Trust, L.P. (our “Operating Partnership”) was formed as a Virginia limited partnership on April 5, 2012. All operations will primarily be carried out through our Operating Partnership. The Trust, as the sole general partner of our Operating Partnership, will have control of our Operating Partnership. Accordingly, the Trust will consolidate the assets, liabilities and results of operations of our Operating Partnership.

Wheeler Real Estate Investment Trust, Inc. and Affiliates includes the Trust, the Operating Partnership and the entities owned and/or controlled by Mr. Wheeler and/or his affiliates, which in turn own controlling interests in five properties (together with its combined entities, the “Predecessor”, the “Company”, “WHLR and Affiliates” or the “Controlled Entities”). Accordingly, the contribution of or acquisition by merger of interests in the Controlled Entities is being accounted for as a transaction between entities under common control and, therefore, the acquisition of interests in each of the Controlled Entities will be recorded at our historical cost. In conjunction with the offering and related formation transactions, the Company acquired the noncontrolling interests in entities owning three properties that are currently controlled by PSF (“PSF Entities” or “Noncontrolled Entities”), of which Mr. Wheeler is a 50% partner. The entities and respective properties party to the transactions are as follows:

Controlled Entities (Predecessor):

Wheeler Real Estate Investment Trust, Inc.
DF-1 Carrollton, LLC – The Shoppes at Eagle Harbor (Carrollton, VA)
Lynnhaven Parkway Associates, LLC – Monarch Bank Building (Virginia Beach, VA)
North Pointe Investors, LLC – North Pointe Crossing/Amscot Building (Tampa, FL)
Riversedge Office Associates, LLC – Riversedge North (Virginia Beach, VA)
Walnut Hill Plaza Associates, LLC – Walnut Hill Plaza (Petersburg, VA)

Noncontrolled Entities:

Lumber River Associates, LLC – Lumber River Village (Lumberton, NC)
Perimeter Associates, LLC – Perimeter Square (Tulsa, OK)
Tuckernuck Associates, LLC – Shoppes at TJ Maxx (Richmond, VA)

We determined that Walnut Hill Plaza Associates, LLC is the acquirer for accounting purposes as it represents the largest of the five entities in both asset size and total revenues and the exchange of equity interests related to this entity results in the largest number of common units being received by Mr. Wheeler and its other investors. Since Mr. Wheeler does not own a controlling interest in the PSF Entities, the acquisition of the Noncontrolled Entities listed above will be accounted for as an acquisition under the purchase accounting method and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification (“ASC”) section 805-10, *Business Combinations*. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimated the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value, and acquired below-market leases) and assumed debt.

The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization. The value of above- and below-market in place leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income. The fair value of the debt assumed is determined using current market interest rates for comparable debt financings. The estimated purchase price of the Noncontrolled Entities for pro forma purposes is based on a relative equity evaluation analysis of the properties which incorporates cash flows and outstanding mortgage debt of the properties.

Wheeler Real Estate Investment Trust, Inc. and Affiliates
Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated financial information sets forth:

- the historical financial information of the Predecessor as of and for the nine months ended September 30, 2012 (unaudited) and for the year ended December 31, 2011 as derived from the financial statements of WHLR and Affiliates;
- the fair value balance sheet for the PSF Entities as of September 30, 2012 and the historical results of operations for the nine months ended September 30, 2012 (unaudited) and for the year ended December 31, 2011;
- pro forma adjustments related to executing the November 16, 2012 formation transactions by the Predecessor as of September 30, 2012 for purposes of the unaudited pro forma condensed consolidated balance sheet and as of January 1, 2011 for purposes of the unaudited pro forma condensed consolidated statements of operations; and
- pro forma adjustments related to the November 16, 2012 initial public offering as if the transaction was completed as of September 30, 2012 for purposes of the unaudited pro forma condensed consolidated balance sheet and as of January 1, 2011 for purposes of the unaudited pro forma condensed consolidated statements of operations.

The properties in our portfolio have not been reassessed for property tax purposes as a result of the offering and formation transactions. However, the properties may be reassessed in the future which may result an increase property taxes. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2012

	<u>WHLR and Affiliates (Predecessor)</u>	<u>PSF Entities (1)</u>	<u>Combined Before Offering and Other Formation Transactions</u>	<u>Formation and Offering Transactions</u>	<u>Post Formation/Offering Consolidated Entity</u>
ASSETS:					
Net investment properties	\$12,684,050	\$22,809,690 (1)	\$ 35,493,740	\$ —	\$ 35,493,740
Cash and cash equivalents	53,632	74,036 (2)	127,668	13,512,120 (5)	7,352,504
				(2,979,868) (2)	
				(1,203,204) (2)	
				(1,782,337) (6)	
				(321,875) (7)	
Tenant and other receivables	622,775	95,851 (1)	718,626	—	718,626
Deferred costs, reserves, intangibles and other assets	<u>1,250,773</u>	<u>1,849,139</u> (1)	<u>3,099,912</u>	<u>(1,382,476)</u> (8)	<u>1,717,436</u>
Total Assets	<u>\$14,611,230</u>	<u>\$24,828,716</u>	<u>\$ 39,439,946</u>	<u>\$ 5,842,360</u>	<u>\$ 45,282,306</u>
LIABILITIES:					
Mortgages and other indebtedness	\$11,953,896	\$13,571,168 (1)	\$ 25,525,064	\$ (321,875) (7)	\$ 25,203,189
Accounts payable, accrued expenses and other liabilities	1,316,913	223,596 (1)	1,540,509	(1,127,855) (9)	412,654
Above/(below) market lease intangibles	—	3,156,441 (1)	3,156,441	—	3,156,441
Due to (from) related parties	<u>1,068,712</u>	<u>83,793</u> (1)	<u>1,152,505</u>	<u>(1,062,890)</u> (6)	<u>89,615</u>
Total Liabilities	<u>14,339,521</u>	<u>17,034,998</u>	<u>31,374,519</u>	<u>(2,512,620)</u>	<u>28,861,899</u>
Commitments and contingencies	—	—	—	—	—
EQUITY:					
Preferred stock	999,000	—	999,000	(999,000) (10)	—
Members' equity	2,755,675	7,793,718	10,549,393	(10,549,393) (3)	—
Common stock	—	—	—	33,015 (11)	33,015
Additional paid-in capital	—	—	—	14,223,484 (12)	14,223,484
Accumulated deficit	(3,482,966)	—	(3,482,966)	(719,447) (6)	(4,691,271)
				(488,858) (4)	
Noncontrolling interest	—	— (1)(2)	—	4,813,850 (2)	6,855,179
				<u>2,041,329</u> (4)	
Total Equity	<u>271,709</u>	<u>7,793,718</u>	<u>8,065,427</u>	<u>8,354,980</u>	<u>16,420,407</u>
Total Liabilities and Equity	<u>\$14,611,230</u>	<u>\$24,828,716</u>	<u>\$ 39,439,946</u>	<u>\$ 5,842,360</u>	<u>\$ 45,282,306</u>

See accompanying notes and management's assumptions to unaudited pro forma condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Nine Months Ended September 30, 2012

	<u>WHLR and Affiliates (Predecessor)</u>	<u>PSF Entities</u>	<u>Combined Before Formation/Offering Transactions</u>	<u>Formation and Offering Transactions</u>	<u>Post Offering Consolidated Entities</u>
REVENUE:					
Minimum rent	\$1,197,798	\$1,571,849	\$ 2,769,647	\$ 465,336 (13)	\$ 3,234,983
Percentage of sales rent	1,054	16,612	17,666	—	17,666
Tenant reimbursements	292,656	392,067	684,723	—	684,723
Other income	<u>12,878</u>	<u>89,902</u>	<u>102,780</u>	<u>—</u>	<u>102,780</u>
Total Revenue	<u>1,504,386</u>	<u>2,070,430</u>	<u>3,574,816</u>	<u>465,336</u>	<u>4,040,152</u>
OPERATING EXPENSES:					
Property operating	210,109	323,297	533,406	—	533,406
Depreciation and amortization	556,452	393,004	949,456	566,067 (14)	1,515,523
Real estate taxes	80,204	139,736	219,940	—	219,940
Repairs and maintenance	41,995	45,186	87,181	—	87,181
Advertising and promotion	3,381	3,644	7,025	—	7,025
Provision for credit losses	—	45,805	45,805	—	45,805
Corporate general & administrative	757,073	194,361	951,434	—	951,434 (16)
Other	<u>27,200</u>	<u>45,741</u>	<u>72,941</u>	<u>—</u>	<u>72,941</u>
Total Operating Expenses	<u>1,676,414</u>	<u>1,190,774</u>	<u>2,867,188</u>	<u>566,067</u>	<u>3,433,255</u>
Operating Income	(172,028)	879,656	707,628	(100,731)	606,897
Interest expense	<u>(593,496)</u>	<u>(641,076)</u>	<u>(1,234,572)</u>	<u>41,191 (15)(17)</u>	<u>(1,193,381)</u>
Net Income (Loss)	<u>\$ (765,524)</u>	<u>\$ 238,580</u>	<u>\$ (526,944)</u>	<u>\$ (59,540)</u>	(586,484)
Net loss allocated to noncontrolling interests					<u>(201,963)</u>
Net loss allocated to common stockholders					<u>\$ (384,521)</u>
Pro forma loss per share:					
Basic					<u>\$ (0.12)</u>
Diluted					<u>\$ (0.12)</u>
Pro forma weighted-average number of shares:					
Basic					<u>3,301,502</u>
Diluted					<u>3,301,502</u>

See accompanying notes and management's assumptions to unaudited pro forma condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year Ended December 31, 2011

	<u>WHLR and Affiliates (Predecessor)</u>	<u>PSF Entities</u>	<u>Combined Before Formation/Offering Transactions</u>	<u>Formation and Offering Transactions</u>	<u>Post Offering Consolidated Entities</u>
REVENUE:					
Minimum rent	\$1,458,083	\$2,015,843	\$ 3,473,926	\$ 673,342 (13)	\$ 4,147,268
Percentage of sales rent	6,525	17,230	23,755	—	23,755
Tenant reimbursements	329,452	479,704	809,156	—	809,156
Other income	<u>131,217</u>	<u>19,668</u>	<u>150,885</u>	<u>—</u>	<u>150,885</u>
Total Revenue	<u>1,925,277</u>	<u>2,532,445</u>	<u>4,457,722</u>	<u>673,342</u>	<u>5,131,064</u>
OPERATING EXPENSES:					
Property operating	352,508	493,077	845,585	—	845,585
Depreciation and amortization	744,931	564,657	1,309,588	714,104 (14)	2,023,692
Real estate taxes	104,555	188,666	293,221	—	293,221
Repairs and maintenance	63,253	164,009	227,262	—	227,262
Advertising and promotion	27,580	18,804	46,384	—	46,384
Provision for credit losses	20,000	17,195	37,195	—	37,195
Corporate general & administrative	321,178	—	321,178	—	321,178 (16)
Other	<u>39,902</u>	<u>73,967</u>	<u>113,869</u>	<u>—</u>	<u>113,869</u>
Total Operating Expenses	<u>1,673,907</u>	<u>1,520,375</u>	<u>3,194,282</u>	<u>714,104</u>	<u>3,908,386</u>
Operating Income	251,370	1,012,070	1,263,440	(40,762)	1,222,678
Interest expense	<u>(805,969)</u>	<u>(866,376)</u>	<u>(1,672,345)</u>	<u>82,383 (15)(17)</u>	<u>(1,589,962)</u>
Net Income (Loss)	<u>\$ (554,599)</u>	<u>\$ 145,694</u>	<u>\$ (408,905)</u>	<u>\$ 41,621</u>	<u>(367,284)</u>
Net loss allocated to noncontrolling interests					<u>(126,479)</u>
Net loss allocated to common stockholders					<u>\$ (240,805)</u>
Pro forma loss per share:					
Basic					<u>\$ (0.07)</u>
Diluted					<u>\$ (0.07)</u>
Pro forma weighted-average number of shares:					
Basic					<u>3,301,502</u>
Diluted					<u>3,301,502</u>

See accompanying notes and management's assumptions to unaudited pro forma condensed consolidated financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Notes and Management's Assumptions to Unaudited Pro Forma
Condensed Consolidated Financial Statements

A. Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial statements are presented to reflect:

- the effect of closing the initial public offering and formation transactions that occurred on November 16, 2012;
- the fair value of the PSF Entities as accounted for under the purchase method of accounting in accordance with ASC Section 805, *Business Combinations*;
- the contribution of the net proceeds of the Company's initial public offering, after the payment of the placement fee and costs relating to the offering, assuming the issuance of 3,016,045 shares of \$0.01 par value common stock at \$5.25;
- with the exception of The Shoppes at Eagle Harbor property, the contribution to the Operating Partnership of the partnership interests of the Prior Investors in the limited liability companies that directly or indirectly own the respective properties;
- the conversion of 249,750 shares of total preferred stock currently outstanding into 285,457 shares of common stock based on the \$5.25 offering price;
- using approximately \$1.78 million of the net proceeds of this offering to directly purchase 100% of the partnership interests of DF-1 Carrollton, LLC, which currently owns The Shoppes at Eagle Harbor property, one of the original eight properties in our operating portfolio; and
- using approximately \$321,875 of the net proceeds of this offering to repay outstanding indebtedness and the corresponding impact on interest expense.

The unaudited pro forma condensed consolidated balance sheet assumes the formation transactions occurred on September 30, 2012. The unaudited pro forma condensed consolidated statements of operations assume the formation transactions occurred on January 1, 2011. The unaudited pro forma condensed consolidated balance sheet is presented for illustrative purposes only and is not necessarily indicative of what the actual financial position would have been had the transactions referred to above occurred on September 30, 2012, nor does it purport to represent the future financial position of the Company. The unaudited pro forma condensed consolidated statements of operations are presented for illustrative purposes only and is not necessarily indicative of what the actual results of operations would have been had the transactions referred to above occurred on January 1, 2011, nor does it purport to represent the future results of operations of the Company. In the opinion of management, all material adjustments have been made to reflect the effects of transactions referred to above.

B. Management's Assumptions to the Unaudited Pro Forma Condensed Consolidated Balance Sheet

- (1) Represents the PSF Entities at fair values. Fair values include necessary adjustments to the carrying values of the PSF Entities as presented below. The pro forma adjustments reflect the initial allocation of the estimated fair values and will be finalized subsequent to consummation of the transactions.

	Fair Value	Carrying Value	Purchase Accounting Adjustment Increase/(Decrease)
Assets Acquired:			
Investment property	\$22,809,690	\$12,165,507	\$ 10,644,183
Accounts receivable and other assets	778,608	1,127,821	(349,213)
Other lease intangibles	1,240,418	275,456	964,962
Assets acquired	<u>24,828,716</u>	<u>13,568,784</u>	<u>11,259,932</u>
Liabilities Assumed:			
Mortgage debt	13,571,168	13,287,370	283,798
Accounts payable, accrued expenses and other liabilities	307,389	307,389	—
Above/(below) market leases	3,156,441	—	3,156,441
Liabilities assumed	<u>17,034,998</u>	<u>13,594,759</u>	<u>3,440,239</u>
Fair value of net assets acquired	<u>\$ 7,793,718</u>	<u>\$ (25,975)</u>	<u>\$ 7,819,693</u>

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Notes and Management's Assumptions to Unaudited Pro Forma
Condensed Consolidated Financial Statements

- (2) The following summarizes the estimated consideration to be paid and the fair values of assets acquired and liabilities assumed in conjunction with the Predecessor acquiring the PSF Entities, along with a description of the methods used to determine fair value. In estimating fair values, we considered many factors including, but not limited to, cash flows, market cap rates, location, occupancy rates, appraisals, other acquisitions and our knowledge of the current acquisition market for similar properties.

Estimated fair value of assets acquired and liabilities assumed:	
Investment property (a)	\$ 22,809,690
Tenant and other receivables and other assets (b)	778,609
Other lease intangibles (c)	1,240,417
Mortgage debt (d)	(13,571,168)
Accounts payable, accrued expenses and other liabilities (e)	(307,389)
Above/(below) market leases (f)	<u>(3,156,441)</u>
Fair value of net assets acquired	<u>\$ 7,793,718</u>
Estimated purchase consideration:	
Estimated consideration paid with common units	\$ 4,813,850
Estimated consideration paid with cash	<u>2,979,868</u>
Total estimated consideration (g)	<u>\$ 7,793,718</u>

- a. Represents the estimated fair value of the net investment properties acquired which includes land, buildings, site improvements, tenant improvements and in place leases. The fair value was estimated using 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;
 - iii. the cost approach valuation methodology for site and tenant improvements, including replacement costs and prevailing quoted market rates; and
 - iv. the income approach valuation methodology for in place leases which considered estimated market rental rates, expenses reimbursements and time required to replace leases.
- b. Represents the estimated fair value of tenant and other receivables and other current assets. It was determined that carrying value approximated fair value for all amounts in these categories.
- c. Represents the estimated fair value of other lease intangibles which includes leasing commissions and legal and marketing fees associated with replacing existing leases. The income approach was used to estimate the fair value of these intangible assets which included estimated market rates and expenses.
- d. Represents the estimated fair value of mortgages payable which was calculated by performing a discounted cash flow analysis on debt service using current prevailing market interest on comparable debt.
- e. Represents the estimated fair value of accounts payable, accrued expenses and other liabilities. It was determined that carrying value approximated fair value for all amounts in these categories.
- f. Represents the estimated fair value of above/(below) market leases. The income approach was used to estimate the fair value of above/(below) market leases using market rental rates for similar properties.
- g. Represents the estimated components of purchase consideration to be paid. The total negotiated consideration was based on a relative equity evaluation analysis of the properties which incorporates cash flows and outstanding mortgage debt of the properties. Other factors considered included, but were not limited to, the prevailing cap rates in the market, the property types, occupancy and location. The breakdown of consideration between common units and cash was estimated based on the contribution agreements received from existing investors indicating their preferences regarding their equity interests in the formation transactions. The consideration paid in common units assumes the issuance of 916,923 units at the \$5.25 per share price of the offering.
- (3) Represents the elimination of the members' equity for the combined entities as of September 30, 2012.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Notes and Management's Assumptions to Unaudited Pro Forma
Condensed Consolidated Financial Statements

- (4) Represents the transfer of ownership interests for the Predecessor. Amounts include cash paid to its investors of \$1.20 million for their ownership interests of which \$488,858 represents a dividend and \$714,347 represents a return of capital. Accordingly, the original members' equity of \$2.76 million for the five entities under common control less the \$714,347 return of capital results in a noncontrolling interest of \$2.04 million. Prior investors of the Predecessor electing to convert their interests will receive 817,141 common units.
- (5) Represents the estimated net offering proceeds calculated as follows:

Gross proceeds from the sale of 3,016,045 common shares at \$5.25	\$15,834,236
Less: Payment of offering costs outstanding at September 30, 2012 (a)	(1,127,855)
Less: Placement fee and other offering costs incurred (b)	<u>(1,194,261)</u>
Net cash proceeds from offering	<u>\$13,512,120</u>

