

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

RETAIL OPPORTUNITY INVESTMENTS CORP.
(Exact name of registrant as specified in its charter)
Commission file number: 001-33749

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
(Exact name of registrant as specified in its charter)
Commission file number: 333-189057-01

Maryland	(Retail Opportunity Investments Corp.)	26-0500600	(Retail Opportunity Investments Corp.)
Delaware	(Retail Opportunity Investments Partnership, LP)	94-2969738	(Retail Opportunity Investments Partnership, LP)
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)

11250 El Camino Real
San Diego, California
(Address of Principal Executive Offices)

92130
(Zip Code)

(858) 677-0900
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(g) of the Act:

Retail Opportunity Investments Corp.	None
Retail Opportunity Investments Partnership, LP	None

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

Retail Opportunity Investments Corp.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Retail Opportunity Investments Partnership, LP	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Retail Opportunity Investments Corp.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Retail Opportunity Investments Partnership, LP	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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.

Retail Opportunity Investments Corp.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Retail Opportunity Investments Partnership, LP	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Retail Opportunity Investments Corp.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Retail Opportunity Investments Partnership, LP	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Retail Opportunity Investments Corp.

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

Retail Opportunity Investments Partnership, LP

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

Indicate by check mark whether the registrant is a Shell Company (as defined in rule 12b-2 of the Exchange Act).

Retail Opportunity Investments Corp. Yes No
 Retail Opportunity Investments Partnership, LP Yes No

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

<u>Name of Registrant</u>	<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Retail Opportunity Investments Corp.	Common Stock, par value \$0.0001 per share	ROIC	NASDAQ
Retail Opportunity Investments Partnership, LP	None	None	None

The aggregate market value of the common equity held by non-affiliates of Retail Opportunity Investments Corp. as of June 30, 2019, the last business day of its most recently completed second fiscal quarter, was \$1.9 billion (based on the closing sale price of \$17.13 per share of Retail Opportunity Investments Corp. common stock on that date as reported on the NASDAQ Global Select Market).

There is no public trading market for the operating partnership units of Retail Opportunity Investments Partnership, LP. As a result the aggregate market value of common equity securities held by non-affiliates of this registrant cannot be determined.

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 116,455,432 shares of common stock, par value \$0.0001 per share, of Retail Opportunity Investments Corp. outstanding as of February 14, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Retail Opportunity Investments Corp.'s definitive proxy statement for its 2020 Annual Meeting, to be filed within 120 days after its fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY PARAGRAPH

This report combines the annual reports on Form 10-K for the year ended December 31, 2019 of Retail Opportunity Investments Corp., a Maryland corporation (“ROIC”), and Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the “Operating Partnership”) of which Retail Opportunity Investments Corp. is the parent company and through its wholly owned subsidiary, acts as general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “the Company,” “we,” “us,” “our,” or “our company” refer to ROIC together with its consolidated subsidiaries, including Retail Opportunity Investments Partnership, LP. Unless otherwise indicated or unless the context requires otherwise, all references in this report to the Operating Partnership refer to Retail Opportunity Investments Partnership, LP together with its consolidated subsidiaries.

ROIC operates as a real estate investment trust and as of December 31, 2019, ROIC owned an approximate 91.3% partnership interest in the Operating Partnership. Retail Opportunity Investments GP, LLC, ROIC’s wholly-owned subsidiary, is the sole general partner of the Operating Partnership. Through this subsidiary, ROIC has full and complete authority and control over the Operating Partnership’s business.

The Company believes that combining the annual reports on Form 10-K of ROIC and the Operating Partnership into a single report will result in the following benefits:

- facilitate a better understanding by the investors of ROIC and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;
- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both ROIC and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates ROIC and the Operating Partnership as one enterprise. The management of ROIC and the Operating Partnership are the same.

There are few differences between ROIC and the Operating Partnership, which are reflected in the disclosures in this report. The Company believes it is important to understand the differences between ROIC and the Operating Partnership in the context of how these entities operate as an interrelated consolidated company. ROIC is a real estate investment trust, whose only material assets are its direct or indirect partnership interests in the Operating Partnership and membership interest in Retail Opportunity Investments GP, LLC, which is the sole general partner of the Operating Partnership. As a result, ROIC does not conduct business itself, other than acting as the parent company and through Retail Opportunity Investments Partnership GP, LLC as the sole general partner of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and directly or indirectly holds the ownership interests in the Company’s real estate ventures. The Company conducts its business through the Operating Partnership, which is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by ROIC, which are contributed to the Operating Partnership, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness (directly and through subsidiaries) or through the issuance of operating partnership units (“OP Units”) of the Operating Partnership.

Non-controlling interests is the primary difference between the Consolidated Financial Statements for ROIC and the Operating Partnership. The OP Units in the Operating Partnership that are not owned by ROIC are accounted for as partners’ capital in the Operating Partnership’s financial statements and as non-controlling interests in ROIC’s financial statements. Accordingly, this report presents the Consolidated Financial Statements for ROIC and the Operating Partnership separately, as required, as well as Earnings Per Share / Earnings Per Unit and Capital of the Partnership.

This report also includes separate Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 9A. Controls and Procedures sections and separate Chief Executive Officer and Chief Financial Officer certifications for each of ROIC and the Operating Partnership as reflected in Exhibits 31 and 32.

RETAIL OPPORTUNITY INVESTMENTS CORP.

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Statements Regarding Forward-Looking Information

When used in this discussion and elsewhere in this Annual Report on Form 10-K, the words “believes,” “anticipates,” “projects,” “should,” “estimates,” “expects,” and similar expressions are intended to identify forward-looking statements with the meaning of that term in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and in Section 21F of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Actual results may differ materially due to uncertainties including:

- the Company’s ability to identify and acquire retail real estate that meet its investment standards in its markets;
- the level of rental revenue the Company achieves from its assets;
- the market value of the Company’s assets and the supply of, and demand for, the retail real estate in which it invests;
- the state of the U.S. economy generally, or in specific geographic regions;
- the impact of economic conditions on the Company’s business;
- the conditions in the local markets in which the Company operates and its concentration in those markets, as well as changes in national economic and market conditions;
- consumer spending and confidence trends;
- the Company’s ability to enter into new leases or to renew leases with existing tenants at the properties it owns or acquires at favorable rates;
- the Company’s ability to anticipate changes in consumer buying practices and the space needs of tenants;
- the competitive landscape impacting the properties the Company owns or acquires and their tenants;
- the Company’s relationships with its tenants and their financial condition and liquidity;
- ROIC’s ability to continue to qualify as a real estate investment trust for U.S. federal income tax (a “REIT”);
- the Company’s use of debt as part of its financing strategy and its ability to make payments or to comply with any covenants under its senior unsecured notes, its unsecured credit facilities or other debt facilities it currently has or subsequently obtains;
- the Company’s level of operating expenses, including amounts it is required to pay to its management team;
- changes in interest rates that could impact the market price of ROIC’s common stock and the cost of the Company’s borrowings; and
- legislative and regulatory changes (including changes to laws governing the taxation of REITs).

Forward-looking statements are based on estimates as of the date of this Annual Report on Form 10-K. The Company disclaims any obligation to publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date of this Annual Report on Form 10-K.

The risks included here are not exhaustive. Other sections of this Annual Report on Form 10-K may include additional factors that could adversely affect the Company’s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

PART I

In this Annual Report on Form 10-K, unless otherwise indicated or the context requires otherwise, all references to “the Company,” “we,” “us,” “our,” or “our company” refer to ROIC together with its consolidated subsidiaries, including the Operating Partnership.

Item 1. Business

Overview

Retail Opportunity Investments Corp., a Maryland corporation (“ROIC”) commenced operations in October 2009 as a fully integrated, self-managed REIT, and as of December 31, 2019, ROIC owned an approximate 91.3% partnership interest and other limited partners owned the remaining 8.7% partnership interest in the Operating Partnership. The Company specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers on the west coast of the United States, anchored by supermarkets and drugstores. The Company is organized in a traditional umbrella partnership real estate investment trust (“UpREIT”) format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the sole general partner of, and ROIC conducts substantially all of its business through, its operating partnership, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the “Operating Partnership”), together with its subsidiaries. As of December 31, 2019, the Company’s portfolio consisted of 89 properties (88 retail and one office) totaling approximately 10.1 million square feet of gross leasable area (“GLA”).

ROIC’s only material assets are its direct or indirect partnership interests in the Operating Partnership and membership interest in Retail Opportunity Investments GP, LLC, which is the sole general partner of the Operating Partnership. As a result, ROIC does not conduct business itself, other than acting as the parent company and through this subsidiary, acts as the sole general partner of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and directly or indirectly holds the ownership interests in the Company’s real estate ventures. The Operating Partnership conducts the operations of the Company’s business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by ROIC, which are contributed to the Operating Partnership, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness (directly and through subsidiaries) or through the issuance of operating partnership units (“OP Units”) of the Operating Partnership.

Investment Strategy

The Company seeks to acquire shopping centers located in densely populated, supply-constrained metropolitan markets on the west coast of the United States, which exhibit income and population growth and high barriers to entry. The Company’s senior management team has operated in the Company’s markets for over 30 years and has established an extensive network of relationships in these markets with key institutional and private property owners, brokers and financial institutions and other real estate operators. The Company’s in-depth local and regional market knowledge and expertise provides a distinct competitive advantage in identifying and accessing attractive acquisition opportunities, including properties that are not widely marketed.

The Company seeks to acquire high quality necessity-based community and neighborhood shopping centers anchored by national and regional supermarkets and drugstores that are well-leased, with stable cash flows. Additionally, the Company acquires shopping centers which it believes are candidates for attractive near-term re-tenanting or present other value-enhancement opportunities.

Upon acquiring a shopping center, the Company normally commences leasing initiatives aimed at enhancing long-term value through re-leasing below market space and improving the tenant mix. The Company focuses on leasing to retailers that provide necessity-based, non-discretionary goods and services, catering to the basic and daily needs of the surrounding community, a majority of which are destination-based and therefore more resistant to competition from e-commerce than other types of retailers. The Company believes necessity-based retailers draw consistent, regular traffic to its shopping centers, which results in stronger sales for its tenants and a more consistent revenue base. Additionally, the Company seeks to maintain a strong and diverse tenant base with a balance of large, long-term leases to major national and regional retailers, including supermarkets, drugstores and discount stores, with small, shorter-term leases to a broad mix of national, regional and local retailers. The Company believes the long-term anchor tenants provide a reliable, stable base of rental revenue, while the shorter-term leases afford the Company the opportunity to drive rental growth, as well as the ongoing flexibility to adapt to evolving consumer trends.

The Company believes that the current market environment continues to present opportunities for it to further build its portfolio and add additional necessity-based community and neighborhood shopping centers that meet its investment profile. The Company's long-term objective is to prudently build and maintain a diverse portfolio of necessity-based community and neighborhood shopping centers aimed at providing stockholders with sustainable, long-term growth and value through all economic cycles.

In implementing its investment strategy and selecting an asset for acquisition, the Company analyzes the fundamental qualities of the asset, the inherent strengths and weaknesses of its market, sub-market drivers and trends, and potential risks and risk mitigants facing the property. The Company believes that its acquisition process and operational expertise provide it with the capability to identify and properly underwrite investment opportunities.

The Company's aim is to seek to provide diversification of assets, tenant exposures, lease terms and locations in its portfolio. In order to capitalize on the changing sets of investment opportunities that may be present in the various points of an economic cycle, the Company may expand or refocus its investment strategy. The Company's investment strategy may be amended from time to time, if approved by its board of directors. The Company is not required to seek stockholder approval when amending its investment strategy.

Transactions During 2019

Investing Activity

Property Asset Acquisitions

On December 13, 2019, the Company acquired the property known as Summerwalk Village located in Lacey, Washington, within the Seattle metropolitan area, for an adjusted purchase price of approximately \$11.6 million. Summerwalk Village is approximately 58,000 square feet and is anchored by Walmart Neighborhood Market. The property was acquired with borrowings under the credit facility.

Property Asset Dispositions

On February 15, 2019, the Company sold Vancouver Market Center, a non-core shopping center located in Vancouver, Washington. The sales price of \$17.0 million, less costs to sell, resulted in net proceeds of approximately \$16.0 million. The Company recorded a gain on sale of real estate of approximately \$2.6 million during the year ended December 31, 2019 related to this property disposition.

On May 1, 2019, the Company sold Norwood Shopping Center, a non-core shopping center located in Sacramento, California for a sales price of \$13.5 million. In connection with the sale of this property, the Company entered into a \$13.3 million mortgage note with the buyer. The mortgage note is a four year interest only note whereby the interest rate increases 1% annually from 3% to 6%. The Company recorded a gain on sale of real estate of approximately \$180,000 during the year ended December 31, 2019 related to this property disposition.

On August 1, 2019, the Company sold Morada Ranch, a non-core shopping center located in Stockton, California. The sales price of \$30.0 million, less costs to sell, resulted in net proceeds of approximately \$29.1 million. The Company recorded a gain on sale of real estate of approximately \$10.4 million during year ended December 31, 2019 related to this property disposition.

On December 12, 2019, the Company sold Mission Foothill Marketplace, located in Mission Viejo, California, as a redevelopment property. The Company retained ownership of two retail pads that will be the gateway to the buyer's planned single-family and townhome community. The sales price of approximately \$13.6 million, less costs to sell, resulted in net proceeds of approximately \$13.5 million.

The Company used the proceeds from the above property asset dispositions to pay down its credit facility.

Financing Activities

The Company employs prudent amounts of leverage and uses debt as a means of providing funds for the acquisition of its properties and the diversification of its portfolio. The Company seeks to primarily utilize unsecured debt in order to maintain liquidity and flexibility in its capital structure.

Term Loan and Credit Facility

The Company has an unsecured term loan agreement with several banks under which the lenders agreed to provide a \$300.0 million unsecured term loan facility. Effective December 20, 2019, the Company entered into the First Amendment to First Amended and Restated Term Loan Agreement (as amended, the “Term Loan Agreement”) pursuant to which the maturity date of the term loan was extended from September 8, 2022 to January 20, 2025, without further options for extension. The Term Loan Agreement also provides that the Company may from time to time request increased aggregate commitments of \$200.0 million under certain conditions set forth in the Term Loan Agreement, including the consent of the lenders for the additional commitments. Borrowings under the Term Loan Agreement accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the relevant period (the “Eurodollar Rate”), or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by the Administrative Agent as its “prime rate,” and (c) the Eurodollar Rate plus 1.00%.

The Operating Partnership has an unsecured revolving credit facility with several banks. Effective December 20, 2019, the Company entered into the First Amendment to Second Amended and Restated Credit Agreement (as amended, the “Credit Facility Agreement”) pursuant to which the borrowing capacity under the credit facility is \$600.0 million. The maturity date of the credit facility was extended from September 8, 2021 to February 20, 2024, with two six-month extension options, which may be exercised by the Operating Partnership upon satisfaction of certain conditions including the payment of extension fees. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the borrowing capacity up to an aggregate of \$1.2 billion, subject to lender consents and other conditions. Borrowings under the credit facility accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) the Eurodollar Rate, or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by KeyBank, National Association as its “prime rate,” and (c) the Eurodollar Rate plus 0.90%. Additionally, the Operating Partnership is obligated to pay a facility fee at a rate based on the credit rating level of the Company, currently 0.20%, and a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the credit facility. The Company has investment grade credit ratings from Moody’s Investors Service (Baa2) and Standard & Poor’s Ratings Services (BBB-).

Both the term loan and credit facility contain customary representations, financial and other covenants. The Operating Partnership’s ability to borrow under the term loan and credit facility are subject to its compliance with financial covenants and other restrictions on an ongoing basis. The Operating Partnership was in compliance with such covenants at December 31, 2019.

As of December 31, 2019, \$300.0 million and \$84.0 million were outstanding under the term loan and credit facility, respectively. The weighted average interest rates on the term loan and the credit facility during the year ended December 31, 2019 were 3.4% and 3.3%, respectively. As discussed in Note 11 of the accompanying financial statements, the Company uses interest rate swaps to manage its interest rate risk and accordingly, the swapped interest rate on the term loan is 3.0%. The Company had no available borrowings under the term loan at December 31, 2019. The Company had \$516.0 million available to borrow under the credit facility at December 31, 2019.

ATM Equity Offering

On May 1, 2018, ROIC entered into five separate Sales Agreements (the “Sales Agreements”) with each of Capital One Securities, Inc., Jefferies LLC, KeyBanc Capital Markets Inc., Raymond James & Associates, Inc., and Robert W. Baird & Co. Incorporated (each individually, an “Agent” and collectively, the “Agents”) pursuant to which ROIC may sell, from time to time, shares of ROIC’s common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$250.0 million through the Agents either as agents or principals.

During the year ended December 31, 2019, ROIC sold a total of 1,861,036 shares under the Sales Agreements, which resulted in gross proceeds of approximately \$34.2 million and commissions of approximately \$342,000 paid to the Agents.

The Company plans to finance future acquisitions through a combination of operating cashflow, borrowings under the credit facility, the assumption of existing mortgage debt, the issuance of equity securities including OP Units, equity and debt offerings, and the potential sale of existing assets.

Business Segments

The Company's primary business is the ownership, management, and redevelopment of retail real estate properties. The Company reviews operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. The Company evaluates financial performance using property operating income, defined as operating revenues (base rent and recoveries from tenants), less property and related expenses (property operating expenses and property taxes). The Company has aggregated the properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

Regulation

The following discussion describes certain material U.S. federal laws and regulations that may affect the Company's operations and those of its tenants. However, the discussion does not address state laws and regulations, except as otherwise indicated. These state laws and regulations, like the U.S. federal laws and regulations, could affect the Company's operations and those of its tenants.

Generally, real estate properties are subject to various laws, ordinances and regulations. Changes in any of these laws or regulations, such as the Comprehensive Environmental Response and Compensation, and Liability Act of 1980, as amended, increase the potential liability for environmental conditions or circumstances existing or created by tenants or others on the properties. In addition, laws affecting development, construction, operation, upkeep, safety and taxation requirements may result in significant unanticipated expenditures, loss of real estate property sites or other impairments, which would adversely affect its cash flows from operating activities.

Under the Americans with Disabilities Act of 1990 (the "Americans with Disabilities Act") all places of public accommodation are required to meet certain U.S. federal requirements related to access and use by disabled persons. A number of additional U.S. federal, state and local laws also exist that may require modifications to properties, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Noncompliance with the Americans with Disabilities Act could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature and in substantial capital expenditures. To the extent the Company's properties are not in compliance, the Company may incur additional costs to comply with the Americans with Disabilities Act.

Property management activities are often subject to state real estate brokerage laws and regulations as determined by the particular real estate commission for each state.

Environmental Matters

Pursuant to U.S. federal, state and local environmental laws and regulations, a current or previous owner or operator of real property may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at or emanating from such property. Further, under certain circumstances, such owners or operators of real property may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The failure to properly remediate the property may also adversely affect the owner's ability to lease, sell or rent the property or to borrow funds using the property as collateral.

In connection with the ownership, operation and management of the Company's current properties and any properties that it may acquire and/or manage in the future, the Company could be legally responsible for environmental liabilities or costs relating to a release of hazardous substances or other regulated materials at or emanating from such property. In order to assess the potential for such liability, the Company conducts an environmental assessment of each property prior to acquisition and manages its properties in accordance with environmental laws while it owns or operates them. All of its leases contain a comprehensive environmental provision that requires tenants to conduct all activities in compliance with environmental laws and to indemnify the owner for any harm caused by the failure to do so. In addition, the Company has engaged qualified, reputable and adequately insured environmental consulting firms to perform environmental site assessments of its properties and is not aware of any environmental issues that are expected to materially impact the financial condition of the Company.

Competition

The Company believes that competition for the acquisition, operation and development of retail properties is highly fragmented. The Company competes with numerous owners, operators and developers for acquisitions and development of

retail properties, including institutional investors, other REITs and other owner-operators of necessity-based community and neighborhood shopping centers, primarily anchored by supermarkets and drugstores, some of which own or may in the future own properties similar to the Company's in the same markets in which its properties are located. The Company also faces competition in leasing available space to prospective tenants at its properties. The actual competition for tenants varies depending upon the characteristics of each local market (including current economic conditions) in which the Company owns and manages property. The Company believes that the principal competitive factors in attracting tenants in its market areas are location, demographics, price, the presence of anchor stores and the appearance of properties.

Many of the Company's competitors are substantially larger and have considerably greater financial, marketing and other resources than the Company. Other entities may raise significant amounts of capital and may have investment objectives that overlap with those of the Company, which may create additional competition for opportunities to acquire assets. In the future, competition from these entities may reduce the number of suitable investment opportunities offered to the Company or increase the bargaining power of property owners seeking to sell. Further, as a result of their greater resources, such entities may have more flexibility than the Company does in their ability to offer rental concessions to attract tenants. If the Company's competitors offer space at rental rates below current market rates, or below the rental rates the Company currently charges its tenants, the Company may lose potential tenants and it may be pressured to reduce its rental rates below those it currently charges in order to retain tenants when its tenants' leases expire.

Employees

As of December 31, 2019, the Company had 73 employees, including 20 maintenance employees at its shopping centers and three executive officers, one of whom is also a member of its board of directors.

Available Information

The Company files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports with the Securities and Exchange Commission (the "SEC"). The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company's website is www.roireit.net. The Company's reports on Forms 10-K, 10-Q and 8-K, and all amendments to those reports are available free of charge on its Website as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The contents of the Company's website are not incorporated by reference herein.

Item 1A. Risk Factors

Risks Related to the Company's Business and Operations

There are risks relating to investments in real estate.

Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the quality and philosophy of management, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and to control variable operating costs, adverse weather conditions, natural disasters, terrorist activities and other factors in the areas in which the properties are located. Shopping centers, in particular, may be affected by changing perceptions of retailers or shoppers regarding the safety, convenience and attractiveness of the shopping center, increasing consumer purchases through online retail websites and catalogs, the ongoing consolidation in the retail sector and by the overall climate for the retail industry generally. Real estate values are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under, and changes in, environmental, zoning, tax and other laws. A significant portion of the Company's income is derived from rental income from real property. The Company's income, cash flow, results of operations, financial condition, liquidity and ability to service its debt obligations could be materially and adversely affected if a significant number of its tenants were unable to meet their obligations, or if it were unable to lease on economically favorable terms a significant amount of space in its properties. In the event of default by a tenant, the Company may experience delays in enforcing, and incur substantial costs to enforce, its rights as a landlord. In addition, certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in income from the investment.

The Company operates in a highly competitive market and competition may limit its ability to acquire desirable assets and to attract and retain tenants.

The Company operates in a highly competitive market. The Company's profitability depends, in large part, on its ability to acquire its assets at favorable prices and on trends impacting the retail industry in general, national, regional and local economic conditions, financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends. Many of the Company's competitors are substantially larger and have considerably greater financial, marketing and other resources than it does. Other entities may raise significant amounts of capital and may have investment objectives that overlap with the Company's. In addition, the properties that the Company acquires may face competition from similar properties in the same market, as well as from e-commerce websites. The presence of competitive alternatives affects the Company's ability to lease space and the level of rents it can obtain. New construction, renovations and expansions at competing sites could also negatively affect the Company's properties.

The Company may change any of its strategies, policies or procedures without stockholder consent, which could materially and adversely affect its business.

The Company may change any of its strategies, policies or procedures with respect to acquisitions, asset allocation, growth, operations, indebtedness, financing strategy and distributions, including those related to maintaining its REIT qualification, at any time without the consent of its stockholders, which could result in making acquisitions that are different from, and possibly riskier than, the types of acquisitions described in this Annual Report on Form 10-K. A change in the Company's strategy may increase its exposure to real estate market fluctuations, financing risk, default risk and interest rate risk. Furthermore, a change in the Company's asset allocation could result in the Company making acquisitions in asset categories different from those described in this Annual Report on Form 10-K. These changes could materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company's directors are subject to potential conflicts of interest.

The Company's executive officers and directors may face conflicts of interest. Except for Messrs. Tanz, Haines and Schoebel, none of the Company's executive officers or directors are required to commit substantially all of their business time to the Company. Also, in the course of their other business activities, the Company's directors may become aware of investment and business opportunities that may be appropriate for presentation to the Company as well as the other entities with which they are affiliated. They may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

As a result of multiple business affiliations, the Company's non-management directors may have legal obligations relating to presenting opportunities to acquire one or more properties, portfolios or real estate-related debt investments to other entities. The Company's non-management directors (including the Company's non-executive Chairman) may present such opportunities to the other entities to which they owe pre-existing fiduciary duties before presenting such opportunities to the Company. In addition, conflicts of interest may arise when the Company's board of directors evaluates a particular opportunity.

Capital markets and economic conditions can materially affect the Company's financial condition, its results of operations and the value of its assets.

There are many factors that can affect the value of the Company's assets, including the state of the capital markets and economy. Although there has been improvement in the credit and real estate markets since the great recession, any reduction in available financing may materially and adversely affect the Company's ability to achieve its financial objectives. Concern about the stability of the markets generally may limit the Company's ability and the ability of its tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs. Although the Company will factor in these conditions in acquiring its assets, its long term success depends in part on general economic conditions and the stability and dependability of the financing market for retail real estate. If the national economy or the local economies in which the Company operates were to experience uncertainty, or if general economic conditions were to worsen, the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders could be materially and adversely affected.

Bankruptcy or insolvency of tenants may decrease the Company's revenues and available cash.

In the case of many retail properties, the bankruptcy or insolvency of a major tenant could cause the Company to suffer lower revenues and operational difficulties and could allow other tenants to exercise so-called "kick-out" clauses in their leases and terminate their lease or reduce their rents prior to the normal expiration of their lease terms. As a result, the bankruptcy or insolvency of major tenants could materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Inflation or deflation may materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and distributions to its stockholders.

Increased inflation could have a pronounced negative impact on the Company's property operating expenses and general and administrative expenses, as these costs could increase at a rate higher than the Company's rents. Inflation could also have an adverse effect on consumer spending which could impact the Company's tenants' sales and, in turn, the Company's percentage rents, where applicable, and the willingness and ability of tenants to enter into or renew leases and/or honor their obligations under existing leases. Conversely, deflation could lead to downward pressure on rents and other sources of income.

Compliance or failure to comply with safety regulations and requirements could result in substantial costs.

The Company's properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If the Company fails to comply with these requirements, it could incur fines or private damage awards. The Company does not know whether compliance with the requirements will require significant unanticipated expenditures that could affect its income, cash flow, results of operations, financial condition, liquidity, prospects and ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company expects to acquire additional properties and this may create risks.

The Company expects to acquire additional properties consistent with its investment strategies. The Company may not, however, succeed in consummating desired acquisitions on time, within budget or at all. In addition, the Company may face competition in pursuing acquisition opportunities, which could result in increased acquisition costs. When the Company does pursue a project or acquisition, it may not succeed in leasing newly acquired properties at rents sufficient to cover its costs of acquisition. Difficulties in integrating acquisitions may prove costly or time-consuming and could result in poorer than anticipated performance. The Company may also abandon acquisition opportunities that it has begun pursuing and consequently fail to recover expenses already incurred. Furthermore, acquisitions of new properties will expose the Company to the liabilities of those properties, including, for example, liabilities for clean-up of disclosed or undisclosed environmental contamination, claims by persons in respect of events transpiring or conditions existing before the Company's acquisition and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of properties.

In the event we seek to redevelop existing properties, these projects could be subject to delays or other risks and might not yield the returns we anticipate, which would harm our financial condition and operating results.

The Company may selectively engage in redevelopment projects at certain of our properties. To the extent the Company enters into redevelopment projects, it will be subject to a number of risks that could negatively affect its return on investment, financial condition, results of operations and our ability to make distributions to stockholders, including, among others:

- higher than anticipated construction costs, including labor and material costs;
- delayed ability or inability to reach projected occupancy, rental rates, profitability, and investment return;
- timing delays due to weather, labor disruptions, zoning or other regulatory approvals, tenant decision delays, delays in anchor approvals of redevelopment plans, where required, acts of God (such as fires, significant storms, earthquakes or floods) and other factors outside our control, which might make a project less profitable or unprofitable, or delay profitability; and
- expenditure of money and time on projects that might be significantly delayed before stabilization.

If a project is unsuccessful, either because it is not meeting its expectations when operational or was not completed according to the project planning, the Company could lose its investment in the project or have to incur an impairment charge relating to the asset or development which could then adversely impact the Company's financial condition and operating results.

Factors affecting the general retail environment could adversely affect the financial condition of the Company's retail tenants and the willingness of retailers to lease space in its shopping centers, and in turn, materially and adversely affect the Company.

The Company's properties are focused on the retail real estate market. This means that the performance of the Company's properties will be impacted by general retail market conditions, including the level of consumer spending and consumer confidence, the threat of terrorism and increasing competition from online retail websites and catalog companies. In addition, the retail business is highly competitive and our tenants may fail to differentiate their shopping experiences, create an attractive value proposition or execute their business strategies. Furthermore, the Company believes that the increase in digital and mobile technology usage has increased the speed of the transition from shopping at physical locations to web-based purchases and that its tenants may be negatively affected by these changing consumer spending habits. These conditions could adversely affect the financial condition of the Company's retail tenants and the willingness and ability of retailers to lease space, or renew existing leases, in the Company's shopping centers and to honor their obligations under existing leases, and in turn, materially and adversely affect the Company.

The Company's growth depends on external sources of capital, which may not be available in the future.

In order to maintain its qualification as a REIT, the Company is required under the Code to annually distribute at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. After the Company invests its cash on hand, it expects to depend primarily on the credit facility and other external financing (including debt and equity financings) to fund the growth of its business. The Company's access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. As a result of changing economic conditions, the Company may be limited in its ability to obtain additional financing or to refinance existing debt maturities on favorable terms or at all and there can be no assurances as to when financing conditions will improve.

The Company does not have a formal policy limiting the amount of debt it may incur and its board of directors may change its leverage policy without stockholder consent, which could result in a different risk profile.

Although the Company's charter and bylaws do not limit the amount of indebtedness the Company can incur, the Company's policy is to employ prudent amounts of leverage and use debt as a means of providing additional funds for the acquisition of its assets and the diversification of its portfolio. The amount of leverage the Company will deploy for particular investments will depend upon its management team's assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the assets in its portfolio, the potential for losses, the availability and cost of financing the assets, the Company's opinion of the creditworthiness of its financing counterparties, the health of the U.S. economy and commercial mortgage markets, the Company's outlook for the level, slope and volatility of interest rates, the credit quality of the tenants occupying space at the Company's properties, and the need for the Company to comply with financial covenants contained in the Company's credit agreements. The Company's board of directors may change its leverage policies at any time without the consent of its stockholders, which could result in an investment portfolio with a different risk profile.

The Company could be adversely affected if it or any of its subsidiaries are required to register as an investment company under the Investment Company Act of 1940 as amended (the "1940 Act").

The Company conducts its operations so that neither it, nor the Operating Partnership nor any of the Company's other subsidiaries, is required to register as investment companies under the 1940 Act. If the Company, the Operating Partnership or the Company's other subsidiaries are required to register as an investment company but fail to do so, the unregistered entity would be prohibited from engaging in certain business, and criminal and civil actions could be brought against such entity. In addition, the contracts of such entity would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the entity and liquidate its business.

Real estate investments' value and income fluctuate due to conditions in the general economy and the real estate business, which may materially and adversely affect the Company's ability to service its debt and expenses.

The value of real estate fluctuates depending on conditions in the general and local economy and the real estate business. These conditions may also limit the Company's revenues and available cash. The rents the Company receives and the occupancy

levels at its properties may decline as a result of adverse changes in conditions in the general economy and the real estate business. If rental revenues and/or occupancy levels decline, the Company generally would expect to have less cash available to pay indebtedness and for distribution to its stockholders. In addition, some of the Company's major expenses, including mortgage payments, real estate taxes and maintenance costs, generally do not decline when the related rents decline.

The lack of liquidity of the Company's assets could materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders, and could materially and adversely affect the Company's ability to value and sell its assets.

