UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from ____ to ____

Commission file number 001-33749

RETAIL OPPORTUNITY INVESTMENTS CORP.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**26-0500600** (I.R.S. Employer Identification No.)
81 Main Street, Suite 503 **White Plains, NY** (Address of principal executive offices)	**10601** (Zip code)

(914) 620-2700
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [x] No [ ]

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

Large accelerated filer [ ]	Accelerated filer [x]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

Yes [ ] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 52,923,514 shares of common stock, par value $0.0001 per share, outstanding as of November 2, 2012.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Balance Sheets

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Real Estate Investments:		
Land	$ 214,378,236	$ 167,191,883
Building and improvements	512,099,087	413,640,527
	726,477,323	580,832,410
Less: accumulated depreciation	26,986,503	14,451,032
	699,490,820	566,381,378
Mortgage note receivable	10,000,000	10,000,000
Investment in and advances to unconsolidated joint ventures	15,078,373	26,242,514
Real Estate Investments, net	724,569,193	602,623,892
Cash and cash equivalents	23,488,823	34,317,588
Restricted cash	1,911,564	1,230,808
Tenant and other receivables	10,939,801	6,895,806
Deposits	2,600,000	500,000
Acquired lease intangible asset, net of accumulated amortization	35,987,042	32,024,153
Prepaid expenses	585,696	672,679
Deferred charges, net of accumulated amortization	19,377,748	15,342,132
Other	968,057	825,569
Total assets	**$ 820,427,924**	**$ 694,432,627**
LIABILITIES AND EQUITY		
Liabilities:		
Term loan	$ 200,000,000	$ 110,000,000
Credit facility	—	—
Mortgage notes payable	60,410,880	59,905,964
Acquired lease intangibles liability, net of accumulated amortization	52,334,566	46,700,620
Accounts payable and accrued expenses	8,037,939	7,475,283
Tenants' security deposits	1,863,914	1,552,630
Other liabilities	25,676,100	18,309,076
Total liabilities	**348,323,399**	**243,943,573**
Commitments and contingencies	—	—
Equity:		
Preferred stock, $.0001 par value 50,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.0001 par value 500,000,000 shares authorized; and 52,518,066 and 49,375,738 shares issued and outstanding at September 30, 2012 and December 31, 2011	5,253	4,938
Additional paid-in-capital	522,531,679	484,194,434
Accumulated deficit	(31,186,583)	(19,617,877)
Accumulated other comprehensive loss	(19,248,213)	(14,094,830)
Total Retail Opportunity Investments Corp. stockholders' equity	472,102,136	450,486,665
Noncontrolling interests	2,389	2,389
Total equity	**472,104,525**	**450,489,054**
Total liabilities and equity	**$ 820,427,924**	**$ 694,432,627**

The accompanying notes to consolidated financial statements
are an integral part of these statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Operations and Comprehensive Income
(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenues				
Base rents	$ 15,196,646	$ 10,469,729	$ 42,734,688	$ 26,440,798
Recoveries from tenants	3,502,633	2,655,549	10,018,997	6,945,309
Mortgage interest	189,995	430,086	901,645	1,704,094
Total revenues	18,889,274	13,555,364	53,655,330	35,090,201
Operating expenses				
Property operating	3,072,670	2,195,280	9,324,140	5,283,526
Property taxes	1,781,639	1,259,174	5,115,361	3,561,641
Depreciation and amortization	7,070,557	5,890,170	20,737,917	14,661,366
General & Administrative Expenses	3,699,852	2,427,693	8,716,378	7,253,816
Acquisition transaction costs	194,191	1,346,851	947,404	1,775,534
Total operating expenses	15,818,909	13,119,168	44,841,200	32,535,883
Operating income	3,070,365	436,196	8,814,130	2,554,318
Non-operating income (expenses)				
Interest expense and other finance expenses	(3,094,023)	(1,739,279)	(8,144,879)	(3,732,625)
Gain on consolidation of JV	2,144,696	—	2,144,696	—
Gain on bargain purchase	—	3,687,205	3,864,145	9,449,059
Equity in earnings from unconsolidated joint ventures	497,311	159,989	1,481,132	1,137,502
Interest Income	419	772	11,280	14,489
Net Income Attributable to Retail Opportunity Investments Corp.	$ 2,618,768	$ 2,544,883	$ 8,170,504	$ 9,422,743
Basic and diluted per share:	$ 0.05	$ 0.06	$ 0.16	$ 0.22
Dividends per common share	$ 0.14	$ 0.10	$ 0.39	$ 0.27
Comprehensive (loss) income:				
Net income attributable to Retail Opportunity Investments Corp.	$ 2,618,768	$ 2,544,883	$ 8,170,504	$ 9,422,743
Other comprehensive loss				
Unrealized loss on swap derivative	(1,638,969)	(10,269,493)	(5,153,383)	(12,322,595)
Total other comprehensive loss	(1,638,969)	(10,269,493)	(5,153,383)	(12,322,595)
Total Comprehensive (loss) income	$ 979,799	$ (7,724,610)	$ 3,017,121	$ (2,899,852)