- a. Represents outstanding legal, accounting and other offering costs balances due as of September 30, 2012.
- b. Represents the actual additional underwriter placement fee, legal, and other offering costs incurred prior to and at closing of the offering.
- (6) Reflects using approximately \$1.78 million of the net proceeds to directly purchase 100% of the partnership interests of DF-1 Carrollton, LLC, which currently owns The Shoppes at Eagle Harbor property, of which approximately \$1.13 million will offset a related party payable to the owner and approximately \$719,400 will be deemed a dividend.
- (7) Reflects using approximately \$321,875 of the net proceeds of this offering to repay outstanding indebtedness.
- (8) Represents deferred offering costs recorded as of September 30, 2012 that will be offset against equity upon completion of the offering.
- (9) Represents amounts due on offering costs incurred as of September 30, 2012 to be paid out of offering cash on hand and/or offering proceeds.
- (10) Represents adjustment required to eliminate the preferred stock when it is converted into common stock.
- (11) Represents 3,301,502 shares of \$0.01 par value common stock, consisting of the 3,016,045 of common shares sold in the offering and the 249,750 shares of preferred shares converted into 285,457 of common shares based on the \$5.25 offering price.
- (12) Represents the net additional paid-in capital generated from the offering transactions as follows:

Sale of 3,016,045 shares of \$0.01 par value common stock at an estimated price of \$5.25 per share	\$15,834,236
Add: Conversion of preferred stock into common stock	999,000
Less: Par value of common stock issued	(33,015)
Less: Deferred offering costs incurred as of September 30, 2012	(1,382,476)
Less: Placement fee and other offering costs to be incurred	<u>(1,194,261)</u>
Additional paid-in capital	<u>\$14,223,484</u>

Wheeler Real Estate Investment Trust, Inc. and Affiliates
Notes and Management's Assumptions to Unaudited Pro Forma
Condensed Consolidated Financial Statements

C. Management's Assumptions to the Unaudited Pro Forma Condensed Consolidated Statements of Operations

- (13) Represents amortization expense resulting from the fair value adjustment recorded for above/(below) market leases which are being amortized on a straight-line basis over 5 years which approximates the estimated average life of the existing leases.
- (14) Represents incremental depreciation and amortization expense resulting from the fair value adjustment recorded for net investment properties which are being depreciated on a straight-line basis over their estimated useful lives in accordance with the Company's depreciation and amortization policy.
- (15) Includes amortization expense of \$46,037 and \$61,383 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, resulting from the fair value adjustment recorded for mortgage debt that is being amortized on a straight-line basis over the remaining term of the related mortgage debt which approximates the interest method. Also includes estimated reductions in interest expense of \$15,800 and \$21,000 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, resulting from the repayment of approximately \$321,875 of the outstanding debt with the offering proceeds.
- (16) The operating expenses do not include additional anticipated annualized costs associated with becoming a publicly traded company of approximately \$100,000 and \$700,000 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively. Additional expenses would include contractual fees to be paid WHLR Management to manage the Company, directors fees, Director's and Officer's insurance, investor relations costs, NASDAQ listing fees and transfer agent fees.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Combined Balance Sheets

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	(unaudited)	
ASSETS:		
Investment properties, at cost	\$15,813,232	\$15,789,542
Less accumulated depreciation and amortization	<u>3,129,182</u>	<u>2,618,324</u>
	12,684,050	13,171,218
Cash and cash equivalents	53,632	104,007
Receivables:		
Rents and other tenant receivables, net	73,085	82,849
Rents and other tenant receivables due from related parties, net	221,489	128,790
Unbilled rent	328,201	360,952
Deferred costs and other assets	<u>1,250,773</u>	<u>977,080</u>
Total Assets	<u>\$14,611,230</u>	<u>\$14,824,896</u>
LIABILITIES:		
Mortgages and other indebtedness	\$11,953,896	\$12,136,083
Accounts payable, accrued expenses and other liabilities	1,316,913	846,742
Due to related parties	<u>1,068,712</u>	<u>1,172,746</u>
Total Liabilities	<u>14,339,521</u>	<u>14,155,571</u>
Commitments and contingencies (Note 8)	—	—
EQUITY:		
Convertible preferred stock (no par value, 500,000 shares authorized, 249,500 and 126,250 shares issued and outstanding, respectively)	999,000	505,000
Common stock (\$0.01 par value, 15,000,000 shares authorized, no shares issued and outstanding)	—	—
Capital contributions	2,755,675	2,755,675
Accumulated deficit	<u>(3,482,966)</u>	<u>(2,591,350)</u>
Total Equity	<u>271,709</u>	<u>669,325</u>
Total Liabilities and Equity	<u>\$14,611,230</u>	<u>\$14,824,896</u>

See accompanying notes to combined financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Combined Statements of Operations

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE:				
Minimum rent	\$ 401,007	\$ 341,645	\$ 1,197,798	\$ 1,048,138
Percentage of sales rent	1,054	6,525	1,054	6,525
Tenant reimbursements	82,307	72,967	292,656	239,646
Other income	<u>4,359</u>	<u>107,863</u>	<u>12,878</u>	<u>112,480</u>
Total Revenue	<u>488,727</u>	<u>529,000</u>	<u>1,504,386</u>	<u>1,406,789</u>
OPERATING EXPENSES:				
Property operating	75,529	109,281	210,109	256,168
Depreciation and amortization	184,933	185,100	556,452	555,299
Real estate taxes	26,712	24,795	80,204	74,770
Repairs and maintenance	15,245	22,455	41,995	44,759
Advertising and promotion	568	11,403	3,381	33,174
Provision for credit losses	—	20,000	—	20,000
Corporate general & administrative	344,335	189,725	757,073	189,725
Other	<u>9,498</u>	<u>11,106</u>	<u>27,200</u>	<u>26,319</u>
Total Operating Expenses	<u>656,820</u>	<u>573,865</u>	<u>1,676,414</u>	<u>1,200,214</u>
Operating Income (Loss)	(168,093)	(44,865)	(172,028)	206,575
Interest expense	<u>(198,049)</u>	<u>(185,937)</u>	<u>(593,496)</u>	<u>(592,555)</u>
Net Loss	<u>\$ (366,142)</u>	<u>\$ (230,802)</u>	<u>\$ (765,524)</u>	<u>\$ (385,980)</u>

See accompanying notes to combined financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Combined Statements of Equity

	<u>Preferred Stock</u>		<u>Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Value</u>	<u>Contributions</u>		
Balance, December 31, 2011	126,250	\$505,000	\$ 2,755,675	\$ (2,591,350)	\$ 669,325
Net proceeds from issuance of preferred stock	123,500	494,000	—	—	494,000
Equity distributions	—	—	—	(126,092)	(126,092)
Net loss	—	—	—	(765,524)	(765,524)
Balance, September 30, 2012 (unaudited)	<u>249,750</u>	<u>\$999,000</u>	<u>\$ 2,755,675</u>	<u>\$ (3,482,966)</u>	<u>\$ 271,709</u>

See accompanying notes to combined financial statements.

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Wheeler Real Estate Investment Trust, Inc. and Affiliates
Combined Statements of Cash Flows

	Nine Months Ended September 30,	
	2012	2011
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (765,524)	\$ (385,980)
Adjustments to reconcile combined net loss to net cash provided by operating activities		
Depreciation and amortization	556,452	555,299
Provision for doubtful accounts	—	20,000
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	(82,934)	(96,416)
Unbilled rent	32,750	75,613
Other assets	468	(9,936)
Accounts payable, accrued expenses and other liabilities	<u>286,393</u>	<u>16,999</u>
Net cash from operating activities	<u>27,605</u>	<u>175,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(23,690)</u>	<u>(33,670)</u>
Net cash from investing activities	<u>(23,690)</u>	<u>(33,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to members	(126,092)	(190,168)
Proceeds from sales of preferred stock	494,000	505,000
Deferred offering costs	(135,977)	(176,200)
Net proceeds from related parties	(104,034)	(115,390)
Mortgage indebtedness proceeds	—	—
Mortgage indebtedness principal payments	<u>(182,187)</u>	<u>(151,902)</u>
Net cash from financing activities	<u>(54,290)</u>	<u>(128,660)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,375)	13,249
CASH AND CASH EQUIVALENTS, beginning of period	<u>104,007</u>	<u>199,637</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 53,632</u>	<u>\$ 212,886</u>
Supplemental Disclosures:		
Other Cash Transactions:		
Cash paid for interest	<u>\$ 607,963</u>	<u>\$ 604,385</u>

Wheeler Real Estate Investment Trust, Inc. and Affiliates
Notes to Combined Financial Statements

1. Organization and Basis of Presentation and Consolidation

Wheeler Real Estate Investment Trust, Inc. is a Maryland corporation formed on June 23, 2011 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Jon S. Wheeler and/or his affiliates, including certain entities controlled by Plume Street Financial, LLC. In conjunction with acquiring the various entities, the Trust filed a Registration Statement with the SEC in order to complete an initial public offering. On October 23, 2012, the Trust's Registration Statement became effective and the common stock was priced at \$5.25. On November 16, 2012, the Trust closed the offering by selling 3,016,045 shares of common stock at \$5.25 per share, generating approximately \$15.83 million in gross proceeds.

The Company used approximately \$2.54 million to cover offering expenses, approximately \$4.18 million to cash-out prior investors in the properties, \$1.78 million of the net proceeds of the offering to directly purchase The Shoppes at Eagle Harbor and approximately \$322,000 to repay the outstanding indebtedness on the Amscot Building. Additionally, the Company adopted the 2012 Share Incentive Plan which established a pool for share options for the Company's employees. This pool contains options to purchase 500,000 shares of the Company's common stock. The options will vest at a rate of 20% per year for five years and have a per share exercise price equal to the fair market value of one of the Company's common shares on the date of grant. No options have been awarded under this plan.

Wheeler Real Estate Investment Trust, L.P., our Operating Partnership, was formed as a Virginia limited partnership on April 5, 2012. All operations will primarily be carried out through our Operating Partnership. The Trust, as the sole general partner of our Operating Partnership, controls our Operating Partnership. Accordingly, the Trust will consolidate the assets, liabilities and results of operations of our Operating Partnership. The Trust contributed substantially all of the net proceeds from the offering to the Operating Partnership in exchange for Operating Partnership units therein. The Trust's interest in the Operating Partnership will generally entitle it to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to the Trust's percentage ownership. As the sole general partner of the Operating Partnership, the Trust will generally have the exclusive power under the partnership agreement to manage and conduct the Operating Partnership's business and affairs, subject to certain limited approval and voting rights of the limited partners.

Wheeler Real Estate Investment Trust, Inc. and Affiliates currently includes the Trust, the Operating Partnership and the entities owned and/or controlled by Mr. Wheeler and/or his affiliates, which in turn own controlling interests in five properties. Accordingly, the contribution of or acquisition by merger of interests in the Controlled Entities was accounted for as a transaction between entities under common control and, therefore, the acquisition of interests in each of the Controlled Entities was recorded at our historical cost. In conjunction with the offering and related formation transactions, the Company acquired the noncontrolling interests in entities owning three properties that are currently controlled by Plume Street Financial, of which Mr. Wheeler is a 50% partner. The value of the consideration paid to each of the PSF Entities' prior investors was based upon the terms of the applicable contribution agreement among the Operating Partnership, on the one hand, and the PSF Entities' investor or investors, on the other hand, and was determined based on a relative equity valuation analysis of the PSF Entities. In exchange for contributing their interests in the PSF Entities, the PSF Entities' investors received an aggregate of \$2.98 million and 916,923 common units.

The entities and respective properties party to the transactions are as follows:

Wheeler Real Estate Investment Trust, Inc. and Affiliates (Controlled Entities and Predecessor):

- Wheeler Real Estate Investment Trust, Inc.
- DF-1 Carrollton, LLC – The Shoppes at Eagle Harbor (Carrollton, VA)
- Lynnhaven Parkway Associates, LLC – Monarch Bank Building (Virginia Beach, VA)
- North Pointe Investors, LLC – North Pointe Crossing/Amscot Building (Tampa, FL)
- Riversedge Office Associates, LLC – Riversedge North (Virginia Beach, VA)
- Walnut Hill Plaza Associates, LLC – Walnut Hill Plaza (Petersburg, VA)

PSF Entities (Noncontrolled Entities):

- Lumber River Associates, LLC – Lumber River Village (Lumberton, NC)
- Perimeter Associates, LLC – Perimeter Square (Tulsa, OK)
- Tuckernuck Associates, LLC – Shoppes at TJ Maxx (Richmond, VA)

The combined financial statements of the PSF Entities are included elsewhere in this Form 10-Q.

We determined that Walnut Hill Plaza Associates, LLC is the acquirer for accounting purposes as it represents the largest of the five entities in both asset size and total revenues and the exchange of equity interests related to this entity results in the largest number of common units being received by Mr. Wheeler and its other investors. Since Mr. Wheeler does not own a controlling interest in the PSF Entities, the acquisition of the Noncontrolled Entities listed above were accounted for as an acquisition under the purchase accounting method and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair value of these assets and liabilities has been allocated in accordance with ASC section 805-10, *Business Combinations*. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimated the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value, and acquired below-market leases) and assumed debt.

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

1. Organization and Basis of Presentation and Consolidation (continued)

The Company prepared the accompanying combined financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP. Accordingly, the Company relied on GAAP applicable to transactions between entities under common control when preparing the accompanying combined financial statements. In accordance with these principles, the Company prepared the accompanying combined financial statements using historical accounting records and has included the historical financial position, results of operations and cash flows applicable under GAAP. All material balances and transactions between the combined entities of the Company have been eliminated.

The Company was formed with the principle objective of acquiring, financing, developing, leasing, owning and managing income producing, strip centers, neighborhood, grocery-anchored, community and free-standing retail properties. Its strategy is to acquire high quality, well-located, dominant retail properties that generate attractive risk-adjusted returns. The Company will target 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 select 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.

Upon consummation of the offering and formation transactions, the Company's portfolio was comprised of five retail shopping centers, two free-standing retail properties, and one office building. Five of these properties are located in Virginia, one is located in Florida, one is located in North Carolina and one is located in Oklahoma. The Company's portfolio when combined with the PSF Entities had total net rentable space of 348,490 square feet and an occupancy level of approximately 92%.

2. Summary of Significant Accounting Policies

Investment Properties

The Company records investment properties and related intangibles at cost less accumulated depreciation and amortization. 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 acquisition 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 in-place leases the Company determines to exist.

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 building 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 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, the Company charges to income the excess of 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. The Company may decide to sell properties that are held for use and the sale prices of these properties may differ from their carrying values. The Company did not record any impairment adjustments to its properties during the nine months ended September 30, 2012 and 2011.

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 with 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 during the nine months ended September 30, 2012 and 2011.

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

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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.

The Company places its cash and cash equivalents on deposit with financial institutions in the United States. On November 9, 2010, the Federal Deposit Insurance Corporation ("FDIC") issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited coverage is separate from, and in addition to, the \$250,000 insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution.

The Company's bank deposits were fully insured by the FDIC at September 30, 2012, based on specified coverage.

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. 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. As of September 30, 2012 and December 31, 2011, the Company's allowance for uncollectible accounts totaled \$72,200 (unaudited) and \$72,200, respectively. During the nine months ended September 30, 2012 and 2011, the Company recorded bad debt expenses in the amount of \$0 and \$20,000, 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 nine months ended September 30, 2012 and 2011, the Company did not realize any recoveries related to tenant receivables previously charged off.

Deferred Costs and Other Assets

The Company's deferred costs and other assets consists primarily of internal and external leasing commissions, fees incurred in order to obtain long-term financing, and various property escrow accounts for real estate taxes, insurance and 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. The Company 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:

	September 30, 2012 <small>(unaudited)</small>	December 31, 2011
Lease origination costs, net	\$ 142,070	\$ 178,140
Financing costs, net	9,149	18,072
Deferred REIT costs	1,092,476	772,722
Other	<u>7,078</u>	<u>8,146</u>
Total Deferred Costs and Other Assets	<u>\$ 1,250,773</u>	<u>\$ 977,080</u>

Amortization of lease origination costs and in place leases 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. The Company accounts for in place lease assets as a component of the investment properties' cost basis (See Note 4 "Investment Properties"). Future amortization of lease origination costs, financing costs and in place leases is as follows:

<u>For the Twelve Months Ending September 30, (unaudited)</u>	<u>Lease Origination Costs</u>	<u>Financing Costs</u>	<u>In Place Leases</u>
2013	\$ 44,403	\$ 6,964	\$ 1,779
2014	35,257	2,185	1,779
2015	27,153	—	1,779
2016	16,316	—	1,779
2017	9,972	—	2,787
Thereafter	8,969	—	3,467
	<u>\$ 142,070</u>	<u>\$ 9,149</u>	<u>\$13,370</u>

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

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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. 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. During the nine months ended September 30, 2012 and 2011, the Company recognized percentage rents of \$1,054 and \$6,525, respectively.

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 in 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 in any period presented.

The Company recognizes lease termination fees in the period that the lease is terminated and collection of the fees is reasonably assured. Upon early lease termination, the Company provides for losses related to unrecovered intangibles and other assets. The Company did not recognize any lease termination fees during the nine months ended September 30, 2012 and 2011.

Income Taxes

The Company intends to elect 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 stockholders and meet certain other asset and income tests, as well as other requirements. As a REIT, the Company will generally not be liable for federal corporate income taxes as long as it distributes 100% of its taxable income. Thus, the Company made no provision for federal income taxes for the REIT in the accompanying combined 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 four 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 that could have a significant effect on the financial statements for the nine months ended September 30, 2012 and 2011.

The Company's income tax returns since 2008 are subject to examination by the Internal Revenue Service and state tax authorities, generally for three years after the tax returns were filed.

Financial Instruments

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

Use of Estimates

The Company has made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported 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 \$3,381 and \$33,174 for the nine months ended September 30, 2012 and 2011, respectively.

Recent Accounting Pronouncements

The FASB and the IASB have initiated a joint project to develop a new approach to lease accounting that would ensure that assets and liabilities arising under leases are recognized in the statement of financial position. This proposed amendment to Topic 840 of the FASB Accounting Standards Codification would require a lessor to apply either a performance obligation approach or a derecognition approach to account for the assets and liabilities arising from a lease, depending on whether the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected term of the lease. We have not yet determined the effect of this proposed accounting proposal to the balance sheet.

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

2. Summary of Significant Accounting Policies (Continued)

In October 2011, the FASB issued a proposed accounting standards update to Real Estate – Investment Property Entities (Topic 973). The amendments of this proposed update would provide accounting guidance for entities that meet the criteria to be an investment property entity. The amendment would also introduce additional presentation and disclosure requirements. Investment properties acquired by an investment property entity would initially be measured at transaction price, including related transaction costs, and subsequently measured at fair value with all changes in fair value recognized in net income. In connection with this, a lessor of an investment property would not be required to apply the above mentioned proposed lessor accounting requirements for leases if the lessor measures its investment properties at fair value but would account for lease rental income on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. We have not yet determined the impact of this proposed standard to the balance sheet.