Real estate investments are relatively difficult to buy and sell quickly. As a result, the Company expects many of its investments will be illiquid and if it is required to liquidate all or a portion of its portfolio quickly, it may realize significantly less than the value at which it had previously recorded its investments.

The Company depends on leasing space to tenants on economically favorable terms and collecting rent from tenants, some of whom may not be able to pay.

The Company's financial results depend significantly on leasing space in its properties to tenants on economically favorable terms. In addition, as a substantial majority of the Company's revenue comes from renting real property, the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders could be materially and adversely affected if a significant number of its tenants cannot pay their rent or if the Company is not able to maintain occupancy levels on favorable terms. If a tenant does not pay its rent, the Company may not be able to enforce its rights as landlord without delays and may incur substantial legal costs.

Some of the Company's properties depend on anchor stores or major tenants to attract shoppers and could be materially and adversely affected by the loss of or a store closure by one or more of these tenants.

The Company's shopping centers are primarily anchored by national and regional supermarkets and drug stores. The value of the retail properties the Company acquires could be materially and adversely affected if these tenants fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations. Adverse economic conditions may result in the closure of existing stores by tenants which may result in increased vacancies at the Company's properties. Any periods of significant vacancies for the Company's properties could materially and adversely impact the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Loss of revenues from major tenants could reduce the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company derives significant revenues from anchor tenants such as Albertson's/Safeway Supermarkets, Kroger Supermarkets and JP Morgan Chase. As of December 31, 2019, these tenants are the Company's three largest tenants and accounted for 5.5%, 3.4% and 1.4%, respectively, of its annualized base rent on a pro-rata basis. The Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders could be materially and adversely affected by the loss of revenues in the event a major tenant becomes bankrupt or insolvent, experiences a downturn in its business, materially defaults on its leases, does not renew its leases as they expire, or renews at lower rental rates.

The Company's inability to receive reimbursements of Common Area Maintenance ("CAM") costs from tenants could adversely affect the Company's cash flow.

CAM costs typically include allocable energy costs, repairs, maintenance and capital improvements to common areas, janitorial services, administrative, property and liability insurance costs and security costs. The Company may acquire properties with leases with variable CAM provisions that adjust to reflect inflationary increases or leases with a fixed CAM payment methodology which fixes its tenants' CAM contributions. With respect to both variable and fixed payment methodologies, the amount of reimbursements for CAM costs that the Company is entitled to receive from its tenants pursuant to the terms of the respective lease agreements may be less than the actual CAM costs at the Company's properties. The Company's inability to recover or pass on CAM costs to its tenants, whether due to the terms of the Company's leases or vacancies at the Company's properties, could adversely affect the Company's cash flow.

The Company may incur costs to comply with environmental laws.

The Company's operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused the release. The presence of contamination or the failure to remediate contamination may impair the Company's ability to sell or lease real estate or to borrow using the real estate as collateral. Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls ("PCBs") and underground storage tanks are also regulated by federal and state laws. The Company is also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. The Company could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure to contamination at or from its properties. Identification of compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to the Company. Moreover, compliance with new laws or regulations such as those related to climate change, including compliance with "green" building codes, or more stringent laws or regulations or stricter interpretations of existing laws may require material expenditures by the Company.

The Company faces risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of its information technology ("IT") networks and related systems.

The Company faces risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside the Company or persons with access to systems inside the Company, and other significant disruptions of the Company's IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The Company's IT networks and related systems are essential to the operation of its business and its ability to perform day-to-day operations (including managing its building systems). There can be no assurance that the Company's efforts to maintain the security and integrity of these types of IT networks and related systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving the Company's IT networks and related systems could materially and adversely impact the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company's business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for the Company's internal information technology systems, its systems are vulnerable to damage from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in the Company's operations could result in a material disruption to its business. The Company may also incur additional costs to remedy damages caused by such disruptions.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair the Company's assets and have a material and adverse effect on its income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company believes the risks associated with its business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declines in real estate values, among other factors, could result in a determination that the Company's assets have been impaired. If the Company determines that an impairment has occurred, the Company would be required to make an adjustment to the net carrying value of the asset which could have an

adverse effect on its results of operations in the period in which the impairment charge is recorded. Although the Company will take current economic conditions into account in acquiring its assets, the Company's long term success, and the value of its assets, depends in part on general economic conditions and other factors beyond the Company's control. If the national economy or the local economies in which the Company operates experience uncertainty, or if general economic conditions were to worsen, the value of the Company's properties could decline, and the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders, could be materially and adversely affected.

Loss of key personnel could harm the Company's operations.

The Company is dependent on the efforts of certain key personnel of its senior management team. While the Company has employment contracts with each of Messrs. Tanz, Haines and Schoebel, the loss of the services of any of these individuals could harm the Company's operations and have a material and adverse effect on its income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Under their employment agreements, certain members of the Company's senior management team will have certain rights to terminate their employment and receive severance in connection with a change in control of the Company.

The Company's employment agreements with each of Messrs. Tanz, Haines and Schoebel, which provide that, upon termination of his employment (i) by the applicable officer within 12 months following the occurrence of a change in control (as defined in the employment agreement), (ii) by the Company without cause (as defined in the employment agreement), (iii) by the applicable officer for good reason (as defined in the employment agreement), (iv) by non-renewal of the applicable officer's employment agreement or (v) by reason of the applicable officer's death or disability (as defined in the employment agreement), such executive officers would be entitled to certain termination or severance payments made by the Company (which may include a lump sum payment equal to defined percentages of annual salary and prior years' average bonuses, paid in accordance with the terms and conditions of the respective agreement). In addition, the vesting of all his outstanding unvested equity-based incentives and awards would accelerate. These provisions make it costly to terminate their employment and could delay or prevent a transaction or a change in control of the Company that might involve a premium paid for shares of its common stock or otherwise be in the best interests of its stockholders.

Joint venture investments could be materially and adversely affected by the Company's lack of sole decision-making authority or reliance on a joint venture partner's financial condition.

The Company may enter into joint venture arrangements in the future. Investments in joint ventures involve risks that are not otherwise present with properties which the Company owns entirely. In a joint venture investment, the Company may not have exclusive control or sole decision-making authority over the development, financing, leasing, management and other aspects of these investments. As a result, the joint venture partner might have economic or business interests or goals that are inconsistent with the Company's goals or interests, take action contrary to the Company's interests or otherwise impede the Company's objectives. Joint venture investments involve risks and uncertainties, including the risk of the joint venture partner failing to provide capital and fulfill its obligations, which may result in certain liabilities to the Company for guarantees and other commitments, the risk of conflicts arising between the Company and its partners and the difficulty of managing and resolving such conflicts, and the difficulty of managing or otherwise monitoring such business arrangements. The joint venture partner also might become insolvent or bankrupt, which may result in significant losses to the Company. Further, although the Company may own a controlling interest in a joint venture and may have authority over major decisions such as the sale or refinancing of investment properties, the Company may have fiduciary duties to the joint venture partners or the joint venture itself that may cause, or require, it to take or refrain from taking actions that it would otherwise take if it owned the investment properties outright.

Uninsured losses or a loss in excess of insured limits could materially and adversely affect the Company.

The Company carries comprehensive general liability, fire, extended coverage, loss of rent insurance, and environmental liability where applicable on its properties, with policy specifications and insured limits customarily carried for similar properties. There are certain types of losses, such as losses resulting from wars or acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness, or other financial obligations or liabilities related to the property. Any loss of these types could materially and adversely affect the Company's income, cash flow, results of operations, financial condition,

liquidity, prospects and ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

The Company could be materially and adversely affected by poor market conditions where its properties are geographically concentrated.

The Company's performance depends on the economic conditions in markets in which its properties are concentrated. During the year ended December 31, 2019, the Company's properties in California, Washington and Oregon accounted for 66%, 20% and 14%, respectively, of its consolidated property operating income. The Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders could be materially and adversely affected by this geographic concentration if market conditions, such as an oversupply of space or a reduction in demand for real estate in an area, deteriorate in California, Washington and Oregon. Moreover, due to the geographic concentration of its properties, the Company may be disproportionately affected by general risks such as natural disasters, including major fires, floods and earthquakes, severe or inclement weather, and acts of terrorism should such developments occur in or near the markets in California, Washington and Oregon in which the Company's properties are located.

Should the Company decide at some point in the future to expand into new markets, it may not be successful, which could materially and adversely affect its business, financial condition, liquidity and results of operations.

The Company's properties are concentrated in California, Washington and Oregon. If the opportunity arises, the Company may explore acquisitions of properties in new markets inside or outside of these states. Each of the risks applicable to the Company's ability to successfully acquire, integrate and operate properties in its current markets may also apply to its ability to successfully acquire, integrate and operate properties in new markets. In addition to these risks, the Company's management team may not possess the same level of knowledge with respect to market dynamics and conditions of any new market in which the Company may attempt to expand, which could materially and adversely affect its ability to operate in any such markets. The Company may be unable to obtain the desired returns on its investments in these new markets, which could materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, prospects and ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Risks Related to Financing

The Company's term loan, credit facility and unsecured senior notes contain restrictive covenants relating to its operations, which could limit the Company's ability to respond to changing market conditions and its ability to pay dividends and other distributions to its stockholders.

The Company's term loan, credit facility and unsecured senior notes contain restrictive covenants. These or other limitations, including those that may apply to future Company borrowings, may materially and adversely affect the Company's flexibility and its ability to achieve its operating plans and could result in the Company being limited in the amount of dividends and distributions it would be permitted to pay to its stockholders.

In addition, failure to comply with these covenants could cause a default under the applicable debt instrument, and the Company may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to the Company, or may be available only on unattractive terms.

Certain of the Company's mortgage financing arrangements and other indebtedness contain provisions that could limit the Company's operating flexibility.

The Company's existing mortgage financing contains, and future mortgage financing may in the future contain, customary covenants and provisions that limit the Company's ability to pre-pay such mortgages before their scheduled maturity date or to transfer the underlying asset. Additionally, the Company's ability to satisfy prospective mortgage lenders' insurance requirements may be materially and adversely affected if lenders generally insist upon greater insurance coverage against certain risks than is available to the Company in the marketplace or on commercially reasonable terms. In addition, because a mortgage is secured by a lien on the underlying real property, mortgage defaults subject the Company to the risk of losing the property through foreclosure.

The Company's access to financing may be limited and thus its ability to potentially enhance its returns may be materially and adversely affected.

The Company intends, when appropriate, to employ prudent amounts of leverage and use debt as a means of providing additional funds for the acquisition of its assets and the diversification of its portfolio. As of December 31, 2019, the Company's outstanding principal mortgage indebtedness was approximately \$86.2 million, and the Company may incur significant additional debt to finance future acquisition and development activities. The credit facility consists of a \$600.0 million unsecured revolving credit facility and the Company has a \$300.0 million term loan, of which \$84.0 million and \$300.0 million, respectively, were outstanding as of December 31, 2019.

In addition, the Operating Partnership issued \$250.0 million aggregate principal amount of unsecured senior notes in December 2017 (the "Senior Notes Due 2027"), \$200.0 million aggregate principal amount of unsecured senior notes in September 2016 (the "Senior Notes Due 2026"), \$250.0 million aggregate principal amount of unsecured senior notes in December 2014 (the "Senior Notes Due 2024") and \$250.0 million aggregate principal amount of unsecured senior notes in December 2013 (the "Senior Notes Due 2023" and collectively with the Senior Notes Due 2024, the Senior Notes Due 2026 and the Senior Notes Due 2027, the "unsecured senior notes"), each of which were fully and unconditionally guaranteed by ROIC.

The Company's access to financing will depend upon a number of factors, over which it has little or no control, including:

- general market conditions;
- the market's view of the quality of the Company's assets;
- the market's perception of the Company's growth potential;
- the Company's eligibility to participate in and access capital from programs established by the U.S. government;
- the Company's current and potential future earnings and cash distributions; and
- the market price of the shares of the Company's common stock.

Although the credit markets and real estate have recovered from the great recession, any reduction in available financing may materially and adversely affect the Company's ability to achieve its financial objectives. Concern about the stability of the markets generally could adversely affect one or more private lenders and could cause one or more private lenders to be unwilling or unable to provide the Company with financing or to increase the costs of that financing. In addition, if regulatory capital requirements imposed on the Company's private lenders change, they may be required to limit, or increase the cost of, financing they provide to the Company. In general, this could potentially increase the Company's financing costs and reduce its liquidity or require it to sell assets at an inopportune time or price.

During times when interest rates on mortgage loans are high or financing is otherwise unavailable on a timely basis, the Company may purchase certain properties for cash or equity securities, including OP Units, or a combination thereof. Consequently, depending on market conditions at the relevant time, the Company may have to rely more heavily on additional equity issuances, which may be dilutive to its stockholders, or on less efficient forms of debt financing that require a larger portion of its cash flow from operations, thereby reducing funds available for its operations, future business opportunities, cash distributions to its stockholders and other purposes. The Company cannot assure you that it will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which may cause it to curtail its asset acquisition activities and/or dispose of assets, which could materially and adversely affect its income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Increases in interest rates could increase the amount of the Company's debt payments and materially and adversely affect its business, financial condition, liquidity and results of operations.

Interest the Company pays could reduce cash available for distributions. As of December 31, 2019, the Company had approximately \$84.0 million and \$300.0 million outstanding under the Company's \$600.0 million unsecured revolving credit facility and \$300.0 million term loan, respectively, that bear interest at a variable rate. In addition, the Company may incur variable rate debt in the future, including mortgage debt, borrowings under the credit facility or new credit facilities. An increase in interest rates would increase the Company's interest costs, which could adversely affect the Company's cash flow, results of operations, ability to pay principal and interest on debt and pay dividends and other distributions to its stockholders, and reduce the Company's access to capital markets. In addition, if the Company needs to repay existing debt during periods of rising interest rates, it may be required to incur additional indebtedness at higher rates. From time to time, the Company may

enter into interest rate swap agreements and other interest rate hedging contracts with the intention of lessening the impact of rising interest rates. However, increased interest rates may increase the risk that the counterparties to such agreements may not be able to fulfill their obligations under these agreements, and there can be no assurance that these arrangements will be effective in reducing the Company's exposure to interest rate changes. These risks could materially and adversely affect the Company's cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders. The Company's use of interest rate hedging arrangements to manage risk associated with interest rate volatility may expose the Company to additional risks, including a risk that a counterparty to a hedging arrangement may fail to honor its obligations or that the Company could be required to fund the Company's contractual payment obligations under such arrangements in relatively large amounts or on short notice. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate the Company from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on the Company's results of operations, liquidity and financial condition.

Uncertainty regarding the London interbank offered rate ("LIBOR") may adversely impact the Company's borrowings.

In July 2017, the U.K. Financial Conduct Authority (the "FCA") announced that it intends to stop persuading or compelling banks to submit the London Interbank Offered Rate ("LIBOR") after 2021. As of December 31, 2019, the Company had outstanding approximately \$384.0 million of variable rate debt that was indexed LIBOR. The Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions convened by the U.S. Federal Reserve, has recommended the Secured Overnight Financing Rate ("SOFR") as a more robust reference rate alternative to U.S. dollar LIBOR. SOFR is calculated based on overnight transactions under repurchase agreements, backed by Treasury securities. SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. It is not possible to predict the further effect of the rules of the FCA, any changes in the methods by which LIBOR is determined, whether or not SOFR will attain market traction as a LIBOR replacement tool, or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. Any such developments may cause LIBOR to perform differently than in the past, be replaced or cease to exist or may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination, and, in certain situations, could result in LIBOR no longer being determined and published. If a published LIBOR rate is unavailable after 2021, the interest rates on the Company's debt which is indexed to LIBOR will be determined using various alternative methods, which may include SOFR, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if LIBOR was available in its current form. Further, the same costs and risks that may lead to the discontinuation or unavailability of LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on the Company's financing costs.

Financing arrangements that the Company may use to finance its assets may require it to provide additional collateral or pay down debt.

The Company, when appropriate, uses traditional forms of financing including secured debt. In the event the Company utilizes such financing arrangements, they would involve the risk that the market value of its assets which are secured may decline in value, in which case the lender may, in connection with a refinancing, require it to provide additional collateral, provide additional equity, or to repay all or a portion of the funds advanced. The Company may not have the funds available to repay its debt or provide additional equity at that time, which would likely result in defaults unless it is able to raise the funds from alternative sources, which it may not be able to achieve on favorable terms or at all. Providing additional collateral or equity would reduce the Company's liquidity and limit its ability to leverage its assets. If the Company cannot meet these requirements, the lender could accelerate the Company's indebtedness, increase the interest rate on advanced funds and terminate its ability to borrow funds from them, which could materially and adversely affect the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders. The providers of secured debt may also require the Company to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position. As a result, the Company may not be able to leverage its assets as fully as it would choose which could reduce its return on assets. There can be no assurance that the Company will be able to utilize such arrangements on favorable terms, or at all.

A downgrade in the Company's or the Operating Partnership's credit ratings could materially adversely affect the Company's business and financial condition.

The credit ratings assigned to the Company's obligations or to the debt securities of the Operating Partnership could change based upon, among other things, the Company's and the Operating Partnership's results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and there can be no assurance that any rating will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, these credit ratings do not apply to the Company's common stock and are not recommendations to buy, sell or hold any other securities. If any of the credit rating agencies that have rated the obligations of the Company or the debt securities of the Operating Partnership downgrades or lowers its credit ratings, or if any credit rating agency indicates that it has placed any such rating on a so-called "watch list" for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could have a material adverse effect on the Company's costs and availability of capital, which could in turn materially and adversely impact the Company's income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay dividends and other distributions to its stockholders.

Risks Related to the Company's Organization and Structure

The Company depends on dividends and distributions from its direct and indirect subsidiaries. The creditors and any preferred equity holders of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or distributions to the Company.

Substantially all of the Company's assets are held through the Operating Partnership, which holds substantially all of the Company's properties and assets through subsidiaries. The Operating Partnership's cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of the Company's cash flow is dependent on cash distributions to it by the Operating Partnership. The creditors and any preferred equity holders of the Company's direct and indirect subsidiaries are entitled to payment of that subsidiary's obligations to them, when due and payable, before distributions may be made by that subsidiary to its common equity holders. Thus, the Operating Partnership's ability to make distributions to the Company and therefore the Company's ability to make distributions to its stockholders will depend on its subsidiaries' ability first to satisfy their obligations to creditors and any preferred equity holders and then to make distributions to the Operating Partnership.

In addition, the Company's participation in any distribution of the assets of any of its direct or indirect subsidiaries upon the liquidation, reorganization or insolvency, is only after the claims of the creditors, including the holders of the unsecured senior notes and trade creditors, and preferred equity holders are satisfied.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of the Company.

Certain provisions of the Maryland General Corporation Law (the "MGCL") may have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium price for holders of the Company's common stock or otherwise be in their best interests, including:

- "business combination" provisions that, subject to certain limitations, prohibit certain business combinations between the Company and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of the Company's shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special minimum price provisions and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of the Company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by the Company's stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

However, the provisions of the MGCL relating to business combinations do not apply to business combinations that are approved or exempted by the Company's board of directors prior to the time that the interested stockholder becomes an interested stockholder. In addition, the Company's bylaws contain a provision exempting from the control share acquisition

statute any and all acquisitions by any person of shares of the Company's common stock. There can be no assurance that such exemption will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits the Company's board of directors, without stockholder approval and regardless of what is currently provided in the Company's charter or bylaws, to take certain actions that may have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium to the market price of its common stock or otherwise be in the stockholders' best interests. These provisions of the MGCL permit the Company, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to adopt:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the board of directors;
- a requirement that a vacancy on the board be filled only by the remaining directors in office and (if the board is classified) for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

The authorized but unissued shares of preferred stock and the ownership limitations contained in the Company's Charter may prevent a change in control.

The Company's charter authorizes the Company to issue authorized but unissued shares of preferred stock. In addition, the Company's charter provides that the Company's board of directors has the power, without stockholder approval, to authorize the Company to issue any authorized but unissued shares of stock, to classify any unissued shares of preferred stock and to reclassify any unissued shares of common stock or previously-classified shares of preferred stock into other classes or series of stock. As a result, the Company's board of directors may establish a series of shares of preferred stock or use such preferred stock to create a stockholder's rights plan or so-called "poison pill" that could delay or prevent a transaction or a change in control that might involve a premium price for shares of the Company's common stock or otherwise be in the best interests of the Company's stockholders.

In addition, the Company's charter contains restrictions limiting the ownership and transfer of shares of the Company's common stock and other outstanding shares of capital stock. The relevant sections of the Company's charter provide that, subject to certain exceptions, ownership of shares of the Company's common stock by any person is limited to 9.8% by value or by number of shares, whichever is more restrictive, of the outstanding shares of common stock (the common share ownership limit), and no more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding capital stock (the aggregate share ownership limit). The common share ownership limit and the aggregate share ownership limit are collectively referred to herein as the "ownership limits." These provisions will restrict the ability of persons to purchase shares in excess of the relevant ownership limits. The Company's board of directors has established exemptions from this ownership limit which permit certain institutional investors to hold additional shares of the Company's common stock. The Company's board of directors may in the future, in its sole discretion, establish additional exemptions from this ownership limit.

The Company's failure to qualify as a REIT would subject it to U.S. federal income tax and potentially increased state and local taxes, which would reduce the amount of cash available for distribution to its stockholders.

The Company intends to operate in a manner that will enable it to continue to qualify as a REIT for U.S. federal income tax purposes. The Company has not requested and does not intend to request a ruling from the U.S. Internal Revenue Service that it will continue to qualify as a REIT. The U.S. federal income tax laws governing REITs are complex. The complexity of these provisions and of the applicable U.S. Treasury Department regulations that have been promulgated under the Code ("Treasury Regulations") is greater in the case of a REIT that holds assets through a partnership, such as the Company, and judicial and administrative interpretations of the U.S. federal income tax laws governing REIT qualification are limited. To qualify as a REIT, the Company must meet, on an ongoing basis, various tests regarding the nature of its assets and its income, the ownership of its outstanding shares, and the amount of its distributions. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for the Company to qualify as a REIT. Thus, while the Company believes that it has operated and intends to continue to operate so that it will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual

determinations, and the possibility of future changes in the Company's circumstances, no assurance can be given that it has qualified or will continue to so qualify for any particular year.

If the Company fails to qualify as a REIT in any taxable year, and does not qualify for certain statutory relief provisions, it would be required to pay U.S. federal income tax on its taxable income, and distributions to its stockholders would not be deductible by it in determining its taxable income. In such a case, the Company might need to borrow money or sell assets in order to pay its taxes. The Company's payment of income tax would decrease the amount of its income available for distribution to its stockholders. Furthermore, if the Company fails to maintain its qualification as a REIT, it would no longer be required to distribute substantially all of its net taxable income to its stockholders. In addition, unless the Company were eligible for certain statutory relief provisions, it would not be eligible to re-elect to qualify as a REIT for four taxable years following the year in which it failed to qualify as a REIT.

Failure to make required distributions would subject the Company to tax, which would reduce the cash available for distribution to its stockholders.

In order to qualify as a REIT, the Company must distribute to its stockholders each calendar year at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that the Company satisfies the 90% distribution requirement, but distributes less than 100% of its taxable income, it is subject to U.S. federal corporate income tax on its undistributed income. In addition, the Company will incur a 4% non-deductible excise tax on the amount, if any, by which its distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. The Company intends to distribute its net income to its stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid the 4% non-deductible excise tax.

The Company's taxable income may exceed its net income as determined by the U.S. generally accepted accounting principles ("GAAP") because, for example, realized capital losses will be deducted in determining its GAAP net income, but may not be deductible in computing its taxable income. In addition, the Company may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. For example, the Company may be required to accrue interest income on mortgage loans or other types of debt securities or interests in debt securities before it receives any payments of interest or principal on such assets. Similarly, some of the debt securities that the Company acquires may have been issued with original issue discount. The Company will generally be required to include such original issue discount in income based on a constant yield to maturity method. As a result of the foregoing, the Company may generate less cash flow than taxable income in a particular year. To the extent that the Company generates such non-cash taxable income in a taxable year, it may incur corporate income tax and the 4% non-deductible excise tax on that income if it does not distribute such income to stockholders in that year. In that event, the Company may be required to use cash reserves, incur debt or liquidate assets at rates or times that it regards as unfavorable or make a taxable distribution of its shares in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal corporate income tax and the 4% non-deductible excise tax in that year.

In order to qualify as a REIT, prior to the end of each taxable year, the Company is required to distribute any earnings and profits of any corporation acquired by the Company in certain tax-deferred transactions to the extent that such earnings accrued at a time when such corporation did not qualify as a REIT. The Company has entered into certain transactions involving the tax-deferred acquisition of target corporations. The Company believes that it did not inherit any earnings and profits of such target corporations attributable to any period that such corporations did not qualify as a REIT. However, no assurance can be provided in this regard, and if the Company were determined to have inherited and retained any such earnings and profits, the Company's qualification as a REIT could be adversely impacted.

To maintain its REIT qualification, the Company may be forced to borrow funds during unfavorable market conditions.

In order to qualify as a REIT and avoid the payment of income and excise taxes, the Company may need to borrow funds on a short-term basis, or possibly on a long-term basis, to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, a difference in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes, the effect of non-deductible capital expenditures, the creation of reserves or required debt amortization payments.

Even if the Company qualifies as a REIT, it may be required to pay certain taxes.

Even if the Company qualifies for taxation as a REIT, it may be subject to certain U.S. federal, state and local taxes on its income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. In addition,

the Company may hold some of its assets through taxable REIT subsidiary (“TRS”) corporations. Any TRSs or other taxable corporations in which the Company owns an interest will be subject to U.S. federal, state and local corporate taxes. Furthermore, the Company has entered into certain transactions in which the Company has acquired target entities in tax-deferred transactions. To the extent that such entities had outstanding U.S. federal income tax or other tax liabilities, the Company would succeed to such liabilities. Payment of these taxes generally would decrease the cash available for distribution to the Company’s stockholders.

Legislative, regulatory or administrative changes could adversely affect the Company.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to the Company and its stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in the Company’s common stock.

The Tax Cuts and Jobs Act of 2017 (“TCJA”), which was signed into law on December 22, 2017, significantly changes U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders, and may lessen the relative competitive advantage of operating as a REIT rather than as a C corporation. For additional discussion, see “Recent U.S. Federal Income Tax Legislation”.

In certain circumstances, the Company may be liable for certain tax obligations of certain limited partners.

In certain circumstances, the Company may be liable for certain tax obligations of certain limited partners. The Company has entered into tax protection agreements under which it has agreed to minimize the tax consequences to certain limited partners resulting from the sale or other disposition of certain of the Company’s assets. The obligation to indemnify such limited partners against adverse tax consequences is expected to continue until 2027. The Company may enter into additional tax protection agreements in the future, which could extend the period of time during which the Company may be liable for tax obligations of certain limited partners. During the period of these obligations, the Company’s flexibility to dispose of the related assets will be limited. In addition, the amount of any indemnification obligations may be significant.

The Company cannot assure you of its ability to pay distributions in the future.

The Company intends to pay quarterly distributions and to make distributions to its stockholders in an amount such that it distributes all or substantially all of its REIT taxable income in each year, subject to certain adjustments. The Company’s ability to pay distributions may be materially and adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10-K. All distributions will be made, subject to Maryland law (or Delaware law, in the case of distributions by the Operating Partnership), at the discretion of the Company’s board of directors and will depend on the Company’s earnings, its financial condition, any debt covenants, maintenance of its REIT qualification and other factors as its board of directors may deem relevant from time to time. The Company believes that a change in any one of the following factors could materially and adversely affect its income, cash flow, results of operations, financial condition, liquidity, the ability to service its debt obligations, the market price of its common stock and its ability to pay distributions to its stockholders:

- the profitability of the assets acquired;
- the Company’s ability to make profitable acquisitions;
- unforeseen expenses that reduce the Company’s cash flow;
- defaults in the Company’s asset portfolio or decreases in the value of its portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

The Company cannot assure you that it will achieve results that will allow it to make a specified level of cash distributions or year-to-year increases in cash distributions in the future. In addition, some of the Company’s distributions may include a return of capital.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company maintains its executive office at 11250 El Camino Real, Suite 200, San Diego, CA 92130.

As of December 31, 2019, the Company's portfolio consisted of 89 properties (88 retail and one office) totaling approximately 10.1 million square feet of gross leasable area. As of December 31, 2019, the Company's retail portfolio was approximately 97.9% leased. During the year ended December 31, 2019, the Company leased or renewed a total of approximately 1.4 million square feet in its portfolio. The Company has committed approximately \$27.5 million, or \$59.40 per square foot, in tenant improvements, including building and site improvements, for new leases that occurred during the year ended December 31, 2019. The Company has committed approximately \$1.4 million, or \$3.11 per square foot, in leasing commissions, for the new leases that occurred during the year ended December 31, 2019. Additionally, the Company has committed approximately \$1.7 million, or \$1.89 per square foot, in tenant improvements for renewed leases that occurred during the year ended December 31, 2019. Leasing commission commitments for renewed leases were not material for the year ended December 31, 2019.

The following table provides information regarding the Company's retail properties as of December 31, 2019.