The accompanying notes to consolidated financial statements
are an integral part of these statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Equity
(unaudited)

	Common Stock						
	Shares	**Amount**	**Additional paid-in capital**	**Retained earnings (Accumulated deficit)**	**Accumulated other comprehensive loss**	**Noncontrolling interests**	**Equity**
Balance at December 31, 2011	**49,375,738**	**$ 4,938**	**$ 484,194,434**	**$ (19,617,877)**	**$ (14,094,830)**	**$ 2,389**	**$450,489,054**
Compensation expense related to options granted	—	—	188,486	—	—	—	188,486
Compensation expense related to restricted stock grants	—	—	2,110,485	—	—	—	2,110,485
Shares issued under the 2009 Plan	186,750	19	—	—	—	—	19
Proceeds from the sale of stock	2,977,445	298	36,860,055	—	—	—	36,860,353
Forfeited Shares	(21,867)	(2)	—	—	—	—	(2)
Registration expenditures	—	—	(821,781)	—	—	—	(821,781)
Dividends ($.39 per share)	—	—	—	(19,739,210)	—	—	(19,739,210)
Comprehensive income (loss)							
Net Income Attributable to Retail Opportunity Investments Corp.	—	—	—	8,170,504	—	—	8,170,504
Other Comprehensive Loss	—	—	—	—	(5,153,383)	—	(5,153,383)
Balance at September 30, 2012	**52,518,066**	**$ 5,253**	**$ 522,531,679**	**$ (31,186,583)**	**$ (19,248,213)**	**$ 2,389**	**$472,104,525**

The accompanying notes to consolidated financial statements are an integral part of these statements.

RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Statements of Cash Flow
(unaudited)

	For the Nine Months Ended	
	September 30, 2012	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,170,504	$ 9,422,743
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	20,737,917	14,661,366
Amortization of deferred financing costs	346,685	54,379
Gain on consolidation of JV	(2,144,696)	—
Gain on bargain purchase	(3,864,145)	(9,449,059)
Straight-line rent adjustment	(2,504,416)	(1,916,217)
Amortization of above and below market rent	(2,569,807)	(1,442,362)
Amortization relating to stock based compensation	2,298,971	1,634,595
Provisions for tenant credit losses	759,857	1,074,506
Equity earned in earnings from unconsolidated joint ventures	(1,481,131)	(1,137,502)
Distribution of cumulative earnings from unconsolidated joint ventures	686,017	778,014
Change in operating assets and liabilities		
Mortgage escrows	(473,465)	(531,561)
Tenant receivables	(2,299,437)	(2,141,458)
Prepaid expenses	86,983	347,455
Accounts payable and accrued expenses	253,885	1,869,199
Other asset and liabilities, net	1,192,822	599,130
Net cash provided by operating activities	19,196,544	13,823,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in real estate	(125,743,992)	(190,142,575)
Investments in mortgage notes receivables	—	(10,000,000)
Investments in unconsolidated joint ventures	(735,000)	(19,467,218)
Proceeds from sale of unconsolidated joint ventures	—	18,596,294
Return of capital from unconsolidated joint ventures	8,661,211	—
Proceeds from the sale of land	—	159,973
Improvements to properties and deferred charges	(5,478,170)	(5,111,468)
Deposits on real estate acquisitions	(2,600,000)	(1,000,000)
Construction escrows and other	(207,290)	1,685,660
Net cash used in investing activities	(126,103,241)	(205,279,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayment on mortgages	(7,608,484)	(11,950,416)
Proceeds from the draw on term loan/ revolving credit facility	90,000,000	140,110,258
Proceeds from the sale of stock	36,860,055	928,010
Deferred financing and other costs	(2,612,648)	(2,686,107)
Registration expenditures	(821,781)	(120,194)
Dividends paid to common shareholders	(19,739,210)	(11,301,421)
Net cash provided by financing activities	96,077,932	114,980,130
Net decrease in cash and cash equivalents	(10,828,765)	(76,475,976)
Cash and cash equivalents at beginning of period	34,317,588	84,736,410
Cash and cash equivalents at end of period	$ 23,488,823	$ 8,260,434

The accompanying notes to consolidated financial statements
are an integral part of these statements.