In January 2012, the FASB issued a proposed ASC update to Topic 350, “*Intangibles – Goodwill and Other; Testing Goodwill for Impairment.*” This amendment would give us the option to first assess qualitative factors to determine whether the existence of an event or circumstance indicates that it is more likely than not that indefinite-lived intangible assets are impaired before having to determine the fair value using the current quantitative approach. This ASC is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will adopt this ASC during fiscal 2012. We evaluate goodwill for impairment annually in conjunction with our year end closing procedures unless factors arise that would create the need to perform an evaluation during interim periods. For the nine months ended September 30, 2012 there were no factors that indicated any impairment. Accordingly, we will apply the concepts of this ASC during our next evaluation of goodwill.

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 Affiliates
Notes to Combined Financial Statements (Continued)

3. Investment Properties

Investment properties consist of the following:

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	(unaudited)	
Land	\$ 2,925,277	\$ 2,925,277
Buildings and improvements	12,874,585	12,849,561
In place leases	<u>13,370</u>	<u>14,704</u>
Investment properties at cost	15,813,232	15,789,542
Less accumulated depreciation and amortization	<u>(3,129,182)</u>	<u>(2,618,324)</u>
Investment properties at cost, net	<u>\$12,684,050</u>	<u>\$13,171,218</u>

The Company's depreciation and amortization expense was \$184,933 and \$185,100 for the three months ended September 30, 2012 and 2011, respectively. The Company's depreciation and amortization expense was \$556,452 and \$555,299 for the nine months ended September 30, 2012 and 2011, respectively.

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

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

4. Mortgage Loans Payable

The Company's mortgage loans payable consist of the following:

	September 30, 2012 (unaudited)	December 31, 2011
Mortgage term loan (The Shoppes at Eagle Harbor); payable in monthly principal and interest installments of \$30,863; interest rate fixed at 6.20%; secured by real estate; matured April 2012 and was extended to December 30, 2012 to accommodate the renewal process.	\$ 3,935,688	\$ 4,024,629
Mortgage term loan (Monarch Bank Building); interest only payable monthly at a fixed rate of 7.00%; secured by real estate; matures December 2012.	2,044,462	2,044,462
Mortgage term loan (Amscot Building); payable in monthly principal and interest installments of \$4,634; interest rate fixed at 6.50%; secured by real estate; matures April 2014.	323,193	348,171
Mortgage term loan (Riversedge North); payable in monthly principal and interest installments of \$13,556; interest rate fixed at 6.00%; secured by real estate; matures April 2013.	2,106,890	2,131,678
Mortgage term loan (Walnut Hill Plaza); payable in monthly principal and interest installments of \$25,269; interest rate fixed at 6.75%; secured by real estate; matures April 2014.	<u>3,543,663</u>	<u>3,587,143</u>
Total Mortgage Loans Payable	<u>\$11,953,896</u>	<u>\$12,136,083</u>

Debt Maturity

The Company's scheduled principal repayments on indebtedness as of September 30, 2012 are as follows:

	Twelve Months Ending September 30, (unaudited)
2013	\$ 8,185,056
2014	3,768,840
2015	—
2016	—
2017	—
Thereafter	—
Total principal maturities	<u>\$ 11,953,896</u>

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, 2012 are as follows:

	Twelve Months Ending September 30, (unaudited)
2013	\$ 1,587,456
2014	1,401,399
2015	1,257,354
2016	1,078,687
2017	900,759
Thereafter	<u>511,602</u>
	<u>\$ 6,737,257</u>

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

6. Equity

Equity currently consists of partnership interests in the Company's five properties (see Note 1). The Company has authority to issue 15,500,000 of stock, consisting of 15,000,000 shares of \$0.01 par value Common Stock and 500,000 shares of Series A Convertible Preferred Stock. The Board of Directors (once formed), with the approval of a majority of the entire Board and without an action by the stockholders of the Company, may amend the charter to increase or decrease the aggregate number of common shares available. Additionally, the Company's Board may authorize the issuance of shares of its stock of any class or securities convertible into shares of its stock of any class. During the nine months ended September 30, 2012, the Company issued 123,500 shares of Series A Convertible Preferred Stock at \$4.00 per share generating \$494,000 in proceeds to cover anticipated offering expenses to be incurred prior to closing. All outstanding preferred stock shares were converted into shares of common stock upon completion of the offering at a conversion rate of \$4.00 divided by 66.66% of the offering price.

Contemporaneously with executing the offering and formation transactions, the prior investors received cash or common units in exchange for their interests in the ownership entities. The value of the consideration paid to each of the prior investors in the formation transactions was based upon the terms of the applicable contribution agreement among the Operating Partnership and the prior investor(s), and was determined based on a relative equity valuation analysis of all of the properties included in the Company's portfolio and the property management business. The common units issued in exchange for each property's ownership interest will be convertible into common stock 180 days after the offering prospectus became effective.

7. Commitments and Contingencies

Lease Commitments

As of September 30, 2012, the Amscot property is subject to a ground lease which terminates in 2045. The ground lease requires the Company to make a fixed annual rental payment and includes escalation clauses and renewal options. The Company incurred ground lease expense included in other expense of \$5,900 and \$8,800 during the nine months ended September 30, 2012 and 2011, respectively.

Future minimum lease payments due under the ground lease, including applicable automatic extension options, are as follows (unaudited):

	Twelve Months Ending September 30,
2013	\$ 12,000
2014	12,000
2015	14,307
2016	17,382
2017	20,600
Thereafter	656,905
	<u>\$ 733,194</u>

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. 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 Affiliates
Notes to Combined Financial Statements (Continued)

7. Commitments and Contingencies (continued)

The Company's portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in the Mid-Atlantic and Southeast, which markets represented approximately 94% and 6%, respectively, of the total annualized base rent of the properties in its portfolio as of September 30, 2012. 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.

The Company does not have any tenants that individually represent 10% or more of its combined total assets or 10% or more of its combined gross revenues. The following represent the Company's properties that are components of its portfolio and which each individually represents 10% or more of the related property's total assets or gross revenues:

Property/Tenant	Location	(Unaudited)					
		Net Rentable Square Feet	Square Footage Leased		Annual Lease Payments	Expiration Date	Option Periods Remaining
			Amount	Percentage			
Walnut Hill Plaza	Petersburg, VA	89,907					
Tenant 1			15,000	16.68%	\$ 73,800	2/28/2013	—
Tenant 2			14,812	16.47%	\$ 97,759	2/29/2016	2
Tenant 3			11,780	13.10%	\$106,020	3/31/2018	1
Tenant 4			9,875	10.98%	\$ 45,425	7/30/2013	—
The Shoppes at Eagle Harbor	Carrollton, VA	23,303					
Tenant 1			7,012	30.09%	\$146,970	9/30/2015	4
Tenant 2			5,337	22.90%	\$112,077	10/31/2016	1
Tenant 3			4,084	17.53%	\$ 81,680	1/31/2014	2
Tenant 4			2,812	12.07%	\$ 61,864	7/31/2014	—
Riversedge North	Virginia Beach, VA	10,550					
Tenant 1			10,550	100.00%	\$288,290	11/14/2017	4
Monarch Bank Building	Virginia Beach, VA	3,620					
Tenant 1			3,620	100.00%	\$224,910	12/31/2012 (1)	2
Amscot Building	Tampa, FL	2,500					
Tenant 1			2,500	100.00%	\$100,738	3/31/2020	3

(1) The tenant has exercised one of its remaining five year options to extend the lease through December 31, 2017.

The Net Rentable Square Feet and square footage lease data in the above table has not been audited, but has been included in the above table because management believes that it is useful information.

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.

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

8. Related Party Transactions

Jon S. Wheeler (“Mr. Wheeler”), the Company’s Chairman and President, when combined with his affiliates and after the execution of the contemplated transactions, will represent the Company’s second largest stockholder. Wheeler Interests, LLC and its affiliates (Wheeler Interests), controlled by Mr. Wheeler, provide administrative services to the Company, including management, administrative, accounting, marketing, development and design services. Pursuant to the terms of the Company’s administrative services agreement, Wheeler Interests’ responsibilities include administering the Company’s day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, and handling the disposition of the real estate investments. The Company also benefits from Wheeler Interests’ affiliates that specialize in retail real estate investment and management, including (i) Wheeler Development, LLC, a full service real estate development firm, (ii) Wheeler Capital, LLC, a capital investment firm specializing in venture capital, financing, and small business loans, (iii) Wheeler Real Estate, LLC, a real estate management and administration firm, (iv) Site Applications, LLC, a full service facility company, equipped to handle all levels of building maintenance, and (v) TESR, LLC, a tenant relations company, serving as a liaison between property management, lease administration and leasing and working to provide information on the health and fiscal viability of each tenant.

Wheeler Interests 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, 2012 and 2011:

	September 30,	
	2012	2011
Amounts paid to Wheeler Interests and its affiliates:		
Wheeler Interests	\$ 510,835	\$ 246,311
Wheeler Development	—	11,672
Wheeler Real Estate	43,085	67,457
Site Applications	45,081	58,839
Creative Retail Works	—	5,621
TESR	<u>18,062</u>	<u>13,934</u>
	<u>\$ 617,063</u>	<u>\$ 403,834</u>
Amounts due to Wheeler Interests and its affiliates:		
Wheeler Interests	\$ (2,699)	\$ 1,257
Wheeler Development	(46,410)	38
Wheeler Real Estate	(23,285)	9,118
Site Applications	2,895	2,503
TESR	(1,805)	8,491
Jon Wheeler and affiliates	<u>1,140,016</u>	<u>1,217,540</u>
	<u>\$1,068,712</u>	<u>\$1,238,947</u>
Rent and reimbursement income received from Wheeler Interests	<u>\$ 307,300</u>	<u>\$ 296,800</u>
Rent and other tenant receivables due from Wheeler Interests	<u>\$ 221,489</u>	<u>\$ 134,529</u>

The amounts outstanding to Mr. Wheeler and Wheeler Interests at September 30, 2012 and 2011 primarily consisted of a payable due from The Shoppes at Eagle Harbor property to its owner, a company in which Mr. Wheeler holds a substantial investment and management position. This amount primarily consists of advances to the property for construction costs incurred to build the center in excess of what was financed through the lender, and for a subsequent \$250,000 principal curtailment required by the lender in conjunction with converting the construction loan to permanent financing; the lender required this payment due to cap rate changes and other factors occurring subsequent to their original underwriting of the construction loan as a result of the economic downturn beginning in 2008. In conjunction with the formation transactions and offering, the REIT used approximately \$1.78 million of the net proceeds to purchase The Shoppes at Eagle Harbor property from DF-1 Carrollton, LLC. Per the DF-1 Carrollton, LLC operating agreement, this transaction constituted a capital event, resulting in a distribution to DF-1 Carrollton, LLC, a portion of which went towards satisfying the outstanding amounts due from the property.

Upon completion of the offering and related formation transactions, properties that are owned by the Company through the Operating Partnership are currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Mr. Wheeler and his affiliates, certain of the Company's other directors and executive officers and their affiliates own a direct or indirect interest. Additionally, Mr. Wheeler will effectively control the Company in his role as President and Chairman of its board of directors. See additional disclosure regarding the offering and formation transactions in Note 1 of the combined financial statements.

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**Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Combined Balance Sheets**

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS:		
Investment properties, at cost	\$17,740,914	\$17,740,914
Less accumulated depreciation and amortization	<u>5,575,407</u>	<u>5,227,445</u>
	12,165,507	12,513,469
Cash and cash equivalents	44,528	88,888
Receivables:		
Rents and other tenant receivables, net	61,484	50,560
Unbilled rent	349,212	341,082
Due from related parties	—	—
Deferred costs and other assets	<u>948,053</u>	<u>737,504</u>
Total Assets	<u>\$13,568,784</u>	<u>\$13,731,503</u>
LIABILITIES:		
Mortgages and other indebtedness	\$13,287,370	\$13,457,247
Accounts payable, accrued expenses and other liabilities	211,915	193,319
Due to related parties	<u>95,474</u>	<u>130,209</u>
Total Liabilities	<u>13,594,759</u>	<u>13,780,775</u>
Commitments and contingencies (Note 8)	—	—
EQUITY (DEFICIT):		
Capital contributions	4,066,504	4,066,504
Accumulated deficit	<u>(4,092,479)</u>	<u>(4,115,776)</u>
Total Equity (Deficit)	<u>(25,975)</u>	<u>(49,272)</u>
Total Liabilities and Equity	<u>\$13,568,784</u>	<u>\$13,731,503</u>

See accompanying notes to combined financial statements.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Combined Statements of Operations

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE:				
Minimum rent	\$ 512,567	\$ 551,595	\$ 1,571,849	\$ 1,503,314
Percentage of sales rent	16,612	5,826	16,612	17,476
Tenant reimbursements	102,143	130,625	392,067	381,206
Other income	<u>15,870</u>	<u>9,525</u>	<u>89,902</u>	<u>22,390</u>
Total Revenue	<u>647,192</u>	<u>697,571</u>	<u>2,070,430</u>	<u>1,924,386</u>
OPERATING EXPENSES:				
Property operating	71,690	170,536	323,297	355,587
Depreciation and amortization	132,748	149,864	393,004	449,591
Real estate taxes	46,579	46,310	139,736	139,889
Repairs and maintenance	16,613	23,258	45,186	74,253
Advertising and promotion	1,325	6,111	3,644	24,870
Provision for credit losses	45,805	26,259	45,805	26,259
Corporate general & administrative	187,296	—	194,361	—
Other	<u>14,564</u>	<u>19,142</u>	<u>45,741</u>	<u>47,602</u>
Total Operating Expenses	<u>516,620</u>	<u>441,480</u>	<u>1,190,774</u>	<u>1,118,051</u>
Operating Income	130,572	256,091	879,656	806,335
Interest expense	<u>(214,351)</u>	<u>(217,952)</u>	<u>(641,076)</u>	<u>(649,305)</u>
Net Income (Loss)	<u>\$ (83,779)</u>	<u>\$ 38,139</u>	<u>\$ 238,580</u>	<u>\$ 157,030</u>

See accompanying notes to combined financial statements.

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**Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Combined Statements of Equity**

	<u>Capital Contributions</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, December 31, 2011	\$ 4,066,504	\$ (4,115,776)	\$ (49,272)
Equity distributions	—	(215,283)	(215,283)
Net income	<u>—</u>	<u>238,580</u>	<u>238,580</u>
Balance, September 30, 2012 (unaudited)	<u>\$ 4,066,504</u>	<u>\$ (4,092,479)</u>	<u>\$ (25,975)</u>

See accompanying notes to combined financial statements.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Combined Statements of Cash Flows

	For the Nine Months Ended September 30,	
	2012	2011
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 238,580	\$ 157,030
Adjustments to reconcile combined net income to net cash provided by operating activities		
Depreciation and amortization	393,004	449,591
Provision for doubtful accounts	45,805	26,259
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	(56,729)	(45,148)
Unbilled rent	(8,130)	61,866
Other assets	(101,601)	(93,522)
Accounts payable, accrued expenses and other liabilities	18,597	142,813
Net cash from operating activities	<u>529,526</u>	<u>698,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>—</u>	<u>(73,255)</u>
Net cash from investing activities	<u>—</u>	<u>(73,255)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to members	(215,283)	(324,045)
Deferred offering costs	(153,990)	—
Net proceeds from related parties	(34,736)	113,398
Mortgage indebtedness principal payments	<u>(169,877)</u>	<u>(161,519)</u>
Net cash from financing activities	<u>(573,886)</u>	<u>(372,166)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,360)	253,468
CASH AND CASH EQUIVALENTS, beginning of period	<u>88,888</u>	<u>91,751</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 44,528</u>	<u>\$ 345,219</u>
Supplemental Disclosures:		
Other Cash Transactions:		
Cash paid for interest	<u>\$ 644,025</u>	<u>\$ 651,451</u>

See accompanying notes to combined financial statements.

**Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements**

1. Organization and Basis of Presentation and Consolidation

The accompanying combined financial statements include the accounts and operations of the following entities and their respective properties on a combined basis:

- Lumber River Associates, LLC – Lumber River Village (Lumberton, NC)
- Perimeter Associates, LLC – Perimeter Square (Tulsa, OK)
- Tuckernuck Associates, LLC – Shoppes at TJ Maxx (Richmond, VA)

The above entities are controlled by Plume Street Financial, LLC, an entity in which Jon S. Wheeler and Harrison J. Perrine each maintain a 50% ownership. The accompanying combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. All material balances and transactions between the combined entities of the PSF Entities have been eliminated.

On November 16, 2012, the PSF Entities were acquired by Wheeler Real Estate Investment Trust, Inc. as contemplated in the Trust's Registration Statement filed with the SEC. The operations of the PSF Entities will be carried on through Wheeler Real Estate Investment Trust, L.P. The Trust is the sole general partner and has control of the Operating Partnership. Accordingly, the assets, liabilities and results of operations of the PSF Entities will be consolidated with the Operating Partnership. Mr. Wheeler and his affiliates will continue to manage the properties and maintain significant influence over the operations and strategic direction of the PSF Entities. See Note 7 "Related Party Transactions" for further information regarding the relationships and transactions between the PSF Entities and its related parties.

The value of the consideration paid to each of the PSF Entities' prior investors in the formation transactions, in each case, was based upon the terms of the applicable contribution agreement among the Operating Partnership, on the one hand, and the prior investor or investors, on the other hand, and was determined based on a relative equity valuation analysis of the PSF Entities. The prior investors received cash or common units in exchange for their interests in the PSF Entities.

2. Summary of Significant Accounting Policies

Investment Properties

The PSF Entities record investment properties and related intangibles at cost less accumulated depreciation and amortization. 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 PSF Entities capitalize interest on projects during periods of construction until the projects reach the completion point that corresponds with their intended purpose.

The PSF Entities allocate the purchase price of acquisitions to the various components of the acquisition based upon the fair value of each component which may be derived from various observable or unobservable inputs and assumptions. Also, the PSF Entities may utilize third party valuation specialists. These components typically include buildings, land and any intangible assets related to in-place leases the PSF Entities determine to exist.

The PSF Entities record depreciation on buildings and improvements utilizing the straight-line method over the estimated useful life of the asset, generally 5 to 40 years. The PSF Entities review 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 building are depreciated over the estimated remaining life of the acquired building or related improvements. The PSF Entities amortize amounts allocated to tenant improvements, in-place lease assets and other lease-related intangibles over the remaining life of the underlying leases. The PSF Entities also estimate the value of other acquired intangible assets, if any, and amortizes them over the remaining life of the underlying related intangibles.

Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

The PSF Entities 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, 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 PSF Entities measure any impairment of investment property when the estimated undiscounted 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, the PSF Entities charge to income the excess of carrying value of the property over its estimated fair value. The PSF Entities estimate fair value using unobservable data such as operating income, estimated capitalization rates, or multiples, leasing prospects and local market information. The PSF Entities may decide to sell properties that are held for use and the sale prices of these properties may differ from their carrying values. The PSF Entities did not record any impairment adjustments to its properties during the nine months ended September 30, 2012 and 2011.