Property	Year Completed/ Renovated	Year Acquired	Gross Leasable Sq. Feet	Number of Tenants	% Leased	Principal Tenants
Southern California						
Los Angeles metro area						
Paramount Plaza	1966/2010	2009	95,062	14	98.0 %	Grocery Outlet Supermarket, 99¢ Only Stores, Rite Aid Pharmacy
Claremont Promenade	1982/2011	2010	92,297	27	100.0 %	Super King Supermarket
Gateway Village	2003/2005	2010	96,959	29	98.5 %	Sprouts Market
Seabridge Marketplace	2006	2012	98,348	22	97.4 %	Safeway (Vons) Supermarket
Glendora Shopping Center	1992/2012	2012	106,535	19	94.2 %	Albertson's Supermarket
Redondo Beach Plaza	1993/2004	2012	110,509	16	100.0 %	Safeway (Vons) Supermarket, Petco
Diamond Bar Town Center	1981	2013	100,342	22	96.4 %	Walmart Neighborhood Market, Crunch Fitness
Diamond Hills Plaza	1973/2008	2013	139,505	38	98.9 %	H-Mart Supermarket, Planet Fitness
Plaza de la Canada	1968/2010	2013	100,425	13	100.0 %	Gelson's Supermarket, TJ Maxx, Rite Aid Pharmacy
Fallbrook Shopping Center	1966/1986/ 2003/2015	2014	755,299	49	100.0 %	Sprouts Market, Trader Joe's, Kroger (Ralph's) Supermarket ⁽¹⁾ , TJ Maxx
Moorpark Town Center	1984/2014	2014	133,547	23	95.4 %	Kroger (Ralph's) Supermarket, CVS Pharmacy
Ontario Plaza	1997-1999	2015	150,149	24	94.4 %	El Super Supermarket, Rite Aid Pharmacy
Park Oaks Shopping Center	1959/2005	2015	110,092	24	88.4 %	Safeway (Vons) Supermarket, Dollar Tree
Warner Plaza	1973-1974/ 2016- 2017	2015	110,918	65	97.5 %	Sprouts Market, Kroger (Ralph's) Supermarket ⁽¹⁾ , Rite Aid Pharmacy ⁽¹⁾
Magnolia Shopping Center	1962/1972/ 1987/2016	2016	116,360	22	85.9 %	Kroger (Ralph's) Supermarket
Casitas Plaza Shopping Center	1972/1982	2016	105,118	25	96.9 %	Albertson's Supermarket, CVS Pharmacy
Bouquet Center	1985	2016	148,903	27	95.5 %	Safeway (Vons) Supermarket, CVS Pharmacy, Ross Dress For Less
North Ranch Shopping Center	1977-1990	2016	146,448	34	93.7 %	Kroger (Ralph's) Supermarket, Trader Joe's, Rite Aid Pharmacy, Petco
The Knolls	2000/2016	2016	52,021	6	95.2 %	Trader Joe's, Pet Food Express
The Terraces	1958/1970/ 1989	2017	172,922	28	94.7 %	Trader Joe's, Marshall's, LA Fitness
Orange County metro area						
Santa Ana Downtown Plaza	1987/2010	2010	105,536	29	100.0 %	Kroger (Food 4 Less) Supermarket, Marshall's

Property	Year Completed/ Renovated	Year Acquired	Gross Leasable Sq. Feet	Number of Tenants	% Leased	Principal Tenants
Sycamore Creek	2008	2010	74,198	18	100.0 %	Safeway (Vons) Supermarket, CVS Pharmacy ⁽¹⁾
Desert Springs Marketplace	1993-94 / 2013	2011	113,718	20	97.7 %	Kroger (Ralph's) Supermarket, Rite Aid Pharmacy
Cypress Center West	1970/1978 / 2014	2012	109,046	32	95.5 %	Kroger (Ralph's) Supermarket, Rite Aid Pharmacy
Harbor Place Center	1994	2012	119,821	11	100.0 %	AA Supermarket, Ross Dress For Less
5 Points Plaza	1961-62 / 2012 / 2015	2013	160,536	36	92.5 %	Trader Joe's, Pier 1
Peninsula Marketplace	2000	2013	95,416	13	98.9 %	Kroger (Ralph's) Supermarket, Planet Fitness
Fullerton Crossroads	1977/1997/ 2010-2011	2017	219,785	23	97.6 %	Kroger (Ralph's) Supermarket, Kohl's, Jo-Ann Fabrics and Crafts
The Village at Nellie Gail Ranch	1897 / 2014-2015	2017	89,041	24	98.7 %	Smart & Final Extra Supermarket
San Diego metro area						
Marketplace Del Rio	1990/2004	2011	183,787	43	96.6 %	Stater Brothers Supermarket, Walgreens
Renaissance Towne Centre	1991/2011	2011	53,272	31	100.0 %	CVS Pharmacy
Euclid Plaza	1982/2012	2012	77,044	9	100.0 %	Vallarta Supermarket, Walgreens
Bay Plaza	1986/2013	2012	73,324	29	100.0 %	Seafood City Supermarket
Bernardo Heights Plaza	1983/2006	2013	37,729	5	100.0 %	Sprouts Market
Hawthorne Crossings	1993/1999	2013	141,288	16	92.3 %	Mitsuwa Supermarket, Ross Dress For Less, Staples
Creekside Plaza	1993/2005	2014	131,252	24	96.4 %	Stater Brothers Supermarket, AMC Theatres
Northern California						
San Francisco metro area						
Pleasant Hill Marketplace	1980	2010	69,715	3	100.0 %	Total Wine and More, Buy Buy Baby, Basset Furniture
Pinole Vista Shopping Center	1981/2012	2011/2018	135,962	28	99.3 %	SaveMart (Lucky) Supermarket, Planet Fitness
Country Club Gate Center	1974/2012	2011	109,331	32	97.9 %	SaveMart (Lucky) Supermarket, Rite Aid Pharmacy
Marlin Cove Shopping Center	1972/2001	2012	73,943	26	100.0 %	99 Ranch Market
The Village at Novato	2006	2012	20,081	4	100.0 %	Trader Joe's, Pharmaca Pharmacy
Santa Teresa Village	1974-79 / 2013	2012	124,306	35	92.1 %	Grocery Outlet Supermarket, Dollar Tree
Granada Shopping Center	1962/1994	2013	69,325	15	100.0 %	SaveMart (Lucky) Supermarket
Country Club Village	1995	2013	111,093	24	98.8 %	Walmart Neighborhood Market, CVS Pharmacy
North Park Plaza	1997	2014	76,697	17	99.1 %	H-Mart Supermarket
Winston Manor	1977/1988/ 2011/2015	2015	49,852	16	100.0 %	Grocery Outlet Supermarket
Jackson Square	1972/1997	2015	114,220	16	100.0 %	Safeway Supermarket, CVS Pharmacy, 24 Hour Fitness
Gateway Centre	1996	2015	112,553	26	100.0 %	SaveMart (Lucky) Supermarket, Walgreens
Iron Horse Plaza	1998-1999	2015	61,915	11	100.0 %	Lunardi's Market
Monterey Center	2007	2016	25,626	9	93.7 %	Trader Joe's, Pharmaca Pharmacy
Santa Rosa Southside Shopping Center	1983-1984	2017	88,535	8	95.9 %	REI, Cost Plus World Market, DSW
Monta Loma Plaza	1973/ 2009-2010	2017	48,078	11	100.0 %	Safeway Supermarket
Sacramento metro area						
Mills Shopping Center	1959/1996	2011	235,514	31	88.0 %	Viva Supermarket, Ross Dress For Less (dd's Discounts), Dollar Tree
Green Valley Station	2006/2007	2012	52,245	20	90.9 %	CVS Pharmacy

Property	Year Completed/ Renovated	Year Acquired	Gross Leasable Sq. Feet	Number of Tenants	% Leased	Principal Tenants
Pacific Northwest						
Seattle Metropolitan						
Meridian Valley Plaza	1978/2011	2010	51,597	16	100.0 %	Kroger (QFC) Supermarket
The Market at Lake Stevens	2000	2010	74,130	9	100.0 %	Albertson's (Haggen) Supermarket
Canyon Park Shopping Center	1980/2012	2011	123,592	24	100.0 %	PCC Community Markets, Rite Aid Pharmacy, Petco
Hawks Prairie Shopping Center	1988/2012	2011	157,529	24	100.0 %	Safeway Supermarket, Dollar Tree, Big Lots
The Kress Building	1924/2005	2011	74,616	8	100.0 %	IGA Supermarket, TJMaxx
Gateway Shopping Center	2007	2012	104,298	20	96.1 %	WinCo Foods ⁽¹⁾ , Rite Aid Pharmacy, Ross Dress For Less
Aurora Square	1980/1987	2012/2014	108,558	16	100.0 %	Central Supermarket, Marshall's
Canyon Crossing	2008-2009	2013	120,398	28	100.0 %	Safeway Supermarket
Crossroads Shopping Center	1962/2004/ 2015	2010/2013	475,413	95	99.5 %	Kroger (QFC) Supermarket, Bed Bath & Beyond, Dick's Sporting Goods
Bellevue Marketplace	1971/1982/ 2017	2015	113,758	20	100.0 %	Asian Family Market
Four Corner Square	1983/2015	2015	119,531	29	100.0 %	Grocery Outlet Supermarket, Walgreens, Johnsons Home & Garden
Bridle Trails Shopping Center	1980/1984/ 1987	2016	109,800	32	100.0 %	Grocery Outlet Supermarket, Bartell Drugs, Dollar Tree
PCC Community Markets Plaza	1981/2007	2017	34,459	1	100.0 %	PCC Community Markets
Highland Hill Shopping Center	1956/1989/ 2006	2017	163,926	20	100.0 %	Safeway Supermarket, LA Fitness, Dollar Tree, Petco
North Lynnwood Shopping Center	1963/1965/ 2003	2017	63,606	10	95.8 %	Grocery Outlet Supermarket
Stadium Center	1926/2016	2018	48,888	7	100.0 %	Thriftway Supermarket
Summerwalk Village	2014-2015	2019	58,484	9	97.9 %	Walmart Neighborhood Market
Portland metro area						
Happy Valley Town Center	2007	2010	138,397	37	100.0 %	New Seasons Supermarket
Wilsonville Old Town Square	2011	2010/2012	49,937	19	100.0 %	Kroger (Fred Meyer) Supermarket ⁽¹⁾
Cascade Summit Town Square	2000	2010	94,934	31	100.0 %	Safeway Supermarket
Heritage Market Center	2000	2010	107,468	19	100.0 %	Safeway Supermarket, Dollar Tree
Division Crossing	1992	2010	103,561	20	100.0 %	Rite Aid Pharmacy, Ross Dress For Less, Ace Hardware
Halsey Crossing	1992	2010	99,428	19	100.0 %	24 Hour Fitness, Dollar Tree
Hillsboro Market Center	2001-2002	2011	156,021	23	100.0 %	Albertson's Supermarket, Dollar Tree, Ace Hardware
Robinwood Shopping Center	1980/2012	2013	70,831	16	100.0 %	Walmart Neighborhood Market
Tigard Marketplace	1988/2005	2014	136,889	18	99.3 %	H-Mart Supermarket, Bi-Mart
Wilsonville Town Center	1991/1996	2014	167,829	39	98.9 %	Safeway Supermarket, Rite Aid Pharmacy, Dollar Tree
Tigard Promenade	1996	2015	88,043	16	100.0 %	Safeway Supermarket
Sunnyside Village Square	1996-1997	2015	92,278	14	100.0 %	Grocery Outlet Supermarket, 24 Hour Fitness, Ace Hardware
Johnson Creek Center	2003/2009	2015	108,588	15	100.0 %	Trader Joe's, Walgreens, Sportsman's Warehouse
Rose City Center	1993/2012	2016	60,680	3	100.0 %	Safeway Supermarket
Division Center	1986-1987/ 2013-2014	2017	116,420	23	100.0 %	Grocery Outlet Supermarket, Rite Aid Pharmacy, Petco
Riverstone Marketplace	2002-2004	2017	95,774	24	100.0 %	Kroger (QFC) Supermarket
King City Plaza	1970/1980/ 1990	2018	62,676	18	95.1 %	Grocery Outlet Supermarket
Total Properties			10,057,880	1,944	97.9 %	

(1) Retailer is not a tenant of the Company.

As illustrated by the following tables, the Company's shopping centers are substantially diversified by both tenant mix and by the staggering of its major tenant lease expirations. For the year ended December 31, 2019, no single tenant comprised more than 5.5% of the total annual base rent of the Company's portfolio.

The following table sets forth a summary schedule of the Company's ten largest tenants by percent of total annual base rent, as of December 31, 2019.

Tenant	Number of Leases	% of Total Annual Base Rent ⁽¹⁾
Albertson's / Safeway Supermarkets	19	5.5 %
Kroger Supermarkets	11	3.4 %
JP Morgan Chase	21	1.4 %
Rite Aid Pharmacy	12	1.4 %
SaveMart Supermarkets	4	1.4 %
Marshall's / TJMaxx	6	1.3 %
Trader Joe's	8	1.3 %
Sprouts Markets	4	1.3 %
Grocery Outlet Supermarkets	9	1.2 %
Ross Dress For Less / dd's Discounts	7	1.2 %
	101	19.4 %

(1) Annual base rent ("ABR") is equal to the annualized cash rent for all leases in place as of December 31, 2019 (including initial cash rent for new leases).

The following table sets forth a summary schedule of the annual lease expirations for leases in place across the Company's total retail portfolio at December 31, 2019 (dollars in thousands).

Year of Expiration	Number of Leases Expiring ⁽¹⁾	Leased Square Footage	Annual Base Rent ⁽²⁾	Percent of Total ABR
2020	221	594,884	\$ 13,929	6.6 %
2021	308	1,026,868	23,297	10.9 %
2022	297	1,146,907	25,969	12.1 %
2023	301	1,476,227	33,108	15.5 %
2024	272	1,203,051	28,409	13.3 %
2025	175	1,050,000	20,301	9.5 %
2026	76	544,173	10,876	5.1 %
2027	70	351,079	8,104	3.8 %
2028	73	702,596	15,955	7.5 %
2029	58	503,228	11,193	5.2 %
Thereafter	93	1,241,615	22,715	10.5 %
Total	1,944	9,840,628	\$ 213,856	100 %

(1) Assumes no tenants exercise renewal options or cancellation options.

(2) Annual base rent is equal to the annualized cash rent for all leases in place as of December 31, 2019 (including initial cash rent for new leases).

The following table sets forth a summary schedule of the annual lease expirations for leases in place with the Company's retail anchor tenants at December 31, 2019 (dollars in thousands). Anchor tenants are tenants with leases occupying at least 15,000 square feet or more.

Year of Expiration	Number of Leases Expiring ⁽¹⁾	Leased Square Footage	Annual Base Rent ⁽²⁾	Percent of Total ABR
2020	5	173,902	\$ 1,837	0.9 %
2021	14	425,104	5,095	2.4 %
2022	18	530,799	7,055	3.3 %
2023	26	836,758	13,312	6.2 %
2024	16	595,384	9,669	4.5 %
2025	17	603,882	8,045	3.8 %
2026	9	336,444	4,707	2.2 %
2027	7	144,682	2,084	1.0 %
2028	14	514,446	9,360	4.4 %
2029	11	354,143	6,394	3.0 %
Thereafter	26	948,458	14,105	6.6 %
Total	163	5,464,002	\$ 81,663	38.3 %

(1) Assumes no tenants exercise renewal or cancellation options.

(2) Annual base rent is equal to the annualized cash rent for all leases in place as of December 31, 2019 (including initial cash rent for new leases).

Item 3. Legal Proceedings

In the normal course of business, from time to time, the Company is involved in routine legal actions incidental to its business of the ownership and operations of its properties. In management's opinion, the liabilities, if any, that ultimately may result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

ROIC Market Information

ROIC's common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the symbol "ROIC".

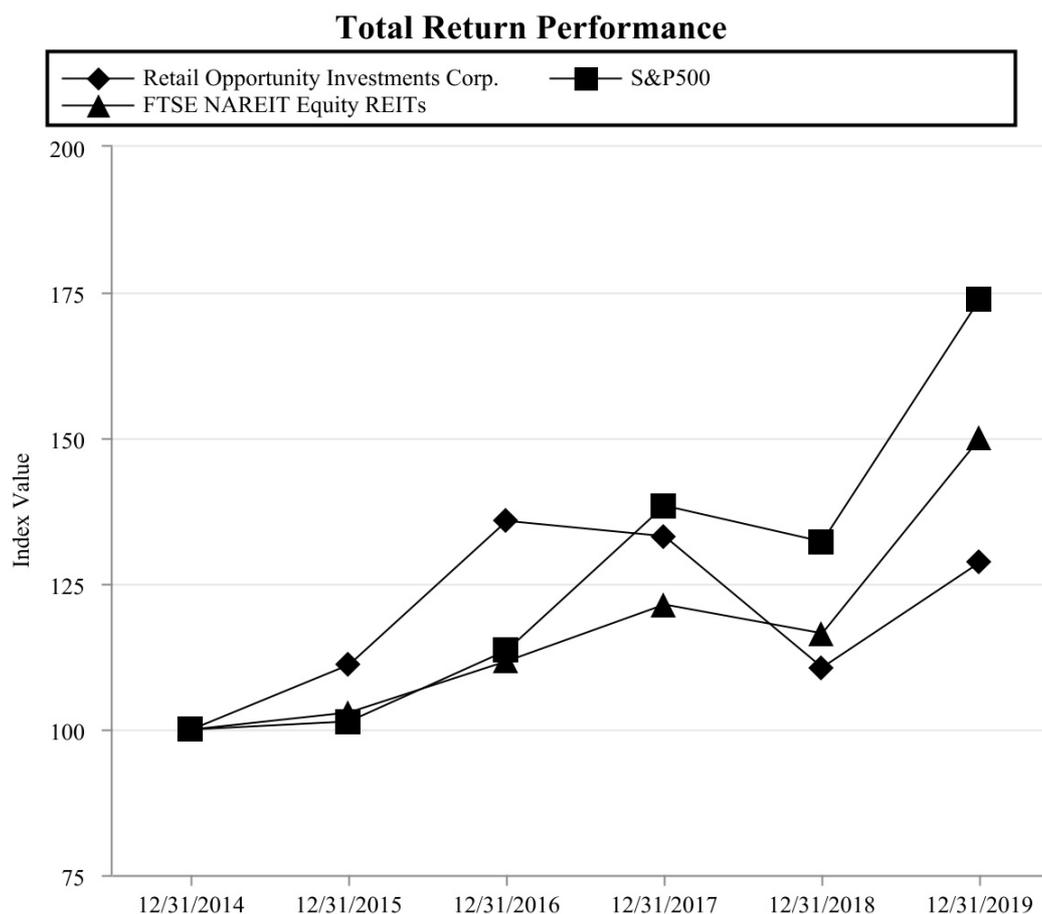
Holders

As of February 14, 2020, ROIC had 74 registered holders. Such information was obtained through the registrar and transfer agent.

Operating Partnership

As of December 31, 2019, the Operating Partnership had 49 registered holders, including Retail Opportunity Investments GP, LLC.

Stockholder Return Performance



The above graph compares the cumulative total return on the Company's common stock with that of the Standard and Poor's 500 Stock Index ("S&P 500") and the National Association of Real Estate Investment Trusts Equity Index ("FTSE NAREIT Equity REITs") from December 31, 2014 through December 31, 2019. The stock price performance graph assumes that an investor invested \$100 in each of ROIC and the indices, and the reinvestment of any dividends. The comparisons in the graph are provided in accordance with the SEC disclosure requirements and are not intended to forecast or be indicative of the future performance of ROIC's shares of common stock.

Index	Period Ending					
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Retail Opportunity Investments Corp.	\$ 100.00	\$ 111.07	\$ 135.76	\$ 133.08	\$ 110.53	\$ 128.62
S&P500	\$ 100.00	\$ 101.38	\$ 113.51	\$ 138.29	\$ 132.23	\$ 173.86
FTSE NAREIT Equity REITs	\$ 100.00	\$ 102.83	\$ 111.70	\$ 121.39	\$ 116.48	\$ 149.86

Except to the extent that the Company specifically incorporates this information by reference, the foregoing Stockholder Return Performance information shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act or under the Exchange Act. This information shall not otherwise be deemed filed under such Acts.

Item 6. Selected Financial Data

The following tables set forth selected financial and operating information on a historical basis for ROIC and the Operating Partnership, and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and the Company’s financial statements, including the notes, included elsewhere herein.

RETAIL OPPORTUNITY INVESTMENTS CORP.
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
(in thousands, except share data)

Retail Opportunity Investments Corp.	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statement of Operations Data:					
Total revenues	\$ 295,040	\$ 295,798	\$ 273,260	\$ 237,189	\$ 192,699
Operating expenses	192,845	192,434	179,595	160,018	133,364
Gain on sale of real estate	13,175	5,890	—	—	—
Operating income	115,370	109,254	93,665	77,171	59,335
Interest expense and other finance expenses	61,687	62,113	50,977	40,741	34,243
Net income	53,683	47,141	42,688	36,430	25,092
Net Income Attributable to Retail Opportunity Investments Corp.	48,844	42,736	38,477	32,754	23,864
Weighted average shares outstanding – Basic:	114,177,528	112,645,490	109,400,123	104,072,222	95,651,780
Weighted average shares outstanding – Diluted:	125,741,486	124,558,893	121,743,831	116,039,940	100,017,781
Income per share – Basic and Diluted					
Net Income Attributable to Retail Opportunity Investments Corp.	\$ 0.42	\$ 0.38	\$ 0.35	\$ 0.31	\$ 0.25
Dividends per common share	\$ 0.7880	\$ 0.7800	\$ 0.7500	\$ 0.7200	\$ 0.6800
Balance Sheet Data:					
Real Estate Investments, net	\$ 2,753,925	\$ 2,831,265	\$ 2,849,282	\$ 2,493,997	\$ 2,162,306
Cash and cash equivalents	3,800	6,076	11,553	13,125	8,844
Total assets	2,913,757	3,003,071	3,039,198	2,662,969	2,301,448
Total liabilities	1,621,929	1,694,643	1,709,557	1,347,404	1,136,432
Non-controlling interests – redeemable OP Units	—	—	—	—	33,674
Total equity	1,291,828	1,308,428	1,329,641	1,315,565	1,131,342

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

(in thousands, except share data)

Retail Opportunity Investments Partnership, LP	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statement of Operations Data:					
Total revenues	\$ 295,040	\$ 295,798	\$ 273,260	\$ 237,189	\$ 192,699
Operating expenses	192,845	192,434	179,595	160,018	133,364
Gain on sale of real estate	13,175	5,890	—	—	—
Operating income	115,370	109,254	93,665	77,171	59,335
Interest expense and other finance expenses	61,687	62,113	50,977	40,741	34,243
Net Income Attributable to Retail Opportunity Investments Partnership, LP	53,683	47,141	42,688	36,430	25,092
Weighted average units outstanding – Basic:	125,511,936	124,271,802	121,460,958	115,819,731	99,738,504
Weighted average units outstanding – Diluted:	125,741,486	124,558,893	121,743,831	116,039,940	100,017,781
Income per unit – Basic and Diluted					
Net Income Attributable to Retail Opportunity Investments Partnership, LP	\$ 0.42	\$ 0.38	\$ 0.35	\$ 0.31	\$ 0.25
Distributions per unit	\$ 0.7880	\$ 0.7800	\$ 0.7500	\$ 0.7200	\$ 0.6800
Balance Sheet Data:					
Real Estate Investments, net	\$ 2,753,925	\$ 2,831,265	\$ 2,849,282	\$ 2,493,997	\$ 2,162,306
Cash and cash equivalents	3,800	6,076	11,553	13,125	8,844
Total assets	2,913,757	3,003,071	3,039,198	2,662,969	2,301,448
Total liabilities	1,621,929	1,694,643	1,709,557	1,347,404	1,136,432
Redeemable limited partners	—	—	—	—	33,674
Total capital	1,291,828	1,308,428	1,329,641	1,315,565	1,131,342

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Retail Opportunity Investments Corp. Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report on Form 10-K. The Company makes statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this Annual Report on Form 10-K entitled “Statements Regarding Forward-Looking Information.” Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section in this Annual Report on Form 10-K entitled “Risk Factors.”

Overview

The Company is organized in an UpREIT format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the general partner of, and ROIC conducts substantially all of its business through, its Operating Partnership, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership, together with its subsidiaries.

ROIC commenced operations in October 2009 as a fully integrated and self-managed REIT, and as of December 31, 2019, ROIC owned an approximate 91.3% partnership interest and other limited partners owned the remaining 8.7% partnership interest in the Operating Partnership. ROIC specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers on the west coast of the United States, anchored by supermarkets and drugstores.

As of December 31, 2019, the Company’s portfolio consisted of 89 properties (88 retail and one office) totaling approximately 10.1 million square feet of GLA. As of December 31, 2019, the Company’s retail portfolio was approximately 97.9% leased. During the year ended December 31, 2019, the Company leased and renewed approximately 463,000 and 920,000 square feet, respectively, in its portfolio.

The table below provides a reconciliation of beginning of year vacant space to end of year vacant space for its retail portfolio as of December 31, 2019.

	Vacant Space Square Footage
Vacant space at December 31, 2018	236,752
Square footage vacated	163,015
Vacant space in acquired properties	5,275
Vacant space in sold properties	(10,685)
Square footage leased	(181,448)
Vacant space at December 31, 2019	<u>212,909</u>

The Company has committed approximately \$27.5 million, or \$59.40 per square foot, in tenant improvements, including building and site improvements, for new leases that occurred during the year ended December 31, 2019. The Company has committed approximately \$1.4 million, or \$3.11 per square foot, in leasing commissions for the new leases that occurred during the year ended December 31, 2019. Additionally, the Company has committed approximately \$1.7 million, or \$1.89 per square foot, in tenant improvements for renewed leases that occurred during the year ended December 31, 2019. Leasing commission commitments for renewed leases were not material for the year ended December 31, 2019.

Results of Operations

At December 31, 2019, the Company had 89 properties (88 retail and one office), all of which are consolidated in the accompanying financial statements. The Company believes, because of the location of the properties in densely populated areas, the nature of its investments provides for relatively stable revenue flows even during difficult economic times. The Company has a strong capital structure with manageable debt as of December 31, 2019. The Company expects to continue to actively explore acquisition opportunities consistent with its business strategy.

Property operating income is a non-GAAP financial measure of performance. The Company defines property operating income as operating revenues (base rent, recoveries from tenants and other income), less property and related expenses (property

operating expenses and property taxes). Property operating income excludes general and administrative expenses, mortgage interest income, depreciation and amortization, acquisition transaction costs, other expense, interest expense, gains and losses from property acquisitions and dispositions, equity in earnings from unconsolidated joint ventures, extraordinary items, and amortization of tenant improvements and leasing commissions. Other REITs may use different methodologies for calculating property operating income, and accordingly, the Company's property operating income may not be comparable to other REITs.

Property operating income is used by management to evaluate and compare the operating performance of the Company's properties, to determine trends in earnings and to compute the fair value of the Company's properties as this measure is not affected by the cost of our funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to our ownership of our properties. The Company believes the exclusion of these items from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the Company's properties as well as trends in occupancy rates, rental rates and operating costs.

Property operating income is a measure of the operating performance of the Company's properties but does not measure the Company's performance as a whole. Property operating income is therefore not a substitute for net income or operating income as computed in accordance with GAAP.

Results of Operations for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Property Operating Income

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to consolidated property operating income for the years ended December 31, 2019 and 2018 (in thousands).

	Year Ended December 31,	
	2019	2018
Operating income per GAAP	\$ 115,370	\$ 109,254
Plus: Depreciation and amortization	97,559	100,838
General and administrative expenses	17,831	14,918
Other expense	1,405	478
Less: Gain on sale of real estate	(13,175)	(5,890)
Property operating income	<u>\$ 218,990</u>	<u>\$ 219,598</u>

The following comparison for the year ended December 31, 2019 compared to the year ended December 31, 2018, makes reference to the effect of the same-center properties. Same-center properties, which totaled 85 of the Company's 89 properties as of December 31, 2019, represent all operating properties owned by the Company during the entirety of both periods presented and consolidated into the Company's financial statements during such periods, except for the Company's corporate office headquarters.

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to property operating income for the year ended December 31, 2019 related to the 85 same-center properties owned by the Company during the entirety of both the years ended December 31, 2019 and 2018 and consolidated into the Company's financial statements during such periods (in thousands).

	Year Ended December 31, 2019		
	Same-Center	Non Same-Center	Total
Operating income (loss) per GAAP	\$ 119,065	\$ (3,695)	\$ 115,370
Plus: Depreciation and amortization	93,953	3,606	97,559
General and administrative expenses ⁽¹⁾	—	17,831	17,831
Other expense ⁽¹⁾	—	1,405	1,405
Less: Gain on sale of real estate	—	(13,175)	(13,175)
Property operating income	<u>\$ 213,018</u>	<u>\$ 5,972</u>	<u>\$ 218,990</u>

(1) For illustration purposes, general and administrative expenses and other expenses are included in non same-center because the Company does not allocate these types of expenses between same-center and non same-center properties.

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to property operating income for the year ended December 31, 2018 related to the 85 same-center properties owned by the Company during the entirety of both the years ended December 31, 2019 and 2018 and consolidated into the Company's financial statements during such periods (in thousands).

	Year Ended December 31, 2018		
	Same-Center	Non Same-Center	Total
Operating income (loss) per GAAP	\$ 111,189	\$ (1,935)	\$ 109,254
Plus: Depreciation and amortization	96,292	4,546	100,838
General and administrative expenses ⁽¹⁾	—	14,918	14,918
Other expense ⁽¹⁾	—	478	478
Less: Gain on sale of real estate	—	(5,890)	(5,890)
Property operating income	<u>\$ 207,481</u>	<u>\$ 12,117</u>	<u>\$ 219,598</u>

(1) For illustration purposes, general and administrative expenses and other expenses are included in non same-center because the Company does not allocate these types of expenses between same-center and non same-center properties.

During the year ended December 31, 2019, the Company generated property operating income of approximately \$219.0 million compared to property operating income of \$219.6 million generated during the year ended December 31, 2018, a decrease of approximately \$608,000. The property operating income for the 85 same-center properties increased approximately \$5.5 million primarily due to a \$3.1 million increase due to the accelerated recognition of a below-market lease intangible liability resulting from a lease termination in the year ended December 31, 2019 and an increase in rental revenues, offset by a decrease in straight-line rent. The non same-center properties decreased property operating income in the year ended December 31, 2019 by approximately \$6.1 million compared to the year ended December 31, 2018 primarily due to \$2.2 million in lease settlement income received during the year ended December 31, 2018 for which there was none received during 2019 and property sales that occurred during the year ended December 31, 2019.

Depreciation and amortization

The Company incurred depreciation and amortization expenses during the year ended December 31, 2019 of approximately \$97.6 million compared to \$100.8 million incurred during the year ended December 31, 2018.

General and administrative expenses

The Company incurred general and administrative expenses during the year ended December 31, 2019 of approximately \$17.8 million compared to \$14.9 million incurred during the year ended December 31, 2018. General and administrative expenses increased approximately \$2.9 million primarily as a result of the adoption, effective January 1, 2019, of ASU No. 2016-2 which requires that leasing payroll-related costs that are incurred regardless of whether leases are obtained are no longer capitalized as initial direct costs and instead are expensed as incurred, an overall increase in compensation-related expenses and an increase in legal fees related to a legal settlement that occurred during the year ended December 31, 2019.

Other expense

The Company incurred other expenses of approximately \$1.4 million during the year ended December 31, 2019 compared to \$478,000 during the year ended December 31, 2018. During the year ended December 31, 2019, the Company settled an ongoing lawsuit for approximately \$1.4 million and accordingly, recorded a \$950,000 charge to Other expense in the consolidated statements of operations and comprehensive income during the year ended December 31, 2019.

Gain on sale of real estate

On February 15, 2019, the Company sold Vancouver Market Center, a non-core shopping center located in Vancouver, Washington. The sales price of \$17.0 million, less costs to sell, resulted in net proceeds of approximately \$16.0 million. The Company recorded a gain on sale of real estate of approximately \$2.6 million during the year ended December 31, 2019 related to this property disposition. On May 1, 2019, the Company sold Norwood Shopping Center, a non-core shopping center located in Sacramento, California for a sales price of \$13.5 million. The Company recorded a gain on sale of real estate of approximately \$180,000 during the year ended December 31, 2019 related to this property disposition. On August 1, 2019, the Company sold Morada Ranch, a non-core shopping center located in Stockton, California. The sales price of \$30.0 million, less costs to sell, resulted in net proceeds of approximately \$29.1 million. The Company recorded a gain on sale of real estate of approximately \$10.4 million during the year ended December 31, 2019 related to this property disposition. On September 27, 2018, the Company sold Round Hill Square, a non-core shopping center located in Zephyr Cove, Nevada. The sales price of \$28.0 million, less costs to sell, resulted in net proceeds of approximately \$26.9 million. The Company recorded a gain on sale of real estate of approximately \$5.9 million for the year ended December 31, 2018 related to this property disposition.

Interest expense and other finance expenses

During the year ended December 31, 2019, the Company incurred approximately \$61.7 million of interest expense compared to approximately \$62.1 million during the year ended December 31, 2018.

Results of Operations for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Property Operating Income

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to consolidated property operating income for the years ended December 31, 2018 and 2017 (in thousands).

	Year Ended December 31,	
	2018	2017
Operating income per GAAP	\$ 109,254	\$ 93,665
Plus: Depreciation and amortization	100,838	96,256
General and administrative expenses	14,918	14,103
Acquisition transaction costs	—	4
Other expense	478	418
Less: Gain on sale of real estate	(5,890)	—
Property operating income	<u>\$ 219,598</u>	<u>\$ 204,446</u>

The following comparison for the year ended December 31, 2018 compared to the year ended December 31, 2017, makes reference to the effect of the same-center properties. Same-center properties, which totaled 78 of the Company's 92 properties as of December 31, 2018, represent all operating properties owned by the Company during the entirety of both periods

presented and consolidated into the Company's financial statements during such periods, except for one shopping center that was under contract to be sold and slated for new multi-family development and was no longer being managed as a retail asset and the Company's corporate office headquarters.

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to property operating income for the year ended December 31, 2018 related to the 78 same-center properties owned by the Company during the entirety of both the years ended December 31, 2018 and 2017 and consolidated into the Company's financial statements during such periods (in thousands).

	Year Ended December 31, 2018		
	Same-Center	Non Same-Center	Total
Operating income per GAAP	\$ 101,121	\$ 8,133	\$ 109,254
Plus: Depreciation and amortization	86,317	14,521	100,838
General and administrative expenses ⁽¹⁾	—	14,918	14,918
Other expense ⁽¹⁾	—	478	478
Less: Gain on sale of real estate	—	(5,890)	(5,890)
Property operating income	<u>\$ 187,438</u>	<u>\$ 32,160</u>	<u>\$ 219,598</u>

(1) For illustration purposes, general and administrative expenses and other expenses are included in non same-center because the Company does not allocate these types of expenses between same-center and non same-center properties.