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

Business

Retail Opportunity Investments Corp. (the "Company") is a fully integrated and self-managed real estate investment trust ("REIT"). The Company specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers in the western and eastern regions of the United States anchored by national and regional supermarkets and drugstores. The Company refers to the properties it targets for investments as its target assets.

With the approval of its stockholders, the Company reincorporated as a Maryland corporation on June 2, 2011. The Company began operations as a Delaware corporation, known as NRDC Acquisition Corp., which was incorporated on July 10, 2007, for the purpose of acquiring assets or operating business through a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination with one or more assets or control of one or more operating businesses. On October 20, 2009, the Company's stockholders and warrantholders approved each of the proposals presented at the special meetings of stockholders and warrantholders, respectively, in connection with the transactions contemplated by the Framework Agreement (the "Framework Agreement") the Company entered into on August 7, 2009 with NRDC Capital Management, LLC, which, among other things, set forth the steps to be taken by the Company to continue its business 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. 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 general partner of, and the Company conducts substantially all of its business through, its wholly-owned operating partnership subsidiary, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the "operating partnership"), and its subsidiaries. The Company has elected to be taxed as a REIT, for U.S. federal income tax purposes commencing with the year ended December 31, 2010.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance on fair value measurements and disclosure requirements. The guidance provides a consistent definition of fair value to ensure fair value measurement and disclosure requirements are similar between accounting principles generally accepted in the United States ("GAAP") and International Financial Reporting Standards. This guidance is effective for interim and annual periods beginning on or after December 15, 2011. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011 and December 2011, the FASB issued updated guidance on disclosures relating to the reporting of other comprehensive income. The updated guidance eliminates the option to present components of other comprehensive income as part of the statement of equity and also requires presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. This guidance is effective for fiscal years and interim periods beginning after December 15, 2011, with the exception of the requirement to present reclassification adjustments from other comprehensive income to net income on the face of the financial statements, which has been deferred pending further deliberation by the FASB. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Results of operations for the nine month period ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2011.

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.

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 modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and non-controlling interests.

The Company assesses the accounting treatment for each joint venture. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, the Company reviews such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where the Company or its partner approves, among other things, the annual budget, receives a detailed monthly reporting package from the Company, meets on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property, the Company does not consolidate the joint venture as it considers these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture. The Company's joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan.

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 purchase price allocations, depreciable lives, revenue recognition and the collectability of tenant receivables, other receivables, notes receivables, the valuation of options and warrants and derivatives. Actual results could differ from these estimates.

Federal Income Taxes

Commencing with the Company's taxable year ended December 31, 2010, 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 REIT taxable income 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. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiary ("TRS") is fully subject to U.S. federal, state and local income taxes.

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 September 30, 2012, the tax years 2007 through and including 2011 remain open to examination by the Internal Revenue Service ("IRS") and state taxing authorities. During the year ended December 31, 2011, the IRS conducted an examination of the Company's 2009 federal tax return. During the nine months ended September 30, 2012 the Company reached a settlement with the IRS in which the Company paid to the IRS approximately $122,000.

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. The Company expenses transaction costs associated with business combinations in the period incurred. During the nine months ended September 30, 2012 and 2011, capitalized costs related to the improvements or replacement of real estate properties were approximately $5.8 million and $5.1 million, respectively.

Upon the acquisition of real estate properties, the fair value of the real estate purchased is allocated to the 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). Acquired lease intangible assets include above-market leases and acquired in-place leases in the accompanying consolidated balance sheet. 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. Leasing commissions, legal and other related costs ("lease origination costs") are classified as deferred charges in the accompanying consolidated balance sheet.

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 below-market rental lease renewal options is deferred until such time as the renewal option is exercised and subsequently amortized over the corresponding renewal period. The value of in-place leases are amortized to expense, and the above-market and below-market lease values are amortized to rental income, 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 may record a bargain purchase gain if it determines that the purchase price for the acquired assets was less than the fair value. The Company will record a liability in situations where any part of the cash consideration is deferred. The amounts payable in the future are discounted to their present value. The liability is subsequently re-measured to fair value with changes in fair value recognized in the consolidated statements of operations. If, up to one year from the acquisition date, information regarding fair value of assets acquired and liabilities assumed is received and estimates are refined, appropriate property adjustments are made to the purchase price allocation on a retrospective basis.

In conjunction with the Company's pursuit and acquisition of real estate investments, the Company expensed acquisition transaction costs during the three months ended September 30, 2012 and 2011 of approximately $194,000 and $1.3 million, respectively and approximately $947,000 and $1.8 million during the nine months ended September 30, 2012 and 2011, respectively.