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 with the PSF Entities' control. Currently, the PSF Entities do not have any conditional asset retirement obligations. However, any such obligations identified in the future would result in the PSF Entities recording a liability if the fair value of the obligation can be reasonably estimated. Environmental studies conducted at the time the PSF Entities acquired its properties did not reveal any material environmental liabilities, and the PSF Entities are unaware of any subsequent environmental matters that would have created a material liability. The PSF Entities believe that its properties are currently in material compliance with applicable environmental, as well as non-environmental, statutory and regulatory requirements. The PSF Entities did not record any conditional asset retirement obligation liabilities during the nine months ended September 30, 2012 and 2011.

Cash and Cash Equivalents

The PSF Entities consider 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 PSF Entities to concentrations of credit risk include its cash and cash equivalents and its trade accounts receivable. The PSF Entities place its cash and cash equivalents with institutions of high credit quality.

The PSF Entities place its cash and cash equivalents on deposit with financial institutions in the United States. On November 9, 2010, the Federal Deposit Insurance Corporation ("FDIC") issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited coverage is separate from, and in addition to, the \$250,000 insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution.

The PSF Entities' bank deposits were fully insured by the FDIC at September 30, 2012, based on specified coverage.

Tenant Receivables and Unbilled Rent

Tenant receivables include base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. The PSF Entities determine 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 PSF Entities 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. As of September 30, 2012 and December 31, 2011, the PSF Entities' allowance for uncollectible accounts totaled \$63,000 and \$17,195, respectively. During the nine months ended September 30, 2012 and 2011, the PSF Entities recorded bad debt expense of \$45,805 and \$26,259, 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 nine months ended September 30, 2012, the PSF Entities did not realize any recoveries related to tenant receivables previously charged off.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Deferred Costs and Other Assets

The PSF Entities' deferred costs and other assets consists primarily of internal and external leasing commissions, deferred REIT costs allocated to the PSF Entities and various property escrow accounts for real estate taxes, insurance and tenant improvements and replacements. The PSF Entities' lease origination costs consist primarily of commissions paid in connection with lease originations. The PSF Entities record 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:

	<u>September 30,</u> <u>2012</u> <small>(unaudited)</small>	<u>December 31,</u> <u>2011</u>
Lease origination costs, net	\$ 275,457	\$ 296,123
Property escrows	301,751	274,061
Deferred REIT costs	290,000	136,010
Other	<u>80,845</u>	<u>31,310</u>
Total Deferred Costs and Other Assets	<u>\$ 948,053</u>	<u>\$ 737,504</u>

Amortization of lease origination costs and in place leases represents a component of depreciation and amortization expense. The PSF Entities report amortization of financing costs, amortization of premiums, and accretion of discounts as part of interest expense. The PSF Entities account for in place lease assets as a component of the investment properties' cost basis (See Note 3 "Investment Properties"). Future amortization of lease origination costs is as follows:

<u>For the Twelve Months Ending September 30, (unaudited)</u>	<u>Lease</u> <u>Origination</u> <u>Costs</u>
2013	\$ 71,004
2014	58,090
2015	46,084
2016	35,741
2017	31,586
Thereafter	<u>32,952</u>
	<u>\$ 275,457</u>

Revenue Recognition

The PSF Entities retain substantially all of the risks and benefits of ownership of the investment properties and accounts for its leases as operating leases. The PSF Entities accrue minimum rents on a straight-line basis over the terms of the respective leases. 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. During the nine months ended September 30, 2012 and 2011, the PSF Entities recognized percentage rents of \$16,612 and \$11,650, respectively.

The PSF Entities' leases generally require the tenant to reimburse the PSF Entities 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 PSF Entities' exposure to increases in costs and operating expenses resulting from inflation or other outside factors. The PSF Entities accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. The PSF Entities calculate 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 in the property. The PSF Entities also receive escrow payments for these reimbursements from substantially all its tenants throughout the year. The PSF Entities recognize differences between estimated recoveries and the final billed amounts in the subsequent year. These differences were not material in any period presented.

The PSF Entities recognize lease termination fees in the period that the lease is terminated and collection of the fees is reasonably assured. Upon early lease termination, the PSF Entities provide for losses related to unrecovered intangibles and other assets. The PSF Entities did not recognize any lease termination fees during the nine months ended September 30, 2012 and 2011.

Income Taxes

Management has evaluated the effect of the guidance provided by GAAP on *Accounting for Uncertainty of Income Taxes* and has determined that the PSF Entities had no uncertain income tax positions that could have a significant effect on the financial statements for the nine months ended September 30, 2012 and 2011.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

The PSF Entities' income tax returns since 2008 are subject to examination by the Internal Revenue Service and state tax authorities, generally for three years after the tax returns were filed.

Financial Instruments

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

Use of Estimates

The PSF Entities have 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 PSF Entities' actual results could differ from these estimates.

Advertising Costs

The PSF Entities expense advertising and promotion costs as incurred. The PSF Entities incurred advertising and promotion costs of \$3,644 and \$24,870 for the nine months ended September 30, 2012 and 2011, respectively.

Recent Accounting Pronouncements

The FASB and the IASB have initiated a joint project to develop a new approach to lease accounting that would ensure that assets and liabilities arising under leases are recognized in the statement of financial position. This proposed amendment to Topic 840 of the FASB Accounting Standards Codification would require a lessor to apply either a performance obligation approach or a derecognition approach to account for the assets and liabilities arising from a lease, depending on whether the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected term of the lease. We have not yet determined the effect of this proposed accounting proposal to the balance sheet.

In October 2011, the FASB issued a proposed accounting standards update to Real Estate – Investment Property Entities (Topic 973). The amendments of this proposed update would provide accounting guidance for entities that meet the criteria to be an investment property entity. The amendment would also introduce additional presentation and disclosure requirements. Investment properties acquired by an investment property entity would initially be measured at transaction price, including related transaction costs, and subsequently measured at fair value with all changes in fair value recognized in net income. In connection with this, a lessor of an investment property would not be required to apply the above mentioned proposed lessor accounting requirements for leases if the lessor measures its investment properties at fair value but would account for lease rental income on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. We have not yet determined the impact of this proposed standard to the balance sheet.

In January 2012, the FASB issued a proposed ASC update to Topic 350, "*Intangibles – Goodwill and Other; Testing Goodwill for Impairment.*" This amendment would give us the option to first assess qualitative factors to determine whether the existence of an event or circumstance indicates that it is more likely than not that indefinite-lived intangible assets are impaired before having to determine the fair value using the current quantitative approach. This ASC is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will adopt this ASC during fiscal 2012. We evaluate goodwill for impairment annually in conjunction with our year end closing procedures unless factors arise that would create the need to perform an evaluation during interim periods. For the nine months ended September 30, 2012 there were no factors that indicated any impairment. Accordingly, we will apply the concepts of this ASC during our next evaluation of goodwill.

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

3. Investment Properties

Investment properties consist of the following:

	<u>September 30,</u> <u>2012</u> (unaudited)	<u>December 31,</u> <u>2011</u>
Land	\$ 4,773,236	\$ 4,773,236
Buildings and improvements	<u>12,967,678</u>	<u>12,967,678</u>
Investment properties at cost	17,740,914	17,740,914
Less accumulated depreciation and amortization	<u>(5,575,407)</u>	<u>(5,227,445)</u>
Investment properties at cost, net	<u>\$12,165,507</u>	<u>\$12,513,469</u>

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

3. Investment Properties (continued)

The PSF Entities' depreciation and amortization expense was \$102,143 and \$130,625 for the three months ended September 30, 2012 and 2011, respectively. The PSF Entities' depreciation and amortization expense was \$393,004 and \$449,591 for the nine months ended September 30, 2012 and 2011, respectively.

All of the PSF Entities' land, buildings and improvements serve as collateral for its mortgage loans payable portfolio. Accordingly, restrictions exist as to each property's transferability, use and other common rights typically associated with property ownership.

4. Mortgage Loans Payable

The PSF Entities' mortgage loans payable consist of the following:

	September 30, 2012 (unaudited)	December 31, 2011
Mortgage term loan (Lumber River Plaza); payable in monthly principal and interest installments of \$18,414; interest rate fixed at 5.65%; secured by real estate; matures May 2015.	\$ 3,003,739	\$ 3,038,979
Mortgage term loan (Perimeter Square); payable in monthly principal and interest installments of \$28,089; interest rate fixed at 6.38%; secured by real estate; matures June 2016.	4,335,627	4,376,033
Mortgage term loan (Shoppes at TJ Maxx); payable in monthly principal and interest installments of \$43,931; interest rate fixed at 6.57%; secured by real estate; matures September 2012.	<u>5,948,004</u>	<u>6,042,235</u>
Total Mortgage Loans Payable	<u>\$13,287,370</u>	<u>\$13,457,247</u>

The mortgage term loan for the Shoppes at TJ Maxx matured in September of 2012. This term loan was refinanced on October 19, 2012 for a principal amount of \$6,400,000 (inclusive of net loan fees of \$380,000), at 6.0% interest rate (15.8% effective interest rate resulting from amortization of the loans fees above) maturing April 19, 2013. Interest only is payable monthly in the amount of \$32,000 with outstanding principal and accrued unpaid interest due at maturity.

Debt Maturity

The PSF Entities' scheduled principal repayments on indebtedness as of September 30, 2012 are as follows:

	Twelve Months Ending September 30, (unaudited)
2013	\$ 6,056,571
2014	115,409
2015	2,966,734
2016	4,148,656
2017	—
Thereafter	—
	<u>\$ 13,287,370</u>

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

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, 2012 are as follows:

	Twelve Months Ending September 30, (unaudited)
2013	\$ 1,988,730
2014	1,839,927
2015	1,628,514
2016	1,404,618
2017	1,234,969
Thereafter	<u>1,395,917</u>
	<u>\$ 9,492,675</u>

6. Commitments and Contingencies

Litigation

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

Insurance

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

The PSF Entities' properties are dependent upon regional and local economic conditions and are geographically concentrated in the Mid-Atlantic and Southwest, which markets represented approximately 68% and 32%, respectively, of the total annualized base rent of the properties in its portfolio as of September 30, 2012. The PSF Entities' 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 PSF Entities' 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.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC Notes to Combined Financial Statements (Continued)

6. Commitments and Contingencies (continued)

The PSF Entities do not have any tenants that individually represent 10% or more of its combined total assets or 10% or more of its combined gross revenues. The following represent the PSF Entities' properties that are components of its portfolio and which each individually represents 10% or more of the related property's total assets or gross revenues:

Property/Tenant	Location	(Unaudited)		Annual Lease Payments	Expiration Date	Option Periods Remaining
		Net Rentable Square Feet	Square Footage Leased Amount Percentage			
Shoppes at TJ Maxx Tenant 1	Richmond, VA	93,552	32,400 34.63%	\$294,192	4/30/2014 (1)	1
Lumber River Plaza Tenant 1	Lumberton, NC	66,781	30,280 45.34%	\$155,250	6/30/2013 (2)	5
Tenant 2			9,100 13.63%	\$ 63,700	9/30/2015	1
Tenant 3			8,001 11.98%	\$ 44,520	12/31/2012	2
Perimeter Square Tenant 1	Tulsa, OK	58,277	26,813 46.01%	\$339,162	6/30/2018	—
Tenant 2			10,754 18.45%	\$ 95,173	7/31/2015	—

- (1) Subsequent to September 30, 2012, the tenant exercised its remaining five year option to extend the lease through April 30, 2019 and we granted them an additional five year option.
- (2) Subsequent to September 30, 2012, the tenant exercised one of its remaining five year options to extend the lease through June 30, 2018.

The Net Rentable Square Feet and square footage lease data in the above table has not been audited, but has been included in the above table because management believes that it is useful information.

Regulatory and Environmental

As the owner of the buildings on our properties, the PSF Entities 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 PSF Entities do not comply with such laws, it could face fines for such noncompliance. Also, the PSF Entities 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 PSF Entities 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 PSF Entities' 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 PSF Entities or its tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to the PSF Entities, 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 PSF Entities' operations. The PSF Entities are not aware of any material contingent liabilities, regulatory matters or environmental matters that may exist.

7. Related Party Transactions

Wheeler Interests, LLC and its affiliates (Wheeler Interests), controlled by Jon S. Wheeler ("Mr. Wheeler"), provide administrative services to the PSF Entities, including management, administrative, accounting, marketing, development and design services. Pursuant to the terms of the PSF Entities' administrative services agreement, Wheeler Interests' responsibilities include administering the PSF Entities' day-to-day business operations, identifying and acquiring targeted real estate investments, overseeing the management of the investments, and handling the disposition of the real estate investments. The PSF Entities also benefits from Wheeler Interests' affiliates that specialize in retail real estate investment and management, including (i) Wheeler Development, LLC, a full service real estate development firm, (ii) Wheeler Capital, LLC, a capital investment firm specializing in venture capital, financing, and small business loans, (iii) Wheeler Real Estate, LLC, a real estate management and administration firm, (iv) Site Applications, LLC, a full service facility company, equipped to handle all levels of building maintenance, and (v) TESR, LLC, a tenant relations company, serving as a liaison between property management, lease administration and leasing and working to provide information on the health and fiscal viability of each tenant.

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Lumber River Associates, LLC, Tuckernuck Associates, LLC and Perimeter Associates, LLC
Notes to Combined Financial Statements (Continued)

7. Related Party Transactions (continued)

The following summarizes related party activity between the PSF Entities and Wheeler Interests as of and for the nine months ended September 30, 2012 and 2011:

	September 30,	
	2012	2011
	(unaudited)	
Amounts paid to Wheeler Interests and its affiliates:		
Wheeler Interests	\$ 43,607	\$ 52,277
Wheeler Development	—	3,510
Wheeler Real Estate	82,866	96,284
Site Applications	39,433	51,765
Creative Retail Works	21,701	4,100
TESR	24,138	54,257
	<u>\$211,745</u>	<u>\$262,193</u>
Amounts due to (from) Wheeler Interests and its affiliates:		
Wheeler Interests	\$ 1,064	\$ 146
Wheeler Development	—	183
Wheeler Real Estate	1,857	3,566
Site Applications	(630)	1,391
Creative Retail Works	—	27,250
TESR	444	—
Jon Wheeler and affiliates	92,739	23,307
	<u>\$ 95,474</u>	<u>\$ 55,843</u>

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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 consolidated financial statements and the notes thereto included in this Form 10-Q, and the consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Registration Statement. For more detailed information regarding the basis of presentation for the following information, you should read the notes to the unaudited consolidated financial statements included in this Form 10-Q.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to our shareholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on its knowledge and understanding of our business and industry. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "potential," "predicts," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" or the negative of such terms and variations of these words and similar expressions, although not all forward-looking statements include these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

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

The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" sections of our Registration Statement.

Executive Overview

On October 23, 2012, the Trust's Registration Statement became effective and the common stock was priced at \$5.25. On November 16, 2012, the Trust closed the offering by selling 3,016,045 shares of common stock at \$5.25 per share, generating approximately \$15.83 million in gross proceeds. Additionally, the formation transactions as described in our Registration Statement and in this Form 10-Q were executed.

Leasing Activity

Effective October 1, 2012, we leased a 14,000 square foot previously vacant space at the Shoppes at TJ Maxx at a base rent of \$7,000 per month, expiring on September 30, 2015.

On October 25, 2012, TJ Maxx elected to exercise their next five year option at the Shoppes at TJ Maxx which will take effect in May 2014. As a condition for exercising the option early, we agreed to keep their base rent at the same rate during the option period as it is now. Additionally we granted TJ Maxx another five year option that will be available to them in 2019.

On November 13, 2012, Food Lion elected to exercise their first five year option at Lumber River Plaza which will begin on July 1, 2013. Per the original lease, annual rent will remain at \$155,260. They have three five-year options remaining to exercise, if they so choose.

Financing Activities

On October 19, 2012, the mortgage term loan for The Shoppes at TJ Maxx was refinanced for a principal amount of \$6,400,000 at a 6.0% interest rate maturing April 19, 2013. Interest only is payable monthly in the amount of \$32,000 with outstanding principal and accrued unpaid interest due at maturity. We anticipate obtaining term financing for the loan when it matures in April 2012.

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Our Portfolio

Our portfolio is comprised of five retail shopping centers, two free-standing retail properties, and one office building. Five of these properties are located in Virginia, one is located in Florida, one is located in North Carolina and one is located in Oklahoma. Our portfolio has a total GLA of 348,490 square feet and an occupancy level of approximately 92%. Our portfolio consists of the following entities and their related properties:

- DF-1 Carrollton, LLC – The Shoppes at Eagle Harbor (Carrollton, VA)
- Lumber River Associates, LLC – Lumber River Village (Lumberton, NC)
- Lynnhaven Parkway Associates, LLC – Monarch Bank Building (Virginia Beach, VA)
- North Pointe Investors, LLC – North Pointe Crossing/Amscot Building (Tampa, FL)
- Perimeter Associates, LLC – Perimeter Square (Tulsa, OK)
- Riversedge Office Associates, LLC – Riversedge North (Virginia Beach, VA)
- Tuckernuck Associates, LLC – Shoppes at TJ Maxx (Richmond, VA)
- Walnut Hill Plaza Associates, LLC – Walnut Hill Plaza (Petersburg, VA)

Details regarding these properties can be found in the “Business and Properties – Our Portfolio” section of our Registration Statement filed on Form S-11 filed with the SEC.

We believe our target markets, which currently include the Mid-Atlantic, Southeast and Southwest, are characterized by strong demographics and dynamic, diversified economies that will continue to generate jobs and future demand for commercial real estate.

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Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based upon our combined financial statements included in this Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these combined 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-Q. Management believes 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.

Our leases generally require the tenant to reimburse us for a substantial portion of operating expenses incurred in operating, maintaining, repairing, insuring and managing the property and common areas (collectively defined as Common Area Maintenance or "CAM" expenses). This significantly reduces our exposure to increases in costs and operating expenses resulting from inflation or other outside factors. We accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. We calculate 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 in the property. We receive escrow payments for these reimbursements from substantially all its tenants on a monthly basis throughout the year. We recognize differences between estimated recoveries and the final billed amounts in the subsequent year.

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When and where applicable, any relatively large expense items are amortized into the CAM pool and are reimbursed by the tenants according to their leases. By amortizing the expenses, the tenants are able to absorb the cost without creating unrealistic monthly CAM charges that would then hinder our ability to fill any vacancy. We monitor market rates for CAM as well as rents to ensure our property's expense and expectations are consistent with what the market will bear.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results when ultimately realized could differ from those estimates. Significant estimates in the nine month periods ended September 30, 2012 and 2011 include accrued rents and tenant reimbursements, impairment analysis of investment properties and the useful life of investment properties.

Impairment of Long-lived Assets

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 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. We may decide to sell properties that are held for use and the sale prices of these properties may differ from their carrying values. We did not record any impairment charges during the nine months ended September 30, 2012 and 2011.

Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

Results of Operations

The following table presents a comparison of the Predecessor's combined historical statements of operations for the three months ended September 30, 2012 and 2011, respectively.