The table below provides a reconciliation of consolidated operating income in accordance with GAAP to property operating income for the year ended December 31, 2017 related to the 78 same-center properties owned by the Company during the entirety of both the years ended December 31, 2018 and 2017 and consolidated into the Company's financial statements during such periods (in thousands).

	Year Ended December 31, 2017		
	Same-Center	Non Same-Center	Total
Operating income (loss) per GAAP	\$ 101,072	\$ (7,407)	\$ 93,665
Plus: Depreciation and amortization	87,978	8,278	96,256
General and administrative expenses ⁽¹⁾	—	14,103	14,103
Acquisition transaction costs	—	4	4
Other expense ⁽¹⁾	—	418	418
Property operating income	<u>\$ 189,050</u>	<u>\$ 15,396</u>	<u>\$ 204,446</u>

(1) For illustration purposes, general and administrative expenses and other expenses are included in non same-center because the Company does not allocate these types of expenses between same-center and non same-center properties.

During the year ended December 31, 2018, the Company generated property operating income of approximately \$219.6 million compared to property operating income of \$204.4 million generated during the year ended December 31, 2017. Property operating income increased by approximately \$15.2 million during the year ended December 31, 2018 primarily as a result of an increase in the number of properties owned by the Company in 2018 compared to 2017 as well as \$2.2 million of lease settlement income received in 2018 in connection with a property that was under contract to be sold and was slated for new multi-family development as of December 31, 2018. As of December 31, 2018, the Company owned 92 properties as compared to 91 properties at December 31, 2017. The properties acquired during 2018 and 2017 increased property operating income in the year ended December 31, 2018 by approximately \$16.8 million compared to the year ended December 31, 2017. The property operating income for the 78 same-center properties decreased approximately \$1.6 million primarily due to a \$2.7 million accelerated recognition of a below-market lease intangible liability resulting from a lease termination during the year ended December 31, 2017, offset by an increase in rental revenue during the year ended December 31, 2018.

Depreciation and amortization

The Company incurred depreciation and amortization expenses during the year ended December 31, 2018 of approximately \$100.8 million compared to \$96.3 million incurred during the year ended December 31, 2017. Depreciation and amortization expenses were higher in 2018 as a result of an increase in the number of properties owned by the Company in 2018 compared to 2017.

General and administrative expenses

The Company incurred general and administrative expenses during the year ended December 31, 2018 of approximately \$14.9 million compared to \$14.1 million incurred during the year ended December 31, 2017. General and administrative expenses increased approximately \$815,000 primarily as a result of an increase in compensation-related expenses.

Gain on sale of real estate

On September 27, 2018, the Company sold Round Hill Square, a non-core shopping center located in Zephyr Cove, Nevada. The sales price of \$28.0 million, less costs to sell, resulted in net proceeds of approximately \$26.9 million. The Company recorded a gain on sale of real estate of approximately \$5.9 million for the year ended December 31, 2018 related to this property disposition. There were no property sales in the year ended December 31, 2017.

Interest expense and other finance expenses

During the year ended December 31, 2018, the Company incurred approximately \$62.1 million of interest expense compared to approximately \$51.0 million during the year ended December 31, 2017. Interest expense increased approximately \$11.1 million primarily due to the incremental increase in interest expense recognized on the Senior Notes Due 2027 issued in December 2017 and increased interest rates payable on the credit facility.

Funds From Operations

Funds from operations (“FFO”), is a widely-recognized non-GAAP financial measure for REITs that the Company believes when considered with financial statements presented in accordance with GAAP, provides additional and useful means to assess its financial performance. FFO is frequently used by securities analysts, investors and other interested parties to evaluate the performance of REITs, most of which present FFO along with net income as calculated in accordance with GAAP.

The Company computes FFO in accordance with the “White Paper” on FFO published by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net income attributable to common stockholders (determined in accordance with GAAP) excluding gains or losses from debt restructuring, sales of depreciable property, and impairments, plus real estate related depreciation and amortization, and after adjustments for partnerships and unconsolidated joint ventures.

However, FFO:

- does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income); and
- should not be considered an alternative to net income as an indication of our performance.

FFO as defined by the Company may not be comparable to similarly titled items reported by other REITs due to possible differences in the application of the NAREIT definition used by such REITs.

The table below provides a reconciliation of net income applicable to stockholders in accordance with GAAP to FFO for the years ended December 31, 2019, 2018 and 2017 (in thousands).

	Year Ended December 31,		
	2019	2018	2017
Net income attributable to ROIC	\$ 48,844	\$ 42,736	\$ 38,477
Plus: Depreciation and amortization	97,559	100,838	96,256
Less: Gain on sale of real estate	(13,175)	(5,890)	—
Funds from operations – basic	133,228	137,684	134,733
Net income attributable to non-controlling interests	4,839	4,405	4,211
Funds from operations – diluted	\$ 138,067	\$ 142,089	\$ 138,944

Cash Net Operating Income (“NOI”)

Cash NOI is a non-GAAP financial measure of the Company’s performance. The most directly comparable GAAP financial measure is operating income. The Company defines cash NOI as operating revenues (base rent and recoveries from tenants), less property and related expenses (property operating expenses and property taxes), adjusted for non-cash revenue and operating expense items such as straight-line rent and amortization of lease intangibles, debt-related expenses, and other adjustments. Cash NOI also excludes general and administrative expenses, depreciation and amortization, acquisition transaction costs, other expense, interest expense, gains and losses from property acquisitions and dispositions, extraordinary items, tenant improvements and leasing commissions. Other REITs may use different methodologies for calculating cash NOI, and accordingly, the Company’s cash NOI may not be comparable to other REITs.

Cash NOI is used by management internally to evaluate and compare the operating performance of the Company’s properties. The Company believes cash NOI provides useful information to investors regarding the Company’s financial condition and results of operations because it reflects only those cash income and expense items that are incurred at the property level, and when compared across periods, can be used to determine trends in earnings of the Company’s properties as this measure is not affected by non-cash revenue and expense recognition items, the cost of the Company’s funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to the Company’s ownership of properties. The Company believes the exclusion of these items from operating income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the Company’s properties as well as trends in occupancy rates, rental rates and operating costs.

Cash NOI is a measure of the operating performance of the Company’s properties but does not measure the Company’s performance as a whole and is therefore not a substitute for net income or operating income as computed in accordance with GAAP.

Same-Center Cash NOI

The table below provides a reconciliation of same-center cash NOI to consolidated operating income in accordance with GAAP for the years ended December 31, 2019 and 2018. The table makes reference to the effect of the same-center properties. Same-center properties, which totaled 85 of the Company's 89 properties as of December 31, 2019, represent all operating properties owned by the Company during the entirety of both periods presented and consolidated into the Company's financial statements during such periods, except for the Company's corporate office headquarters (in thousands).

	Year Ended December 31,	
	2019	2018
GAAP operating income	\$ 115,370	\$ 109,254
Depreciation and amortization	97,559	100,838
General and administrative expenses	17,831	14,918
Other expense	1,405	478
Gain on sale of real estate	(13,175)	(5,890)
Straight-line rent	(3,083)	(5,380)
Amortization of above- and below-market rent	(15,618)	(13,965)
Property revenues and other expenses ⁽¹⁾	(269)	(711)
Total Company cash NOI	200,020	199,542
Non same-center cash NOI	(5,611)	(11,889)
Same-center cash NOI	\$ 194,409	\$ 187,653

(1) Includes anchor lease termination fees, net of contractual amounts, if any, expense and recovery adjustments related to prior periods and other miscellaneous adjustments.

During the year ended December 31, 2019, the Company generated same-center cash NOI of approximately \$194.4 million compared to same-center cash NOI of approximately \$187.7 million generated during the year ended December 31, 2018, representing a 3.6% increase. This increase is primarily due to an increase in base rents and recoveries from tenants.

The table below provides a reconciliation of same-center cash NOI to consolidated operating income in accordance with GAAP for the years ended December 31, 2018 and 2017. The table makes reference to the effect of the same-center properties. Same-center properties, which totaled 78 of the Company's 92 properties as of December 31, 2018, represent all operating properties owned by the Company during the entirety of both periods presented and consolidated into the Company's financial statements during such periods except for one shopping center that was under contract to be sold and slated for new multi-family development and was no longer being managed as a retail asset and the Company's corporate office headquarters (in thousands).

	Year Ended December 31,	
	2018	2017
GAAP operating income	\$ 109,254	\$ 93,665
Depreciation and amortization	100,838	96,256
General and administrative expenses	14,918	14,103
Acquisition transaction costs	—	4
Other expense	478	418
Gain on sale of real estate	(5,890)	—
Straight-line rent	(5,380)	(6,176)
Amortization of above- and below-market rent	(13,965)	(17,078)
Property revenues and other expenses ⁽¹⁾	438	762
Total Company cash NOI	200,691	181,954
Non same-center cash NOI	(28,163)	(13,642)
Same-center cash NOI	<u>\$ 172,528</u>	<u>\$ 168,312</u>

(1) Includes anchor lease termination fees, net of contractual amounts, if any, expense and recovery adjustments related to prior periods and other miscellaneous adjustments.

During the year ended December 31, 2018, the Company generated same-center cash NOI of approximately \$172.5 million compared to same-center cash NOI of approximately \$168.3 million generated during the year ended December 31, 2017, representing a 2.5% increase. This increase is primarily due to an increase in base rents and recoveries from tenants.

Critical Accounting Estimates

Critical accounting estimates are those that are both important to the presentation of the Company's financial condition and results of operations and require management's most difficult, complex or subjective judgments. Set forth below is a summary of the accounting estimates that management believes are critical to the preparation of the consolidated financial statements. This summary should be read in conjunction with the more complete discussion of the Company's accounting policies included in Note 1 to the Company's consolidated financial statements.

Revenue Recognition

The Company records base rents on a straight-line basis over the term of each lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in Tenant and other receivables in the accompanying consolidated balance sheets. Most leases contain provisions that require tenants to reimburse a pro-rata share of real estate taxes and certain common area expenses. Adjustments are also made throughout the year to tenant and other receivables and the related cost recovery income based upon the Company's best estimate of the final amounts to be billed and collected. In addition, the Company also provides an allowance for future credit losses in connection with the deferred straight-line rent receivable.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established based on a quarterly analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past-due accounts and considers information such as the nature and age of the receivables, the payment history of the tenants or other debtors, the financial condition of the tenants and any guarantors and management's assessment of their ability to meet their lease obligations, the basis for any disputes and the status of related

negotiations, among other things. Management's estimates of the required allowance is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on tenants, particularly those at retail properties. Estimates are used to establish reimbursements from tenants for common area maintenance, real estate tax and insurance costs. The Company analyzes the balance of its estimated accounts receivable for real estate taxes, common area maintenance and insurance for each of its properties by comparing actual recoveries versus actual expenses and any actual write-offs. Based on its analysis, the Company may record an additional amount in its allowance for doubtful accounts related to these items. In addition, the Company also provides an allowance for future credit losses in connection with the deferred straight-line rent receivable.

Real Estate Investments

Land, buildings, property improvements, furniture/fixtures and tenant improvements are recorded at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations and/or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

The Company recognizes the acquisition of real estate properties, including acquired tangible (consisting of land, buildings and improvements), and acquired intangible assets and liabilities (consisting of above-market and below-market leases and acquired in-place leases) at their fair value (for acquisitions meeting the definition of a business) and relative fair value (for acquisitions not meeting the definition of a business). Acquired lease intangible assets include above-market leases and acquired in-place leases, and Acquired lease intangible liabilities represent below-market leases in the accompanying consolidated balance sheets. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management's determination of the relative fair values of these assets. In valuing an acquired property's intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The value of in-place leases is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (ii) the estimated fair value of the property as if vacant. Above-market and below-market lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management's estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of acquisition. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below-market rental renewal options are determined based on the Company's experience and the relevant facts and circumstances that existed at the time of the acquisitions. The value of the above-market and below-market leases associated with the original lease term is amortized to rental income, over the terms of the respective leases. The value of in-place leases are amortized to expense over the remaining non-cancellable terms of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recognized in operations at that time.

The Company is required to make subjective assessments as to the useful life of its properties for purposes of determining the amount of depreciation. These assessments have a direct impact on its net income.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	39-40 years
Property Improvements	10-20 years
Furniture/Fixtures	3-10 years
Tenant Improvements	Shorter of lease term or their useful life

Asset Impairment

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by

the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value.

REIT Qualification Requirements

The Company elected to be taxed as a REIT under the Code, and believes that it has been organized and has operated in a manner that will allow it to continue to qualify for taxation as a REIT under the Code.

The Company is subject to a number of operational and organizational requirements to qualify and then maintain qualification as a REIT. If the Company does not qualify as a REIT, its income would become subject to U.S. federal, state and local income taxes at regular corporate rates that would be substantial and the Company may not be permitted to re-elect to qualify as a REIT for four taxable years following the year that it failed to qualify as a REIT. The Company's results of operations, liquidity and amounts distributable to stockholders would be significantly reduced.

Recent U.S. Federal Income Tax Legislation

On December 22, 2017, Congress enacted H.R. 1, also known as the TCJA. The TCJA made major changes to the Internal Revenue Code, including the reduction of the tax rates applicable to individuals and subchapter C corporations, a reduction or elimination of certain deductions (including new limitations on the deductibility of interest expense), permitting immediate expensing of capital expenditures and significant changes in the taxation of earnings from non-U.S. sources. The effect of the significant changes made by the TCJA is highly uncertain, and additional administrative guidance is still required in order to fully evaluate the effect of many provisions. Technical corrections or other amendments to the new rules, and additional administrative guidance interpreting these new rules, may be forthcoming at any time but may also be significantly delayed. While we do not currently expect this reform to have a significant impact to the Company's consolidated financial statements, stockholders are urged to consult with their tax advisors regarding the effects of the TCJA or other legislative, regulatory or administrative developments on an investment in the Company's common stock.

Liquidity and Capital Resources of the Company

In this "Liquidity and Capital Resources of the Company" section and in the "Liquidity and Capital Resources of the Operating Partnership" section, the term "the Company" refers to Retail Opportunity Investments Corp. on an unconsolidated basis, excluding the Operating Partnership.

The Company's business is operated primarily through the Operating Partnership, of which the Company is the parent company, and which it consolidates for financial reporting purposes. Because the Company operates on a consolidated basis with the Operating Partnership, the section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.

The Company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company. The Company itself does not hold any indebtedness other than guarantees of indebtedness of the Operating Partnership, and its only material assets are its ownership of direct or indirect partnership interests in the Operating Partnership and membership interest in Retail Opportunity Investments GP, LLC, the sole general partner of the Operating Partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements. However, all debt is held directly or indirectly by the Operating Partnership. The Company's principal funding requirement is the payment of dividends on its common stock. The Company's principal source of funding for its dividend payments is distributions it receives from the Operating Partnership.

As the parent company of the Operating Partnership, the Company, indirectly, has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. The Company causes the Operating Partnership to distribute such portion of its available cash as the Company may in its discretion determine, in the manner provided in the Operating Partnership's partnership agreement.

The Company is a well-known seasoned issuer with an effective shelf registration statement filed in April 2019 that allows the Company to register unspecified various classes of debt and equity securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would be contributed to the Operating Partnership. The Operating Partnership may use the proceeds to acquire additional properties, pay down debt, and for general working capital purposes.

Liquidity is a measure of the Company's ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain its assets and operations, make distributions to its stockholders and meet other general business needs. The liquidity of the Company is dependent on the Operating Partnership's ability to make sufficient distributions to the Company. The primary cash requirement of the Company is its payment of dividends to its stockholders.

During the year ended December 31, 2019, the Company's primary sources of cash were distributions from the Operating Partnership and proceeds from the issuance of common stock. As of December 31, 2019, the Company has determined that it has adequate working capital to meet its dividend funding obligations for the next twelve months.

On May 1, 2018, ROIC entered into five separate Sales Agreements (the "Sales Agreements") with each of Capital One Securities, Inc., Jefferies LLC, KeyBanc Capital Markets Inc., Raymond James & Associates, Inc., and Robert W. Baird & Co. Incorporated (each individually, an "Agent" and collectively, the "Agents") pursuant to which ROIC may sell, from time to time, shares of ROIC's common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$250.0 million through the Agents either as agents or principals.

During the year ended December 31, 2019, ROIC sold a total of 1,861,036 shares under the Sales Agreements, which resulted in gross proceeds of approximately \$34.2 million and commissions of approximately \$342,000 paid to the Agents. During the year ended December 31, 2018, ROIC sold a total of 1,251,376 shares under the Sales Agreements, which resulted in gross proceeds of approximately \$24.2 million and commissions of approximately \$242,000 paid to the Agents.

For the year ended December 31, 2019, dividends paid to stockholders totaled approximately \$90.8 million. Additionally, for the year ended December 31, 2019, the Operating Partnership made distributions of approximately \$8.9 million to the non-controlling interest OP Unitholders. On a consolidated basis, cash flows from operations for the same period totaled approximately \$132.0 million. For the year ended December 31, 2018, dividends paid to stockholders totaled approximately \$88.5 million. Additionally, for the year ended December 31, 2018, the Operating Partnership made distributions of approximately \$9.1 million to the non-controlling interest OP Unitholders. On a consolidated basis, cash flows from operations for the same period totaled approximately \$130.9 million.

Potential future sources of capital include equity issuances and distributions from the Operating Partnership.

Liquidity and Capital Resources of the Operating Partnership

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms the "Operating Partnership," "we," "our" and "us" refer to the Operating Partnership together with its consolidated subsidiaries or the Operating Partnership and the Company together with their respective consolidated subsidiaries, as the context requires.

During the year ended December 31, 2019, the Operating Partnership's primary sources of cash were (i) cash flow from operations, (ii) proceeds from the sale of real estate, and (iii) cash contributed by ROIC from the issuance of common stock. As of December 31, 2019, the Operating Partnership has determined that it has adequate working capital to meet its debt obligations and operating expenses for the next twelve months.

The Company has an unsecured term loan agreement with several banks under which the lenders agreed to provide a \$300.0 million unsecured term loan facility. Effective December 20, 2019, the Company entered into the First Amendment to First Amended and Restated Term Loan Agreement (as amended, the "Term Loan Agreement") pursuant to which the maturity date of the term loan was extended from September 8, 2022 to January 20, 2025, without further options for extension. The Term Loan Agreement also provides that the Company may from time to time request increased aggregate commitments of \$200.0 million under certain conditions set forth in the Term Loan Agreement, including the consent of the lenders for the additional commitments. Borrowings under the Term Loan Agreement accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the relevant period (the "Eurodollar Rate"), or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by the Administrative Agent as its "prime rate," and (c) the Eurodollar Rate plus 1.00%.

The Operating Partnership has an unsecured revolving credit facility with several banks. Effective December 20, 2019, the Company entered into the First Amendment to Second Amended and Restated Credit Agreement (as amended, the "Credit Facility Agreement") pursuant to which the borrowing capacity under the credit facility is \$600.0 million. The maturity date of the credit facility was extended from September 8, 2021 to February 20, 2024, with two six-month extension options, which may be exercised by the Operating Partnership upon satisfaction of certain conditions including the payment of extension fees.

Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the borrowing capacity under the credit facility up to an aggregate of \$1.2 billion, subject to lender consents and other conditions. Borrowings under the credit facility accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) the Eurodollar Rate, or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by KeyBank, National Association as its “prime rate,” and (c) the Eurodollar Rate plus 0.90%. Additionally, the Operating Partnership is obligated to pay a facility fee at a rate based on the credit rating level of the Company, currently 0.20%, and a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the credit facility.

Both the term loan and credit facility contain customary representations, financial and other covenants. The Operating Partnership’s ability to borrow under the credit facility and term loan is subject to its compliance with financial covenants and other restrictions on an ongoing basis. The Operating Partnership was in compliance with such covenants at December 31, 2019.

As of December 31, 2019, \$300.0 million and \$84.0 million were outstanding under the term loan and credit facility, respectively. The weighted average interest rates on the term loan and the credit facility during the year ended December 31, 2019 were 3.4% and 3.3%, respectively. As discussed in Note 11 of the accompanying financial statements, the Company uses interest rate swaps to manage its interest rate risk and accordingly, the swapped interest rate on the term loan is 3.0%. The Company had no available borrowings under the term loan at December 31, 2019. The Company had \$516.0 million available to borrow under the credit facility at December 31, 2019.

Further, the Operating Partnership issued \$250.0 million aggregate principal amount of unsecured senior notes in December 2017, \$200.0 million aggregate principal amount of unsecured senior notes in September 2016, \$250.0 million aggregate principal amount of unsecured senior notes in December 2014 and \$250.0 million aggregate principal amount of unsecured senior notes in December 2013, each of which were fully and unconditionally guaranteed by ROIC.

While the Operating Partnership generally intends to hold its assets as long term investments, certain of its investments may be sold in order to manage the Operating Partnership’s interest rate risk and liquidity needs, meet other operating objectives and adapt to market conditions. The timing and impact of future sales of its investments, if any, cannot be predicted with any certainty.

Cash Flows

The following table summarizes, for the periods indicated, selected items in our consolidated statements of cash flows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net Cash Provided by (Used in):			
Operating activities	\$ 132,039	\$ 130,918	\$ 128,938
Investing activities	\$ 12,402	\$ (56,055)	\$ (317,963)
Financing activities	\$ (146,432)	\$ (84,379)	\$ 192,740

Net Cash Flows from:

Operating Activities

Increase in cash flows provided by operating activities from 2018 to 2019:

Net cash flows provided by operating activities amounted to \$132.0 million during the year ended December 31, 2019, which is materially consistent with \$130.9 million during the year ended December 31, 2018.

Increase in cash flows provided by operating activities from 2017 to 2018:

Net cash flows provided by operating activities amounted to \$130.9 million during the year ended December 31, 2018, compared to \$128.9 million during the year ended December 31, 2017. During the year ended December 31, 2018, cash flows provided by operating activities increased by approximately \$2.0 million primarily due to an increase in property operating

income of approximately \$15.2 million, offset by an increase in interest expense of approximately \$11.1 million due to interest incurred related to the Senior Notes Due 2027 issued in December 2017 and increased interest rates payable on the credit facility and term loan and the timing of collections and payments of working capital accounts.

Investing Activities

Increase in cash flows provided by investing activities from 2018 to 2019:

Net cash flows provided by investing activities amounted to \$12.4 million during the year ended December 31, 2019, compared to net cash flows used in investing activities of \$56.1 million during the year ended December 31, 2018. During the year ended December 31, 2019, cash flows provided by investing activities increased approximately \$68.5 million, primarily due to the decrease in investments in real estate of approximately \$32.6 million, an increase in proceeds from the sale of real estate of approximately \$32.1 million and a decrease in improvements to properties of approximately \$4.1 million.

Decrease in cash flows used in investing activities from 2017 to 2018:

Net cash flows used in investing activities amounted to \$56.1 million during the year ended December 31, 2018, compared to \$318.0 million during the year ended December 31, 2017. During the year ended December 31, 2018, cash flows used in investing activities decreased approximately \$261.9 million, primarily due to the decrease in investments in real estate of approximately \$219.2 million, an increase in proceeds from the sale of real estate of approximately \$26.9 million and a decrease in improvements to properties of approximately \$14.9 million.

Financing Activities

Increase in cash flows used in financing activities from 2018 to 2019:

Net cash flows used in financing activities amounted to \$146.4 million during the year ended December 31, 2019, compared to \$84.4 million during the year ended December 31, 2018. This increase of approximately \$62.1 million for the year ended December 31, 2019 is primarily due to the net increase in payments on the credit facility of \$84.5 million, offset by the decrease in repayments on mortgages of approximately \$19.1 million.

Decrease in cash flows provided by financing activities from 2017 to 2018:

Net cash flows used in financing activities amounted to \$84.4 million during the year ended December 31, 2018, compared to net cash flows provided by financing activities of \$192.7 million during the year ended December 31, 2017. This decrease of approximately \$277.1 million for the year ended December 31, 2018 is primarily due to proceeds received during the year ended December 31, 2017 of \$250.0 million related to the issuance of the Senior Notes Due 2027, the net decrease in proceeds from draws on the credit facility of \$33.0 million, the increase in repayments on mortgages of approximately \$10.8 million and the increase in dividend and distribution payments of approximately \$5.9 million. These decreases were offset by the increase in proceeds from the sale of common stock of approximately \$21.2 million.

Contractual Obligations

The following table presents the Company's operating lease obligations and the principal and interest amounts of the Company's long-term debt maturing each year, including amortization of principal based on debt outstanding, at December 31, 2019 (in thousands):

	2020	2021	2022	2023	2024	Thereafter	Total
Contractual obligations:							
Mortgage Notes Payable Principal ⁽¹⁾	\$ 577	\$ 717	\$ 24,132	\$ 686	\$ 26,708	\$ 33,337	\$ 86,157
Mortgage Notes Payable Interest	3,774	3,737	3,170	2,482	1,627	991	15,781
Term loan ⁽²⁾	—	—	—	—	—	300,000	300,000
Credit facility ⁽³⁾	—	—	—	—	84,000	—	84,000
Senior Notes Due 2027 ⁽⁴⁾	10,475	10,475	10,475	10,475	10,475	281,425	333,800
Senior Notes Due 2026 ⁽⁴⁾	7,900	7,900	7,900	7,900	7,900	215,800	255,300
Senior Notes Due 2024 ⁽⁵⁾	10,000	10,000	10,000	10,000	260,000	—	300,000
Senior Notes Due 2023 ⁽⁶⁾	12,500	12,500	12,500	262,500	—	—	300,000
Operating lease obligations	1,287	1,282	1,304	1,330	1,335	32,604	39,142
Total	\$ 46,513	\$ 46,611	\$ 69,481	\$ 295,373	\$ 392,045	\$ 864,157	\$ 1,714,180

(1) Does not include unamortized mortgage premium of approximately \$1.6 million as of December 31, 2019.

(2) For the purpose of the above table, the Company has assumed that borrowings under the term loan accrue interest at the interest rate on the term loan as of December 31, 2019 which was 3.0%, inclusive of the swap agreements the Company has entered into.

(3) For the purpose of the above table, the Company has assumed that borrowings under the credit facility accrue interest at the interest rate on the credit facility as of December 31, 2019 which was 2.7%.

(4) Represents payments of interest only in years 2020 through 2024 and payments of both principal and interest thereafter.

(5) Represents payments of interest only in years 2020 through 2023 and payments of both principal and interest thereafter.

(6) Represents payments of interest only in years 2020 through 2022 and payments of both principal and interest thereafter.

The Company has committed approximately \$29.2 million and \$1.5 million in tenant improvements (including building and site improvements) and leasing commissions, respectively, for the new leases and renewals that occurred during the year ended December 31, 2019. As of December 31, 2019, the Company did not have any capital lease obligations.

The Company has entered into several lease agreements with an officer of the Company. Pursuant to the lease agreements, the Company is provided the use of storage space.

Off-Balance Sheet Arrangements

As of December 31, 2019, the Company does not have any off-balance sheet arrangements.

Real Estate Taxes

The Company's leases generally require the tenants to be responsible for a pro-rata portion of the real estate taxes.

Inflation

The Company's long-term leases contain provisions to mitigate the adverse impact of inflation on its operating results. Such provisions include clauses entitling the Company to receive (a) scheduled base rent increases and (b) percentage rents based upon tenants' gross sales which generally increase as prices rise. In addition, many of the Company's non-anchor leases are for terms of less than ten years, which permits the Company to seek increases in rents upon renewal at then-current market rates if rents provided in the expiring leases are below then-existing market rates. Most of the Company's leases require tenants to pay a share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

Leverage Policies

The Company employs prudent amounts of leverage and uses debt as a means of providing additional funds for the acquisition of its properties and the diversification of its portfolio. The Company seeks to primarily utilize unsecured debt in order to maintain liquidity and flexibility in its capital structure.

The Company has an unsecured term loan agreement with several banks under which the lenders agreed to provide a \$300.0 million unsecured term loan facility. Effective December 20, 2019, the Company entered into the First Amendment to First Amended and Restated Term Loan Agreement (as amended, the “Term Loan Agreement”) pursuant to which the maturity date of the term loan was extended from September 8, 2022 to January 20, 2025, without further options for extension. The Term Loan Agreement also provides that the Company may from time to time request increased aggregate commitments of \$200.0 million under certain conditions set forth in the Term Loan Agreement, including the consent of the lenders for the additional commitments. The Operating Partnership has an unsecured revolving credit facility with several banks. Effective December 20, 2019, the Company entered into the First Amendment to Second Amended and Restated Credit Agreement (as amended, the “Credit Facility Agreement”) pursuant to which the borrowing capacity under the credit facility is \$600.0 million. The maturity date of the credit facility was extended from September 8, 2021 to February 20, 2024, with two six-month extension options, which may be exercised by the Operating Partnership upon satisfaction of certain conditions including the payment of extension fees. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the borrowing capacity under the credit facility up to an aggregate of \$1.2 billion, subject to lender consents and other conditions.

Further, the Operating Partnership issued \$250.0 million aggregate principal amount of unsecured senior notes in December 2017, \$200.0 million aggregate principal amount of unsecured senior notes in September 2016, \$250.0 million aggregate principal amount of unsecured senior notes in December 2014 and \$250.0 million aggregate principal amount of unsecured senior notes in December 2013, all of which were fully and unconditionally guaranteed by ROIC.

The Company may borrow on a non-recourse basis at the corporate level or Operating Partnership level. Non-recourse indebtedness means the indebtedness of the borrower or its subsidiaries is secured only by specific assets without recourse to other assets of the borrower or any of its subsidiaries. Even with non-recourse indebtedness, however, a borrower or its subsidiaries will likely be required to guarantee against certain breaches of representations and warranties such as those relating to the absence of fraud, misappropriation, misapplication of funds, environmental conditions and material misrepresentations. Because non-recourse financing generally restricts the lender’s claim on the assets of the borrower, the lender generally may only proceed against the asset securing the debt. This may protect the Company’s other assets.

The Company plans to evaluate each investment opportunity and determine the appropriate leverage on a case-by-case basis and also on a Company-wide basis. The Company may seek to refinance indebtedness, such as when a decline in interest rates makes it beneficial to prepay an existing mortgage, when an existing mortgage matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase the investment.

The Company plans to finance future acquisitions through a combination of operating cashflow, borrowings under the credit facility, the assumption of existing mortgage debt, the issuance of OP Units, equity and debt offerings, and the potential sale of existing assets. In addition, the Company may acquire retail properties indirectly through joint ventures with third parties as a means of increasing the funds available for the acquisition of properties.

Distributions

The Operating Partnership and ROIC intend to make regular quarterly distributions to holders of their OP Units and common stock, respectively. The Operating Partnership pays distributions to ROIC directly as a holder of units of the Operating Partnership, and indirectly to ROIC through distributions to Retail Opportunity Investments GP, LLC, a wholly owned subsidiary of ROIC. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay U.S. federal income tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. ROIC intends to pay regular quarterly dividends to its stockholders in an amount not less than its net taxable income, if and to the extent authorized by its board of directors. If ROIC’s cash available for distribution is less than its net taxable income, ROIC could be required to sell assets or borrow funds to make cash distributions or the Company may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is to changes in interest rates related to its debt. There is inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

As of December 31, 2019, the Company had \$384.0 million of variable rate debt outstanding. The Company has primarily used fixed-rate debt and forward starting interest rate swaps to manage its interest rate risk. See the discussion under Note 11, "Derivative and Hedging Activities," to the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps.

The Company entered into interest rate swaps in order to economically hedge against the risk of rising interest rates that would affect the Company's interest expense related to its future anticipated debt issuances as part of its overall borrowing program. The sensitivity analysis table presented below shows the estimated instantaneous parallel shift in the yield curve up and down by 50 and 100 basis points, respectively, on the clean market value of its interest rate derivatives as of December 31, 2019, exclusive of non-performance risk (in thousands).