Regarding the Company's 2012 property acquisitions (see Note 2), the fair values of in-place leases and other intangibles have been allocated to intangible assets and liability accounts. Such allocations are preliminary and may be adjusted as final information becomes available.

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 amounts 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 September 30, 2012.

The Company reviews its investments in its unconsolidated joint ventures for impairment periodically and the Company would record an impairment charge when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than temporary. The ultimate realization of the Company's investment in its unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. Management does not believe that the carrying value of the Company's unconsolidated joint venture was impaired at September 30, 2012.

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 several of the Company's mortgage loans payable 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. Property operating expense recoveries from tenants of common area maintenance, real estate taxes and other recoverable costs are recognized in the period the related expenses are incurred. Lease incentives are amortized as a reduction of rental revenue over the respective tenant lease terms.

Termination fees (included in rental revenue) 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 in accordance with Securities and Exchange Commission Staff Accounting Bulletin 104, "Revenue Recognition," 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) collectivity 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 under generally accepted accounting principles 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 and the allowance for bad debts 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 September 30, 2012 and December 31, 2011 was approximately $2.8 million and $2.1 million, respectively.

Depreciation and Amortization

The Company uses the straight-line method for depreciation and amortization. Buildings are depreciated over the estimated useful lives which the Company estimates to be 39-40 years. Property improvements are depreciated over the 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 Charges

Deferred charges consist principally of leasing commissions and acquired lease origination costs (which are amortized ratably over the life of the tenant leases) and financing fees (which are amortized over the term of the related debt obligation). Deferred charges in the accompanying consolidated balance sheets are shown at cost, net of accumulated amortization of approximately $7.9 million and $4.7 million, as of September 30, 2012 and December 31, 2011, respectively.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

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 (Loss) Per Share

Basic earnings (loss) per share ("EPS") excludes the impact of dilutive shares and is computed by dividing net income (loss) 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.

During the three and nine months ended September 30, 2011 the effect of the 41,400,000 warrants to purchase the Company's common stock (the "Public Warrants") issued in connection with the Company's initial public offering (the "IPO"), the 8,000,000 warrants (the "Private Placement Warrants") purchased by NRDC Capital Management, LLC (the "Sponsor") simultaneously with the consummation of the IPO were not included in the calculation of diluted EPS since the weighted average share price was less than the exercise price during these periods. During the three and nine months ended September 30, 2012, the effect of the 41,400,000 Public Warrants and the 8,000,000 Private Placement Warrants were included in the calculation of diluted EPS since the weighted average share price was greater than the exercise price during this period.

For the three and nine months ended September 30, 2012 and 2011, 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. For the three and nine months ended September 30, 2012, the Company had 512,198 and 425,495 weighted average unvested restricted shares outstanding, respectively. The performance based restricted stock grants awarded under the 2009 Plan described in Note 6 are excluded from the basic EPS calculation, as these units are not participating securities.

The following table sets forth the reconciliation between basic and diluted EPS:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Numerator:				
Net Income attributable to Retail Opportunity Investments Corp.	**$ 2,618,768**	$ 2,544,883	**$ 8,170,504**	**$ 9,422,743**
Less, earnings allocated to unvested shares	(70,280)	—	(165,949)	—
Net income available for common shareholders, basic and diluted	**$ 2,548,488**	**$ 2,544,883**	**$ 8,004,555**	**$ 9,422,743**
Denominator:				
Denominator for basic EPS – weighted average common shares	**51,440,751**	**41,974,492**	**50,483,251**	**41,928,795**
Warrants	1,823,756	—	609,877	—
Restricted stock awards-Performance-based	126,697	58,793	125,071	57,223
Stock Options	54,634	18,614	47,512	10,513
Denominator for diluted EPS – weighted average common equivalent shares	**53,445,838**	**42,051,899**	**51,265,711**	**41,996,531**

Stock-Based Compensation

The Company has a stock-based employee compensation plan, which is more fully described in Note 6.

The Company accounts for its stock-based compensation plans based on the FASB guidance which requires that compensation expense be recognized based on the fair value of the stock awards less estimated forfeitures. Restricted stock grants vest based upon the completion of a service period ("time-based grants") and/or the Company meeting certain established financial performance criteria ("performance-based 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 grants, the Company generally engages an independent appraisal company to determine the value of the shares at the date of grant, 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. Awards of stock options and time-based grants stock are expensed as compensation over the vesting period. Awards of performance-based grants are expensed as compensation under an accelerated method and are recognized in income (loss) regardless of the results of the performance criteria.