	For the Three Months Ended September 30,		Period Over Period Changes	
	2012	2011	\$	%
REVENUE:				
Minimum rent	\$ 401,007	\$ 341,645	\$ 59,362	17.38%
Percentage of sales rent	1,054	6,525	(5,471)	-83.84%
Tenant reimbursements	82,307	72,967	9,340	12.80%
Other income	4,359	107,863	(103,504)	-95.96%
Total Revenue	488,727	529,000	(40,273)	-7.61%
OPERATING EXPENSES:				
Property operating	75,529	109,281	(33,752)	-30.89%
Depreciation and amortization	184,933	185,100	(167)	-0.09%
Real estate taxes	26,712	24,795	1,917	7.73%
Repairs and maintenance	15,245	22,455	(7,210)	-32.11%
Advertising and promotion	568	11,403	(10,835)	-95.02%
Provision for credit losses	—	20,000	(20,000)	-100.00%
Corporate general & administrative	344,335	189,725	154,610	81.49%
Other	9,498	11,106	(1,608)	-14.48%
Total Operating Expenses	656,820	573,865	82,955	14.46%
Operating Income (Loss)	(168,093)	(44,865)	(123,228)	274.66%
Interest expense	(198,049)	(185,937)	(12,112)	6.51%
Net Loss	\$ (366,142)	\$ (230,802)	\$ (135,340)	58.64%

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Revenues

Total revenues for the three months ended September 30, 2012 (the “2012 quarter”) decreased 7.61% to \$488,727, compared to \$529,000 for the three months ended September 30, 2011 (the “2011 quarter”). Improvements in base rents, primarily at Walnut Hill Plaza, were offset by a \$103,504 decline in other income resulting from approximately \$97,000 of non-recurring income items in the 2011 quarter. Excluding these nonrecurring items which are discussed below, total revenues would have increased approximately \$57,000, or 13.13%, during the 2012 quarter as compared to the 2011 quarter.

Base rents at Walnut Hill Plaza increased approximately \$56,000 for the 2012 quarter as compared to the 2011 quarter, primarily due to renewals and contractual rent adjustments. Percentage of sales rent declined \$5,471, or 83.84%, due to a reduction in sales for a tenant at Walnut Hill Plaza. Tenant reimbursements increased \$9,340, or 12.80%, during the 2012 quarter as compared to the 2011 quarter, primarily related to an increase in CAM, tax and insurance reimbursement charges for 2012 versus 2011. Other income for the 2011 quarter included several non-recurring items consisting of a settlement of approximately \$82,300 with a tenant at Walnut Hill Plaza related to past due 2011 rents and reimbursements, \$4,000 received for an insurance refund, \$10,400 in other tenant settlements and a \$3,000 increase in late fees.

Operating Expenses

Total operating expenses for the 2012 quarter increased 14.46% to \$656,820, compared to \$573,865 for the 2011 quarter. Additional corporate general and administrative expenses of \$154,610 associated with our formation transactions accounted for the majority of the increase. The corporate general and administrative expenses primarily consist of expenses incurred for our formation, ongoing operations and preparation for the offering, including personnel and other required internal and external resources. Excluding the corporate general and administrative expenses, total operating expenses would have decreased approximately \$72,000, or approximately 18.65%, during the 2012 quarter, compared to the 2011 quarter.

Property operating expenses declined \$33,752 during the 2012 quarter as compared to the 2011 quarter. Reductions in grounds and landscaping costs, primarily related to parking lot expense and general landscaping, utility expenses and banking fees contributed to the decrease. The decline in utilities expense occurred because the Riversedge property tenant began paying their utilities directly during 2012 as opposed to handling them through the CAM reimbursement process. Repairs and maintenance expenses declined \$7,210, or 32.11%, during the 2012 quarter as compared to the 2011 quarter, primarily related to a non-recurring sewage system pipe repair at Walnut Hill. Advertising and promotion expenses decreased \$10,835 during the 2012 quarter as compared to the 2011 quarter. During the 2011 quarter, advertising and promotion expenses were impacted by additional marketing efforts relating to attracting new tenants and maximizing returns for existing tenants, along with annual membership charges associated with an outside industry group of which we are a member.

Operating Income

The \$40,273 decrease in revenues and the \$82,955 increase in operating expenses that are discussed above in detail resulted in total operating income decreasing 274.66% to negative \$168,093 for the 2012 quarter, compared to negative \$44,864 during the 2011 quarter.

Other Expense

Interest expense increased to \$198,049 for the 2012 quarter, compared to \$185,937 for the 2011 quarter, primarily resulting from adjustments made in the prior year to correct accrued interest balances and year to date interest expense.

Funds from Operations

Below is a comparison of FFO, which is a non-GAAP measurement, for the three months ended September 30, 2012 and 2011:

	<u>For the Three Months Ended September 30,</u>		<u>Period Over Period Changes</u>	
	<u>2012</u>	<u>2011</u>	<u>\$</u>	<u>%</u>
	(unaudited)			
Net income (loss)	\$ (366,142)	\$ (230,802)	\$ (135,340)	58.64%
Depreciation of real estate assets	184,933	185,100	(167)	-0.09%
Total FFO	<u>\$ (181,209)</u>	<u>\$ (45,702)</u>	<u>\$ (135,507)</u>	<u>296.50%</u>

During the 2012 quarter, FFO decreased \$135,507 as compared to the 2011 quarter. The primary factors impacting FFO included the \$40,273 decrease in revenues, primarily in other income, and the \$154,610 increase of corporate general and administrative expenses which were partially offset increases in base rents and decreases in other expense categories.

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Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Results of Operations

The following table presents a comparison of the Predecessor's combined historical statements of operations for the nine months ended September 30, 2012 and 2011, respectively.

	For the Nine Months Ended September 30,		Period Over Period Changes	
	2012	2011	\$	%
REVENUE:				
Minimum rent	\$ 1,197,798	\$ 1,048,138	\$ 149,660	14.28%
Percentage of sales rent	1,054	6,525	(5,471)	-83.84%
Tenant reimbursements	292,656	239,646	53,010	22.12%
Other income	12,878	112,480	(99,602)	-88.55%
Total Revenue	1,504,386	1,406,789	97,597	6.94%
OPERATING EXPENSES:				
Property operating	210,109	256,168	(46,059)	-17.98%
Depreciation and amortization	556,452	555,299	1,153	0.21%
Real estate taxes	80,204	74,770	5,434	7.27%
Repairs and maintenance	41,995	44,759	(2,764)	-6.18%
Advertising and promotion	3,381	33,174	(29,793)	-89.81%
Provision for credit losses	—	20,000	(20,000)	-100.00%
Corporate general & administrative	757,073	189,725	567,348	299.04%
Other	27,200	26,319	881	3.35%
Total Operating Expenses	1,676,414	1,200,214	476,200	39.68%
Operating Income (Loss)	(172,028)	206,575	(378,603)	-183.28%
Interest expense	(593,496)	(592,555)	(941)	0.16%
Net Loss	\$ (765,524)	\$ (385,980)	\$ (379,544)	98.33%

Revenues

Total revenues for the nine months ended September 30, 2012 (the "2012 period") increased 6.94% to \$1.50 million, compared to \$1.41 million for the nine months ended September 30, 2011 (the "2011 period"). Improvements in base rents, primarily at The Shoppes at Eagle Harbor and Walnut Hill Plaza, accounted for the majority of the increase, while higher tenant reimbursements also contributed to the increase. Excluding the impact of approximately \$97,000 of non-recurring income items included in other income for the 2011 period, total revenues would have increased approximately 14.86%.

Base rents at The Shoppes at Eagle Harbor increased approximately \$83,000, primarily due to the property being 100% lease for the entire 2012 period compared to being 100% leased for only six months during the 2011 period. Additionally, we benefited from a significant rent increase related to the expansion and subsequent stabilization of a large tenant at the property. Base rents at Walnut Hill Plaza increased approximately \$66,000 for the 2012 period as compared to the 2011 period, primarily due to contractual rent adjustments.

Tenant reimbursements increased \$53,010, or 22.12%, during the 2012 period as compared to the 2011 period, primarily due to an increase of approximately \$15,000 in the prior year CAM, tax and insurance reconciliation adjustments and an increase of approximately \$43,000 in regular monthly reimbursement charges for 2012 versus 2011.

Operating Expenses

Total operating expenses for the 2012 period increased 39.68% to \$1.68 million, compared to \$1.20 million for the 2011 period. Additional corporate general and administrative expenses of \$567,348 associated with our formation transactions accounted for the majority of the increase. The corporate general and administrative expenses primarily consist of expenses incurred for our formation, ongoing operations and preparation for the offering, including personnel and other required internal and external resources. Excluding the corporate general and administrative expenses, total operating expenses would have decreased approximately \$91,000, or approximately 9.02%, during the 2012 period, compared to the 2011 period.

Property operating expenses declined \$46,059 during the 2012 period as compared to the 2011 period. Reductions in grounds and landscaping costs, primarily related to snow removal and parking lot expense, utility expenses and banking fees contributed to the decrease. The decline in utilities expense occurred because the Riversedge property tenant began paying their utilities directly during 2012 as opposed to handling them through the CAM reimbursement process. Additionally, the 2011 utilities expense for The Shoppes at Eagle Harbor included prior period amounts due to a billing error by the utility company.

Advertising and promotion expenses decreased \$29,793 during the 2012 period as compared to the 2011 period. Advertising and promotion expenses for the 2011 period were impacted by additional marketing efforts relating to attracting new tenants and maximizing returns for existing tenants, along with annual membership charges associated with an outside industry group of which we are a member.

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Operating Income

The \$97,597 increase in revenues offset by the \$476,200 increase in operating expenses that are discussed above in detail resulted in total operating income decreasing 183.28% to negative \$172,028 for the 2012 period, compared to \$206,575 during the 2011 period.

Other Expense

Interest expense was flat at \$593,496 for the 2012 period, compared to \$592,555 for the 2011 period. Additional interest expense on the Amscot loan resulting from the property being refinanced during 2011 offset the impact of declining balances on outstanding debt.

Funds from Operations

Below is a comparison of FFO, which is a non-GAAP measurement, for the nine months ended September 30, 2012 and 2011:

	<u>For the Nine Months Ended September 30,</u>		<u>Period Over Period Changes</u>	
	<u>2012</u>	<u>2011</u>	<u>\$</u>	<u>%</u>
Net income (loss)	\$ (765,524)	\$ (385,980)	\$ (379,544)	98.33%
Depreciation of real estate assets	556,452	555,299	1,153	0.21%
Total FFO	<u>\$ (209,072)</u>	<u>\$ 169,319</u>	<u>\$ (378,391)</u>	<u>-223.48%</u>

During the 2012 period, FFO decreased \$378,391 as compared to the 2011 period. The primary factors impacting FFO included the \$757,073 of corporate general and administrative expenses which were partially offset by the \$149,660 increase in base rents, the \$53,010 increase in tenant reimbursements and the \$29,793 decrease in advertising and promotion expense.

Liquidity and Capital Resources

At September 30, 2012, our combined cash and cash equivalents totaled \$53,632 compared to combined cash and cash equivalents of \$104,007 at December 31, 2011. Cash flows from operating activities, investing activities and financing activities for the nine months ended September 30, 2012 and 2011 are as follows:

	<u>Nine Months Ended September 30,</u>		<u>Period Over Period Change</u>	
	<u>2012</u>	<u>2011</u>	<u>\$</u>	<u>%</u>
Operating activities	\$ 27,605	\$ 175,579	\$ (147,974)	-84.28%
Investing activities	\$ (23,690)	\$ (33,670)	\$ 9,980	-29.64%
Financing activities	\$ (54,290)	\$ (128,660)	\$ 74,370	-57.80%

Operating Activities

During the 2012 period, our cash flows from operating activities were \$27,605, compared to cash flows from operating activities of \$175,579 during the 2011 period. Operating cash flows were primarily impacted by the \$379,544 decrease in net income due to the factors discussed in the Results of Operations section above, specifically the \$757,073 of expense associated with the formation transactions, and normal fluctuations in operations.

Investing Activities

During the 2012 period, our cash flows used in investing activities were \$23,690, compared to cash flows used in investing activities of \$33,670 during the 2011 period. These amounts represent capital expenditures at the properties that routinely fluctuate from period to period.

Financing Activities

During the 2012 period, our cash flows used in financing activities were \$54,290, compared to \$128,660 of cash flows used in financing activities during the 2011 period. During the 2012 period, we used \$135,977 of cash flow towards offering expenses which was offset by a \$64,076 reduction in distributions to members. Distributions to members were \$126,092 and \$190,168 during the 2012 and 2011 periods, respectively. We did not make a third quarter 2012 distribution in anticipation of closing the formation and offering transactions after quarter end. We received \$494,000 of proceeds from the sale of preferred stock to cover expenses related to our formation and the offering during the 2012 period, compared to \$505,000 for the 2011 period.

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Mortgage indebtedness activity during the 2012 and 2011 periods included principal payments of \$182,187 and \$151,902, respectively. The increase is primarily due to Walnut Hill incurring nine months of principal payments during 2012, compared to just five months during 2011 since the note was an interest only construction loan until May 2011.

We intend to continue managing our debt prudently so as to maintain a conservative capital structure and minimize leverage within our company. As of September 30, 2012 and 2011, our unaudited debt balances consisted of the following:

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Fixed-rate mortgages	<u>\$11,953,896</u>	<u>\$12,136,083</u>

The decrease in total mortgage indebtedness at September 30, 2012 is primarily due to principal payments of \$182,187 being made since December 2011. The weighted average interest rate and term of our fixed-rate debt are 6.47% and 0.6 years, respectively, at September 30, 2012. We have \$4.15 million of debt maturing during the 12 months ending September 30, 2013, comprised primarily of a \$2.04 million fixed-rate loan on the Monarch Bank Building property which matures in December 2012 and a \$2.11 million fixed-rate loan on the Riversedge Office Building that matures in April 2013. Additionally, a \$3.94 million fixed-rate loan on The Shoppes at Eagle Harbor property matured in April 2012 and has been extended until December 31, 2012 to accommodate the refinancing process and to allow for the completion of the formation and offering transactions contemplated in our Registration Statement. All indications so far lead us to believe we will be able to renew the loan at comparable terms. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, our inability to do so may require us to repay the \$8.09 million out of existing funds, most likely using proceeds from this offering. Additionally, our ability to refinance the loans may be conditioned upon us paying down principal which would come from available cash. See the financial statements included elsewhere in this Form 10-Q for additional mortgage indebtedness details.

Future Liquidity Needs

The formation transactions that we completed on November 16, 2012 resulted in us having \$14.49 million of combined debt maturing during the 12 months ending September 30, 2013, comprised primarily of the \$3.94 million fixed-rate loan on The Shoppes at Eagle Harbor property which matured in April 2012, the \$2.04 million fixed-rate loan on the Monarch Bank Building property which matures in December 2012, the \$2.11 million fixed-rate loan on the Riversedge Office Building that matures in April 2013 and a \$6.40 million fixed-rate six month loan at a 6.0% fixed interest rate on the Shoppes at TJ Maxx property (PSF Entities property acquired as part of the formation transactions) that resulted from the October refinancing of the existing loan which matured in September 2012. We will obtain a long-term loan on the Shoppes at TJ Maxx property upon maturing of the short-term loan. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, our inability to do so may require us to use existing, most likely including the use of offering proceeds, to repay a portion of the \$14.49 million due. Additionally, our ability to refinance the loans may be conditioned upon us making principal curtailments which would also likely come from the offering proceeds.

The \$14.49 million in debt maturities, ongoing debt service and the \$0.42 per share targeted initial dividend we intend to pay for the next 12 months represent the most significant factors outside of normal operating activities impacting cash flow over the next twelve months. Our success in refinancing the debt and executing on the acquisition strategy discussed below will dictate how we use the offering proceeds. If a significant portion of the proceeds must be used to fund distributions and debt maturities, our ability to grow and pay future dividends may be limited without additional capital. Additionally, distributions paid in excess of earnings and profits may represent a return of capital for U.S. federal income tax purposes.

As illustrated in the Distribution Policy section of the Registration Statement filed on Form S-11, we may experience up to a \$2.02 million cash flow deficit based on the cash available for distribution and \$2.11 million in estimated distributions assuming our targeted initial dividend rate of \$0.42 per share. We believe significant opportunities exist in the current commercial real estate environment that will enable us to sufficiently leverage the funds received in the offering to fund planned distributions. Several factors are contributing to an increased supply in available properties for acquisition, including a significant level of maturities of commercial mortgage backed securities ("CMBS") debt (estimated total maturities of approximately \$1.8 trillion over the next five years), strategic shifts by larger REITs to reduce debt levels and exit certain markets, and the negative impact on the real estate industry as a result of the economic downturn experienced over the past four years. We believe the public REIT model provides a unique growth vehicle whereby we can either acquire properties through traditional third party acquisitions using a combination of cash generated in the capital markets and debt financing; contributions of properties by third parties in exchange for common units issued by the Operating Partnership; and contributions of existing Wheeler properties in exchange for common units issued by the Operating Partnership. Additionally, access to public market capital enhances our ability to formulate acquisition structures and terms that better meet our growth strategies.

We envision acquiring properties during the next twelve months, consisting primarily of a blend of traditional acquisitions using equity capital provided by the offering and external financing, and property contributions in exchange for common units and debt assumption. Based on our knowledge of the property acquisition markets, there appears to be an ample inventory of properties available to enable us to meet our acquisition goals over the next twelve months, especially as it relates to those in the secondary and tertiary markets where we have historically excelled. Current cap rates in these markets have typically ranged from 8% to 10% and beyond. We believe that acquisitions at these price ranges, assuming a reasonable blend of traditional acquisition strategies and property contributions in exchange for common units and external debt financing, will produce excess cash flow sufficient to fund current and future dividends to our stockholders and common unit

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holders. We intend to aggressively pursue acquisitions that fit these parameters and that will generate sufficient cash flow to support our operating model. Since 1999, Jon S. Wheeler and his affiliates have acquired in excess of 60 properties. We believe our experience and success in acquiring and managing these properties will enable us to execute on our strategies for investing the offering proceeds.

In addition to liquidity required to fund debt payments, distributions and acquisitions, we may incur some level of capital expenditures during the year for the existing eight properties that cannot be passed on to our tenants. In the past, the majority of these expenditures occurred subsequent to acquiring a new property that required significant improvements to maximize occupancy and lease rates, with an existing property that needed a facelift to improve its marketability or when tenant improvements were required to make a space fit a particular tenant's needs. These expenditures were especially high during the past three years due to the acquisition of Walnut Hill and the development of the Shoppes at Eagle Harbor. However, since the work related to these properties is complete, we expect capital expenditures for the eight properties during the next twelve months will be significantly lower than that incurred during the past three years, resulting in additional funds available for distributions.

Off-Balance Sheet Arrangements

As of September 30, 2012, we were not involved in any significant off-balance sheet arrangements that are likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital resources or capital expenditures.