Swap Notional	Less 100 basis points	Less 50 basis points	December 31, 2019 Value	Increase 50 basis points	Increase 100 basis points
\$100,000	\$ (3,098)	\$ (1,812)	\$ (550)	\$ 696	\$ 1,919
\$100,000	\$ (3,098)	\$ (1,812)	\$ (550)	\$ 696	\$ 1,919
\$50,000	\$ (2,677)	\$ (2,026)	\$ (1,388)	\$ (757)	\$ (139)
\$50,000	\$ (2,682)	\$ (2,031)	\$ (1,393)	\$ (762)	\$ (143)

See Note 11 of the accompanying consolidated financial statements for a discussion on how the Company values derivative financial instruments. The Company calculates the value of its interest rate swaps based upon the present value of the future cash flows expected to be paid and received on each leg of the swap. The cash flows on the fixed leg of the swap are agreed to at inception and the cash flows on the floating leg of a swap change over time as interest rates change. To estimate the floating cash flows at each valuation date, the Company utilizes a forward curve which is constructed using LIBOR fixings, Eurodollar futures, and swap rates, which are observable in the market. Both the fixed and floating legs' cash flows are discounted at market discount factors. For purposes of adjusting its derivative valuations, the Company incorporates the nonperformance risk for both itself and its counterparties to these contracts based upon management's estimates of credit spreads, credit default swap spreads (if available) or IHS Markit ratings in order to derive a curve that considers the term structure of credit.

As a corporation that has elected to qualify as a REIT for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2010, ROIC's future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Company will be exposed to interest rate changes primarily as a result of long-term debt used to acquire properties. The Company's interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, the Company expects to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. In addition, the Company can use derivative financial instruments to manage interest rate risk. The Company will not use derivatives for trading or speculative purposes and will only enter into contracts with major financial institutions based on their credit rating and other factors. Currently, the Company uses interest rate swaps to manage its interest rate risk. See Note 11 of the accompanying consolidated financial statements.

Item 8. Financial Statements and Supplementary Data

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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Retail Opportunity Investments Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Retail Opportunity Investments Corp. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 19, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of real estate investments

Description of the Matter

At December 31, 2019, the Company's real estate investments totaled \$2.7 billion. As discussed in Note 1 of the consolidated financial statements, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the real estate investments are not expected to be recovered through future undiscounted cash flows. The Company did not identify any assets that were impaired at December 31, 2019.

Auditing management's assessment of impairment is challenging due to the high degree of subjective auditor judgment necessary in evaluating management's identification of indicators of potential impairment and the related assessment of the severity of such indicators in determining whether a triggering event has occurred that requires the Company to evaluate the recoverability of the asset. The significant inputs used in the assessment included capitalization rates, current and estimated future cash flows associated with each property, which were based on market information including, where applicable, market rental rates, leasing trends, occupancy trends, expense ratios, and other quantitative and qualitative factors.

How We Addressed the Matter in Our Audit

We obtained an understanding of management's process to identify indicators of impairment, including the qualitative and quantitative analysis and related inputs and assumptions used in performing the analyses. We evaluated the design and tested the operating effectiveness of the controls that address the identification of indicators of impairment, in addition to controls around the quantitative assessment of impairment. For example, we tested controls over the Company's process to estimate the fair value of its real estate assets and to assess the recoverability of each investment, including controls over management's development and review of the significant inputs and assumptions described above used in the quantitative assessment.

Our testing of the Company's impairment assessment included, among other procedures, evaluating significant judgments applied in determining whether indicators of impairment were present at any given property by obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments. For example, we reviewed the bad debt reserves analysis and rent rolls for any tenants with large reserved balances or upcoming lease expirations, in addition to reviewing various industry market surveys that indicate potential tenants with deteriorating credit quality to determine if they occupied a substantial portion of any particular property.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2010

San Diego, California

February 19, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Retail Opportunity Investments Corp.

Opinion on Internal Control over Financial Reporting

We have audited Retail Opportunity Investments Corp.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Retail Opportunity Investments Corp. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Retail Opportunity Investments Corp. as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2019 and the related notes and financial statement schedule listed in the Index at Item 8 and our report dated February 19, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting (Retail Opportunity Investments Corp). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
San Diego, California
February 19, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Partners of Retail Opportunity Investments Partnership, LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Retail Opportunity Investments Partnership, LP (the “Operating Partnership”) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, Partners’ capital, and cash flows for each of the three years in the period ended December 31, 2019 and the related notes and financial statement schedule listed in the Index at Item 8 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Operating Partnership at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership’s management. Our responsibility is to express an opinion on the Operating Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of real estate investments

Description of the Matter

At December 31, 2019, the Company's real estate investments totaled \$2.7 billion. As discussed in Note 1 of the consolidated financial statements, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the real estate investments are not expected to be recovered through future undiscounted cash flows. The Company did not identify any assets that were impaired at December 31, 2019.

Auditing management's assessment of impairment is challenging due to the high degree of subjective auditor judgment necessary in evaluating management's identification of indicators of potential impairment and the related assessment of the severity of such indicators in determining whether a triggering event has occurred that requires the Company to evaluate the recoverability of the asset. The significant inputs used in the assessment included capitalization rates, current and estimated future cash flows associated with each property, which were based on market information including, where applicable, market rental rates, leasing trends, occupancy trends, expense ratios, and other quantitative and qualitative factors.

How We Addressed the Matter in Our Audit

We obtained an understanding of management's process to identify indicators of impairment, including the qualitative and quantitative analysis and related inputs and assumptions used in performing the analyses. We evaluated the design and tested the operating effectiveness of the controls that address the identification of indicators of impairment, in addition to controls around the quantitative assessment of impairment. For example, we tested controls over the Company's process to estimate the fair value of its real estate assets and to assess the recoverability of each investment, including controls over management's development and review of the significant inputs and assumptions described above used in the quantitative assessment.

Our testing of the Company's impairment assessment included, among other procedures, evaluating significant judgments applied in determining whether indicators of impairment were present at any given property by obtaining evidence to corroborate such judgments and searching for evidence contrary to such judgments. For example, we reviewed the bad debt reserves analysis and rent rolls for any tenants with large reserved balances or upcoming lease expirations, in addition to reviewing various industry market surveys that indicate potential tenants with deteriorating credit quality to determine if they occupied a substantial portion of any particular property.

/s/ Ernst & Young LLP

We have served as the Operating Partnership's auditor since 2013

San Diego, California

February 19, 2020

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
	2019	2018
ASSETS		
Real Estate Investments:		
Land	\$ 879,540	\$ 894,240
Building and improvements	2,252,301	2,266,232
	<u>3,131,841</u>	<u>3,160,472</u>
Less: accumulated depreciation	390,916	329,207
	<u>2,740,925</u>	<u>2,831,265</u>
Mortgage note receivable	13,000	—
Real Estate Investments, net	2,753,925	2,831,265
Cash and cash equivalents	3,800	6,076
Restricted cash	1,658	1,373
Tenant and other receivables, net	45,821	46,832
Acquired lease intangible assets, net	59,701	72,109
Prepaid expenses	3,169	4,194
Deferred charges, net	27,652	33,857
Other assets	18,031	7,365
Total assets	<u>\$ 2,913,757</u>	<u>\$ 3,003,071</u>
LIABILITIES AND EQUITY		
Liabilities:		
Term loan	\$ 298,330	\$ 299,076
Credit facility	80,743	153,689
Senior Notes	942,850	941,449
Mortgage notes payable	87,523	88,511
Acquired lease intangible liabilities, net	144,757	166,146
Accounts payable and accrued expenses	17,562	15,488
Tenants' security deposits	7,177	7,065
Other liabilities	42,987	23,219
Total liabilities	<u>1,621,929</u>	<u>1,694,643</u>
Commitments and contingencies		
Equity:		
Preferred stock, \$0.0001 par value 50,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized; 116,496,016 and 113,992,837 shares issued and outstanding at December 31, 2019 and 2018, respectively	12	11
Additional paid-in capital	1,481,466	1,441,080
Dividends in excess of earnings	(297,998)	(256,438)
Accumulated other comprehensive (loss) income	(4,132)	3,561
Total Retail Opportunity Investments Corp. stockholders' equity	<u>1,179,348</u>	<u>1,188,214</u>
Non-controlling interests	112,480	120,214
Total equity	<u>1,291,828</u>	<u>1,308,428</u>
Total liabilities and equity	<u>\$ 2,913,757</u>	<u>\$ 3,003,071</u>

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Operations and Comprehensive Income
(In thousands, except per share data)

	Year Ended December 31,		
	2019	2018	2017
Revenues			
Rental revenue	\$ 291,263	\$ 289,601	\$ 269,382
Other income	3,777	6,197	3,878
Total revenues	295,040	295,798	273,260
Operating expenses			
Property operating	43,662	43,851	39,151
Property taxes	32,388	32,349	29,663
Depreciation and amortization	97,559	100,838	96,256
General and administrative expenses	17,831	14,918	14,103
Acquisition transaction costs	—	—	4
Other expense	1,405	478	418
Total operating expenses	192,845	192,434	179,595
Gain on sale of real estate	13,175	5,890	—
Operating income	115,370	109,254	93,665
Non-operating expenses			
Interest expense and other finance expenses	(61,687)	(62,113)	(50,977)
Net income	53,683	47,141	42,688
Net income attributable to non-controlling interests	(4,839)	(4,405)	(4,211)
Net Income Attributable to Retail Opportunity Investments Corp.	\$ 48,844	\$ 42,736	\$ 38,477
Earnings per share – basic and diluted	\$ 0.42	\$ 0.38	\$ 0.35
Dividends per common share	\$ 0.7880	\$ 0.7800	\$ 0.7500
Comprehensive income:			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Other comprehensive (loss) income:			
Unrealized swap derivative (loss) gain arising during the period	(7,348)	1,648	3,665
Reclassification adjustment for amortization of interest expense included in net income	(345)	57	1,920
Other comprehensive (loss) income	(7,693)	1,705	5,585
Comprehensive income	45,990	48,846	48,273
Comprehensive income attributable to non-controlling interests	(4,839)	(4,405)	(4,211)
Comprehensive income attributable to Retail Opportunity Investments Corp.	\$ 41,151	\$ 44,441	\$ 44,062

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Equity
(In thousands, except share data)

	Common Stock		Additional paid-in capital	Accumulated dividends in excess of earnings	Accumulated other comprehensive (loss) income	Non-controlling interests	Equity
	Shares	Amount					
Balance at December 31, 2016	109,301,762	\$ 11	\$ 1,357,910	\$ (165,951)	\$ (3,729)	\$ 127,324	\$ 1,315,565
Shares issued under the 2009 Equity Incentive Plan	353,261	—	44	—	—	—	44
Shares withheld for employee taxes	(74,331)	—	(1,571)	—	—	—	(1,571)
Cancellation of restricted stock	(1,999)	—	—	—	—	—	—
Stock based compensation expense	—	—	6,190	—	—	—	6,190
Issuance of OP Units to non-controlling interests	—	—	—	—	—	49,599	49,599
Redemption / Exchange of OP Units	2,555,933	—	50,155	—	—	(50,155)	—
Cash redemption for non-controlling interests	—	—	—	—	—	(150)	(150)
Adjustment to non-controlling interests ownership in Operating Partnership	—	—	(3,574)	—	—	3,574	—
Proceeds from the issuance of common stock	212,825	—	4,481	—	—	—	4,481
Registration expenditures	—	—	(1,045)	—	—	—	(1,045)
Cash dividends (\$0.7500 per share)	—	—	—	(82,781)	—	(8,729)	(91,510)
Dividends payable to officers	—	—	—	(235)	—	—	(235)
Net income attributable to Retail Opportunity Investments Corp.	—	—	—	38,477	—	—	38,477
Net income attributable to non-controlling interests	—	—	—	—	—	4,211	4,211
Other comprehensive income	—	—	—	—	5,585	—	5,585
Balance at December 31, 2017	112,347,451	\$ 11	\$ 1,412,590	\$ (210,490)	\$ 1,856	\$ 125,674	\$ 1,329,641
Shares issued under the 2009 Equity Incentive Plan	397,861	—	269	—	—	—	269
Shares withheld for employee taxes	(70,168)	—	(1,400)	—	—	—	(1,400)
Cancellation of restricted stock	(8,997)	—	—	—	—	—	—
Stock based compensation expense	—	—	7,392	—	—	—	7,392
Cash redemption for non-controlling interests	—	—	—	—	—	(3,713)	(3,713)
Adjustment to non-controlling interests ownership in Operating Partnership	—	—	(2,904)	—	—	2,904	—
Proceeds from the issuance of common stock	1,326,690	—	25,703	—	—	—	25,703
Registration expenditures	—	—	(570)	—	—	—	(570)
Cash dividends (\$0.7800 per share)	—	—	—	(88,417)	—	(9,056)	(97,473)
Dividends payable to officers	—	—	—	(267)	—	—	(267)
Net income attributable to Retail Opportunity Investments Corp.	—	—	—	42,736	—	—	42,736
Net income attributable to non-controlling interests	—	—	—	—	—	4,405	4,405
Other comprehensive income	—	—	—	—	1,705	—	1,705
Balance at December 31, 2018	113,992,837	\$ 11	\$ 1,441,080	\$ (256,438)	\$ 3,561	\$ 120,214	\$ 1,308,428
Shares issued under the Equity Incentive Plan	631,022	—	1,942	—	—	—	1,942
Shares withheld for employee taxes	(125,072)	—	(1,986)	—	—	—	(1,986)
Cancellation of restricted stock	(6,997)	—	—	—	—	—	—
Stock based compensation expense	—	—	7,352	—	—	1,215	8,567
Redemption of OP Units	143,190	—	2,632	—	—	(2,632)	—
Cash redemption for non-controlling interests	—	—	—	—	—	(5,043)	(5,043)
Adjustment to non-controlling interests ownership in Operating Partnership	—	—	(2,983)	—	—	2,983	—
Proceeds from the issuance of common stock	1,861,036	1	34,161	—	—	—	34,162
Registration expenditures	—	—	(732)	—	—	—	(732)
Cash dividends (\$0.7880 per share)	—	—	—	(90,549)	—	(8,921)	(99,470)
Dividends payable to officers	—	—	—	145	—	(175)	(30)
Net income attributable to Retail Opportunity Investments Corp.	—	—	—	48,844	—	—	48,844
Net income attributable to non-controlling interests	—	—	—	—	—	4,839	4,839
Other comprehensive loss	—	—	—	—	(7,693)	—	(7,693)
Balance at December 31, 2019	116,496,016	\$ 12	\$ 1,481,466	\$ (297,998)	\$ (4,132)	\$ 112,480	\$ 1,291,828

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	97,559	100,838	96,256
Amortization of deferred financing costs and mortgage premiums, net	2,076	1,899	2,026
Straight-line rent adjustment	(3,083)	(5,380)	(6,176)
Amortization of above and below market rent	(15,618)	(13,965)	(17,078)
Amortization relating to stock based compensation	8,567	7,392	6,190
Provisions for tenant credit losses	1,969	1,729	1,191
Other noncash interest expense	524	1,674	2,139
Gain on sale of real estate	(13,175)	(5,890)	—
Change in operating assets and liabilities:			
Tenant and other receivables	543	(57)	(2,452)
Prepaid expenses	962	(1,344)	464
Accounts payable and accrued expenses	303	(1,622)	456
Other assets and liabilities, net	(2,271)	(1,497)	3,234
Net cash provided by operating activities	132,039	130,918	128,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in real estate	(11,601)	(44,195)	(263,366)
Proceeds from sale of real estate	58,930	26,880	—
Improvements to properties	(35,177)	(39,240)	(54,097)
Deposits on real estate acquisitions, net	—	500	(500)
Proceeds on repayment of mortgage note receivable	250	—	—
Net cash provided by (used in) investing activities	12,402	(56,055)	(317,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments on mortgages	(551)	(19,612)	(8,848)
Proceeds from draws on credit facility	101,000	177,000	327,500
Payments on credit facility	(173,000)	(164,500)	(282,000)
Proceeds from issuance of Senior Notes	—	—	250,000
Redemption of OP Units	(5,043)	(3,713)	(150)
Distributions to OP Unitholders	(8,921)	(9,056)	(8,729)
Deferred financing and other costs	(2,804)	—	(3,845)
Proceeds from the sale of common stock	34,162	25,703	4,481
Registration expenditures	(478)	(570)	(1,225)
Dividends paid to common shareholders	(90,753)	(88,500)	(82,917)
Common shares issued under the Equity Incentive Plan	1,942	269	44
Shares withheld for employee taxes	(1,986)	(1,400)	(1,571)
Net cash (used in) provided by financing activities	(146,432)	(84,379)	192,740
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,991)	(9,516)	3,715
Cash, cash equivalents and restricted cash at beginning of period	7,449	16,965	13,250
Cash, cash equivalents and restricted cash at end of period	\$ 5,458	\$ 7,449	\$ 16,965

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents	\$ 3,800	\$ 6,076	\$ 11,553
Restricted cash	1,658	1,373	5,412
Total cash, cash equivalents and restricted cash shown in Statements of Cash Flows	\$ 5,458	\$ 7,449	\$ 16,965

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Balance Sheets
(In thousands)

	December 31,	
	2019	2018
ASSETS		
Real Estate Investments:		
Land	\$ 879,540	\$ 894,240
Building and improvements	2,252,301	2,266,232
	3,131,841	3,160,472
Less: accumulated depreciation	390,916	329,207
	2,740,925	2,831,265
Mortgage note receivable	13,000	—
Real Estate Investments, net	2,753,925	2,831,265
Cash and cash equivalents	3,800	6,076
Restricted cash	1,658	1,373
Tenant and other receivables, net	45,821	46,832
Acquired lease intangible assets, net	59,701	72,109
Prepaid expenses	3,169	4,194
Deferred charges, net	27,652	33,857
Other assets	18,031	7,365
Total assets	\$ 2,913,757	\$ 3,003,071
LIABILITIES AND CAPITAL		
Liabilities:		
Term loan	\$ 298,330	\$ 299,076
Credit facility	80,743	153,689
Senior Notes	942,850	941,449
Mortgage notes payable	87,523	88,511
Acquired lease intangible liabilities, net	144,757	166,146
Accounts payable and accrued expenses	17,562	15,488
Tenants' security deposits	7,177	7,065
Other liabilities	42,987	23,219
Total liabilities	1,621,929	1,694,643
Commitments and contingencies		
Capital:		
Partners' capital, unlimited partnership units authorized:		
ROIC capital	1,183,480	1,184,653
Limited partners' capital	112,480	120,214
Accumulated other comprehensive (loss) income	(4,132)	3,561
Total capital	1,291,828	1,308,428
Total liabilities and capital	\$ 2,913,757	\$ 3,003,071

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Statements of Operations and Comprehensive Income
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Revenues			
Rental revenue	\$ 291,263	\$ 289,601	\$ 269,382
Other income	3,777	6,197	3,878
Total revenues	295,040	295,798	273,260
Operating expenses			
Property operating	43,662	43,851	39,151
Property taxes	32,388	32,349	29,663
Depreciation and amortization	97,559	100,838	96,256
General and administrative expenses	17,831	14,918	14,103
Acquisition transaction costs	—	—	4
Other expense	1,405	478	418
Total operating expenses	192,845	192,434	179,595
Gain on sale of real estate	13,175	5,890	—
Operating income	115,370	109,254	93,665
Non-operating expenses			
Interest expense and other finance expenses	(61,687)	(62,113)	(50,977)
Net Income Attributable to Retail Opportunity Investments Partnership, LP	\$ 53,683	\$ 47,141	\$ 42,688
Earnings per unit - basic and diluted	\$ 0.42	\$ 0.38	\$ 0.35
Distributions per unit	\$ 0.7880	\$ 0.7800	\$ 0.7500
Comprehensive income:			
Net income attributable to Retail Opportunity Investments Partnership, LP	\$ 53,683	\$ 47,141	\$ 42,688
Other comprehensive (loss) income:			
Unrealized swap derivative (loss) gain arising during the period	(7,348)	1,648	3,665
Reclassification adjustment for amortization of interest expense included in net income	(345)	57	1,920
Other comprehensive (loss) income	(7,693)	1,705	5,585
Comprehensive income attributable to Retail Opportunity Investments Partnership, LP	\$ 45,990	\$ 48,846	\$ 48,273

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Statements of Partners' Capital
(In thousands, except unit data)

	Limited Partner's Capital ⁽¹⁾		ROIC Capital ⁽²⁾		Accumulated other comprehensive (loss) income	Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2016	11,668,061	\$ 127,324	109,301,762	\$ 1,191,970	\$ (3,729)	\$ 1,315,565
OP Units issued under the 2009 Equity Incentive Plan	—	—	353,261	44	—	44
OP Units withheld for employee taxes	—	—	(74,331)	(1,571)	—	(1,571)
Cancellation of OP Units	—	—	(1,999)	—	—	—
Stock based compensation expense	—	—	—	6,190	—	6,190
Issuance of OP Units in connection with acquisitions	2,573,927	49,599	—	—	—	49,599
Equity redemption of OP Units	(2,555,933)	(50,155)	2,555,933	50,155	—	—
Cash redemption of OP Units	(7,064)	(150)	—	—	—	(150)
Adjustment to non-controlling interests ownership in Operating Partnership	—	3,574	—	(3,574)	—	—
Issuance of OP Units in connection with sale of common stock	—	—	212,825	4,481	—	4,481
Registration expenditures	—	—	—	(1,045)	—	(1,045)
Cash distributions (\$0.7500 per unit)	—	(8,729)	—	(82,781)	—	(91,510)
Distributions payable to officers	—	—	—	(235)	—	(235)
Net income attributable to Retail Opportunity Investments Partnership, LP	—	4,211	—	38,477	—	42,688
Other comprehensive income	—	—	—	—	5,585	5,585
Balance at December 31, 2017	11,678,991	\$ 125,674	112,347,451	\$ 1,202,111	\$ 1,856	\$ 1,329,641
OP units issued under the 2009 Equity Incentive Plan	—	—	397,861	269	—	269
OP Units withheld for employee taxes	—	—	(70,168)	(1,400)	—	(1,400)
Cancellation of OP Units	—	—	(8,997)	—	—	—
Stock based compensation expense	—	—	—	7,392	—	7,392
Cash redemption of OP Units	(201,950)	(3,713)	—	—	—	(3,713)
Adjustment to non-controlling interests ownership in Operating Partnership	—	2,904	—	(2,904)	—	—
Issuance of OP Units in connection with sale of common stock	—	—	1,326,690	25,703	—	25,703
Registration expenditures	—	—	—	(570)	—	(570)
Cash distributions (\$0.7800 per unit)	—	(9,056)	—	(88,417)	—	(97,473)
Distributions payable to officers	—	—	—	(267)	—	(267)
Net income attributable to Retail Opportunity Investments Partnership, LP	—	4,405	—	42,736	—	47,141
Other comprehensive income	—	—	—	—	1,705	1,705
Balance at December 31, 2018	11,477,041	\$ 120,214	113,992,837	\$ 1,184,653	\$ 3,561	\$ 1,308,428
OP units issued under the Equity Incentive Plan	—	—	631,022	1,942	—	1,942
OP Units withheld for employee taxes	—	—	(125,072)	(1,986)	—	(1,986)
Cancellation of OP Units	—	—	(6,997)	—	—	—
Stock based compensation expense	—	1,215	—	7,352	—	8,567
Equity redemption of OP Units	(143,190)	(2,632)	143,190	2,632	—	—
Cash redemption of OP Units	(282,761)	(5,043)	—	—	—	(5,043)
Adjustment to non-controlling interests ownership in Operating Partnership	—	2,983	—	(2,983)	—	—
Issuance of OP Units in connection with sale of common stock	—	—	1,861,036	34,162	—	34,162
Registration expenditures	—	—	—	(732)	—	(732)
Cash distributions (\$0.7880 per unit)	—	(8,921)	—	(90,549)	—	(99,470)
Distributions payable to officers	—	(175)	—	145	—	(30)
Net income attributable to Retail Opportunity Investments Partnership, LP	—	4,839	—	48,844	—	53,683
Other comprehensive loss	—	—	—	—	(7,693)	(7,693)
Balance at December 31, 2019	11,051,090	\$ 112,480	116,496,016	\$ 1,183,480	\$ (4,132)	\$ 1,291,828

(1) Consists of limited partnership interests held by third parties.

(2) Consists of general and limited partnership interests held by ROIC.

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	97,559	100,838	96,256
Amortization of deferred financing costs and mortgage premiums, net	2,076	1,899	2,026
Straight-line rent adjustment	(3,083)	(5,380)	(6,176)
Amortization of above and below market rent	(15,618)	(13,965)	(17,078)
Amortization relating to stock based compensation	8,567	7,392	6,190
Provisions for tenant credit losses	1,969	1,729	1,191
Other noncash interest expense	524	1,674	2,139
Gain on sale of real estate	(13,175)	(5,890)	—
Change in operating assets and liabilities:			
Tenant and other receivables	543	(57)	(2,452)
Prepaid expenses	962	(1,344)	464
Accounts payable and accrued expenses	303	(1,622)	456
Other assets and liabilities, net	(2,271)	(1,497)	3,234
Net cash provided by operating activities	132,039	130,918	128,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in real estate	(11,601)	(44,195)	(263,366)
Proceeds from sale of real estate	58,930	26,880	—
Improvements to properties	(35,177)	(39,240)	(54,097)
Deposits on real estate acquisitions, net	—	500	(500)
Proceeds on repayment of mortgage note receivable	250	—	—
Net cash provided by (used in) investing activities	12,402	(56,055)	(317,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments on mortgages	(551)	(19,612)	(8,848)
Proceeds from draws on credit facility	101,000	177,000	327,500
Payments on credit facility	(173,000)	(164,500)	(282,000)
Proceeds from issuance of Senior Notes	—	—	250,000
Redemption of OP Units	(5,043)	(3,713)	(150)
Deferred financing and other costs	(2,804)	—	(3,845)
Proceeds from the issuance of OP Units in connection with issuance of common stock	34,162	25,703	4,481
Registration expenditures	(478)	(570)	(1,225)
Distributions to OP Unitholders	(99,674)	(97,556)	(91,646)
Issuance of OP Units under the Equity Incentive Plan	1,942	269	44
OP Units withheld for employee taxes	(1,986)	(1,400)	(1,571)
Net cash (used in) provided by financing activities	(146,432)	(84,379)	192,740
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,991)	(9,516)	3,715
Cash, cash equivalents and restricted cash at beginning of period	7,449	16,965	13,250
Cash, cash equivalents and restricted cash at end of period	\$ 5,458	\$ 7,449	\$ 16,965

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents	\$ 3,800	\$ 6,076	\$ 11,553
Restricted cash	1,658	1,373	5,412
Total cash, cash equivalents and restricted cash shown in Statements of Cash Flows	\$ 5,458	\$ 7,449	\$ 16,965

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Business

Retail Opportunity Investments Corp., a Maryland corporation (“ROIC”), is a fully integrated and self-managed real estate investment trust (“REIT”). ROIC specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers on the west coast of the United States anchored by supermarkets and drugstores.

ROIC is organized in a traditional umbrella partnership real estate investment trust (“UpREIT”) format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the general partner of, and ROIC conducts substantially all of its business through, its operating partnership subsidiary, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the “Operating Partnership”), together with its subsidiaries. Unless otherwise indicated or unless the context requires otherwise, all references to the “Company”, “we,” “us,” “our,” or “our company” refer to ROIC together with its consolidated subsidiaries, including the Operating Partnership.

ROIC’s only material asset is its ownership of direct or indirect partnership interests in the Operating Partnership and membership interest in Retail Opportunity Investments GP, LLC, which is the sole general partner of the Operating Partnership. As a result, ROIC does not conduct business itself, other than acting as the parent company and issuing equity from time to time. The Operating Partnership holds substantially all the assets of the Company and directly or indirectly holds the ownership interests in the Company’s real estate ventures. The Operating Partnership conducts the operations of the Company’s business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by ROIC, which are contributed to the Operating Partnership, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness (directly and through subsidiaries) or through the issuance of operating partnership units (“OP Units”) of the Operating Partnership.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (“ASU”) No. 2016-2, “Leases.” ASU No. 2016-2 resulted in the recognition of a right-to-use asset and related liability to account for future obligations under ground lease agreements for which the Company is the lessee. In addition, this ASU requires that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained are no longer capitalized as initial direct costs and instead are expensed as incurred.

Under ASU No. 2016-2, each lease agreement will be evaluated to identify the lease components and nonlease components at lease inception. The total consideration in the lease agreement will be allocated to the lease and nonlease components based on their relative standalone selling prices. Lessors will continue to recognize the lease revenue component using an approach that is substantially equivalent to existing guidance for operating leases (straight-line basis). In July 2018, the FASB issued an amendment to ASU No. 2016-2 that allows lessors to elect, as a practical expedient, not to allocate the total consideration to lease and nonlease components based on their relative standalone selling prices. This practical expedient allows lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted.

The Company adopted the provisions of ASU No. 2016-2 effective January 1, 2019 using the modified retrospective approach and accordingly, recognized a lease liability of approximately \$18.0 million, which is included in Other liabilities in the accompanying balance sheet, and a related right-to-use asset of approximately \$17.0 million, which is included in Other assets in the accompanying balance sheet, for all operating leases in which the Company is a lessee based on the present value of the minimum rental payments remaining as of the initial application date. The present value of the remaining lease payments was calculated for each operating lease using each respective remaining lease term and a corresponding estimated incremental borrowing rate, which is the interest rate that the Company estimates it would have to pay to borrow on a collateralized basis over a similar term.

Based on its election of the package of practical expedients, the Company was not required to reassess whether any expired or existing contracts are or contain leases, reassess the lease classification for any expired or existing leases, or reassess initial direct costs for any existing leases. Accordingly, the Company’s ground lease agreements for which the Company is the lessee

will continue to be accounted for as operating leases under the new standard. Further, the Company elected the practical expedient to account for both its lease and non-lease components as a combined single lease component and elected the optional transition method permitting January 1, 2019 to be its initial application date. Additionally, leasing payroll-related costs that are incurred regardless of whether leases are obtained are no longer capitalized as initial direct costs and instead are expensed as incurred. These costs amounted to approximately \$1.3 million and \$1.2 million during the years ended December 31, 2018 and 2017, respectively. Further, bad debt, which has previously been recorded in Property operating, has now been classified as a contra-revenue account in Rental revenue in the Company's consolidated statements of operations and comprehensive income.

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments - Credit Topics." ASU No. 2016-13 requires companies to adopt a new approach to estimating credit losses on certain types of financial instruments, such as trade and other receivables and loans. The standard requires entities to estimate a lifetime expected credit loss for most financial instruments, including trade receivables. ASU No. 2016-13 will be effective for the Company beginning on January 1, 2020, with early adoption permitted. The Company does not expect that the adoption of this pronouncement will have a material impact on the consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis in accordance with GAAP. In the opinion of management, the consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company's financial position and the results of operations and cash flows for the periods presented.

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are wholly-owned or controlled by the Company. Entities which the Company does not control through its voting interest and entities which are variable interest entities ("VIEs"), but where it is not the primary beneficiary, are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated.

The Company follows the FASB guidance for determining whether an entity is a VIE and requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. The Company has concluded that the Operating Partnership is a VIE, and because they have both the power and the rights to control the Operating Partnership, they are the primary beneficiary and are required to continue to consolidate the Operating Partnership.

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are required to be presented as a separate component of equity in the consolidated balance sheet and modify the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. The most significant assumptions and estimates relate to the recoverability of assets to be held and used, purchase price allocations, depreciable lives, revenue recognition and the collectability of tenant receivables, other receivables, notes receivables, the valuation of performance-based restricted stock, LTIPs, and derivatives. Actual results could differ from these estimates.

Federal Income Taxes

The Company has elected to qualify as a REIT under Sections 856-860 of the Internal Revenue Code (the "Code"). Under those sections, a REIT that, among other things, distributes at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains) and meets certain other qualifications prescribed by the Code, will not be taxed on that portion of its taxable income that is distributed.