Derivatives

The Company records all derivatives on the balance sheet 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 risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

Segment Reporting

The Company operates in one industry segment, ownership of commercial real estate properties. The Company does not distinguish in property operations for purposes of measuring performance. The Company reassesses its conclusion that it has one reportable operating segment at least annually.

Cash Flows

Supplemental Consolidated Statements of Cash Flow Information

	September 30, 2012	September 30, 2011
Supplemental disclosure of cash activities:		
Cash paid for Federal and New York state income taxes	$ 243 ,291	$ 85,075
Interest paid	7,524,799	3,180,732
Other non-cash investing and financing activities:		
Purchase accounting allocations:		
Intangible lease liabilities	9,660,574	—
Transfer of equity investment in property to real estate investment	4,008,350	—
Assumed Mortgage Debt	8,428,062	—
Accrued interest rate swap liabilities	5,252,199	12,442,412
Accrued improvements to properties and deferred charges	308,771	18,155

2. Real Estate Investments

The following real estate investment transactions have occurred during the nine months ended September 30, 2012.

Property Acquisitions

On February 16, 2012, the Company acquired a shopping center in Marysville, Washington, within the Settle metropolitan area ("Gateway Shopping Center") for a purchase price of approximately $29.5 million. The Gateway Shopping Center is anchored by WinCo Foods (NAP) and Rite Aid. The property was acquired with cash.

On March 29, 2012, the Company acquired a shopping center in San Diego, California ("Euclid Plaza") for a purchase price of approximately $15.9 million. Euclid Plaza is anchored by a Vallarta Supermarkets and Walgreens. The property was acquired with cash of approximately $7.5 million and the assumption of an existing mortgage of approximately $8.4 million.

On April 2, 2012, the Company acquired a mortgage note from a bank for an aggregate purchase price of $8.3 million in cash. The note was secured by a shopping center located in Cameron Park, California, within the Sacramento metropolitan area (“Green Valley Station”). At the time of closing on the note, the borrower was in default since April 2009, having failed to repay the loan upon maturity of the note. On June 8, 2012, the Company entered into a deed in lieu of foreclosure agreement (the “Green Valley Station Agreement”) with the borrower to acquire Green Valley Station. Pursuant to the Green Valley Station Agreement, the Company, as the holder of the note, agreed not to bring any action against the borrower or the guarantors, subject to certain exceptions, and the borrowers agreed to transfer Green Valley Station to the Company. The conveyance was completed on June 18, 2012. Green Valley Station is a neighborhood shopping center that is anchored by CVS Pharmacy. The Company recorded a bargain purchase gain of approximately $3.2 million based on its determination of the fair value of the property at the time of the purchase.

On May 3, 2012, the Company acquired a shopping center in Shoreline, Washington, within the Seattle metropolitan area ("Aurora Square") for a purchase price of approximately $4.2 million. Aurora Square is anchored by a Central Supermarket. The property was acquired with cash.

On May 4, 2012, the Company acquired a shopping center in Foster City, California, within the San Francisco Bay Area ("Marlin Cove") for a purchase price of approximately $17.4 million. Marlin Cove is anchored by a 99 Ranch Supermarket. The property was acquired with cash.

On May 25, 2012, the Company acquired a mortgage note from a special servicer for an aggregate purchase price of $18.8 million in cash. The note was secured by a shopping center located in Oxnard, California, within the Los Angeles metropolitan area (“Seabridge Marketplace”). At the time of closing on the note, the borrower was in default, having failed to meet debt service payments since February, 2012. On May 29, 2012, the Company entered into a real estate purchase, sale, and conveyance in lieu of foreclosure agreement (the “Seabridge Marketplace Agreement”) with the borrower to acquire Seabridge Marketplace. Pursuant to the Seabridge Marketplace Agreement, the Company, as the holder of the note, agreed not to bring any action against the borrower or the guarantors, subject to certain exceptions, and the borrowers agreed to transfer Seabridge Marketplace to the Company. The conveyance was completed on May 31, 2012. Seabridge Marketplace is a shopping center that is anchored by Von’s Supermarket. The Company recorded a bargain purchase gain of approximately $622,000 based on its determination of the fair value of the property at the time of the purchase.

On July 24, 2012, the Company acquired a shopping center in Novato, California, within the San Francisco metropolitan area (“Village at Novato”) for a purchase price of $10.5 million. The Village at Novato is anchored by a Trader Joe’s supermarket. Included in the acquisition is an adjacent vacant parcel entitled for 55,000 square of additional retail space. The property was acquired with cash.