New Accounting Pronouncements

The FASB and the IASB have initiated a joint project to develop a new approach to lease accounting that would ensure that assets and liabilities arising under leases are recognized in the statement of financial position. This proposed amendment to Topic 840 of the FASB Accounting Standards Codification would require a lessor to apply either a performance obligation approach or a derecognition approach to account for the assets and liabilities arising from a lease, depending on whether the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected term of the lease. We have not yet determined the effect of this proposed accounting proposal to the balance sheet.

In October 2011, the FASB issued a proposed accounting standards update to Real Estate – Investment Property Entities (Topic 973). The amendments of this proposed update would provide accounting guidance for entities that meet the criteria to be an investment property entity. The amendment would also introduce additional presentation and disclosure requirements. Investment properties acquired by an investment property entity would initially be measured at transaction price, including related transaction costs, and subsequently measured at fair value with all changes in fair value recognized in net income. In connection with this, a lessor of an investment property would not be required to apply the above mentioned proposed lessor accounting requirements for leases if the lessor measures its investment properties at fair value but would account for lease rental income on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. We have not yet determined the impact of this proposed standard to the balance sheet.

In January 2012, the FASB issued a proposed ASC update to Topic 350, "*Intangibles – Goodwill and Other; Testing Goodwill for Impairment.*" This amendment would give us the option to first assess qualitative factors to determine whether the existence of an event or circumstance indicates that it is more likely than not that indefinite-lived intangible assets are impaired before having to determine the fair value using the current quantitative approach. This ASC is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will adopt this ASC during fiscal 2012. We evaluate goodwill for impairment annually in conjunction with our year end closing procedures unless factors arise that would create the need to perform an evaluation during interim periods. For the nine months ended September 30, 2012 there were no factors that indicated any impairment. Accordingly, we will apply the concepts of this ASC during our next evaluation of goodwill.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The management of Trust, under the supervision and with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to the Trust's management, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of September 30, 2012 (the end of the period covered by this Report).

Changes in Internal Control Over Financial Reporting

During the nine months ended September 30, 2012, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Not applicable.

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

- (a) During the period covered by this Form 10-Q, we did not sell any equity securities that were not registered under the Securities Act of 1933.
- (b) On November 16, 2012, we completed our initial public offering (“IPO”) of common stock, in which a total of 3,016,045 shares were sold by us at a price of \$5.25 per share. We raised a total of \$15,834,236.25 in gross proceeds from the IPO, or approximately \$13,439,000 in net proceeds after deducting underwriting discounts and commissions of \$913,360.08 and other offering costs of approximately \$1,482,000. Upon the closing of the IPO, all shares of convertible preferred stock outstanding automatically converted into an aggregate of 285,457 shares of our common stock.

As of December 6, 2012, we used over \$349,000 of the net proceeds from our IPO for working capital and general corporate purposes. We anticipate that we will continue to use the remaining net proceeds from our IPO for additional working capital, acquisition of additional properties and general corporate purposes. The timing and amount of our actual expenditures of the remaining IPO net proceeds will be based on many factors, including without limitation, cash flows from operations and the anticipated growth of our business. There has been no material change in the planned use of proceeds from our IPO as described in the final prospectus filed with the SEC on November 15, 2012 pursuant to Rule 424(b) promulgated by the SEC under the Securities Act of 1933, as amended.

- (c) Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

<u>Exhibit</u>	
3.1	Articles of Amendment and Restatement of Wheeler Real Estate Investment Trust, Inc. (1)
3.2	Amended and Restated Bylaws of Wheeler Real Estate Investment Trust, Inc. (1)
4.1	Form of Certificate of Common Stock of Wheeler Real Estate Investment Trust, Inc. (1)
10.1	Form of Agreement of Limited Partnership of Wheeler REIT, L.P. (1)
10.2	Form of Indemnification Agreement between Wheeler Real Estate Investment Trust, Inc. and its officers and directors (1)
10.3	Wheeler Real Estate Investment Trust, Inc. 2012 Stock Incentive Plan (1)
10.4	Form of OP Contribution Agreement contributing the managing member interests of the Amscot Building, Monarch Bank and Riversedge North properties to Wheeler REIT, L.P. (1)
10.5	Form of Lock-Up Agreement (1)
10.6	Employment Agreement with Jon S. Wheeler (1)
10.7	Employment Agreement with Steven M. Belote (1)
10.8	Employment Agreement with Robin A. Hanisch (1)
10.9	Administrative Services Agreement by and between Wheeler Real Estate Investment Trust, Inc. and WHLR Management, LLC (1)
10.10	Form of OP Contribution Agreement contributing the managing member interests of Lumber River Village, Perimeter Square, Shoppes at TJ Maxx and Walnut Hill Plaza properties to Wheeler REIT, L.P. (1)
10.11	Form of OP Contribution Agreement contributing the non-managing member interests of the Amscot Building, Monarch Bank and Riversedge North properties to Wheeler REIT, L.P. (1)
10.12	Form of OP Contribution Agreement contributing the non-managing member interests of the Lumber River Village, Perimeter Square, Shoppes at TJ Maxx and Walnut Hill Plaza properties to Wheeler REIT, L.P. (1)
10.13	Form of Subordination Agreement (1)
10.14	Letter Agreement, dated March 13, 2012, by and between Jon S. Wheeler and Harrison J. Perrine (1)
10.15	Placement Agreement, dated November 16, 2012, by and among Wheeler Real Estate Investment Trust, Inc., Wellington Shields & Co., LLC and Capitol Securities Management, Inc. (2)
31.1	Certification of the Chief Executive Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (2)
31.2	Certification of the Chief Financial Officer of Wheeler Real Estate Investment Trust, Inc. pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (2)
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)
101.INS	XBRL INSTANCE DOCUMENT (3)
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT (3)
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE (3)
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE (3)
101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE (3)
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE (3)

(1) Filed as an exhibit to the Wheeler Real Estate Investment Trust Inc.'s Registration Statement on Form S-11 (Registration No. 333-177262) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.

(2) Filed herewith.

(3) To be filed by amendment.

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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/ STEVEN M. BELOTE

Steven M. Belote

Chief Financial Officer

Date: December 7, 2012

WHEELER REAL ESTATE INVESTMENT TRUST, INC.

Public Offering of Shares of Common Stock

Maximum: 4,000,000 Shares

Minimum: 3,000,000 Shares

PLACEMENT AGREEMENT

November 16, 2012

Wellington Shields & Co., LLC and
Capitol Securities Management, Inc. (the "Placement Agents")

c/o Wellington Shields & Co., LLC
140 Broadway
New York, NY 10005

Ladies and Gentlemen:

The undersigned, Wheeler Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), hereby confirms its agreement with you (unless otherwise defined herein, the term "you" shall collectively refer to the Placement Agents) as follows:

1. **Introduction.** This Agreement sets forth the understandings and agreements between the Company and you whereby, subject to the terms and conditions herein contained, you will offer to sell, on a "best efforts basis" on behalf of the Company (the "Offering"), a minimum of 3,000,000 shares and a maximum of 4,000,000 shares of the common stock of the Company, par value \$0.01 (the "Shares"). The terms of the offering will be \$5.25 per share. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the prospectus prepared by the Company and dated November 13, 2012 (the "Prospectus") (defined again in Section 2(a)).

2. **Representations and Warranties of the Company.** The Company makes the following representations and warranties to you:

(a) **Registration Statement and Prospectus.** The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-11 (File No. 333-177262) (as defined below, the "Registration Statement") conforming to the requirements of the Securities Act of 1933, as amended (the "1933 Act"), and the applicable rules and regulations (the "Rules and Regulations") of the Commission. Such amendments to such Registration Statement as may have been required prior to the date hereof have been filed with the Commission, and such amendments have been similarly prepared. Copies of the Registration Statement, any and all amendments thereto prepared and filed with the Commission, and the exhibits, financial statements and schedules, as finally amended and

revised, have been delivered to you for review. The term “Registration Statement” as used in this Agreement shall mean the Company’s Registration Statement on Form S-11, including the Prospectus, any documents incorporated by reference therein, and all financial schedules and exhibits thereto, as amended on the date that the Registration Statement becomes effective, and any registration statement related to the Offering that is filed pursuant to Rule 462(b) of the 1933 Act. The term “Prospectus” (previously defined) as used in this Agreement shall mean the prospectus relating to the Shares in the form in which it was filed with the Commission pursuant to Rule 424(b) of the 1933 Act or, if no filing pursuant to Rule 424(b) of the 1933 Act is required, shall mean the form of the final prospectus included in the Registration Statement when the Registration Statement becomes effective. The terms “effective date” and “effective” refer to the date the Commission declares the Registration Statement effective pursuant to Section 8 of the 1933 Act.

(b) Adequacy of Disclosure. When the Registration Statement shall become effective, when the Prospectus is first filed pursuant to Rule 424(b) of the Rules and Regulations, when any amendment to the Registration Statement becomes effective, when any supplement to the Prospectus is filed with the Commission and on the Closing Date (as hereinafter defined), (i) the Registration Statement, the Prospectus and any amendments thereof and supplements thereto will conform in all material respects with the applicable requirements of the 1933 Act and the Rules and Regulations, and (ii) neither the Registration Statement, the Prospectus nor any amendment or supplement thereto will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by you expressly for use in the Registration Statement.

(c) No Stop Order. The Commission has not issued any order preventing or suspending the use of the Prospectus with respect to the Shares, and no proceedings for that purpose have been instituted or, to the Company’s knowledge, threatened by the Commission or the state securities or blue sky authority of any jurisdiction.

(d) Company; Organization and Qualification. The Company has been duly incorporated and is validly existing and of active status as a corporation under the laws of the State of Maryland with all requisite corporate power and authority to enter into this Agreement, to conduct its business as now conducted and as proposed to be conducted, and to own and operate its properties, investments and assets, as described in the Registration Statement and Prospectus. The Company is not in violation of any provision of its charter, bylaws, as amended, or other governing documents and is not in default under or in breach of, and does not know of the occurrence of any event that with the giving of notice or the lapse of time or both would constitute a default under or breach of, any term or condition of any material agreement or instrument to which it is a party or by which any of its properties, investments or assets is bound, except as disclosed in the Registration Statement and Prospectus or except as would not, individually or in the aggregate, result in any material adverse effect on the business, financial position, shareholders’ equity or results of operations of the Company (a “Material Adverse Effect”). Except as noted in the Prospectus, the Company does not own or control, directly or indirectly, any other corporation, association, or other entity. The Company has furnished to you

copies of its charter, bylaws, as amended, and all other governing documents, and all such copies are true, correct and complete and contain all amendments thereto through the date of this Agreement.

(e) Validity of Shares. The Shares have been duly and validly authorized by the Company and upon issuance against payment therefor as provided herein, will be validly issued, fully paid and non-assessable, and will conform to the description thereof contained in the Prospectus. No party has any preemptive rights with respect to any of the Shares or any right of participation or first refusal with respect to the sale of the Shares by the Company. No person or entity holds a right to require or participate in the registration under the 1933 Act of the Shares pursuant to the Registration Statement. Except as set forth in the Prospectus, no person holds a right to require registration under the 1933 Act of any security of the Company at any other time. The form of certificate evidencing the Shares complies with all applicable requirements of Maryland law.

(f) Capitalization. As of the date of this Agreement, the authorized capital stock of the Company consists of 15,000,000 shares of common stock, of which 0 shares are issued and outstanding and 500,000 shares of Series A Convertible preferred Stock, of which 183,500 are issued and outstanding. All shares of the issued and outstanding common and preferred stock of the Company have been duly authorized, validly issued, fully paid and non-assessable. Except as disclosed in the Registration Statement and Prospectus (including any public filing incorporated by reference into the Prospectus), there is no outstanding option, warrant or other right calling for the issuance of, and no commitment, plan or arrangement to issue, any shares of capital stock of the Company or any security convertible into or exchangeable for capital stock of the Company.

(g) Full Power: Company. The Company has full legal right, power, and authority to enter into this Agreement and the Escrow Agreement among the Company, SunTrust Bank, a Georgia banking corporation (the "Escrow Agent") and you (the "Escrow Agreement"), to issue and deliver the Shares as provided herein and in the Prospectus and to consummate the transactions contemplated herein and in the Prospectus. Each of this Agreement and the Escrow Agreement have been duly authorized, executed, and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable in accordance with its terms, except to the extent that enforceability may be limited by (i) bankruptcy, insolvency, moratorium, liquidation, reorganization, or similar laws affecting creditors' rights generally, regardless of whether such enforceability is considered in equity or at law, (ii) general equity principles, and (iii) limitations imposed by federal and state securities laws or the public policy underlying such laws regarding the enforceability of indemnification or contribution provisions.

(h) Disclosed Agreements. All agreements between or among the Company and third parties expressly referenced in the Prospectus are legal, valid, and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except to the extent enforceability may be limited by (i) bankruptcy, insolvency, moratorium, liquidation, reorganization, or similar laws affecting creditors' rights generally, regardless of whether such enforceability is considered in equity or at law, (ii) general equity principles and (iii) limitations imposed by federal or state securities laws or the public policy underlying such laws regarding the enforceability of indemnification or contribution provisions.

(i) Consents. Except as disclosed in the Registration Statement and Prospectus, each consent, approval, authorization, order, license, certificate, permit, registration, designation or filing by or with any governmental agency or body or any other third party necessary for the valid authorization, issuance, sale and delivery of the Shares, the execution, delivery and performance of this Agreement and the consummation by the Company of the transactions contemplated hereby and by the Registration Statement and Prospectus, except such as may be required under the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or under state securities laws has been made or obtained and is in full force and effect.

(j) Litigation. There is not pending or, to the knowledge of the Company, threatened or contemplated, any action, suit, proceeding, inquiry, or investigation before or by any court or any governmental authority or agency to which the Company may be a party, or to which any of the properties or rights of the Company may be subject, that is not described in the Registration Statement and Prospectus and (i) that may reasonably be expected to result in a Material Adverse Effect, (ii) that may reasonably be expected to materially adversely affect any of the material properties of the Company or (iii) that may reasonably be expected to adversely affect the consummation of the transactions contemplated by this Agreement.

(k) Financial Statements. The financial statements of the Company together with related schedules and notes included in the Registration Statement and Prospectus by incorporation by reference fairly present in all material respects the consolidated financial position of the Company as of the dates indicated and the results of operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("US GAAP") applied on a consistent basis during the periods involved. The financial statement schedules, if any, incorporated by reference into the Registration Statement fairly present in all material respects the information shown therein and have been compiled on a basis consistent with the financial statements, the Registration Statement and the Prospectus. The unaudited financial information (including the related notes) incorporated by reference into the Prospectus complies as to form in all material respects to the applicable accounting requirements of the 1933 Act and the Rules and Regulations, and management of the Company believes that the assumptions underlying any adjustments are reasonable. Such adjustments have been properly applied to the historical amounts in the compilation of the information and such information fairly presents in all material respects with respect to the Company the financial position, results of operations and other information purported to be shown therein at the respective dates and for the respective periods specified.

(l) Independent Accountants. Cherry, Bekaert & Holland, L.L.P., who have audited certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the 1933 Act and the Rules and Regulations.

(m) Disclosed Liabilities. The Company has not sustained, since January 1, 2011, any material loss or interference with its business from fire, explosion, flood, hurricane, accident, or other calamity, whether or not covered by insurance, or from any labor dispute or arbitrators' or court or governmental action, order, or decree, otherwise than as set forth or contemplated in the Registration Statement and Prospectus. Since the respective dates as of which information is given in the Registration Statement and Prospectus, and except as otherwise stated in the

Registration Statement and Prospectus, there has not been (i) any material change in the capital stock, long-term debt, obligations under capital leases, or short-term borrowings of the Company, (ii) any material adverse change, or any development that could reasonably be expected to result in a prospective material adverse change in the business, properties, assets, results of operations or condition (financial or other) of the Company, (iii) any liability or obligation, direct or contingent, incurred or undertaken by the Company that is material to the business or condition (financial or other) of the Company, except for liabilities or obligations incurred in the ordinary course of business, (iv) any declaration or payment of any dividend or distribution of any kind on or with respect to the capital stock of the Company, or (v) any transaction that is material to the Company, except transactions in the ordinary course of business or as otherwise disclosed in the Registration Statement and Prospectus.

(n) Required Licenses and Permits. Except as disclosed in the Prospectus, the Company owns, possesses, has obtained or in the ordinary course of business will obtain, and has made available for your review, all material permits, licenses, franchises, certificates, consents, orders, approvals, and other authorizations of governmental or regulatory authorities as are necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as presently conducted, or as contemplated in the Prospectus to be conducted (the "Permits"), except for such permits, licenses, franchises, certificates, consents, orders, approvals, and other authorizations, the failure of which to have or maintain would not, individually or in the aggregate, have a Material Adverse Effect, and the Company has not received any notice of proceedings relating to revocation or modification of any such Permits, except where such revocation or modification would not have a Material Adverse Effect.

(o) Internal Accounting Measures. The Company maintains an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the 1934 Act) that complies with the requirements of the 1934 Act and that has been designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company has carried out evaluations of the effectiveness of its disclosure controls and procedures as required by Rule 13a-15 of the 1934 Act. The Company also maintains a system of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the 1934 Act) that complies with the requirements of the 1934 Act and has been designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with US GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Based on the Company's most recent evaluation of its internal controls over financial reporting pursuant to Rule 13a-15(c) of the 1934

Act, except as disclosed in the Registration Statement and the Prospectus, there are no material weaknesses in the Company's internal controls. The Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. Upon the effectiveness of the Registration Statement, the Company will be in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of such date as an "issuer" as defined under the Sarbanes-Oxley Act of 2002.

(p) Taxes. The Company has properly filed all necessary federal, state, local, and foreign income tax returns required to be filed by it and has paid all taxes shown as due and payable thereon (or has obtained appropriate extensions), except for taxes that are being contested in good faith and for which adequate reserves have been established in the Company's financial statements. No tax deficiency has been asserted or, to the knowledge of the Company, threatened to be asserted against the Company. The Company has made appropriate provisions in the financial statements included in the Registration Statement and Prospectus by incorporation for all tax liabilities of the Company that have not been determined as of such date, except to the extent it would not have a Material Adverse Effect.

(q) Compliance with Instruments. The execution, delivery and performance of this Agreement and the Escrow Agreement, the compliance with the terms and provisions hereof and the consummation of the transactions contemplated herein, therein and in the Registration Statement and Prospectus by the Company, do not and will not violate or constitute a breach of, or default under: (i) the charter, bylaws, or other governing document of the Company, as amended; (ii) any of the terms, provisions, or conditions of any material instrument, agreement, or indenture to which the Company is a party or by which it is bound or by which its business, assets, investments or properties may be affected; or (iii) any order, statute, rule, or regulation applicable to the Company, or any of its business, investments, assets or properties, of any court or (to the knowledge of the Company) any governmental authority or agency having jurisdiction over the Company, or any of its business, investments, properties or assets; and to the knowledge of the Company do not and will not result in the creation or imposition of any lien, charge, claim, or encumbrance upon any property or asset of the Company.

(r) Insurance. The Company maintains insurance (issued by insurers of recognized financial responsibility) of the types and in the amounts generally deemed adequate for its business and, to the knowledge of the Company, consistent with insurance coverage maintained by similar companies and similar businesses, all of which insurance is in full force and effect.