Although it may qualify as a REIT for U.S. federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. For all periods from inception through September 26, 2013 the Operating Partnership had been an entity disregarded from its sole owner, ROIC, for U.S. federal income tax purposes and

as such had not been subject to U.S. federal income taxes. Effective September 27, 2013, the Operating Partnership issued OP Units in connection with the acquisitions of two shopping centers. Accordingly, the Operating Partnership ceased being a disregarded entity and instead is being treated as a partnership for U.S. federal income tax purposes.

The Company follows the FASB guidance that defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The FASB also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company records interest and penalties relating to unrecognized tax benefits, if any, as interest expense. As of December 31, 2019, the statute of limitations for tax years 2016 through and including 2018 remain open for examination by the Internal Revenue Service (“IRS”) and state taxing authorities.

ROIC intends to make regular quarterly distributions to holders of its common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay U.S. federal income tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. ROIC intends to pay regular quarterly dividends to stockholders in an amount not less than its net taxable income, if and to the extent authorized by its board of directors. Before ROIC pays any dividend, whether for U.S. federal income tax purposes or otherwise, it must first meet both its operating requirements and its debt service on debt. If ROIC’s cash available for distribution is less than its net taxable income, it could be required to sell assets or borrow funds to make cash distributions or it may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Real Estate Investments

All costs related to the improvement or replacement of real estate properties are capitalized. Additions, renovations and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred. During the years ended December 31, 2019 and 2018, capitalized costs related to the improvement or replacement of real estate properties were approximately \$38.0 million and \$40.3 million, respectively.

The Company evaluates each acquisition of real estate to determine if the acquired property meets the definition of a business and needs to be accounted for as a business combination. Under ASU No. 2017-1, the Company first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If this threshold is met, the acquired property does not meet the definition of a business and is accounted for as an asset acquisition. The Company expects that acquisitions of real estate properties will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets).

The Company recognizes the acquisition of real estate properties, including acquired tangible assets (consisting of land, buildings and improvements), and acquired intangible assets and liabilities (consisting of above-market and below-market leases and acquired in-place leases) at their fair value (for acquisitions meeting the definition of a business) and relative fair value (for acquisitions not meeting the definition of a business). The relative fair values used to allocate the cost of an asset acquisition are determined using the same methodologies and assumptions the Company utilizes to determine fair value in a business combination.

Acquired lease intangible assets include above-market leases and acquired in-place leases, and acquired lease intangible liabilities represent below-market leases, in the accompanying consolidated balance sheets. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management’s determination of the relative fair values of these assets. In valuing an acquired property’s intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, and estimates of lost rental revenue during the expected lease-up periods based on management’s evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs. Leasing commissions, legal and other related costs (“lease origination costs”) are classified as Deferred charges in the accompanying consolidated balance sheets.

The value of in-place leases is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (ii) the estimated fair value of the property as if vacant. Above-market and below-market lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management’s estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of acquisition. Such

valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below-market rental renewal options are determined based on the Company's experience and the relevant facts and circumstances that existed at the time of the acquisitions. The value of the above-market and below-market leases is amortized to base rental income, over the terms of the respective leases including option periods, if applicable. The value of in-place leases is amortized to expense over the remaining non-cancellable terms of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recognized in operations at that time.

The Company expenses transaction costs associated with business combinations and unsuccessful property asset acquisitions in the period incurred and capitalizes transaction costs associated with successful property asset acquisitions. In conjunction with the Company's pursuit and acquisition of real estate investments, the Company did not expense any acquisition transaction costs during the years ended December 31, 2019 or 2018. The Company expensed acquisition transaction costs during the year ended December 31, 2017 of \$4,000.

Sales of real estate are recognized only when it is determined that the Company will collect substantially all of the consideration to which it is entitled, possession and other attributes of ownership have been transferred to the buyer and the Company has no controlling financial interest. The application of these criteria can be complex and requires the Company to make assumptions. Management has determined that all of these criteria were met for all real estate sold during the periods presented.

Asset Impairment

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value. Management does not believe that the value of any of the Company's real estate investments was impaired at December 31, 2019 or December 31, 2018.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit by the Federal Deposit Insurance Corporation. The Company has not experienced any losses related to these balances.

Restricted Cash

The terms of the Company's mortgage loans payable may require the Company to deposit certain replacement and other reserves with its lenders. Such "restricted cash" is generally available only for property-level requirements for which the reserves have been established and is not available to fund other property level or Company level obligations.

Revenue Recognition

Management has determined that all of the Company's leases with its various tenants are operating leases. Rental income is generally recognized based on the terms of leases entered into with tenants. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. Percentage rent is recognized when a specific tenant's sales breakpoint is achieved. Prior to January 1, 2019, the Company considered property operating expense recoveries from tenants of common area maintenance, real estate taxes and other recoverable costs as lease components. Effective January 1, 2019, each lease agreement is evaluated to identify the lease and nonlease components at lease inception. The Company elected the single component practical expedient, which allows lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. As a result of this assessment, rental revenues and tenant recoveries from the lease of real estate assets are accounted for as a single component. Lease incentives are amortized as a reduction of rental revenue over the respective tenant lease terms.

Termination fees (included in Other income in the consolidated statements of operations and comprehensive income) are fees that the Company has agreed to accept in consideration for permitting certain tenants to terminate their lease prior to the contractual expiration date. The Company recognizes termination fees when the following conditions are met: (a) the termination agreement is executed; (b) the termination fee is determinable; (c) all landlord services pursuant to the terminated lease have been rendered; and (d) collectability of the termination fee is assured. Interest income is recognized as it is earned. Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses have been met.

The Company must make estimates as to the collectability of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable by considering tenant creditworthiness, current economic trends, and changes in tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. The Company also provides an allowance for future credit losses of the deferred straight-line rents receivable. The provision for doubtful accounts at December 31, 2019 and December 31, 2018 was approximately \$8.2 million and \$6.9 million, respectively.

Depreciation and Amortization

The Company uses the straight-line method for depreciation and amortization. Buildings are depreciated over estimated useful lives which the Company estimates to be 39-40 years. Property improvements are depreciated over estimated useful lives that range from 10 to 20 years. Furniture and fixtures are depreciated over the estimated useful lives that range from 3 to 10 years. Tenant improvements are amortized over the shorter of the life of the related leases or their useful life.

Deferred Leasing and Financing Costs

Costs incurred in obtaining tenant leases (principally leasing commissions and acquired lease origination costs) are amortized ratably over the life of the tenant leases. Costs incurred in obtaining long-term financing are amortized ratably over the related debt agreement. The amortization of deferred leasing and financing costs is included in Depreciation and amortization and Interest expense and other finance expenses, respectively, in the consolidated statements of operations and comprehensive income.

The unamortized balances of deferred leasing costs included in deferred charges in the Consolidated Balance Sheets as of December 31, 2019 that will be charged to future operations are as follows (in thousands):

	Lease Origination Costs
2020	\$ 5,804
2021	4,922
2022	4,115
2023	3,261
2024	2,523
Thereafter	7,027
	<u>\$ 27,652</u>

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and tenant receivables. The Company places its cash and cash equivalents in excess of insured amounts with high quality financial institutions. The Company performs ongoing credit evaluations of its tenants and requires tenants to provide security deposits.

Earnings Per Share

Basic earnings per share ("EPS") excludes the impact of dilutive shares and is computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue shares of common stock were exercised or converted into shares of common stock and then shared in the earnings of the Company.

For the years ended December 31, 2019, 2018 and 2017, basic EPS was determined by dividing net income allocable to common stockholders for the applicable period by the weighted average number of shares of common stock outstanding during

such period. Net income during the applicable period is also allocated to the time-based unvested restricted stock as these grants are entitled to receive dividends and are therefore considered a participating security. Time-based unvested restricted stock is not allocated net losses and/or any excess of dividends declared over net income; such amounts are allocated entirely to the common stockholders other than the holders of time-based unvested restricted stock. The performance-based restricted stock awards and LTIP Units outstanding under the Equity Incentive Plan described in Note 8 are excluded from the basic EPS calculation, as these units are not participating securities until they vest.

The following table sets forth the reconciliation between basic and diluted EPS for ROIC (in thousands, except share data):

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Less income attributable to non-controlling interests	(4,839)	(4,405)	(4,211)
Less earnings allocated to unvested shares	(453)	(401)	(319)
Net income available for common stockholders, basic	<u>\$ 48,391</u>	<u>\$ 42,335</u>	<u>\$ 38,158</u>
Numerator:			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Less earnings allocated to unvested shares	(453)	(401)	(319)
Net income available for common stockholders, diluted	<u>\$ 53,230</u>	<u>\$ 46,740</u>	<u>\$ 42,369</u>
Denominator:			
Denominator for basic EPS – weighted average common equivalent shares	114,177,528	112,645,490	109,400,123
OP units	11,334,408	11,626,312	12,060,835
Performance-based restricted stock awards and LTIP Units	206,100	183,683	153,807
Stock options	23,450	103,408	129,066
Denominator for diluted EPS – weighted average common equivalent shares	<u>125,741,486</u>	<u>124,558,893</u>	<u>121,743,831</u>

Earnings Per Unit

The following table sets forth the reconciliation between basic and diluted earnings per unit for the Operating Partnership (in thousands, except unit data):

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	\$ 53,683	\$ 47,141	\$ 42,688
Less earnings allocated to unvested shares	(453)	(401)	(319)
Net income available to unitholders, basic and diluted	<u>\$ 53,230</u>	<u>\$ 46,740</u>	<u>\$ 42,369</u>
Denominator:			
Denominator for basic earnings per unit – weighted average common equivalent units	125,511,936	124,271,802	121,460,958
Performance-based restricted stock awards and LTIP Units	206,100	183,683	153,807
Stock options	23,450	103,408	129,066
Denominator for diluted earnings per unit – weighted average common equivalent units	<u>125,741,486</u>	<u>124,558,893</u>	<u>121,743,831</u>

Stock-Based Compensation

The Company has a stock-based employee compensation plan, which is more fully described in Note 8.

The Company accounts for its stock-based compensation plan based on the FASB guidance which requires that compensation expense be recognized based on the fair value of the stock awards less forfeitures. Restricted stock grants vest based upon the

completion of a service period (“time-based restricted stock grants”) and/or the Company meeting certain established market-indexed financial performance criteria (“performance-based restricted stock grants”). Time-based grants are valued according to the market price for the Company’s common stock at the date of grant. For performance-based restricted stock grants, a Monte Carlo valuation model is used, taking into account the underlying contingency risks associated with the performance criteria. It is the Company’s policy to grant options with an exercise price equal to the quoted closing market price of stock on the grant date.

The Company has made certain separate awards in the form of units of limited partnership interests in its Operating Partnership called LTIP Units. The LTIP Units are subject to such conditions and restrictions as the compensation committee may determine, including continued employment or service, achievement of pre-established operational performance goals and market-indexed performance criteria. For the LTIP Units subject to market-indexed performance criteria (the “marked-indexed LTIP Units”), a Monte Carlo valuation model is used, taking into account the underlying contingency risks associated with the performance criteria. All other LTIP Units (the “operational LTIP Units”) are valued according to the market price of the Company’s common stock at the date of grant.

Awards of stock options, time-based restricted stock grants and operational LTIP Units are expensed as compensation on a straight-line basis over the requisite service period. Awards of performance-based restricted stock and market-indexed LTIP Units are expensed as compensation under the accelerated attribution method and are recognized in income regardless of the results of the performance criteria.

Derivatives

The Company records all derivatives on the balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged forecasted transactions in a cash flow hedge. When the Company terminates a derivative for which cash flow hedging was being applied, the balance, which was recorded in Other comprehensive income, is amortized to interest expense over the remaining contractual term of the derivative as long as the hedged forecasted transactions continue to be probable of occurring. The Company includes cash payments made to terminate interest rate derivatives as an operating activity on the statement of cash flows, given the nature of the underlying cash flows that the derivative was hedging.

Segment Reporting

The Company’s primary business is the ownership, management, and redevelopment of retail real estate properties. The Company reviews operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. The Company evaluates financial performance using property operating income, defined as operating revenues (base rent and recoveries from tenants), less property and related expenses (property operating expenses and property taxes). The Company has aggregated the properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

Consolidated Statements of Cash Flows - Supplemental Disclosures

The following tables provides supplemental disclosures related to the consolidated statements of cash flows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Supplemental disclosure of cash activities:			
Cash paid on gross receipts and income for federal and state purposes	\$ 275	\$ 291	\$ 253
Interest paid	\$ 60,319	\$ 60,494	\$ 46,271
Other non-cash investing and financing activities increase (decrease):			
Issuance of OP Units in connection with acquisitions	\$ —	\$ —	\$ 49,599
Fair value of assumed mortgages upon acquisition	\$ —	\$ —	\$ 46,801
Intangible lease liabilities	\$ —	\$ 1,680	\$ 48,684
Interest rate swap asset	\$ (4,931)	\$ 610	\$ 3,446
Interest rate swap liabilities	\$ 3,285	\$ 580	\$ —
Accrued real estate improvement costs	\$ 3,222	\$ 2,200	\$ 3,568
Equity redemption of OP Units	\$ 2,632	\$ —	\$ 50,155
Disposition of real estate through issuance of mortgage note	\$ 13,250	\$ —	\$ —

Reclassifications

Certain reclassifications have been made to the prior period consolidated financial statements and notes to conform to the current year presentation. In connection with the adoption of ASU No. 2016-2 and the Company's practical expedient election to have a combined single lease component presentation, the Company combined Base rents and Recoveries from tenants into a single line item, Rental revenues, in its consolidated statements of operations and comprehensive income.

2. Real Estate Investments

The following real estate investment transactions occurred during the years ended December 31, 2019 and 2018.

The Company evaluated the following acquisitions and determined that substantially all of the fair value related to each acquisition was concentrated in a single identifiable asset. The Company allocated the total consideration for each acquisition to the individual assets and liabilities acquired on a relative fair value basis. All transaction costs incurred in these acquisitions were capitalized.

Property Asset Acquisitions in 2019

On December 13, 2019, the Company acquired the property known as Summerwalk Village located in Lacey, Washington, within the Seattle metropolitan area, for an adjusted purchase price of approximately \$11.6 million. Summerwalk Village is approximately 58,000 square feet and is anchored by Walmart Neighborhood Market. The property was acquired with borrowings under the credit facility.

Property Asset Acquisitions in 2018

During the year ended December 31, 2018, the Company acquired two properties with a total of approximately 112,000 square feet for an adjusted purchase price of approximately \$35.0 million.

The financial information set forth below summarizes the Company's purchase price allocation for the properties acquired during the years ended December 31, 2019 and 2018 (in thousands).

	December 31,	
	2019	2018
Assets		
Land	\$ 2,320	\$ 7,666
Building and improvements	9,281	35,629
Acquired lease intangible asset	—	1,763
Deferred charges	—	818
Assets acquired	<u>\$ 11,601</u>	<u>\$ 45,876</u>
Liabilities		
Acquired lease intangible liability	—	1,680
Liabilities assumed	<u>\$ —</u>	<u>\$ 1,680</u>

The following table summarizes the operating results included in the Company's historical consolidated statement of operations for the year ended December 31, 2018 for the properties acquired during the year ended December 31, 2018 (in thousands).

	Year Ended December 31, 2018
Statement of operations:	
Revenues	\$ 2,343
Net income attributable to Retail Opportunity Investments Corp.	\$ 753

Property Dispositions in 2019

On February 15, 2019, the Company sold Vancouver Market Center, a non-core shopping center located in Vancouver, Washington. The sales price of \$17.0 million, less costs to sell, resulted in net proceeds of approximately \$16.0 million. The Company recorded a gain on sale of real estate of approximately \$2.6 million during the year ended December 31, 2019 related to this property disposition.

On May 1, 2019, the Company sold Norwood Shopping Center, a non-core shopping center located in Sacramento, California for a sales price of \$13.5 million. In connection with the sale of this property, the Company entered into a \$13.3 million mortgage note with the buyer. The mortgage note is a four year interest only note whereby the interest rate increases 1% annually from 3% to 6%. The Company recorded a gain on sale of real estate of approximately \$180,000 during the year ended December 31, 2019 related to this property disposition.

On August 1, 2019, the Company sold Morada Ranch, a non-core shopping center located in Stockton, California. The sales price of \$30.0 million, less costs to sell, resulted in net proceeds of approximately \$29.1 million. The Company recorded a gain on sale of real estate of approximately \$10.4 million during the year ended December 31, 2019 related to this property disposition.

On December 12, 2019, the Company sold Mission Foothill Marketplace, located in Mission Viejo, California, as a redevelopment property. The Company retained ownership of two retail pads that will be the gateway to the buyer's planned single-family and townhome community. The sales price of approximately \$13.6 million, less costs to sell, resulted in net proceeds of approximately \$13.5 million.

Property Dispositions in 2018

On September 27, 2018, the Company sold Round Hill Square, a non-core shopping center located in Zephyr Cove, Nevada. The sales price of \$28.0 million, less costs to sell, resulted in net proceeds of approximately \$26.9 million. The Company recorded a gain on sale of real estate of approximately \$5.9 million during the year ended December 31, 2018 related to this property disposition.

Any reference to square footage or occupancy is unaudited and outside the scope of our independent registered public accounting firm's audit of the Company's financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

3. Acquired Lease Intangibles

Intangible assets and liabilities as of December 31, 2019 and 2018 consisted of the following (in thousands):

	December 31,	
	2019	2018
Assets:		
In-place leases	\$ 77,910	\$ 92,354
Accumulated amortization	(31,686)	(36,835)
Above-market leases	25,039	30,093
Accumulated amortization	(11,562)	(13,503)
Acquired lease intangible assets, net	<u>\$ 59,701</u>	<u>\$ 72,109</u>
Liabilities:		
Below-market leases	\$ 198,272	\$ 217,212
Accumulated amortization	(53,515)	(51,066)
Acquired lease intangible liabilities, net	<u>\$ 144,757</u>	<u>\$ 166,146</u>

For the years ended December 31, 2019, 2018 and 2017, the net amortization of acquired lease intangible assets and acquired lease intangible liabilities for above and below market leases was \$15.6 million, \$14.0 million and \$17.1 million, respectively, which amounts are included in Rental revenue in the accompanying consolidated statements of operations and comprehensive income. For the years ended December 31, 2019, 2018 and 2017, the amortization of in-place leases was \$8.1 million, \$11.4 million and \$14.4 million, respectively, which amounts are included in Depreciation and amortization in the accompanying consolidated statements of operations and comprehensive income.

The scheduled future amortization of acquired lease intangible assets as of December 31, 2019 is as follows (in thousands):

Year Ending December 31:	
2020	\$ 5,179
2021	4,138
2022	3,440
2023	2,862
2024	2,458
Thereafter	41,624
Total future amortization of acquired lease intangible assets	<u>\$ 59,701</u>

The scheduled future amortization of acquired lease intangible liabilities as of December 31, 2019 is as follows (in thousands):

Year Ending December 31:	
2020	\$ 12,289
2021	11,123
2022	10,229
2023	9,485
2024	9,324
Thereafter	92,307
Total future amortization of acquired lease intangible liabilities	<u>\$ 144,757</u>

4. Tenant Leases

Space in the Company's shopping centers is leased to various tenants under operating leases that usually grant tenants renewal options and generally provide for additional rents based on certain operating expenses as well as tenants' sales volume.

Future minimum rents to be received under non-cancellable leases as of December 31, 2019 are summarized as follows (in thousands):

Year Ending December 31:	
2020	\$ 201,202
2021	183,897
2022	159,296
2023	130,882
2024	99,572
Thereafter	415,762
Total minimum lease payments	\$ 1,190,611

5. Mortgage Notes Payable, Credit Facilities and Senior Notes

ROIC does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, ROIC has guaranteed the Operating Partnership's term loan, unsecured revolving credit facility, carve-out guarantees on property-level debt, and the Senior Notes. Costs incurred in obtaining long-term financing are amortized ratably over the related debt agreement. The amortization of deferred financing costs is included in Interest expense and other finance expenses in the consolidated statements of operations and comprehensive income.

Mortgage Notes Payable

The mortgage notes payable collateralized by respective properties and assignment of leases at December 31, 2019 and December 31, 2018, respectively, were as follows (in thousands, except interest rates):

Property	Maturity Date	Interest Rate	December 31,	
			2019	2018
Casitas Plaza Shopping Center	June 2022	5.320 %	\$ 7,001	\$ 7,158
Riverstone Marketplace	July 2022	4.960 %	17,656	18,050
Fullerton Crossroads	April 2024	4.728 %	26,000	26,000
Diamond Hills Plaza	October 2025	3.550 %	35,500	35,500
			86,157	86,708
Mortgage premiums			1,594	2,074
Net unamortized deferred financing costs			(228)	(271)
Total mortgage notes payable			\$ 87,523	\$ 88,511

The combined aggregate principal maturities of mortgage notes payable during the next five years and thereafter are as follows (in thousands):

	Principal Repayments	Scheduled Amortization	Mortgage Premium	Total
2020	\$ —	\$ 577	\$ 481	\$ 1,058
2021	—	717	481	1,198
2022	23,129	1,003	344	24,476
2023	—	686	216	902
2024	26,000	708	72	26,780
Thereafter	32,787	550	—	33,337
Total	\$ 81,916	\$ 4,241	\$ 1,594	\$ 87,751

Term Loan and Credit Facility

The carrying values of the Company's unsecured term loan (the "term loan") were as follows (in thousands):

	December 31,	
	2019	2018
Term loan	\$ 300,000	\$ 300,000
Net unamortized deferred financing costs	(1,670)	(924)
Term loan	<u>\$ 298,330</u>	<u>\$ 299,076</u>

The Company has an unsecured term loan agreement with several banks under which the lenders agreed to provide a \$300.0 million unsecured term loan facility. Effective December 20, 2019, the Company entered into the First Amendment to First Amended and Restated Term Loan Agreement (as amended, the "Term Loan Agreement") pursuant to which the maturity date of the term loan was extended from September 8, 2022 to January 20, 2025, without further options for extension. The Term Loan Agreement also provides that the Company may from time to time request increased aggregate commitments of \$200.0 million under certain conditions set forth in the Term Loan Agreement, including the consent of the lenders for the additional commitments. Borrowings under the Term Loan Agreement accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for the relevant period (the "Eurodollar Rate"), or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by the Administrative Agent as its "prime rate," and (c) the Eurodollar Rate plus 1.00%.

The carrying values of the Company's unsecured revolving credit facility were as follows (in thousands):

	December 31,	
	2019	2018
Credit facility	\$ 84,000	\$ 156,000
Net unamortized deferred financing costs	(3,257)	(2,311)
Credit facility	<u>\$ 80,743</u>	<u>\$ 153,689</u>

The Operating Partnership has an unsecured revolving credit facility with several banks. Effective December 20, 2019, the Company entered into the First Amendment to Second Amended and Restated Credit Agreement (as amended, the "Credit Facility Agreement") pursuant to which the borrowing capacity under the credit facility is \$600.0 million. The maturity date of the credit facility was extended from September 8, 2021 to February 20, 2024, with two six-month extension options, which may be exercised by the Operating Partnership upon satisfaction of certain conditions including the payment of extension fees. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the borrowing capacity under the credit facility up to an aggregate of \$1.2 billion, subject to lender consents and other conditions. Borrowings under the credit facility accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) the Eurodollar Rate, or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the rate of interest announced by KeyBank, National Association as its "prime rate," and (c) the Eurodollar Rate plus 0.90%. Additionally, the Operating Partnership is obligated to pay a facility fee at a rate based on the credit rating level of the Company, currently 0.20%, and a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the credit facility. The Company has investment grade credit ratings from Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB-).

Both the term loan and credit facility contain customary representations, financial and other covenants. The Operating Partnership's ability to borrow under the term loan and credit facility are subject to its compliance with financial covenants and other restrictions on an ongoing basis. The Operating Partnership was in compliance with such covenants at December 31, 2019.

As of December 31, 2019, \$300.0 million and \$84.0 million were outstanding under the term loan and credit facility, respectively. The weighted average interest rates on the term loan and the credit facility during the year ended December 31, 2019 were 3.4% and 3.3%, respectively. As discussed in Note 11 of the accompanying financial statements, the Company uses interest rate swaps to manage its interest rate risk and accordingly, the swapped interest rate on the term loan is 3.0%. The

Company had no available borrowings under the term loan at December 31, 2019. The Company had \$516.0 million available to borrow under the credit facility at December 31, 2019.

Senior Notes Due 2027

The carrying value of the Company's unsecured Senior Notes Due 2027 is as follows (in thousands):

	December 31,	
	2019	2018
Principal amount	\$ 250,000	\$ 250,000
Net unamortized deferred financing costs	(998)	(1,123)
Senior Notes Due 2027	\$ 249,002	\$ 248,877

On November 10, 2017, the Operating Partnership entered into a Note Purchase Agreement which provided for the issuance of \$250.0 million principal amount of 4.19% Senior Notes Due 2027 (the "Senior Notes Due 2027") in a private placement effective December 15, 2017. The Senior Notes Due 2027 pay interest on June 15 and December 15 of each year, commencing on June 15, 2018, and mature on December 15, 2027, unless prepaid earlier by the Operating Partnership. The Operating Partnership's performance of the obligations under the Note Purchase Agreement, including the payment of any outstanding indebtedness thereunder, are guaranteed, jointly and severally, by ROIC. The net proceeds were used to reduce borrowings under the credit facility.

Senior Notes Due 2026

The carrying value of the Company's unsecured Senior Notes Due 2026 is as follows (in thousands):

	December 31,	
	2019	2018
Principal amount	\$ 200,000	\$ 200,000
Net unamortized deferred financing costs	(191)	(219)
Senior Notes Due 2026	\$ 199,809	\$ 199,781

On July 26, 2016, the Operating Partnership entered into a Note Purchase Agreement, as amended, which provided for the issuance of \$200.0 million principal amount of 3.95% Senior Notes Due 2026 (the "Senior Notes Due 2026") in a private placement effective September 22, 2016. The Senior Notes Due 2026 pay interest on March 22 and September 22 of each year, commencing on March 22, 2017, and mature on September 22, 2026, unless prepaid earlier by the Operating Partnership. The Operating Partnership's performance of the obligations under the Note Purchase Agreement, including the payment of any outstanding indebtedness thereunder, are guaranteed, jointly and severally, by ROIC. The net proceeds were used to reduce borrowings under the credit facility.

Senior Notes Due 2024

The carrying value of the Company's unsecured Senior Notes Due 2024 is as follows (in thousands):

	December 31,	
	2019	2018
Principal amount	\$ 250,000	\$ 250,000
Unamortized debt discount	(1,912)	(2,252)
Net unamortized deferred financing costs	(1,094)	(1,314)
Senior Notes Due 2024	\$ 246,994	\$ 246,434

On December 3, 2014, the Operating Partnership completed a registered underwritten public offering of \$250.0 million aggregate principal amount of 4.000% Senior Notes due 2024 (the "Senior Notes Due 2024"), fully and unconditionally guaranteed by ROIC. The Senior Notes Due 2024 pay interest semi-annually on June 15 and December 15, commencing on June 15, 2015, and mature on December 15, 2024, unless redeemed earlier by the Operating Partnership. The Senior Notes Due

2024 are the Operating Partnership’s senior unsecured obligations that rank equally in right of payment with the Operating Partnership’s other unsecured indebtedness, and effectively junior to (i) all of the indebtedness and other liabilities, whether secured or unsecured, and any preferred equity of the Operating Partnership’s subsidiaries, and (ii) all of the Operating Partnership’s indebtedness that is secured by its assets, to the extent of the value of the collateral securing such indebtedness outstanding. ROIC fully and unconditionally guaranteed the Operating Partnership’s obligations under the Senior Notes Due 2024 on a senior unsecured basis, including the due and punctual payment of principal of, and premium, if any, and interest on, the notes, whether at stated maturity, upon acceleration, notice of redemption or otherwise. The guarantee is a senior unsecured obligation of ROIC and ranks equally in right of payment with all other senior unsecured indebtedness of ROIC. ROIC’s guarantee of the Senior Notes Due 2024 is effectively subordinated in right of payment to all liabilities, whether secured or unsecured, and any preferred equity of its subsidiaries (including the Operating Partnership and any entity ROIC accounts for under the equity method of accounting).

Senior Notes Due 2023

The carrying value of the Company’s unsecured Senior Notes Due 2023 is as follows (in thousands):

	December 31,	
	2019	2018
Principal amount	\$ 250,000	\$ 250,000
Unamortized debt discount	(1,915)	(2,339)
Net unamortized deferred financing costs	(1,040)	(1,304)
Senior Notes Due 2023	<u>\$ 247,045</u>	<u>\$ 246,357</u>

On December 9, 2013, the Operating Partnership completed a registered underwritten public offering of \$250.0 million aggregate principal amount of 5.000% Senior Notes due 2023 (the “Senior Notes Due 2023”), fully and unconditionally guaranteed by ROIC. The Senior Notes Due 2023 pay interest semi-annually on June 15 and December 15, commencing on June 15, 2014, and mature on December 15, 2023, unless redeemed earlier by the Operating Partnership. The Senior Notes Due 2023 are the Operating Partnership’s senior unsecured obligations that rank equally in right of payment with the Operating Partnership’s other unsecured indebtedness, and effectively junior to (i) all of the indebtedness and other liabilities, whether secured or unsecured, and any preferred equity of the Operating Partnership’s subsidiaries, and (ii) all of the Operating Partnership’s indebtedness that is secured by its assets, to the extent of the value of the collateral securing such indebtedness outstanding. ROIC fully and unconditionally guaranteed the Operating Partnership’s obligations under the Senior Notes Due 2023 on a senior unsecured basis, including the due and punctual payment of principal of, and premium, if any, and interest on, the notes, whether at stated maturity, upon acceleration, notice of redemption or otherwise. The guarantee is a senior unsecured obligation of ROIC and will rank equally in right of payment with all other senior unsecured indebtedness of ROIC. ROIC’s guarantee of the Senior Notes Due 2023 is effectively subordinated in right of payment to all liabilities, whether secured or unsecured, and any preferred equity of its subsidiaries (including the Operating Partnership and any entity ROIC accounts for under the equity method of accounting).

The combined aggregate principal maturities of the Company’s unsecured senior notes payable during the next five years and thereafter are as follows (in thousands):

	Principal Repayments
2020	\$ —
2021	—
2022	—
2023	250,000
2024	250,000
Thereafter	450,000
Total	<u>\$ 950,000</u>

Deferred Financing Costs

The unamortized balances of deferred financing costs associated with the Company's term loan, unsecured revolving credit facility, Senior Notes Due 2027, Senior Notes Due 2026, Senior Notes Due 2024, Senior Notes Due 2023, and mortgage notes payable included as a direct reduction from the carrying amount of the related debt instrument in the consolidated balance sheets as of December 31, 2019 that will be charged to future operations during the next five years and thereafter are as follows (in thousands):

	Financing Costs
2020	\$ 1,799
2021	1,799
2022	1,796
2023	1,781
2024	836
Thereafter	467
	<u>\$ 8,478</u>

6. Preferred Stock of ROIC

The Company is authorized to issue 50,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. As of December 31, 2019 and 2018, there were no shares of preferred stock outstanding.

7. Common Stock of ROIC

ATM

On May 1, 2018, ROIC entered into five separate Sales Agreements (the "Sales Agreements") with each of Capital One Securities, Inc., Jefferies LLC, KeyBanc Capital Markets Inc., Raymond James & Associates, Inc., and Robert W. Baird & Co. Incorporated (each individually, an "Agent" and collectively, the "Agents") pursuant to which ROIC may sell, from time to time, shares of ROIC's common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$250.0 million through the Agents either as agents or principals. In addition, on April 30, 2018, the Company terminated sales agreements with Jefferies, KeyBanc and Raymond James, dated as of September 19, 2014 and with Baird, dated as of May 23, 2016 (the "Prior Sales Agreements"), which the Company entered into in connection with its prior "at the market" offering.

During the year ended December 31, 2019, ROIC sold a total of 1,861,036 shares under the Sales Agreements, which resulted in gross proceeds of approximately \$34.2 million and commissions of approximately \$342,000 paid to the Agents. During the year ended December 31, 2018, ROIC sold a total of 1,251,376 shares under the Sales Agreements, which resulted in gross proceeds of approximately \$24.2 million and commissions of approximately \$242,000 paid to the Agents.