On August 1, 2012, the Company acquired a shopping center in Glendora, California, within the Los Angeles metropolitan area (“Glendora Shopping Center”) for a purchase price of $14.9 million. Glendora Shopping Center is anchored by an Albertson’s supermarket. The property was acquired with cash.

On August 1, 2012, the Company acquired its joint venture partner's interest in Wilsonville Old Town Square for approximately $1.6 million and paid off an existing $13.3 million construction loan securing the property. The property is a newly developed shopping center that is anchored by a Kroger (Fred Meyer) supermarket. The property is located in Wilsonville, Oregon, within the Portland metropolitan area. The purchase of its remaining interest and the loan repayment were funded with cash. The Company recorded a gain of approximately $2.1 million when determining the fair value of the property at the time of the purchase of the remaining interest in the property.

The Company assessed the fair value of the lease intangibles based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 in the fair value hierarchy. See "Note 7 - Fair Value of Financial Instruments" for a discussion of the framework for measuring fair value.

The financial information set forth below summarizes the Company's preliminary purchase price allocation for the properties acquired during the nine months ended September 30, 2012 and 2011.

	September 30, 2012	September 30, 2011
ASSETS		
Land	$ 47,186,352	$ 81,695,190
Building and improvements	92,671,620	200,885,981
Acquired lease intangible asset	11,489,527	21,425,280
Deferred charges	3,327,565	5,272,186
Assets acquired	$ 154,675,064	$ 309,278,637
Acquired lease intangible liability	$ 9,660,574	$ 27,361,727
Mortgage notes assumed	8,428,061	—
Liabilities assumed	$ 18,088,635	$ 27,361,727

Pro Forma Financial Information

The pro forma financial information set forth below is based upon the Company's historical consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011, adjusted to give effect of these transactions as if they had been completed at the beginning of each year.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the transaction occurred at the beginning of each year, nor does it purport to represent the results of future operations.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Statement of operations:				
Revenues	$ 19,053,501	$ 18,710,452	$ 58,015,049	$ 57,915,997
Property operating and other expenses	4,931,148	4,940,089	15,761,671	15,612,252
Depreciation and amortization	8,348,780	8,339,844	22,699,536	22,880,956
Net income attributable to Retail Opportunity Investments Corp.	$ 5,773,573	$ 5,430,519	$ 19,553,842	$ 19,422,789

The following table summarizes the operating results included in the Company's historical consolidated statement of operations for the nine months ended September 30, 2012 and 2011, for the properties acquired during the nine months ended September 30, 2012 and 2011.

Statement of operations:	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues	$ 5,404,625	$ 11,247,888
Property operating and other expenses	1,261,275	3,199,339
Depreciation and amortization	1,947,971	5,480,135
Net income attributable to Retail Opportunity Investments Corp.	**$ 2,195,379**	**$ 2,568,414**

Mortgage Notes Receivable

The Company holds a $10.0 million second mortgage loan to the joint venture that owns the Crossroads Shopping Center. The Company owns a 49% equity interest in the joint venture. The interest rate on the loan is 8% per annum and matures on September 1, 2015, which is coterminous with the existing first mortgage.

Unconsolidated Joint Ventures

At September 30, 2012 and December 31, 2011, investments in and advances to unconsolidated joint ventures consisted of the following (with the Company's ownership percentage in parentheses).

	September 30, 2012	December 31, 2011
Wilsonville OTS LLC (100% on 8/1/2012 ,95% at 12/31/2011)	$ —	$ 4,584,496
Crossroads Shopping Center (49%)	15,078,373	13,780,018
Mortgage note receivable secured by Riverside Plaza (50%)	—	7,878,000
Total	$ 15,078,373	$ 26,242,514

On August 1, 2012, the Company acquired the remaining interest in Wilsonville Old Town Square from its joint venture partner for approximately $1.6 million and paid off an existing $13.3 million construction loan securing the property. Upon the acquisition of the remaining interest in the property the Company reclassified approximately $4.0 million from "Investment in and advances to unconsolidated joint ventures" to "Real estate investments" in the accompanying consolidated balance sheet. The Company recorded a gain of approximately $2.1 million based on its determination of the fair value of the property at the time of the purchase of the remaining interest in the property. The purchase of its remaining interest and the loan repayment were funded with cash.

On September 20, 2012, the Company was repaid $7.8 million, representing its full B-note participation in a first mortgage secured by Riverside Plaza Shopping Center. The Company previously acquired its interest from John Hancock Life Insurance Company through a 50/50 joint venture with Winthrop Realty Trust.

The Company has no contractual capital contribution commitments to its joint ventures.