(s) Work Force. To the knowledge of the Company, no general labor problem exists or is imminent with the employees of the Company.

(t) Securities Matters. The Company and its officers, directors, or affiliates have not taken and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in or constitute the stabilization or manipulation of any security of the Company or to facilitate the sale or resale of the Shares.

(u) Payment of Commissions and Fees. Except as stated in or contemplated by the Prospectus, neither the Company nor any affiliate of the Company has paid or awarded, nor will any such person pay or award, directly or indirectly, any commission or other compensation to any person engaged to render investment advice to a potential purchaser of Shares as an inducement to advise the purchase of Shares.

(v) Company Intellectual Property. Except as disclosed in the Registration Statement and Prospectus:

(i) the Company owns, possesses, licenses or has other rights to use the patents and patent applications, copyrights, trademarks, service marks, trade names, technology, know-how (including trade secrets and other unpatented and/or unpatentable proprietary rights) and other intellectual property (or could acquire such intellectual property upon commercially reasonable terms) necessary to conduct its business in the manner in which it is being conducted (collectively, the “Company Intellectual Property”);

(ii) to the Company’s knowledge, none of the patents owned or licensed by the Company, if any, is unenforceable or invalid, and, to the Company’s knowledge, none of the patent applications owned or licensed by the Company would be unenforceable or invalid if issued as patents;

(iii) the Company is not obligated to pay a royalty, grant a license, or provide other consideration to any third party in connection with the Company Intellectual Property other than as disclosed in the Prospectus and other than for in-bound “shrink-wrap” end-user licenses and similar generally available commercial end-user licenses;

(iv) the Company has not received any notice of violation or conflict with rights of others with respect to the Company Intellectual Property;

(v) there are no pending or, to the Company’s knowledge, threatened actions, suits, proceedings or claims by others that the Company is infringing any patent, trade secret, trade mark, service mark, copyright or other intellectual property or proprietary right; and

(vi) the products or processes of the Company referenced in the Prospectus do not, to the knowledge of the Company, violate or conflict with any intellectual property or proprietary right of any third person.

(w) Forward Looking Statement. No forward-looking statement (within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act) contained in or incorporated by reference into the Registration Statement or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(x) Industry and Market Statistics. The industry-related and market-related statistics obtained from independent industry publications and reports and included in the Registration Statement and the Prospectus agree with the sources from which they are derived. The Company has provided copies of all such sources to you.

(y) Company/Director Relationships. No relationship exists between or among the Company and any director, officer, stockholder or affiliate of the Company which is required by the 1933 Act and the Rules and Regulations to be described in the Registration Statement or the Prospectus which is not so described and described as required in material compliance with such requirement. There are no outstanding loans, advances (except advances for business expenses in the ordinary course of business) or guarantees of indebtedness by the Company to or for the benefit of any of the officers or directors of the Company or any of their respective family members.

(z) Subordination Agreement. On or before the effective date, the Company will enter into one or more Subordination Agreements with Jon Wheeler and any other individuals as the Placement Agent may require in such form as is filed with the effective Registration Statement.

(aa) Relationships with FINRA Members. The Company has not sold any securities to any person or entity nor is there any beneficial owner of the issuer's unregistered equity securities, that acquired said securities during the 180-day period immediately preceding the effective date, that has an association or affiliation with any member of the Financial Industry Regulatory Authority ("FINRA").

3. **Representations and Warranties of Placement Agent**. Each of you represents and warrants to the Company that:

(a) FINRA Membership. You are a member, in good standing, of the Financial Industry Regulatory Authority ("FINRA"), and are duly registered as a broker-dealer under the 1934 Act, and under the laws of each state in which you propose to offer the Shares, except where such registration would not be required by law.

(b) Full Power. This Agreement has been duly authorized, executed and delivered by you and is a valid and binding agreement of you, enforceable in accordance with its terms, except to the extent that enforceability may be limited by (i) bankruptcy, insolvency, moratorium, liquidation, reorganization, or similar laws affecting creditors' rights generally, regardless of whether such enforceability is considered in equity or at law, (ii) general equity principles, and (iii) limitations imposed by federal and state securities laws or the public policy underlying such laws regarding the enforceability of indemnification or contribution provisions.

(c) Compliance with Instruments. The consummation of the transactions contemplated by the Prospectus relating to the Offering will not violate or constitute a breach of, or default under, your articles of incorporation or bylaws, or any material instrument, agreement, or indenture to which you are a party, or violate any order, statute, rule or regulation applicable to you of any court, federal or state regulatory body or administrative agency having jurisdiction over you or your property.

(d) Offering. You will comply with all relevant provisions of the 1933 Act in connection with the Prospectus, you will conduct all offers and sales of the Shares in compliance with the relevant provisions of the Act and various state securities laws and regulations.

4. Sale of Shares.

(a) Exclusive Agency. Upon the basis of the representations and warranties of the Company and the Placement Agents set forth in this Agreement, the Company engages you and you agree to act as the Company's exclusive agents, on a best efforts basis, in connection with the offer and sale by the Company during the Offering Period (as defined in Section 4(c) below) of a minimum of 3,000,000 Shares and a maximum of 4,000,000 Shares. Subject to your commitment to sell the Shares on a "best efforts basis" as provided herein, nothing in this Agreement shall prevent you from entering into an agency agreement, underwriting agreement, or other similar agreement governing the offer and sale of securities with any other issuer of securities, and nothing contained herein shall be construed in any way as precluding or restricting your right to sell or offer for sale securities issued by any other person, including securities similar to, or competing with, the Shares. It is understood between the parties that there is no firm commitment by you to purchase any or all of the Shares and you shall have no authority to bind the Company in respect of the sale of any Shares. You may retain other brokers or dealers ("Selected Dealers") who are members in good standing of FINRA and registered in any states in which the Offering is conducted to assist you and to act as subagents on your behalf in connection with the offering and sale of the Shares and you may enter into agreements for the offer and sale of the Shares adopting such provisions of this Agreement for the benefit of the Selected Dealers as you deem appropriate; provided, however, that the Company will only be obligated to pay you for services rendered hereunder. Each Selected Dealer will indemnify the Company on terms and conditions similar to those set forth in Section 8(b) of this Agreement for any statements, acts, or omissions by such Selected Dealer in connection with the offer or sale of the Shares not expressly authorized by the Company or the Placement Agent and for any material misrepresentation or material breach of warranty or covenant or other breach by such Selected Dealer of its agreement with the Placement Agent, or any failure or alleged failure by such Selected Dealer to comply with applicable laws, rules, and regulations.

(b) Obligation to Offer Shares. Your obligation to offer the Shares is subject to receipt by you of written advice from the Commission that the Registration Statement is effective, is subject to the Shares being qualified for offering under applicable laws in the states as may be reasonably designated by you, is subject to the absence of any prohibitory action by any governmental body, agency, or official, and is subject to the terms and conditions contained in this Agreement and in the Registration Statement.

(c) Offering Termination Date. The "Offering Period" shall commence on the day that the Prospectus is first made available to prospective investors in connection with the offering for sale of the Shares and shall continue until the "Offering Termination Date," which shall be the earliest of (i) the date on which the maximum number of Shares (4,000,000) offered have been sold, (ii) the date on which the Company withdraws the Registration Statement, (iii) the date on which the Company files a post-effective amendment to the Registration Statement deregistering any unsold Shares, (iv) December 22, 2012, or (v) such other date mutually agreeable to the parties hereto.

(d) Escrow Agent. Proceeds from the sale of the Shares will be deposited into an escrow account (the "Escrow Account") with the Escrow Agent pursuant to the Escrow Agreement, until a minimum of 3,000,000 Shares have been sold. The Escrow Agreement includes the requirement, among other concepts, that all funds received from the sale of the Shares will be promptly deposited in the Escrow Account for the investors in the offering upon the receipt of funds by the Placement Agent's by or before noon of the next business day following the sale of the Shares, i.e. the date of closing. The form of the Escrow Agreement is attached as an exhibit to the Registration Statement. All payments of, from or on account of such funds shall be made pursuant to the Escrow Agreement. The Company and you each shall have the option to accept or reject any offer to purchase Shares from prospective purchasers, in whole or in part. The Company shall notify prospective purchasers as to whether their offers to purchase Shares have been accepted. Any funds relating to an offer to purchase Shares that is not accepted, in whole or in part, shall be promptly returned by the Escrow Agent. In the event the Company does not sell a minimum of 3,000,000 Shares by December 22, 2012, escrowed funds will be promptly returned to investors without interest or deduction. In the event that a minimum of 3,000,000 Shares are sold by December 22, 2012, the Company will close on those funds received and promptly issue the Shares, all according to the terms of the Escrow Agreement.

(e) Closing Date. As and when the closing of the Offering is effected, which shall be on or before the Offering Termination Date, and proceeds from the Shares sold are received and accepted, on such date (the "Closing Date") and at such time and place as determined by you (which determination shall be subject to the satisfaction on such date of the conditions contained herein), the funds received from purchasers will be delivered by the Escrow Agent to the Company, by wire transfer of immediately available funds, on the Closing Date.

(f) Selling Commissions. In consideration for your execution of this Agreement and for the performance of your obligations hereunder, the Company agrees to pay you, by wire transfer of immediately available funds on the Closing Date, if any, a selling commission computed at the rate of seven percent (7%) of the public offering price of the Shares sold in the Offering to purchasers who were solicited by you and who were not referred to you by the Company officers, directors or affiliates. Wellington Shields & Co., LLC will allocate such fees among the Placement Agents in accordance with the terms of the agreements among the Placement Agents.

(g) Finder's Fees. Except as set forth in the Registration Statement or Prospectus, neither you nor the Company, directly or indirectly, shall pay or award any finder's fee, commission, or other compensation to any person engaged by a prospective purchaser for investment advice as an inducement to such advisor to advise the purchase of the Shares or for any other purpose.

(h) Delivery of Shares. Delivery of the Shares shall be made at your offices or at such other place as shall be agreed upon by the Company and you, on such date as you may request (each a "Date of Delivery"). Such securities shall be issued in such denominations and registered in such names as you may request in writing at least three full business days before the Date of Delivery.

5. Covenants.

(a) Covenants of the Company. The Company covenants with you as follows:

(i) Notices. Until the Offering Termination Date, the Company immediately will notify you, and confirm such notice in writing, (A) of any fact that would make inaccurate any representation or warranty by the Company, and (B) of any change in facts on which your obligation to perform under this Agreement is dependent.

(ii) Effectiveness of Registration Statement. The Company will use its best efforts to cause the Registration Statement to become effective (if not yet effective at the date and time this Agreement is executed and delivered by the parties hereto). If the Company elects to rely upon Rule 430A of the Rules and Regulations or the filing of the Prospectus is otherwise required under Rule 424(b) of the Rules and Regulations, and subject to the provisions of Section 5(a)(iii) of this Agreement, the Company will comply with the requirements of Rule 430A and will file the Prospectus, properly completed, pursuant to the applicable provisions of Rule 424(b) within the time prescribed. The Company will notify you immediately, and confirm the notice in writing, (A) when the Registration Statement, or any post-effective amendment to the Registration Statement, shall have become effective, or any supplement to the Prospectus, or any amended Prospectus shall have been filed, (B) of the receipt of any comments from the Commission, (C) of any request by the Commission to amend the Registration Statement or amend or supplement the Prospectus or for additional information, and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the institution or threatening of any proceeding for any such purposes. The Company will use all reasonable efforts to prevent the issuance of any such stop order or of any order preventing or suspending such use and, if any such order is issued, to obtain the withdrawal thereof at the earliest possible moment.

(iii) Amendments to Registration Statement and Prospectus. The Company will not at any time file or make any amendment to the Registration Statement, or any amendment or supplement (A) to the Prospectus, if the Company has not elected to rely upon Rule 430A, or (B) if the Company has elected to rely upon Rule 430A, to either the Prospectus included in the Registration Statement at the time it becomes effective or to the Prospectus filed in accordance with Rule 424(b), in either case if you shall not have previously been advised and furnished a copy thereof a reasonable time prior to the proposed filing, or if you or your counsel shall reasonably object to such amendment or supplement; provided, however, that if you shall have objected to such amendment or supplement, you shall cease your efforts to sell the Shares until an amendment or supplement is filed.

(iv) Delivery of Registration Statement. The Company has delivered to you or will deliver to you, without expense to you, at such locations as you shall request, as soon as the Registration Statement or any amended Registration Statement is available, such number of signed copies of the Registration Statement as originally filed and of amended Registration Statements, if any, copies of all exhibits and documents filed therewith, and signed copies of all consents and certificates of experts, as you may reasonably request.

(v) Delivery of Prospectus. The Company will deliver to you at its expense, as soon as the Registration Statement shall have become effective and thereafter from time to time as requested during the period when the Prospectus is required to be delivered under the 1933 Act, such number of copies of the Prospectus (as supplemented or amended) as you may reasonably request. Until the Offering Termination Date, the Company will comply to the best of its ability with the 1933 Act and the Rules and Regulations so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the prospectus. If the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus is delivered not misleading or, if for any reason it shall be necessary during the same period to amend or supplement the Prospectus in order to comply with the 1933 Act, the Company will notify you and upon your request prepare and furnish without charge to you and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus that will correct such statement or omission or effect such compliance, and in case you are required to deliver a prospectus in connection with sales of any of the Shares, upon your request but at your expense, the Company will prepare and deliver to you as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the 1933 Act.

(vi) Blue Sky Qualification. The Company, in good faith and in cooperation with you, will use its best efforts to qualify the Shares for offering and sale under (or obtain exemptions from the application of) the applicable “blue sky” or securities laws of such jurisdictions as you from time to time may reasonably designate and to maintain such qualifications in effect until the date on which the Company ceases to be obligated to maintain the effectiveness of the Registration Statement; provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to make any undertakings in respect of doing business in any jurisdiction in which it is not otherwise so subject or to take any action that would subject it to general service of process in any such jurisdiction where it is not currently qualified or where it would be subject to taxation as a foreign corporation where it is not now so subject. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Shares have been qualified as above provided.

(vii) Application of Net Proceeds. The Company will apply the net proceeds received from the sale of the Shares in all material respects as set forth in the Prospectus under the caption “Use of Proceeds.”

(viii) Cooperation with Your Due Diligence. At all times prior to the Offering Termination Date, the Company will cooperate with you in such investigation as you may make or cause to be made of all the business and operations of the Company in connection with the sale of the Shares, and will make available to you in connection therewith such information in its possession as you may reasonably request, all of which you agree to safeguard as the confidential information of the Company and to refrain from using for any purpose adverse to the interests of the Company.

(ix) Transfer Agent. The Company will act as or otherwise maintain a transfer agent and, if necessary under applicable jurisdictions, a registrar (which may be the same entity as the transfer agent) for the Shares.

(x) NASDAQ. The Company will use its reasonable best efforts to have the Shares listed on the NASDAQ Capital Market.

(xi) Actions of Company, Officers, Directors, and Affiliates. The Company will not, and will use its best efforts to cause its officers, directors, and affiliates not to (i) take, directly or indirectly, prior to termination of the Offering contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or that may cause or result in, or that might in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, (ii) other than under this Agreement, sell, bid for, purchase, or pay anyone any compensation for soliciting purchases of the Shares or (iii) pay or agree to pay to any person any compensation for soliciting any order to purchase any other securities of the Company.

(xii) Relationships with FINRA Members. The Company will not sell any securities to any person or entity nor will there be any beneficial owner of the issuer's unregistered equity securities, during the period within 90-days following the effectiveness of the Registration Statement, that has an association or affiliation with any member of the Financial Industry Regulatory Authority ("FINRA").

(xiii) Subordination Agreement. The Company will enforce the terms of the Subordination Agreement with Jon Wheeler and any other signatories to such agreement for three years (or until such time as the contract expires by its terms) in such form as is filed with the effective Registration Statement.

(b) Your Covenants. You covenant with the Company as follows:

(i) Information Provided. You have not provided and will not provide to the purchasers of Shares any written or oral information regarding the business of the Company, including any representations regarding the Company's financial condition or financial prospects, other than such information as is contained in the Prospectus. You further covenant that you will use your best efforts to comply in the offering of the Shares with such purchaser suitability requirements as may be imposed by state securities or blue sky requirements.

(ii) Prospectus Supplements. Until the termination of this Agreement, if any event affecting the Prospectus, the Company or you shall occur which, in the opinion of counsel to the Company, should be set forth in a supplement to the Prospectus, you agree to distribute each supplement of the Prospectus to each person who has previously received a copy of the Prospectus from you and you further agree to include such supplement in all future deliveries of the Prospectus. You agree that following notice from the Company that a supplement to the Prospectus is necessary, you will cease further efforts to sell the Shares until such a supplement is prepared and delivered to you.

(iii) Compliance with Laws, Etc. In connection with or in contemplation of your sale of the Shares, you will comply in all material respects with applicable federal and

state laws, rules and regulations and the rules and regulations of applicable self-regulatory organizations (provided, however, that you shall be deemed not to have breached this covenant if your failure to so comply is based on a breach by the Company of any of its representations, warranties or covenants contained in this Agreement and you shall have complied with Section 5(b)(ii) above).

6. **Payment of Expenses.** Except as is expressly provided to the contrary in Section 10 of this Agreement, the Company hereby agrees that it will pay all fees and expenses incident to the performance of its obligations under this Agreement (excluding fees and expenses of counsel for you, except as specifically set forth below), including (a) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits), as originally filed and as amended, the Prospectus and any amendments or supplements thereto, and the cost of furnishing copies thereof to you, (b) the preparation, printing, and distribution of this Agreement, the certificates representing the Shares, any Blue Sky Memoranda, and any instruments relating to any of the foregoing, (c) the issuance and delivery of the Shares, including any transfer taxes payable thereon, (d) the fees and disbursements of the Company's counsel and accountants, (e) the qualification of the Shares under applicable securities laws in accordance with Section 5(a)(vi) of this Agreement and any filing fee paid in connection with the review of the Offering by FINRA, including filing fees and fees and disbursements made in connection therewith and in connection with any Blue Sky Memoranda supplied to you by counsel for the Company, (f) all costs, fees, and expenses in connection with the application for qualifying the Shares for quotation on the NASDAQ Capital Market, (g) the transfer agent's and registrar's fees, if any, and all miscellaneous expenses referred to in the Registration Statement, (h) costs related to travel and lodging incurred by the Company and its representatives relating to meetings with and presentations to prospective purchasers of the Shares reasonably determined by you to be necessary or desirable to effect the sale of the Shares to the public, (i) any escrow arrangements in connection with the transactions described herein, including any compensation or reimbursement to the Escrow Agent for its services as such, and (j) all other costs and expenses incident to the performance of the Company's obligations hereunder that are not otherwise specifically provided for in this Section 6. In addition, on the Closing Date, the Company will pay you a non-accountable expense allowance not to exceed one and one-half percent (1.5%) of the public offering price of the Shares sold in the Offering (such expense allowance not to include any items prohibited by FINRA Rule 5110(f)(2)(A)). Except as otherwise set forth in Section 10 of this Agreement, no placement fees will be paid to you and none of your expenses will be reimbursed in the event that the Offering does not close.