Stock Repurchase Program

On July 31, 2013, ROIC's board of directors authorized a stock repurchase program to repurchase up to a maximum of \$50.0 million of the Company's common stock. Through the year ended December 31, 2019, the Company has not repurchased any shares of common stock under this program.

8. Stock Compensation and Other Benefit Plans for ROIC

ROIC follows the FASB guidance related to stock compensation which establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer, or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. The guidance also defines a fair value-based method of accounting for an employee stock option or similar equity instrument.

In 2009, the Company adopted the 2009 Equity Incentive Plan. The 2009 Equity Incentive Plan provided for grants of restricted common stock and stock option awards up to an aggregate of 7.5% of the issued and outstanding shares of ROIC's

common stock at the time of the award, subject to a ceiling of 4,000,000 shares. The Company's Annual Meeting of Stockholders was held on April 25, 2018 at which time the stockholders of the Company approved the Company's Amended and Restated 2009 Equity Incentive Plan (the "Equity Incentive Plan"). The types of awards that may be granted under the Equity Incentive Plan include stock options, restricted shares, share appreciation rights, phantom shares, dividend equivalent rights and other equity-based awards. The Equity Incentive Plan has a fungible unit system that counts the number of shares of the Company's common stock used in the issuance of full-value awards, such as restricted shares, differently than the number of shares of common stock used in the issuance of stock options. A total of 22,500,000 Fungible Units (as defined in the Equity Incentive Plan) are reserved for grant under the Equity Incentive Plan and the Fungible Unit-to-full-value award conversion ratio is 6.25 to 1.0. The Equity Incentive Plan will expire on April 25, 2028. Any available shares that had not been granted under the 2009 Equity Incentive Plan were incorporated into and made available for issuance under the Equity Incentive Plan.

The Company has made certain awards in the form of a separate series of units of limited partnership interests in its Operating Partnership called LTIP Units, which can be granted either as free-standing awards or in tandem with other awards under the Equity Incentive Plan. The LTIP Units are subject to such conditions and restrictions as the compensation committee may determine, including continued employment or service, achievement of pre-established operational performance goals and market-indexed performance criteria. Upon the occurrence of specified events and subject to the satisfaction of applicable vesting conditions, LTIP Units (after conversion into OP Units, in accordance with the Partnership Agreement) are ultimately redeemable for cash or for unregistered shares of ROIC common stock, at the option of ROIC, on a one-for-one basis.

Restricted Stock

During the year ended December 31, 2019, ROIC awarded 354,161 shares of time-based restricted common stock under the Equity Incentive Plan.

A summary of the status of the Company's non-vested restricted stock awards as of December 31, 2019, and changes during the year ended December 31, 2019 are presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested as of December 31, 2018	1,002,835	\$ 16.88
Granted	354,161	\$ 17.20
Vested	(364,913)	\$ 19.06
Forfeited	(37,286)	\$ 12.97
Non-vested as of December 31, 2019	954,797	\$ 16.55

As of December 31, 2019, there remained a total of approximately \$6.1 million of unrecognized restricted stock compensation related to outstanding non-vested restricted stock grants awarded under the Equity Incentive Plan. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 1.6 years (irrespective of achievement of the performance conditions). The total fair value of restricted stock that vested during the years ended December 31, 2019, 2018 and 2017 was \$5.8 million, \$5.5 million and \$6.3 million, respectively.

LTIP Units

During the year ended December 31, 2019, ROIC awarded 187,279 LTIP Units under the Equity Incentive Plan. The LTIP Units vest based on both pre-defined operational and market-indexed performance criteria with a vesting date on January 1, 2022. The LTIP Units were issued at a weighted average grant date fair value of \$16.27.

As of December 31, 2019, there remained a total of approximately \$2.4 million of unrecognized compensation expense related to outstanding non-vested LTIPs awarded under the Equity Incentive Plan. LTIP compensation expense is expected to be expensed over a remaining weighted average period of 2.0 years.

Stock Options

During the year ended December 31, 2019, a total of 186,000 options were exercised at a weighted average exercise price of \$10.44. The total intrinsic value of stock options exercised during the year ended December 31, 2019 was approximately \$1.4 million.

Stock Based Compensation Expense

For the years ended December 31, 2019, 2018 and 2017, the amounts charged to expense for all stock based compensation totaled approximately \$8.6 million, \$7.4 million and \$6.2 million, respectively.

Profit Sharing and Savings Plan

During 2011, the Company established a profit sharing and savings plan (the “401K Plan”), which permits eligible employees to defer a portion of their compensation in accordance with the Code. Under the 401K Plan, the Company made matching contributions on behalf of eligible employees. The Company made contributions to the 401K Plan of approximately \$87,000, \$86,000 and \$70,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

9. Capital of the Operating Partnership

As of December 31, 2019, the Operating Partnership had 127,547,106 OP Units outstanding. ROIC owned an approximate 91.3% interest in the Operating Partnership at December 31, 2019, or 116,496,016 OP Units. The remaining 11,051,090 OP Units are owned by other limited partners. A share of ROIC’s common stock and the OP Units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership.

As of December 31, 2019, subject to certain exceptions, holders are able to redeem their OP Units, at the option of ROIC, for cash or for unregistered shares of ROIC common stock on a one-for-one basis. If cash is paid in the redemption, the redemption price is equal to the average closing price on the NASDAQ Stock Market for shares of ROIC’s common stock over the ten consecutive trading days immediately preceding the date a redemption notice is received by ROIC.

During the year ended December 31, 2019, ROIC received notices of redemption for a total of 425,951 OP Units. ROIC elected to redeem 282,761 OP Units in cash, and accordingly, a total of approximately \$5.0 million was paid during the year ended December 31, 2019 to the holder of the respective OP Units. In accordance with the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, the redemption value of the OP Units was calculated based on the average closing price of ROIC’s common stock on the NASDAQ Stock Market for the ten consecutive trading days immediately preceding the date of receipt of the notice of redemption. ROIC elected to redeem the remaining 143,190 OP Units for shares of ROIC common stock on a one-for-one basis, and accordingly, 143,190 shares of ROIC common stock were issued.

The redemption value of the OP Units owned by the limited partners as of December 31, 2019, not including ROIC, had such units been redeemed at December 31, 2019, was approximately \$191.5 million, calculated based on the average closing price on the NASDAQ Stock Market of ROIC common stock for the ten consecutive trading days immediately preceding December 31, 2019, which amounted to \$17.33 per share.

Retail Opportunity Investments GP, LLC, ROIC’s wholly-owned subsidiary, is the sole general partner of the Operating Partnership, and as the parent company, ROIC has the full and complete authority over the Operating Partnership’s day-to-day management and control. As the sole general partner of the Operating Partnership, ROIC effectively controls the ability to issue common stock of ROIC upon redemption of any OP Units. The redemption provisions that permit ROIC to settle the redemption of OP Units in either cash or common stock, in the sole discretion of ROIC, are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Company evaluated this guidance, including the ability, in its sole discretion, to settle in unregistered shares of common stock, and determined that the OP Units meet the requirements to qualify for presentation as permanent equity.

10. Fair Value of Financial Instruments

The Company follows the FASB guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

The guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the

reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following disclosures of estimated fair value were determined by management, using available market information and appropriate valuation methodologies as discussed in Note 1. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts realizable upon disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of cash and cash equivalents, restricted cash, tenant and other receivables, deposits, prepaid expenses, other assets, accounts payable and accrued expenses are reasonable estimates of their fair values because of the short-term nature of these instruments. The carrying values of the term loan and revolving credit facility are deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. The fair value of the outstanding Senior Notes Due 2027 and Senior Notes Due 2026 at December 31, 2019 was approximately \$246.7 million and \$195.0 million, respectively, calculated using significant inputs which are not observable in the market, or Level 3. The fair value of the outstanding Senior Notes Due 2024 and Senior Notes Due 2023 at December 31, 2019 was approximately \$260.4 million and \$269.3 million, respectively, based on inputs not quoted on active markets, but corroborated by market data, or Level 2. Assumed mortgage notes payable were recorded at their fair value at the time they were assumed. The Company's outstanding mortgage notes payable were estimated to have a fair value of approximately \$87.2 million with a weighted average interest rate of 3.8% as of December 31, 2019. These fair value measurements fall within Level 3 of the fair value hierarchy.

11. Derivative and Hedging Activities

The Company's objectives in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The following is a summary of the terms of the Company's current interest rate swaps as of December 31, 2019 (in thousands):

Swap Counterparty	Notional Amount	Effective Date	Maturity Date
Interest Rate Swap Agreements:			
Bank of Montreal	\$ 100,000	12/29/2017	8/31/2022
U.S. Bank	\$ 100,000	12/29/2017	8/31/2022
Regions Bank	\$ 50,000	1/31/2019	8/31/2022
Royal Bank of Canada	\$ 50,000	1/31/2019	8/31/2022

The changes in the fair value of derivatives that are designated as cash flow hedges are recorded in accumulated other comprehensive income ("AOCI") and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including

the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities. The fair value of interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Company incorporated credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparties non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contract for the effect of non-performance risk, the Company considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of December 31, 2019, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands).

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2019:				
Liabilities				
Derivative financial instruments	\$ —	\$ (3,865)	\$ —	\$ (3,865)
December 31, 2018:				
Assets				
Derivative financial instruments	\$ —	\$ 4,931	\$ —	\$ 4,931
Liabilities				
Derivative financial instruments	\$ —	\$ (580)	\$ —	\$ (580)

Amounts paid, or received, to cash settle interest rate derivatives prior to their maturity date are recorded in AOCI at the cash settlement amount, and will be reclassified to interest expense as interest expense is recognized on the hedged debt. During the next twelve months, the Company estimates that \$1.5 million will be reclassified as an increase to interest expense related to the Company's four outstanding swap arrangements and its previously cash-settled swap arrangements.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the balance sheet as of December 31, 2019 and 2018, respectively (in thousands):

Derivatives designed as hedging instruments	Balance sheet location	December 31, 2019 Fair Value	December 31, 2018 Fair Value
Interest rate products	Other assets	\$ —	\$ 4,931
Interest rate products	Other liabilities	\$ (3,865)	\$ (580)

Derivatives in Cash Flow Hedging Relationships

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the years ended December 31, 2019, 2018, and 2017, respectively (in thousands). Amounts reclassified from other comprehensive income (“OCI”) due to ineffectiveness are recognized as interest expense.

	Year Ended December 31,		
	2019	2018	2017
Amount of (loss) gain recognized in OCI on derivatives	\$ (7,348)	\$ 1,648	\$ 3,665
Amount of (gain) loss reclassified from AOCI into interest	\$ (345)	\$ 57	\$ 1,920

12. Commitments and Contingencies

In the normal course of business, from time to time, the Company is involved in legal actions relating to the ownership and operations of its properties. In management’s opinion, the liabilities, if any, that ultimately may result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

The Company has signed several ground leases in which the Company is the lessee for the land beneath all or a portion of the buildings for certain properties. In accordance with ASU 2016-02, the Company recorded a right-of-use asset and related lease liability for these ground leases as of January 1, 2019. As of December 31, 2019, the Company’s weighted average remaining lease term is approximately 37.6 years and the weighted average discount rate used to calculate the Company’s lease liability is approximately 5.2%. Rent expense under the Company’s ground leases was approximately \$1.6 million, \$1.9 million, and \$1.5 million for the years ended December 31, 2019, 2018, and 2017, respectively.

The following table represents a reconciliation of the Company’s undiscounted future minimum annual lease payments under operating leases to the lease liability as of December 31, 2019 (in thousands):

	Operating Leases
2020	\$ 1,287
2021	1,282
2022	1,304
2023	1,330
2024	1,335
Thereafter	32,604
Total undiscounted future minimum lease payments	39,142
Future minimum lease payments, discount	(21,467)
Lease liability	\$ 17,675

Tax Protection Agreements

In connection with certain acquisitions from September 2013 through March 2017, the Company entered into Tax Protection Agreements with certain limited partners of the Operating Partnership. The Tax Protection Agreements require the Company, subject to certain exceptions, to indemnify the respective sellers receiving OP Units against certain tax liabilities incurred by them, as calculated pursuant to the respective Tax Protection Agreements, for a period of 12 years (with respect to Tax Protection Agreements entered into in September 2013), or 10 years (with respect to Tax Protection Agreements entered into from December 2014 through March 2017) from the date of the Tax Protection Agreements. If the Company were to trigger the tax protection provisions under these agreements, the Company would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment).

Legal Settlement

During the year ended December 31, 2019, the Company settled an ongoing lawsuit for approximately \$1.4 million and accordingly, recorded a \$950,000 charge to Other expense in the accompanying consolidated statements of operations and comprehensive income during the year ended December 31, 2019.

13. Related Party Transactions

The Company has entered into several lease agreements with an officer of the Company, whereby pursuant to the lease agreements, the Company is provided the use of storage space. For the years ended December 31, 2019, 2018, and 2017, the Company incurred approximately \$84,000, \$74,000 and \$52,000, respectively, of expenses relating to the agreements which were included in General and administrative expenses in the accompanying consolidated statements of operations and comprehensive income.

14. Quarterly Results of Operations (Unaudited)

The unaudited quarterly results of operations for the years ended December 31, 2019 and 2018 for ROIC are as follows (in thousands, except share data):

	Year Ended December 31, 2019			
	March 31	June 30	September 30	December 31
Total revenues	\$ 76,053	\$ 72,930	\$ 72,438	\$ 73,619
Net income	\$ 14,583	\$ 8,346	\$ 19,628	\$ 11,126
Net income attributable to ROIC	\$ 13,250	\$ 7,585	\$ 17,858	\$ 10,151
Basic and diluted income per share	\$ 0.12	\$ 0.07	\$ 0.16	\$ 0.09

	Year Ended December 31, 2018			
	March 31	June 30	September 30	December 31
Total revenues	\$ 74,395	\$ 72,341	\$ 73,904	\$ 75,158
Net income	\$ 11,824	\$ 8,102	\$ 15,647	\$ 11,568
Net income attributable to ROIC	\$ 10,702	\$ 7,339	\$ 14,194	\$ 10,501
Basic and diluted income per share	\$ 0.09	\$ 0.06	\$ 0.12	\$ 0.09

The unaudited quarterly results of operations for the years ended December 31, 2019 and 2018 for the Operating Partnership are as follows (in thousands, except unit data):

	Year Ended December 31, 2019			
	March 31	June 30	September 30	December 31
Total revenues	\$ 76,053	\$ 72,930	\$ 72,438	\$ 73,619
Net income attributable to the Operating Partnership	\$ 14,583	\$ 8,346	\$ 19,628	\$ 11,126
Basic and diluted income per unit	\$ 0.12	\$ 0.07	\$ 0.16	\$ 0.09

	Year Ended December 31, 2018			
	March 31	June 30	September 30	December 31
Total revenues	\$ 74,395	\$ 72,341	\$ 73,904	\$ 75,158
Net income attributable to the Operating Partnership	\$ 11,824	\$ 8,102	\$ 15,647	\$ 11,568
Basic and diluted income per unit	\$ 0.09	\$ 0.06	\$ 0.12	\$ 0.09

15. Subsequent Events

On February 18, 2020, the Company's board of directors declared a cash dividend on its common stock of \$0.20 per share, payable on March 30, 2020 to holders of record on March 16, 2020.

SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019
(in thousands)

Description and Location	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Amount at Which Carried at Close of Period		Total (a)	Accumulated Depreciation (b) (1)	Date of Acquisition
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements			
Paramount Plaza, CA	\$ —	\$ 6,347	\$ 10,274	\$ 530	\$ 2,127	\$ 6,877	\$ 12,401	\$ 19,278	\$ 3,997	12/22/2009
Santa Ana Downtown Plaza, CA	—	7,895	9,890	—	4,029	7,895	13,919	21,814	3,812	1/26/2010
Meridian Valley Plaza, WA	—	1,881	4,795	—	1,757	1,881	6,552	8,433	2,085	2/1/2010
The Market at Lake Stevens, WA	—	3,087	12,397	—	392	3,087	12,789	15,876	3,782	3/16/2010
Pleasant Hill Marketplace, CA	—	6,359	6,927	—	1,590	6,359	8,517	14,876	2,765	4/8/2010
Happy Valley Town Center, OR	—	11,678	27,011	—	2,906	11,678	29,917	41,595	8,317	7/14/2010
Cascade Summit Town Square, OR	—	8,853	7,732	—	482	8,853	8,214	17,067	2,952	8/20/2010
Heritage Market Center, WA	—	6,595	17,399	—	756	6,595	18,155	24,750	4,751	9/23/2010
Claremont Promenade, CA	—	5,975	1,019	183	4,388	6,158	5,407	11,565	2,763	9/23/2010
Sycamore Creek, CA	—	3,747	11,584	—	520	3,747	12,104	15,851	3,949	9/30/2010
Gateway Village, CA	—	5,917	27,298	—	1,247	5,917	28,545	34,462	7,450	12/16/2010
Division Crossing, OR	—	3,706	8,327	—	5,586	3,706	13,913	17,619	4,482	12/22/2010
Halsey Crossing, OR (2)	—	—	7,773	—	7,793	—	15,566	15,566	3,701	12/22/2010
Marketplace Del Rio, CA	—	13,420	22,251	9	2,905	13,429	25,156	38,585	7,084	1/3/2011
Pinole Vista Shopping Center, CA	—	12,894	35,689	—	5,941	12,894	41,630	54,524	7,407	1/6/2011 / 8/27/2018
Desert Springs Marketplace, CA	—	8,517	18,761	443	6,127	8,960	24,888	33,848	6,022	2/17/2011
Mills Shopping Center, CA	—	4,084	16,833	—	11,004	4,084	27,837	31,921	8,990	2/17/2011
Renaissance Towne Centre, CA	—	8,640	13,848	—	2,346	8,640	16,194	24,834	3,587	8/3/2011
Country Club Gate Center, CA	—	6,487	17,341	—	777	6,487	18,118	24,605	4,593	7/8/2011
Canyon Park Shopping Center, WA	—	9,352	15,916	—	9,013	9,352	24,929	34,281	6,443	7/29/2011
Hawks Prairie Shopping Center, WA	—	5,334	20,694	—	2,225	5,334	22,919	28,253	5,505	9/8/2011
The Kress Building, WA	—	5,693	20,866	—	4,839	5,693	25,705	31,398	7,043	9/30/2011
Hillsboro Market Center, OR (2)	—	—	17,553	—	4,713	—	22,266	22,266	5,240	11/23/2011
Gateway Shopping Center, WA (2)	—	6,242	23,462	—	397	6,242	23,859	30,101	5,318	2/16/2012
Euclid Plaza, CA	—	7,407	7,753	—	3,117	7,407	10,870	18,277	3,470	3/28/2012
Green Valley Station, CA	—	1,685	8,999	—	785	1,685	9,784	11,469	2,676	4/2/2012
Aurora Square, WA	—	10,325	13,336	—	2,662	10,325	15,998	26,323	2,888	5/3/2012 / 5/22/2014
Marlin Cove Shopping Center, CA	—	8,815	6,797	—	2,151	8,815	8,948	17,763	2,599	5/4/2012
Seabridge Marketplace, CA	—	5,098	17,164	—	3,584	5,098	20,748	25,846	4,485	5/31/2012
The Village at Novato, CA	—	5,329	4,412	—	1,833	5,329	6,245	11,574	1,246	7/24/2012
Glendora Shopping Center, CA	—	5,847	8,758	—	298	5,847	9,056	14,903	2,375	8/1/2012
Wilsonville Old Town Square, OR	—	4,181	15,394	—	1,396	4,181	16,790	20,971	3,440	8/1/2012

Description and Location	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Amount at Which Carried at Close of Period		Total (a)	Accumulated Depreciation (b) ⁽¹⁾	Date of Acquisition
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements			
Bay Plaza, CA	—	5,454	14,857	—	1,084	5,454	15,941	21,395	3,577	10/5/2012
Santa Teresa Village, CA	—	14,965	17,162	—	6,500	14,965	23,662	38,627	5,597	11/8/2012
Cypress Center West, CA	—	15,480	11,819	124	2,051	15,604	13,870	29,474	3,618	12/7/2012
Redondo Beach Plaza, CA	—	16,242	13,625	72	297	16,314	13,922	30,236	3,141	12/28/2012
Harbor Place Center, CA	—	16,506	10,527	—	533	16,506	11,060	27,566	2,240	12/28/2012
Diamond Bar Town Center, CA	—	9,540	16,795	—	3,775	9,540	20,570	30,110	5,585	2/1/2013
Bernardo Heights Plaza, CA	—	3,192	8,940	—	728	3,192	9,668	12,860	2,219	2/6/2013
Canyon Crossing, WA	—	7,941	24,659	—	2,959	7,941	27,618	35,559	6,814	4/15/2013
Diamond Hills Plaza, CA	35,500	15,458	29,353	—	872	15,458	30,225	45,683	5,818	4/22/2013
Granada Shopping Center, CA	—	3,673	13,459	—	842	3,673	14,301	17,974	3,005	6/27/2013
Hawthorne Crossings, CA	—	10,383	29,277	—	221	10,383	29,498	39,881	5,703	6/27/2013
Robinwood Shopping Center, OR	—	3,997	11,317	18	1,141	4,015	12,458	16,473	2,721	8/23/2013
5 Points Plaza, CA	—	17,920	36,965	—	4,242	17,920	41,207	59,127	7,778	9/27/2013
Crossroads Shopping Center, WA	—	68,366	67,756	—	19,067	68,366	86,823	155,189	17,347	9/27/2013
Peninsula Marketplace, CA	—	14,730	19,214	—	1,979	14,730	21,193	35,923	4,162	11/1/2013
Country Club Village, CA	—	9,986	26,579	—	1,797	9,986	28,376	38,362	5,845	11/26/2013
Plaza de la Canada, CA ⁽²⁾	—	10,351	24,819	—	1,233	10,351	26,052	36,403	4,567	12/13/2013
Tigard Marketplace, OR	—	13,587	9,603	—	692	13,587	10,295	23,882	2,533	2/18/2014
Creekside Plaza, CA	—	14,807	29,476	—	2,495	14,807	31,971	46,778	5,737	2/28/2014
North Park Plaza, CA	—	13,593	17,733	—	1,737	13,593	19,470	33,063	3,042	4/30/2014
Fallbrook Shopping Center, CA ⁽²⁾	—	21,232	186,197	83	9,379	21,315	195,576	216,891	32,933	6/13/2014
Moorpark Town Center, CA	—	7,063	19,694	—	1,631	7,063	21,325	28,388	4,498	12/4/2014
Mission Foothill Marketplace Pads, CA	—	3,996	11,051	—	297	3,996	11,348	15,344	1,439	12/4/2014
Wilsonville Town Center, OR	—	10,334	27,101	—	602	10,334	27,703	38,037	4,553	12/11/2014
Park Oaks Shopping Center, CA	—	8,527	38,064	—	569	8,527	38,633	47,160	5,934	1/6/2016
Ontario Plaza, CA	—	9,825	26,635	—	1,470	9,825	28,105	37,930	4,644	1/6/2015
Winston Manor, CA	—	10,018	9,762	—	2,132	10,018	11,894	21,912	2,053	1/7/2015
Jackson Square, CA	—	6,886	24,558	—	1,111	6,886	25,669	32,555	3,632	7/1/2015
Tigard Promenade, OR	—	9,844	10,843	—	245	9,844	11,088	20,932	1,517	7/28/2015
Sunnyside Village Square, OR	—	4,428	13,324	—	3,856	4,428	17,180	21,608	2,875	7/28/2015
Gateway Centre, CA	—	16,275	28,308	—	4,178	16,275	32,486	48,761	4,231	9/1/2015
Johnson Creek Center, OR	—	9,009	22,534	—	1,391	9,009	23,925	32,934	3,308	11/9/2015
Iron Horse Plaza, CA	—	8,187	39,654	11	2,519	8,198	42,173	50,371	4,732	12/4/2015
Bellevue Marketplace, WA	—	10,488	39,119	—	10,162	10,488	49,281	59,769	5,515	12/10/2015
Four Corner Square, WA	—	9,926	31,415	—	491	9,926	31,906	41,832	4,106	12/21/2015
Warner Plaza, CA	—	16,104	60,188	—	9,266	16,104	69,454	85,558	8,460	12/31/2015
Magnolia Shopping Center, CA	—	12,501	27,040	—	2,046	12,501	29,086	41,587	3,621	3/10/2016

Description and Location	Encumbrances	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Amount at Which Carried at Close of Period		Total (a)	Accumulated Depreciation (b) (1)	Date of Acquisition
		Land	Building & Improvements	Land	Building & Improvements	Land	Building & Improvements			
Casitas Plaza Shopping Center, CA	7,001	10,734	22,040	—	1,431	10,734	23,471	34,205	2,626	3/10/2016
Bouquet Center, CA	—	10,040	48,362	—	606	10,040	48,968	59,008	5,373	4/28/2016
North Ranch Shopping Center, CA	—	31,522	95,916	—	1,826	31,522	97,742	129,264	9,622	6/1/2016
Monterey Center, CA (2)	—	1,073	10,609	—	237	1,073	10,846	11,919	1,080	7/14/2016
Rose City Center, OR (2)	—	3,637	10,301	—	(78)	3,637	10,223	13,860	987	9/15/2016
The Knolls, CA	—	9,726	18,299	—	21	9,726	18,320	28,046	1,827	10/3/2016
Bridle Trails Shopping Center, WA	—	11,534	20,700	—	7,906	11,534	28,606	40,140	2,586	10/17/2016
Torrey Hills Corporate Center, CA	—	5,579	3,915	—	2,435	5,579	6,350	11,929	1,320	12/6/2016
PCC Community Markets Plaza, WA	—	1,856	6,914	—	7	1,856	6,921	8,777	657	1/25/2017
The Terraces, CA	—	18,378	37,103	—	1,423	18,378	38,526	56,904	3,291	3/17/2017
Santa Rosa Southside Shopping Center, CA	—	5,595	24,453	—	1,788	5,595	26,241	31,836	2,057	3/24/2017
Division Center, OR	—	6,917	26,098	—	2,086	6,917	28,184	35,101	2,353	4/5/2017
Highland Hill Shopping Center, WA	—	10,511	37,825	29	382	10,540	38,207	48,747	3,210	5/9/2017
Monta Loma Plaza, CA	—	18,226	11,113	—	140	18,226	11,253	29,479	784	9/19/2017
Fullerton Crossroads, CA	26,000	28,512	45,419	—	476	28,512	45,895	74,407	3,205	10/11/2017
Riverstone Marketplace, WA	17,656	5,113	27,594	—	277	5,113	27,871	32,984	1,876	10/11/2017
North Lynnwood Shopping Center, WA	—	4,955	10,335	9	710	4,964	11,045	16,009	766	10/19/2017
The Village at Nellie Gail Ranch, CA	—	22,730	22,578	—	1,387	22,730	23,965	46,695	1,528	11/30/2017
Stadium Center, WA	—	1,699	17,229	7	87	1,706	17,316	19,022	861	2/23/2018
King City Plaza, OR	—	5,161	10,072	—	43	5,161	10,115	15,276	570	5/18/2018
Summerwalk Village, WA	—	2,320	9,281	—	4	2,320	9,285	11,605	20	12/13/2019
	<u>\$ 86,157</u>	<u>\$ 878,022</u>	<u>\$ 2,023,831</u>	<u>\$ 1,518</u>	<u>\$ 228,470</u>	<u>\$ 879,540</u>	<u>\$ 2,252,301</u>	<u>\$ 3,131,841</u>	<u>\$ 390,916</u>	

a. RECONCILIATION OF REAL ESTATE – OWNED SUBJECT TO OPERATING LEASES (in thousands)

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period:	\$ 3,160,472	\$ 3,109,397	\$ 2,687,018
Property improvements during the year	37,985	40,300	54,481
Properties acquired during the year	11,601	43,387	374,004
Properties sold during the year	(69,056)	(24,427)	—
Assets written off during the year	(9,161)	(8,185)	(6,106)
Balance at end of period:	<u>\$ 3,131,841</u>	<u>\$ 3,160,472</u>	<u>\$ 3,109,397</u>

b. RECONCILIATION OF ACCUMULATED DEPRECIATION (in thousands)

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period:	\$ 329,207	\$ 260,115	\$ 193,021
Depreciation expenses	82,419	81,107	72,725
Properties sold during the year	(10,775)	(3,551)	—
Property assets fully depreciated and written off	(9,935)	(8,464)	(5,631)
Balance at end of period:	\$ 390,916	\$ 329,207	\$ 260,115

(1) Depreciation and investments in building and improvements reflected in the consolidated statements of operations is calculated over the estimated useful life of the assets as follows:

Building: 39-40 years
Property Improvements: 10-20 years

(2) Property, or a portion thereof, is subject to a ground lease.

(3) The aggregate cost for Federal Income Tax Purposes for real estate was approximately \$2.9 billion at December 31, 2019.

SCHEDULE IV – MORTGAGE LOANS ON REAL ESTATE

December 31, 2019

(in thousands)

a. RECONCILIATION OF MORTGAGE LOANS ON REAL ESTATE (in thousands)

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period:	\$ —	\$ —	\$ —
Mortgage loans acquired during the current period	13,250	—	—
Repayments on mortgage note receivable	(250)	—	—
Balance at end of period:	\$ 13,000	\$ —	\$ —

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures (Retail Opportunity Investments Corp.)

ROIC maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, ROIC’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

ROIC’s Chief Executive Officer and Chief Financial Officer, based on their evaluation of ROIC’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of the end of the period covered by this report, ROIC’s disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to ROIC that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

During the year ended December 31, 2019, there was no change in ROIC’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, ROIC’s internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures (Retail Opportunity Investments Partnership, LP)

The Operating Partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the Operating Partnership’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company’s Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Operating Partnership’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of the end of the period covered by this report, the Operating Partnership’s disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Operating Partnership that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

During the year ended December 31, 2019, there was no change in the Operating Partnership's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting (Retail Opportunity Investments Corp.)

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of ROIC's management, including the Chief Executive Officer and Chief Financial Officer, ROIC conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2019 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on that evaluation, Management concluded that its internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of internal control over financial reporting as of December 31, 2019, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report which appears on page 50 of this Annual Report on Form 10-K.

Management's Report on Internal Control over Financial Reporting (Retail Opportunity Investments Partnership, LP)

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of the Operating Partnership's management, including the Chief Executive Officer and Chief Financial Officer of ROIC, the Operating Partnership conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2019 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on that evaluation, Management concluded that its internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There was no change in ROIC's or the Operating Partnership's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during its most recent quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Company's 2020 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2019.

Item 11. Executive Compensation

Information required by this Item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Company's 2020 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2019.

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

Information required by this Item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Company's 2020 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2019.

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

Information required by this Item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Company's 2020 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2019.

Item 14. Principal Accounting Fees and Services

Information required by this Item is hereby incorporated by reference to the material appearing in the Proxy Statement for the Company's 2020 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a)(1) and (2) Financial Statements and Schedule

Please refer to the Index to Consolidated Financial Statements included under Part II, Item 8. Financial Statements and Supplementary Data.