The Company has evaluated its investments in the joint ventures and has concluded that the joint ventures are not VIEs. The Company accounts for its investment in its unconsolidated joint ventures under the equity method of accounting since it exercises significant influence over, but does not control the unconsolidated joint ventures. The other members in the unconsolidated joint ventures have substantial participation rights in the financial decisions and operations of the unconsolidated joint ventures.

3. Mortgage Notes Payable and Credit Facilities

Mortgage Notes Payable

The mortgage notes payable collateralized by respective properties and assignment of leases at September 30, 2012 and December 31, 2011, respectively, were as follows:

Property	Maturity Date	Interest Rate	September 30, 2012	December 31, 2011
Cascade Summit Town Square	July 2012	7.25%	$ -	$ 6,894,650
Gateway Village I	February 2014	5.58%	6,757,034	6,868,492
Gateway Village II	May 2014	5.73%	6,910,365	7,019,258
Euclid Plaza	November 2014	5.23%	8,355,015	-
Country Club Gate	January 2015	5.04%	12,536,931	12,705,857
Renaissance Towne Center	June 2015	5.13%	16,826,446	17,014,883
Gateway Village III	July 2016	6.10%	7,483,435	7,546,509
			$ 58,869,226	58,049,649
Mortgage Premium			1,541,654	1,856,315
Total mortgage notes payable			$ 60,410,880	$ 59,905,964

On March 29, 2012, the Company assumed an existing mortgage loan with an outstanding principal balance of approximately $8.4 million as part of the acquisition of Euclid Plaza. The Euclid Plaza loan bears interest at a rate of 5.23% per annum and has a maturity date of November 2014. The fair market value of the mortgage note was $8.8 million at the time it was assumed.

On April 10, 2012, the Company paid off $6.9 million of mortgage debt that was secured by the Cascade Summit Town Square shopping center.

Credit Facilities

On August 29, 2012, the Company entered into an amended and restated credit facility with KeyBank National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, Bank of America, N.A. as Syndication Agent, PNC Bank, National Association and U.S. Bank National Association, as Co-Documentation Agents, and the other lenders party thereto, under which the lenders agreed to provide a $200.0 million senior unsecured revolving credit facility, with a letter of credit sub-limit of up to 20% of the then-current aggregate commitments. The credit facility also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the credit facility, including the consent of the lenders for the additional commitments. The initial maturity date of the credit facility is August 29, 2016, subject to a one-year extension option, which may be exercised by the Company upon satisfaction of certain conditions, including payment of an extension fee to the credit facility administrative agent in an amount equal to 0.25% multiplied by the aggregate commitments to be shared pro rata among the lenders thereto.

On August 29, 2012, the Company entered into an amended and restated term loan agreement with KeyBank National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, PNC Bank, National Association, and U.S. Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto, under which the lenders agreed to provide a $200.0 million senior unsecured term loan facility. The term loan also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the term loan, including the consent of the lenders for the additional commitments. The maturity date of the term loan is August 29, 2017.

Borrowings under the amended and restated credit facility and the amended and restated term loan agreement (collectively, the “loan agreements”) bear interest on the outstanding principal amount at a rate equal to, prior to such time as the Company has obtained an investment grade rating from at least two rating agencies, an applicable rate based on the consolidated leverage ratio of the Company and its subsidiaries, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for 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 KeyBank National Association as its "prime rate," and (c) the Eurodollar Rate plus 1.00% (the "Base Rate"). From, and after the time the Company obtains an investment grade rating from at least two rating agencies, borrowings under the loan agreements will bear 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) the Base Rate. With respect to the amended and restated credit facility, the Company is obligated to pay (i) prior to such time as the Company has obtained an investment grade rating from at least two rating agencies, an unused fee of (a) 0.35% if the total outstanding principal amount is less than 50% of the aggregate commitments or (b) 0.25% if the total outstanding principal amount is greater than or equal to 50% of the aggregate commitments, (ii) from and after such time as the Company has obtained an investment grade rating from at least two rating agencies, a facility fee at a facility fee rate based on the credit rating level of the Company, and (iii) a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the agreements. The loan agreements contain certain representations, financial and other covenants typical for these types of facilities. The Company's ability to borrow under the loan agreements is subject to its compliance with the covenants and other restrictions on an ongoing basis. The Company was in compliance with such covenants at September 30, 2012.

As of September 30, 2012, $200.0 million was outstanding under the term loan and nothing outstanding under the credit facility. The average interest rate on the term loan during the nine months ended September, 2012 was 1.8%. The Company had $200.0 million available to borrow under the credit facility at September 30, 2012. The Company had no available borrowings under the term loan.