7. **Conditions of Your Obligations.** Your obligations hereunder shall be subject to, in your discretion, the following terms and conditions:

(a) **Effectiveness of Registration Statement.** The Registration Statement shall have become effective not later than 5:30 p.m. on the date of this Agreement or, at such later time or on such later date as you may agree to in writing; and as of the Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act and no proceedings for that purpose shall have been instituted or shall be pending or, to your knowledge or the knowledge of the Company, shall be contemplated by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the satisfaction of your counsel.

(b) Closing Date Matters. On the Closing Date, (i) the Registration Statement and the Prospectus, as they may then be amended or supplemented, in all material respects shall conform to the requirements of the 1933 Act and the Rules and Regulations; the Company shall have complied in all material respects with Rule 430A (if it shall have elected to rely thereon) and neither the Registration Statement nor the Prospectus, as they may then be amended or supplemented, shall contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) there shall not have been, since the respective dates as of which information is given in the Registration Statement, any material adverse change in the business, prospects, properties, assets, results of operations or condition (financial or otherwise) of the Company whether or not arising in the ordinary course of business, (iii) no action, suit or proceeding at law or in equity shall be pending or, to the Company's knowledge, threatened against the Company that would be required to be set forth in the Prospectus other than as set forth therein and no proceedings shall be pending or, to the knowledge of the Company, threatened against the Company before or by any federal, state or other commission, board or administrative agency wherein an unfavorable decision, ruling or finding could materially adversely affect the business, prospects, assets, results of operations or condition (financial or otherwise) of the Company other than as set forth in the Prospectus, (iv) the Company shall have complied with all agreements and satisfied all conditions on its part to be performed or satisfied on or prior to the Closing Date, and (v) the representations and warranties of the Company set forth in Section 2 of this Agreement shall be accurate in all material respects as though expressly made at and as of the Closing Date. On the Closing Date, you shall have received a certificate executed by the President of the Company, dated as of the Closing Date, to such effect and with respect to the following additional matters: (A) the Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus has been issued, and no proceedings for that purpose have been instituted or are pending or, to his knowledge, threatened under the 1933 Act; and (B) he has reviewed the Registration Statement and the Prospectus and, when the Registration Statement became effective and at all times subsequent thereto up to the delivery of such certificate, the Registration Statement and the Prospectus and any amendments or supplements thereto contained no untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) Opinion of Kaufman & Canoles, P.C. At the Closing Date, you shall receive the opinion of Kaufman & Canoles, P.C., counsel for the Company, in form and substance reasonably satisfactory to you, to the effect of Exhibit A.

(d) Opinion of Your Counsel. At the Closing Date, you shall receive the favorable opinion of McCarter & English, LLP, your counsel, with respect to such matters as you may reasonably require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass on such matters.

(e) Comfort Letter. At the time that this Agreement is executed by the Company, you shall have received from Cherry, Bekeart & Holland, L.L.P., a letter, dated the date hereof and in form and substance satisfactory to you, together with signed or reproduced copies of such letter for each other Selected Dealer, containing statements and information of the type ordinarily included in accountants' "comfort letters" with respect to the financial statements and certain financial information of the Company contained in the Registration Statement or the Prospectus.

(f) Updated Comfort Letter. At the Closing Date, you shall have received from Cherry, Bekeart & Holland, L.L.P., a letter, in form and substance satisfactory to you and dated as of the Closing Date, to the effect that they reaffirm the statements made in the letter furnished pursuant to Section 7(e) above, except that the specified date referred to shall be a date not more than five (5) days prior to the Closing Date.

(g) Post-Financial Developments. In the event that either of the letters to be delivered pursuant to Sections 7(e) and 7(f) above sets forth any changes, decreases or increases, it shall be a further condition to your obligations that you shall have reasonably determined, after discussions with officers of the Company responsible for financial and accounting matters and with Cherry, Bekeart & Holland, L.L.P., that such changes, decreases or increases as are set forth in such letter do not reflect a material adverse change in the capital stock, long-term debt, obligations under capital leases, total assets, net current assets, or shareholders' equity of the Company as compared with the amounts shown in the latest consolidated pro forma balance sheet of the Company, or a material adverse change in the revenues or operating income before interest, depreciation and amortization for the Company in each case as compared with the corresponding period of the prior year.

(h) Additional Information. On the Closing Date, you shall have been furnished with all such documents, certificates and opinions as you may reasonably request for the purpose of enabling your counsel to pass upon the issuance and sale of the Shares as contemplated in this Agreement and the matters referred to in Section 7.(b), and in order to evidence the accuracy and completeness of, any of the representations, warranties or statements of the Company, the performance of any of the covenants of the Company, or the fulfillment of any of the conditions herein contained; and all proceedings taken by the Company at or prior to the Closing Date in connection with the authorization, issuance and sale of the Shares as contemplated in this Agreement, shall be satisfactory in form and substance to you and to your counsel. The Company will furnish you with such number of conformed copies of such opinions, certificates, letters and documents as you shall reasonably request. Any certificate signed by any officer, partner, or other official of the Company and delivered to you or your counsel shall be deemed a representation and warranty by the Company to you as to the statements made therein.

(i) Adverse Events. Subsequent to the date hereof, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the NASDAQ Capital Market, (ii) a general moratorium on commercial banking activities in Virginia, (iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war if the effect of any such event specified in this clause (iii) in your reasonable judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus, or (iv) such a material adverse change in general economic, political, financial or international conditions affecting financial markets in the United States having a material adverse impact on trading prices of securities in general, as, in your reasonable judgment, makes it impracticable or inadvisable to proceed with the public offering of the Shares or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus.

(j) FINRA Review. FINRA, upon review of the terms of the Offering, shall not have objected to the Offering, the terms of the Offering or your participation in the Offering.

(k) NASDAQ Quotation. The Shares shall be approved for quotation on the NASDAQ Capital Market.

If any of the conditions specified in this Section 7 shall not have been fulfilled when and as required by this Agreement to be fulfilled, this Agreement may be terminated by you on notice to the Company at any time at or prior to the Closing Date, and such termination shall be without liability of any party to any other party, except as provided in Sections 6 and 10. Notwithstanding any such termination, the provisions of Section 8 shall remain in effect. If the sale of the Shares, as contemplated by this Agreement, is consummated, then the Company shall no longer be under any obligation or liability under the December 22, 2011 letter agreement, as amended, between you and the Company and such letter agreement shall be terminated.

8. Indemnification and Contribution.

(a) Indemnification by the Company. Subject to the limitations set forth in this Section 8.(a), the Company will indemnify and hold you harmless against any losses, claims, damages, or liabilities, joint or several, to which you may become subject under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any breach of any representation, warranty or covenant of the Company herein contained or any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse you for any legal or other expenses reasonably incurred by you in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by you expressly for use therein; provided further, that the indemnity agreement contained in this Section 8.(a) with respect to the Prospectus shall not inure to your benefit if you failed to send or give a copy of the Prospectus to such person at or prior to the written confirmation of the sale of such Shares to such person in any case where such delivery is required by the 1933 Act or the Rules and Regulations and if the Prospectus would have cured any untrue statement or alleged untrue statement or omission or alleged omission giving rise to such loss, claim, damage, or liability. In addition to its other obligations under this Section 8.(a), the Company agrees that, as an interim measure during the pendency of any such claim, action, investigation, inquiry, or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 8.(a), it will reimburse you on a monthly basis for all reasonable legal and other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry, or other proceeding (to the extent documented by reasonably itemized invoices therefor), notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligation to reimburse you for such expenses and the possibility that such

payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, you shall promptly return it to the person(s) from whom it was received. Any such interim reimbursement payments that are not made to you within thirty (30) days of a request for reimbursement shall bear interest at the prime rate (or reference rate or other commercial lending rate for borrowers of the highest credit standing) published from time to time by The Wall Street Journal (the "Prime Rate") from the date of such request. This indemnity agreement shall be in addition to any liabilities that the Company may otherwise have. For purposes of this Section 8, the information set forth in the second paragraph on the front cover page (insofar as such information relates to you), and under the caption "Plan of Distribution," and in the Prospectus constitutes the only information furnished by you to the Company for inclusion in the Prospectus or the Registration Statement. The Company will not, without your prior written consent, settle or compromise or consent to the entry of any judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which indemnification may be sought hereunder (whether or not you are a party to such action or claim), unless such settlement, compromise, or consent includes an unconditional release of you from all liability arising out of such action or claim (or related cause of action or portion thereof). The indemnity agreement in this Section 8.(a) shall extend upon the same terms and conditions to, and shall inure to the benefit of, each person, if any, who controls you within the meaning of the 1933 Act or the 1934 Act to the same extent as such agreement applies to you.

(b) Indemnification by You. Subject to the limitations in this paragraph below, each of you, severally and not jointly, will indemnify and hold harmless the Company against any losses, claims, damages, or liabilities to which the Company may become subject, under the 1933 Act, the 1934 Act, or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any breach of any warranty or covenant by you herein contained or any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that (i) such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement or the Prospectus or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by you expressly for use therein, or (ii) you failed to deliver an amendment or supplement to the Prospectus that the Company made available to you prior to the Closing Date and that corrected any statement or omission in the Registration Statement or the Prospectus which forms the basis for a claim against the Company, and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such loss, claim, damage, liability, or action. In addition to its other obligations under this Section 8.(b), you agree that, as an interim measure during the pendency of any such claim, action, investigation, inquiry, or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 8.(b), you will reimburse the Company on a monthly basis for all reasonable legal and other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry, or other proceeding (to the extent documented by reasonably itemized invoices therefor), notwithstanding the absence of a judicial determination as to the propriety and enforceability of your obligation to reimburse the

Company for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement arrangement is so held to have been improper, the Company shall promptly return it to the person(s) from whom it was received. Any such interim reimbursement payments that are not made to the Company within thirty (30) days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. This indemnity agreement shall be in addition to any liabilities that you may otherwise have. You will not, without the Company's prior written consent, settle or compromise or consent to the entry of any judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which indemnification may be sought hereunder (whether or not the Company is a party to such action or claim), unless such settlement, compromise, or consent includes an unconditional release of the Company from all liability arising out of such action or claim (or related cause of action or portion thereof). The indemnity agreement in this Section 8.(b) shall extend upon the same terms and conditions to, and shall inure to the benefit of, each officer and director of the Company and each person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act to the same extent as such agreement applies to the Company.

(c) Notices of Claims; Employment of Counsel. Any party that proposes to assert the right to be indemnified under this Section 8 promptly shall notify in writing each party against which a claim is to be made under this Section 8 of the institution of such action but the omission so to notify such indemnifying party of any such action shall not relieve it from any liability it may have to any indemnified party except (i) to the extent that the omission to notify shall have caused or increased the indemnifying party's liability or resulted in the forfeiture by the indemnifying party of substantial rights or defenses, and (ii) that the indemnifying party shall be relieved of its indemnity obligation for expenses of the indemnified party incurred before the indemnifying party is notified. Such indemnifying party or parties shall assume the defense of such action, including the employment of counsel (reasonably satisfactory to the indemnified party) and payment of fees and expenses. An indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party or parties in connection with the defense of such action or the indemnifying party or parties shall not have employed counsel to have charge of the defense of such action or such indemnified party or parties shall have been advised by counsel that there may be defenses available to it or them that are different from or additional to those available to such indemnifying party or parties (in which case such indemnifying party or parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such indemnifying party or parties; provided that the indemnifying party shall not be liable for the expenses of more than one separate counsel. Anything in this paragraph to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any such claim or action effected without its written consent.

(d) Arbitration. It is agreed that any controversy arising out of the operation of the interim reimbursement arrangements set forth in Sections 8.(a) and 8.(b) hereof, including the amounts of any requested reimbursement payments, the method of determining such amounts and the basis on which such amounts shall be apportioned among the indemnifying parties, shall be settled by arbitration conducted pursuant to the Code of Arbitration Procedure of FINRA.

Any such arbitration must be commenced by service of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Any such arbitration will be limited to the operation of the interim reimbursement provisions contained in Sections 8.(a) and 8.(b) hereof and will not resolve the ultimate propriety or enforceability of the obligation to indemnify for expenses that is created by the provisions of Sections 8.(a) and 8.(b).

(e) Contribution. If the indemnification provided for in Section 8.(a) or 8.(b) is unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, or liabilities (or actions in respect thereof) referred to therein, then the Company on the one hand and you on the other shall contribute to the amount paid or payable as a result of such losses, claims, damages, or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and you on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company and you shall contribute to such amount paid or payable in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and you on the other in connection with the statements or omissions that resulted in such losses, claims, damages, or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and you on the other shall be deemed to be in the same proportion as the total net proceeds from the Offering (before deducting expenses) received by the Company bear to the total selling commissions received by you in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or to information with respect to you and furnished by you respectively, in writing specifically for inclusion in the Prospectus on the other and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. The Company and you agree that it would not be just and equitable if contribution pursuant to this Section 8.(e) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 8.(e). The amount paid or payable as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 8.(e) shall be deemed to include any legal or other expenses reasonably incurred by any such party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) with respect to the transactions giving rise to the right of contribution provided in this Section 8.(e) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations in this Section 8.(e) for you to contribute are several in proportion to your respective underwriting obligations and not joint. For purposes of this Section 8.(e), each person, if any, who controls you within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as you, and each director of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, shall have the same rights to contribution as the Company.

9. **Representations and Agreements to Survive.** Except as the context otherwise requires, all representations, warranties, covenants and agreements contained in this Agreement shall remain operative and in full force and effect regardless of any investigation made by you, or on your behalf, or by any controlling person, or by or on behalf of the Company, and shall survive until the fifth anniversary of the Offering Termination Date and the termination of this Agreement pursuant to Section 10 hereof.

10. **Termination of Agreement.**

(a) **Termination of Agreement.** You shall have the right to terminate this Agreement at any time prior to the Closing Date if any of the factors referenced in Section 7(b) hereof proves to be incorrect or if any of the factors referenced in Section 7(i) hereof occurs. If you elect to terminate the agreement as provided in this Section 10, you shall notify the Company promptly in writing. You shall have no liability to the Company pursuant to this Agreement or otherwise as a result of any such termination.

(b) Result of Termination.

(i) If:

(A) you should terminate this Agreement upon the breach by the Company of any material term of this Agreement;

(B) the Offering fails to close by December 22, 2012, for reasons within the control of the Company (it being understood that to the extent the Company used reasonable good faith efforts to respond to comments on the Registration Statement from the Commission and any other applicable regulatory body, then the Offering shall not be deemed in accordance with this Agreement to have failed for reasons within the control of the Company);

(C) the Offering fails to close by December 22, 2012 due to reasons beyond the control of the Company or you (other than your inability to sell the Shares due to adverse market conditions or as a result of any factor referenced in Section 7.(i) of this Agreement); or

(D) the Company abandons the Offering

then in addition to its obligations with respect to expenses as set forth in Section 6, the Company will reimburse you on demand for all your reasonable out-of-pocket expenses and disbursements (including the fees and expenses of your counsel) actually incurred by you in reviewing the Registration Statement and the Prospectus, and in investigating and making preparations for the marketing of the Shares. Notwithstanding any other provision of this Agreement, the amount reimbursable shall not exceed the amount of out-of-pocket accountable expenses actually incurred by you in compliance with applicable FINRA rules.

(ii) if the sale of the Shares provided for herein is not consummated for any other reason, the Company shall pay expenses as required by Section 6, and neither party shall have any additional liability to the other except for such liabilities, if any, as may exist or thereafter arise under Section 8.

(iii) For purposes of clarification, if the closing of the Offering is not completed by February 28, 2012, this Agreement will expire and the Company will have no further obligation or liability hereunder except as set forth in Sections 6, 8, and 10 hereof and the Placement Agent will have no further obligation or liability hereunder except as set forth in Section 8 hereto.

11. **Notices.**

(a) **Method and Location of Notices.** All communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be sent by overnight courier, hand-delivered or telecopied and confirmed as follows:

To the Company:

Wheeler Real Estate Investment Trust, Inc.
Riveredge North
2529 Virginia Beach Blvd.
Virginia Beach, VA 23452
Attention: President
Facsimile: (757) 627-9088

with a copy to (which shall not constitute notice):

Kaufman & Canoles, P.C.
Two James Center
1021 East Cary Street, Suite 1400
Richmond, VA 23219
Attention: Bradley A. Haneberg, Esq.
Facsimile: (804) 771-5777

To the Placement Agents:

Wellington Shields & Co, Inc. and Capitol Securities Management, Inc.

c/o Wellington Shields & Co., Inc.
140 Broadway, 44th Floor
New York, NY 10005
Attention: Ed Cabrera
Telecopier No.: (212) 320-3056

with a copy to (which shall not constitute notice):

McCarter & English, LLP
265 Franklin Street
Boston, MA 02110
Attention: Theodore M. Grannatt, Esquire
Telecopier No.: (617) 449-6500

(b) **Time of Notices.** Notice shall be deemed to be given by you to the Company or by the Company to you when it is sent by overnight courier, hand-delivered or telecopied as provided in Section 11(a).

12. **Parties.** This Agreement shall inure solely to the benefit of and shall be binding upon you, the Company and the controlling persons referred to in Section 8, and their respective successors, legal representatives and assigns. No other person shall have or be construed to have a legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

13. **Governing Law, Construction, and Time.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. Specified time of day refers to United States Eastern Time. Time shall be of the essence of this Agreement.

14. **Description Headings.** The descriptive headings of the several sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

15. **Counterparts.** This Agreement may be executed in one or more counterparts, and if executed in more than one counterpart, the executed counterparts shall together constitute a single instrument.

[Remainder of page intentionally left blank; signature page follow]

If the foregoing correctly sets forth the understanding between you and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

Wheeler Real Estate Investment Trust, Inc.

By: /s/ Jon S. Wheeler

Name: Jon S. Wheeler

Title: President and Chairman

Date: November 16, 2012

Confirmed and accepted as of the date first above written:

On behalf of the Placement Agents:

Wellington Shields & Co., Inc.

By: /s/ Edward Cabrera

Name: Edward Cabrera

Title: Head of Investment Banking

Date: November 16, 2012

Capital Securities Management, Inc.

By: /s/ L. McCarthy Downs, III

Name: L. McCarthy Downs, III

Title: Managing Director – Investment Banking

Date: November 16, 2012

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

I, Jon S. Wheeler, certify that:

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

Date: December 7, 2012

/s/ JON S. WHEELER

Jon S. Wheeler
Chairman of the Board and President

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

I, Steven M. Belote, certify that:

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

Date: December 7, 2012

/s/ STEVEN M. BELOTE

Steven M. Belote
Chief Financial Officer

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

In connection with the Quarterly Report of Wheeler Real Estate Investment Trust (the "Company") on Form 10-Q for the quarter ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon S. Wheeler, Chairman of the Board and President of the Company, and I, Steven M. Belote, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 7, 2012

/s/ JON S. WHEELER

Jon S. Wheeler
Chairman of the Board and President

/s/ STEVEN M. BELOTE

Steven M. Belote
Chief Financial Officer