(a)(3) Exhibits

- [2.1](#) [Articles of Merger, by and between Retail Opportunity Investments Corp., a Delaware corporation, and Retail Opportunity Investments Corp., a Maryland corporation, as survivor, dated as of June 1, 2011](#) ⁽²⁾
- [3.1](#) [Articles of Amendment and Restatement](#) ⁽²⁾
- [3.2](#) [Bylaws](#) ⁽²⁾
- [3.3](#) [Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, by and among Retail Opportunity Investments GP, LLC as general partner, Retail Opportunity Investments Corp. and the other limited partners thereto, dated as of September 27, 2013](#) ⁽⁵⁾
- [3.4](#) [Second Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of December 4, 2015](#) ⁽¹⁰⁾
- [3.5](#) [Third Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of December 10, 2015](#) ⁽¹⁰⁾
- [3.6](#) [Fourth Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of December 31, 2015](#) ⁽¹⁰⁾
- [3.7](#) [Fifth Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of March 10, 2016](#) ⁽¹¹⁾
- [3.8](#) [Sixth Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of March 24, 2017](#) ⁽¹⁴⁾
- [3.9](#) [Seventh Amendment to the Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP, dated as of October 11, 2017](#) ⁽¹⁶⁾
- [4.1](#) [Specimen Unit Certificate](#) ⁽¹⁾
- [4.2](#) [Specimen Common Stock Certificate](#) ⁽¹⁾
- [4.3](#) [Indenture, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and Wells Fargo Bank, National Association, dated as of December 9, 2013](#) ⁽⁶⁾
- [4.4](#) [First Supplemental Indenture, by and among Retail Opportunity Investments Partnership, LP, Retail Opportunity Investments Corp. and Wells Fargo Bank, National Association, dated as of December 9, 2013](#) ⁽⁶⁾

- [4.5](#) [5.000% Senior Notes due 2023 of Retail Opportunity Investments Partnership, LP, guaranteed by Retail Opportunity Investments Corp., dated as of December 9, 2013](#) ⁽⁷⁾
- [4.6](#) [Second Supplemental Indenture, by and among Retail Opportunity Investments Partnership, LP, Retail Opportunity Investments Corp. and Wells Fargo Bank, National Association \(including Form of 4.000% Senior Notes due 2024 of Retail Opportunity Investments Partnership, LP, guaranteed by Retail Opportunity Investments Corp.\), dated as of December 3, 2014](#) ⁽⁸⁾
- [4.7*](#) [Description of Securities](#)
- [10.1](#) [2009 Equity Incentive Plan](#) ⁽¹⁾
- [10.2](#) [Amended and Restated 2009 Equity Incentive Plan](#) ⁽¹⁹⁾
- [10.3](#) [Form of Restricted Stock Award Agreement under 2009 Equity Incentive Plan and Amended and Restated 2009 Equity Incentive Plan](#) ⁽¹⁾
- [10.4](#) [Form of Option Award Agreement under 2009 Equity Incentive Plan and Amended and Restated 2009 Equity Incentive Plan](#) ⁽¹⁾
- [10.5](#) [Letter Agreement, by and between Retail Opportunity Investments Corp. and Richard A. Baker, dated as of April 2, 2012](#) ⁽³⁾
- [10.6](#) [Letter Agreement, by and between Retail Opportunity Investments Corp. and Laurie Sneve, dated as of October 24, 2012](#) ⁽⁴⁾
- [10.7](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partners identified therein, dated as of September 27, 2013](#) ⁽⁵⁾
- [10.8](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partners identified therein, dated as of September 27, 2013](#) ⁽⁵⁾
- [10.9](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holders named therein, dated as of September 27, 2013](#) ⁽⁵⁾
- [10.10](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holders named therein, dated as of September 27, 2013](#) ⁽⁵⁾
- [10.11](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partners identified therein, dated as of December 11, 2014](#) ⁽⁹⁾
- [10.12](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holder named therein, dated as of December 11, 2014](#) ⁽⁹⁾
- [10.13](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partners identified therein, dated as of December 4, 2015](#) ⁽¹⁰⁾
- [10.14](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holders named therein, dated as of December 4, 2015](#) ⁽¹⁰⁾
- [10.15](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partners identified therein, dated as of December 10, 2015](#) ⁽¹⁰⁾
- [10.16](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holders named therein, dated as of December 10, 2015](#) ⁽¹⁰⁾
- [10.17](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partner identified therein, dated as of December 31, 2015](#) ⁽¹⁰⁾
- [10.18](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holder named therein, dated as of December 31, 2015](#) ⁽¹⁰⁾
- [10.19](#) [Tax Protection Agreement, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and the protected partner identified therein, dated as of March 10, 2016](#) ⁽¹¹⁾
- [10.20](#) [Registration Rights Agreement, by and among Retail Opportunity Investments Corp. and the holder named therein, dated as of March 10, 2016](#) ⁽¹¹⁾
- [10.21](#) [Amended and Restated Note Purchase Agreement, dated as of September 22, 2016, by and among Retail Opportunity Investments Partnership, LP, Retail Opportunity Investments Corp and the purchasers named therein](#) ⁽¹²⁾

10.22	Employment Agreement, dated as of March 21, 2017, by and between the Company and Stuart A. Tanz ⁽¹³⁾
10.23	Employment Agreement, dated as of March 21, 2017, by and between the Company and Richard K. Schoebel ⁽¹³⁾
10.24	Employment Agreement, dated as of March 21, 2017, by and between the Company and Michael B. Haines ⁽¹³⁾
10.25	First Amendment to Second Amended and Restated Credit Agreement, by and among Retail Opportunity Investments Corp., as the guarantor, and Retail Opportunity Investments Partnership, LP, as the borrower, KeyBank National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, PNC Bank National Association and U.S. Bank National Association, as Co-Syndication Agents and the other lenders party thereto, dated as of December 20, 2019 ⁽²¹⁾
10.26	First Amendment to First Amended and Restated Term Loan Agreement, by and among Retail Opportunity Investments Corp., as the Parent Guarantor, Retail Opportunity Investments Partnership, LP, as the Borrower, KeyBank National Association, as Administrative Agent, BMO Capital Markets and Regions Bank, as Co-Syndication Agents, Capital One, National Association, as Documentation Agent, and the other lenders party thereto, dated as of December 20, 2019 ⁽²¹⁾
10.27	Second Amended and Restated Credit Agreement, by and among Retail Opportunity Investments Corp., as the guarantor, and Retail Opportunity Investments Partnership, LP, as the borrower, KeyBank National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, PNC Bank National Association and U.S. Bank National Association, as Co-Syndication Agents and the other lenders party thereto, dated as of September 8, 2017 ⁽¹⁵⁾
10.28	First Amended and Restated Term Loan Agreement, by and among Retail Opportunity Investments Corp., as the Parent Guarantor, Retail Opportunity Investments Partnership, LP, as the Borrower, KeyBank National Association, as Administrative Agent, BMO Capital Markets and Regions Bank, as Co-Syndication Agents, Capital One, National Association, as Documentation Agent, and the other lenders party thereto, dated as of September 8, 2017 ⁽¹⁵⁾
10.29	First Amendment, dated as of September 8, 2017 to the Amended and Restated Note Purchase Agreement, dated as of September 22, 2016, by and among Retail Opportunity Investments Partnership, LP, Retail Opportunity Investments Corp and the purchasers named therein ⁽¹⁷⁾
10.30	Note Purchase Agreement, dated as of November 10, 2017, by and among Retail Opportunity Investments Partnership, LP, Retail Opportunity Investments Corp. and the purchasers named therein ⁽¹⁸⁾
10.31	Sales Agreement, dated May 1, 2018, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and Capital One Securities, Inc. ⁽²⁰⁾
10.32	Sales Agreement, dated May 1, 2018, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and Jefferies LLC ⁽²⁰⁾
10.31	Sales Agreement, dated May 1, 2018, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and KeyBanc Capital Markets Inc. ⁽²⁰⁾
10.33	Sales Agreement, dated May 1, 2018, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and Raymond James & Associates, Inc. ⁽²⁰⁾
10.34	Sales Agreement, dated May 1, 2018, by and among Retail Opportunity Investments Corp., Retail Opportunity Investments Partnership, LP and Robert W. Baird & Co. Incorporated ⁽²⁰⁾
21.1*	List of Subsidiaries of Retail Opportunity Investments Corp.
23.1*	Consent of Ernst & Young LLP for Retail Opportunity Investments Corp.
23.2*	Consent of Ernst & Young LLP for Retail Opportunity Investments Partnership, LP
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1**	Certifications pursuant to Section 1350
101 SCH	Inline XBRL Taxonomy Extension Schema Document

101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF	Inline Taxonomy Extension Definition Linkbase Document
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (and contained in Exhibit 101)

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- (1) Incorporated by reference to the Company's current report on Form 8-K filed on October 26, 2009.
 - (2) Incorporated by reference to the Company's current report on Form 8-K filed on June 3, 2011.
 - (3) Incorporated by reference to the Company's current report on Form 8-K filed on April 5, 2012.
 - (4) Incorporated by reference to the Company's current report on Form 8-K filed on January 3, 2013.
 - (5) Incorporated by reference to the Company's current report on Form 8-K filed on October 2, 2013.
 - (6) Incorporated by reference to the Company's current report on Form 8-K filed on December 9, 2013.
 - (7) Incorporated by reference to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 25, 2014.
 - (8) Incorporated by reference to the Company's current report on Form 8-K filed on December 3, 2014.
 - (9) Incorporated by reference to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2014, filed on February 25, 2015.
 - (10) Incorporated by reference to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2015, filed on February 24, 2016.
 - (11) Incorporated by reference to the Company's current report on Form 8-K filed on March 16, 2016.
 - (12) Incorporated by reference to the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2016 filed on October 26, 2016.
 - (13) Incorporated by reference to the Company's current report on Form 8-K filed on March 24, 2017.
 - (14) Incorporated by reference to the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2017 filed on April 27, 2017.
 - (15) Incorporated by reference to the Company's current report on Form 8-K filed on September 13, 2017.
 - (16) Incorporated by reference to the Company's current report on Form 8-K filed on October 17, 2017.
 - (17) Incorporated by reference to the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2017 filed on October 25, 2017.
 - (18) Incorporated by reference to the Company's current report on Form 8-K filed on November 13, 2017.
 - (19) Incorporated by reference to the Company's current report on Form 8-K filed on May 1, 2018.
 - (20) Incorporated by reference to the Company's current report on Form 8-K filed on May 2, 2018.
 - (21) Incorporated by reference to the Company's current report on Form 8-K filed on December 27, 2019.

* Filed herewith.

** Furnished with this report.

+ Unless otherwise noted, all exhibits have File No. 001-33479.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 19, 2020

RETAIL OPPORTUNITY INVESTMENTS CORP.

Registrant

By: /s/ Stuart A. Tanz

Stuart A. Tanz

President and Chief Executive Officer

(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stuart A. Tanz and Michael B. Haines, and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Form 10-K and any and all amendments thereto, and to file the same, with exhibits and schedule thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 19, 2020 /s/ Richard A. Baker
Richard A. Baker
Non-Executive Chairman of the Board

Date: February 19, 2020 /s/ Stuart A. Tanz
Stuart A. Tanz
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: February 19, 2020 /s/ Michael B. Haines
Michael B. Haines
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: February 19, 2020 /s/ Laurie A. Sneve
Laurie A. Sneve
Chief Accounting Officer

Date: February 19, 2020 /s/ Michael J. Indiveri
Michael J. Indiveri
Director

Date: February 19, 2020 /s/ Edward H. Meyer
Edward H. Meyer
Director

Date: February 19, 2020 /s/ Lee S. Neibart
Lee S. Neibart
Director

Date: February 19, 2020

/s/ Charles J. Persico

Charles J. Persico

Director

Date: February 19, 2020

/s/ Laura H. Pomerantz

Laura H. Pomerantz

Director

Date: February 19, 2020

/s/ Eric S. Zorn

Eric S. Zorn

Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP, by Retail
Opportunity Investments GP, LLC, its sole general partner
Registrant

Date: February 19, 2020

By: /s/ Stuart A. Tanz

Stuart A. Tanz

President and Chief Executive Officer

(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stuart A. Tanz and Michael B. Haines, and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Form 10-K and any and all amendments thereto, and to file the same, with exhibits and schedule thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 19, 2020

/s/ Richard A. Baker

Richard A. Baker

Non-Executive Chairman of the Board

Date: February 19, 2020

/s/ Stuart A. Tanz

Stuart A. Tanz

President, Chief Executive Officer and Director

(Principal Executive Officer)

Date: February 19, 2020

/s/ Michael B. Haines

Michael B. Haines

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: February 19, 2020

/s/ Laurie A. Sneve

Laurie A. Sneve

Chief Accounting Officer

Date: February 19, 2020

/s/ Michael J. Indiveri

Michael J. Indiveri

Director

Date: February 19, 2020

/s/ Edward H. Meyer

Edward H. Meyer

Director

Date: February 19, 2020

/s/ Lee S. Neibart

Lee S. Neibart

Director

Date: February 19, 2020

/s/ Charles J. Persico

Charles J. Persico

Director

Date: February 19, 2020

/s/ Laura H. Pomerantz

Laura H. Pomerantz

Director

Date: February 19, 2020

/s/ Eric S. Zorn

Eric S. Zorn

Director

DESCRIPTION OF SECURITIES OF RETAIL OPPORTUNITY INVESTMENTS CORP.

The following description of the material terms of the common stock, par value \$0.0001 per share, of Retail Opportunity Investments Corp. (“common stock”) is only a summary and is subject to, and qualified in its entirety by reference to, the more complete description of the common stock in the following documents: (a) Retail Opportunity Investments Corp.’s charter, and (b) Retail Opportunity Investments Corp.’s bylaws, both of which are exhibits to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Please note that references to “we,” “our” and “us” herein refer only to Retail Opportunity Investments Corp. and not to its subsidiaries or Retail Opportunity Investments Partnership, LP, unless the context requires otherwise. This summary description is not meant to be a complete descriptions of the common stock.

Description of Common Stock

Retail Opportunity Investments Corp. was formed on July 10, 2007. Our charter provides that we may issue up to 500,000,000 shares of common stock, par value \$0.0001 per share, and up to 50,000,000 shares of preferred stock, par value \$0.0001 per share. Our charter also authorizes our board of directors to amend the charter by a majority vote of the entire board of directors and without stockholder approval to increase or decrease the aggregate number of authorized shares of stock or the authorized number of shares of stock of any class or series. As of February 14, 2020, 116,455,432 shares of our common stock were issued and outstanding. Under Maryland law, our stockholders will not be personally liable for any of our debts or obligations solely as a result of their status as stockholders.

All outstanding shares of our common stock are duly authorized, validly issued, fully paid and nonassessable. Subject to the preferential rights, if any, of holders of any other class or series of our stock and to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of outstanding shares of common stock are entitled to receive dividends and other distributions on such shares of common stock out of assets legally available for such purposes if, as and when authorized by our board of directors and declared by us, and the holders of outstanding shares of common stock are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all our known debts and liabilities and payment of any liquidation amounts for any issued and outstanding preferred stock.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of our stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of shares of common stock will possess the exclusive voting power. A plurality of the votes cast in the election of directors is sufficient to elect a director and there is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock generally can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors. However, pursuant to our majority vote policy for the election of directors, in an uncontested election, any nominee who receives a greater number of votes “withheld” from his or her election than votes “for” such election is required to tender his or her resignation to our board of directors. Our nominating and corporate governance committee is required to promptly consider the resignation and make a recommendation to our board of directors for its consideration.

Holders of shares of common stock have no preference, conversion, exchange, sinking fund or redemption rights and have no pre-emptive rights to subscribe for any securities of our company. Our charter provides that our stockholders generally have no appraisal rights unless our board of directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our common stock would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of shares of common stock will have equal dividend, liquidation and other rights.

Under the Maryland General Corporation Law (the “MGCL”), a Maryland corporation generally cannot dissolve, amend its charter, merge or consolidate with another entity, sell all or substantially all of its assets, convert to another entity or engage in a statutory share exchange unless the action is advised by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter, unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is specified in the corporation’s charter. Our charter

provides that these actions (other than certain amendments to the provisions of our charter related to the removal of directors and the restrictions on ownership and transfer of our stock, and the vote required to amend such provisions, which must be approved by the affirmative vote of at least two-thirds of the votes entitled to be cast on the amendment) may be approved by a majority of all of the votes entitled to be cast on the matter.

Power to Reclassify Our Unissued Shares of Stock

Our charter authorizes our board of directors to classify and reclassify from time to time any unissued shares of common or preferred stock into other classes or series of stock, including one or more classes or series of stock that have priority with respect to voting rights, dividends or upon liquidation over our common stock, and authorizes us to issue the newly-classified shares. Prior to the issuance of shares of each new class or series, our board of directors is required by Maryland law and by our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption for each class or series. Our board of directors may take these actions without stockholder approval unless stockholder approval is required by the rules of any stock exchange or automatic quotation system on which our securities are listed or traded or the terms of any class or series of stock we may issue in the future. No shares of preferred stock are presently outstanding, and we currently have no plans to issue any shares of preferred stock.

Power to Increase or Decrease Authorized Shares of Stock and Issue Additional Shares of Capital Stock

We believe that the power of our board of directors to amend our charter to increase or decrease the number of authorized shares of capital stock, to authorize us to issue additional authorized but unissued shares of common or preferred stock in one or more classes or series and to classify or reclassify unissued shares of common or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series of capital stock, as well as the additional shares of common stock, will be available for issuance without further action by our stockholders, unless such approval is required by the rules of any stock exchange or automated quotation system on which our securities may be listed or traded or the terms of any class or series of stock we may issue in the future.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), shares of our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of our stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made). To qualify as a REIT, we must satisfy other requirements as well.

Our charter contains restrictions on the ownership and transfer of our outstanding common stock and capital stock which are intended, among other purposes, to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may own, or be deemed to own, beneficially or by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of all classes and series of our capital stock. We refer to these limits collectively as the “ownership limit.” An individual or entity is referred to as a “prohibited owner” if, but for the ownership limit or other restrictions on ownership and transfer of our stock described below, had a violative transfer or other event been effective, the individual or entity would have been a beneficial owner or, if appropriate, a record owner of shares of our stock.

The constructive ownership rules under the Code are complex and may cause shares of stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of all classes and series of our capital stock (or the acquisition of an interest in an entity that owns, actually or constructively, shares

of our stock by an individual or entity), could, nevertheless, cause that individual or entity, or another individual or entity, to constructively own in excess of the applicable ownership limit.

Our board of directors may, in its sole discretion, subject to such conditions as it may determine and the receipt of certain representations and undertakings, prospectively or retroactively, waive the ownership limit or establish a different limit on ownership, or excepted holder limit, for a particular person if the person's ownership in excess of the ownership limit would not result in our being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise would result in our failing to qualify as a REIT. As a condition of its waiver or grant of excepted holder limit, our board of directors may, but is not required to, require an opinion of counsel or ruling from the Internal Revenue Service (the "IRS"), satisfactory to our board of directors in order to determine or ensure our qualification as a REIT and may impose such other conditions and limitations as our board of directors may determine.

In connection with granting a waiver of the ownership limit, creating an excepted holder limit or at any other time, our board of directors may from time to time increase or decrease the ownership limit for all other individuals and entities unless, after giving effect to such increase, five or fewer individuals could beneficially own in the aggregate more than 49.9% by value of the shares of all classes and series of our capital stock then outstanding or we would otherwise fail to qualify as a REIT. Prior to the modification of the ownership limit, our board of directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure our qualification as a REIT. A reduced ownership limit will not apply to any person or entity whose percentage ownership of our common stock or stock of all classes and series, as applicable, is in excess of such decreased ownership limit until such time as such individual's or entity's percentage ownership of our common stock or stock of all classes and series, as applicable, equals or falls below the decreased ownership limit, but any further acquisition of shares of our common stock or stock of any other class or series, as applicable, in excess of such percentage ownership of our common stock or stock of all classes and series will be in violation of the ownership limit.

Our charter further prohibits:

- any person from beneficially or constructively owning, applying certain attribution rules of the Code, shares of our stock that would result in our being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT (including, but not limited to, beneficial ownership or constructive ownership that would result in us owning, actually or constructively, an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by us from such tenant could cause us to fail to satisfy any of the gross income requirements of Section 856(c) of the Code); and
- any person from transferring shares of our stock if such transfer would result in shares of our stock being owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate the ownership limit or any of the other foregoing restrictions on ownership and transfer of our stock, or who would have owned shares of our stock transferred to a trust as described below, must immediately give us written notice of the event or, in the case of an attempted or proposed transaction, must give at least 15 days prior written notice to us and provide us with such other information as we may request in order to determine the effect of such transfer on our qualification as a REIT. The foregoing restrictions on ownership and transfer of our stock will not apply if our board of directors determines that it is no longer in our best interest to attempt to qualify, or to continue to qualify, as a REIT or that compliance with the restrictions and limitations on ownership and transfer of our stock as described above is no longer required in order for us to qualify as a REIT.

If any transfer of shares of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons, such transfer will be null and void and the intended transferee will acquire no rights in such shares. In addition, if any purported transfer of shares of our stock or any other event would otherwise result in any person violating the ownership limit or an excepted holder limit established by our board of directors or in our being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then that number of shares (rounded up to the nearest whole share) that would cause such person to violate

such restrictions will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us and the intended transferee will acquire no rights in such shares. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary by the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or our being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then our charter provides that the transfer of the shares will be null and void, and the intended transferee will acquire no rights in such shares.

Shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the event that resulted in the transfer to the trust did not involve a purchase of such shares of stock at market price, which is generally the last sales price reported on The Nasdaq Global Select Market on the trading day immediately preceding the day of the event which resulted in the transfer of such shares of stock to the trust, the per-share market price) and (2) the market price on the date we accept, or our designee accepts, such offer. We may reduce this amount by the amount of any dividend or other distribution that we have paid to the prohibited owner before we discovered that the shares had been automatically transferred to the trust and that are then owed to the trustee as described above, and we may pay the amount of any such reduction to the trustee for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust as discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates, the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such shares of stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limit or the other restrictions on ownership and transfer of our stock. After the sale of the shares, the interest of the charitable beneficiary in the shares transferred to the trust will terminate and the trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the market price of the shares) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trust for the shares. The trustee may reduce the amount payable to the prohibited owner by the amount of any dividend or other distribution that we paid to the prohibited owner before we discovered that the shares had been automatically transferred to the trust and that are then owed to the trustee as described above. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the beneficiary of the trust, together with any dividends or other distributions thereon. In addition, if, prior to discovery by us that shares of stock have been transferred to a trust, such shares of stock are sold by a prohibited owner, then such shares will be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount must be paid to the trustee upon demand. The prohibited owner has no rights in the shares held by the trustee.

The trustee will be designated by us and must be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary of the trust, all dividends and other distributions paid by us with respect to the shares held in trust and may also exercise all voting rights with respect to the shares held in trust. These rights will be exercised for the exclusive benefit of the beneficiary of the trust.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee will have the authority, at the trustee's sole discretion:

- to rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

In addition, if our board of directors determines in good faith that a proposed transfer or other event would violate the restrictions on ownership and transfer of our stock, our board of directors may take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem the shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as is required by the Code or the regulations promulgated thereunder) of our stock, within 30 days after the end of each taxable year, must give us written notice, stating the stockholder's name and address, the number of shares of each class and series of our stock that the stockholder beneficially owns and a description of the manner in which the shares are held. Each such owner must provide to us in writing such additional information as we may request in order to determine the effect, if any, of the stockholder's beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limit. In addition, each stockholder must provide to us such information as we may request in good faith in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock shall bear a legend referring to the restrictions described above.

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interest of the stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare, Inc.

Certain Provisions of the Maryland General Corporation Law and Our Charter and Bylaws

Our Board of Directors

Our charter and bylaws provide that the number of directors we have may be established only by our board of directors but may not be fewer than the minimum required under the MGCL, which is currently one, and our bylaws provide that the number of our directors may not be more than 15. Subject to the terms of any class or series of stock, vacancies on our board of directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will hold office for the remainder of the full term of the directorship in which the vacancy occurred.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed, with or without cause, only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacancies on our board of directors, precludes stockholders from (1) removing incumbent directors except upon a two-thirds vote and (2) filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, statutory share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock or an affiliate or associate of the corporation who, at any time during the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting stock of the corporation) or an affiliate of such an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must generally be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation

other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the business combination statute if the Maryland corporation's board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. The board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a Maryland corporation's board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted business combinations (1) between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person) and (2) among persons acting in concert with any of the foregoing. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the supermajority vote requirements and other provisions of the business combination statute.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that a holder of "control shares" of a Maryland corporation acquired in a "control share acquisition" has no voting rights with respect to such shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter, excluding shares of stock of the corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (i) a person who has made or proposes to make the control share acquisition; (ii) an officer of the corporation; or (iii) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other such shares of stock owned by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (A) one-tenth or more but less than one-third; (B) one-third or more but less than a majority; or (C) a majority of all voting power. Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A "control share acquisition" means the acquisition, directly or indirectly, of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an "acquiring person statement" as described in the MGCL), may compel the corporation's board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an "acquiring person statement" as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or, if a meeting of stockholders is held at which the voting rights of such shares are considered and not approved, as of the date of such meeting. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to exercise or direct the exercise of a majority of all voting power, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to, among other things, (a) shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or (b) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions of the MGCL which provide, respectively, for:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the board of directors;
- a requirement that a vacancy on the board be filled only by the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

We have elected in our charter to be subject to the provision of Subtitle 8 that provides that vacancies on our board may be filled only by the remaining directors and that directors elected to fill vacancies will serve for the remainder of the term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) will require the affirmative vote of stockholders entitled to cast not less than two-thirds of all of the votes entitled to be cast generally in the election of directors for the removal of any director, which removal may be with or without cause, (2) vest in the board the exclusive power to fix the number of directorships and (3) require, unless called by the chairman of our board of directors, chief executive officer, president or board of directors, the written request of stockholders entitled to cast a majority of all votes entitled to be cast at such a meeting on such matter to call a special meeting on any matter.

Meetings of Stockholders

Pursuant to our bylaws, a meeting of our stockholders for the election of directors and the transaction of any business will be held annually on a date and at the time and place set by our board of directors. The chairman of our board of directors, our chief executive officer, our president or our board of directors may call a special meeting of our stockholders. Subject to the provisions of our bylaws, a special meeting of our stockholders to act on any matter that may properly be brought before a meeting of our stockholders will also be called by our secretary upon the written request of the stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting on such matter and containing the information required by our bylaws. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and delivering the notice of meeting (including our proxy materials), and the requesting stockholder must pay such estimated cost before our secretary is required to prepare and deliver the notice of the special meeting.

Amendment to Our Bylaws

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of other business to be considered by our stockholders may be made only (1) pursuant

to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting on such business or in the election of each such nominee and who has provided notice to us within the time period, containing the information specified by the advance notice provisions set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made only (1) by or at the direction of our board of directors or (2) provided that the meeting has been properly called for the purpose of electing directors, by a stockholder who was a stockholder of record both at the time of giving the notice required by our bylaws and at the time of the special meeting, who is entitled to vote at the meeting in the election of each such nominee and who has provided notice to us within the time period, containing the information specified by the advance notice provisions set forth in our bylaws.

Indemnification and Limitation of Directors' and Officers' Liability

Maryland law permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that was established by a final judgment and was material to the cause of action. Our charter contains a provision that eliminates the liability of our directors and officers to us and our stockholders to the maximum extent permitted by Maryland law.

The MGCL requires us (unless our charter provides otherwise, which our charter does not) to indemnify any of our directors or officers who have been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity with us. The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under the MGCL, we may not indemnify a director or officer in a suit brought by us or on our behalf in which the director or officer was adjudged liable to us or in a suit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by us; and
- a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by us if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us to obligate ourselves and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, manager, managing member or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

We have entered into indemnification agreements with each of our directors and officers that provide for indemnification to the maximum extent permitted by Maryland law.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

REIT Qualification

Our charter provides that our board of directors may authorize us to revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

LIST OF SUBSIDIARIES OF RETAIL OPPORTUNITY INVESTMENTS CORP.

Company	Jurisdiction of Organization
Retail Opportunity Investments Partnership, LP	Delaware
Retail Opportunity Investments GP, LLC	Delaware
ROIC Paramount Plaza, LLC	Delaware
ROIC Santa Ana, LLC	Delaware
ROIC Washington, LLC	Delaware
ROIC Oregon, LLC	Delaware
ROIC California, LLC	Delaware
ROIC Crossroads GP, LLC	Delaware
ROIC Crossroads LP, LLC	Delaware
ROIC Pinole Vista, LLC	Delaware
ROIC Hillsboro, LLC	Delaware
ROIC Cypress West, LLC	Delaware
ROIC Redondo Beach Plaza, LLC	Delaware
ROIC DBTC, LLC	Delaware
Terranomics Crossroads Associates, LP	Delaware
SARM Five Points Plaza, LLC	Delaware
ROIC Robinwood, LLC	Delaware
ROIC Creekside Plaza, LLC	Delaware
ROIC Park Oaks, LLC	Delaware
ROIC Diamond Hills Plaza, LLC	Delaware
ROIC Warner Plaza, LLC	Delaware
ROIC Four Corner Square, LLC	Delaware
ROIC Casitas Plaza, LLC	Delaware
ROIC Bouquet Center, LLC	Delaware
ROIC Monterey, LLC	Delaware
ROIC IGAP, LLC	Delaware
ROIC TUO, LLC	Delaware
Sunhill Properties, LLC	California
Uhlmann-Burbank, LLC	California
ROIC Riverstone Marketplace, LLC	Delaware
ROIC Fullerton Crossroads, LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-170692) pertaining to the 2009 Equity Incentive Plan of Retail Opportunity Investments Corp.,
- (2) Post-Effective Amendment No. 1 to Form S-1/MEF on Registration Statement (Form S-3 No. 333-146777), and in the related Prospectus, of Retail Opportunity Investments Corp.,
- (3) Registration Statement (Form S-3 No. 333-198974), and the related Prospectus, of Retail Opportunity Investments Corp.,
- (4) Registration Statement (Form S-3 ASR No. 333-210413), and the related Prospectus, of Retail Opportunity Investments Corp.,
- (5) Registration Statement (Form S-3 ASR No. 333-231088), and the related Prospectus, of Retail Opportunity Investments Corp. and Retail Opportunity Investments Partnership, LP, and
- (6) Registration Statement (Form S-8 No. 333-229053) pertaining to the 2009 Equity Incentive Plan and Amended and Restated 2009 Equity Incentive Plan

of our reports dated February 19, 2020, with respect to the consolidated financial statements and schedule of Retail Opportunity Investments Corp. and the effectiveness of internal control over financial reporting of Retail Opportunity Investments Corp., included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

/s/ Ernst & Young LLP

San Diego, California
February 19, 2020

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statement (Form S-3 ASR No. 333-231088-01) of Retail Opportunity Investments Corp. and Retail Opportunity Investments Partnership, LP and in the related Prospectus of our reports dated February 19, 2020, with respect to the consolidated financial statements and schedule of Retail Opportunity Investments Partnership, LP, included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

/s/ Ernst & Young LLP

San Diego, California
February 19, 2020

RETAIL OPPORTUNITY INVESTMENTS CORP.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stuart A. Tanz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Retail Opportunity Investments Corp.;
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: February 19, 2020

By: /s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: Chief Executive Officer

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stuart A. Tanz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Retail Opportunity Investments Partnership, LP;
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: February 19, 2020

By: /s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: Chief Executive Officer

RETAIL OPPORTUNITY INVESTMENTS CORP.
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael B. Haines, certify that:

1. I have reviewed this Annual Report on Form 10-K of Retail Opportunity Investments Corp.;
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: February 19, 2020

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael B. Haines, certify that:

1. I have reviewed this Annual Report on Form 10-K of Retail Opportunity Investments Partnership, LP;
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: February 19, 2020

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

RETAIL OPPORTUNITY INVESTMENTS CORP.
Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350
as adopted pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Retail Opportunity Investments Corp. (the "Company"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2020

By: /s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: Chief Executive Officer

The undersigned, the Chief Financial Officer of Retail Opportunity Investments Corp. (the "Company"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2020

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

Pursuant to the Securities and Exchange Commission release 33-8238 dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350
as adopted pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Retail Opportunity Investments GP, LLC, the sole general partner of Retail Opportunity Investments Partnership, LP (the "Operating Partnership"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), filed concurrently herewith by the Operating Partnership, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: February 19, 2020

By: /s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: Chief Executive Officer

The undersigned, the Chief Financial Officer of Retail Opportunity Investments GP, LLC, the sole general partner of Retail Opportunity Investments Partnership, LP (the "Operating Partnership"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), filed concurrently herewith by the Operating Partnership, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: February 19, 2020

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

Pursuant to the Securities and Exchange Commission release 33-8238 dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Operating Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Operating Partnership filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.