In connection with the amended and restated credit facility and amended and restated term loan the Company incurred approximately $2.3 million of deferred financing costs which are being amortized over the term of the revised credit facility and term loan.

4. Preferred Stock

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 September 30, 2012 and 2011, there were no shares of preferred stock outstanding.

5. Common Stock and Warrants

On June 23, 2011, the Company entered into an ATM Equity Offering SM Sales Agreement ("sales agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell shares of the Company's common stock par value $0.0001 per share, having aggregate sales proceeds of $50.0 million from time to time, through an "at the market" equity offering program under which Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as sales ("agent") and/or principal agent. During the three and nine months ended September 30, 2012, the Company sold 1,883,813 and 2,977,445 shares, respectively under the sales agreement, which resulted in gross proceeds of approximately $23.5 million and $36.9 million, respectively and commissions of approximately $376,000 and $643,000, respectively paid to the agent. At September 30, 2012, the Company had sold since the inception of the plan a total of 3,109,245 shares under the sales agreement, which resulted in gross proceeds of approximately $38.4 million and commissions of approximately $673,000 paid to the agent.

Simultaneously with the consummation of the IPO, the Sponsor purchased 8,000,000 Private Placement Warrants at a purchase price of $1.00 per warrant. The Private Placement Warrants were identical to the Public Warrants except that the Private Placement Warrants are exercisable on a cashless basis as long as they are still held by the Sponsor or its members, members of its members' immediate family or their controlled affiliates. The purchase price of the Private Placement Warrants approximated the fair value of such warrants at the purchase date.

The Company has the right to redeem all of the warrants it issued in the IPO and the Private Placement Warrants, at a price of $0.01 per warrant upon 30 days' notice while the warrants are exercisable, only in the event that the last sale price of the common stock is at least a specified price. The terms of the warrants are as follows:

- The exercise price of the warrants is $12.00.
- The expiration date of the warrants is October 23, 2014.
- The price at which the Company's common stock must trade before the Company is able to redeem the warrants it issued in the IPO is $18.75.
- The price at which the Company's common stock must trade before the Company is able to redeem the Private Placement Warrants is (x) $22.00, for as long as they are held by the Sponsor or its members, members of its members' immediate families or their controlled affiliates, otherwise (y) $18.75.
- To provide that a warrantholder's ability to exercise warrants is limited to ensure that such holder's "Beneficial Ownership" or "Constructive Ownership," each as defined in the Company's charter, does not exceed the restrictions contained in the charter limiting the ownership of shares of the Company's common stock.

The Company has reserved 53,400,000 shares for the exercise of the Public Warrants and the Private Placement Warrants, and issuance of shares under the Company's 2009 Equity Incentive Plan (the "2009 Plan").

Warrant Repurchase

In May 2010, the Company's board of directors authorized a warrant repurchase program to repurchase up to a maximum of $40.0 million of the Company's warrants. To date, the Company has not repurchased warrants under such program.

6. Stock Compensation and Other Benefit Plans

The Company 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.

During 2009, the Company adopted the 2009 Plan. The 2009 Plan provides for grants of restricted common stock and stock option awards up to an aggregate of 7.5% of the issued and outstanding shares of the Company's common stock at the time of the award, subject to a ceiling of 4,000,000 shares.

Restricted Stock

During the nine months ended September 30, 2012, the Company awarded 303,000 shares of restricted common stock under the 2009 Plan of which 116,250 shares are performance-based grants and the remainder of the shares are time based grants. The performance-based grants vest in three equal annual tranches, depending on the Company achieving an 7% total return to shareholders, or exceeding the top one-third of a certain peer group of companies over a three-year period from January 1, 2012, through January 1, 2015. An independent appraisal company determined the value of the performance-based grants to be $8.72 per share, compared to a market price of the Company's common stock at the date of grant of $12.04.

As of September 30, 2012, there remained a total of $3.3 million of unrecognized restricted stock compensation related to outstanding non-vested restricted stock grants awarded under the 2009 Plan. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 1.1 years (irrespective of achievement of the performance conditions). For the three months ended September 30, 2012 and 2011, amounts charged to compensation expense totaled approximately $900,000 and $494,000, respectively. For the nine months ended September 30, 2012 and 2011, amounts charged to compensation expense totaled approximately $2.1 million and $1.5 million, respectively.

A summary of the status of the Company's non-vested restricted stock awards as of September 30, 2012, and changes during the nine months ended September 30, 2012 are presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2011	286,198	$ 10.30
Granted	303,000	9.18
Vested	(13,667)	10.44
Forfeited	(21,867)	10.76
Non-vested at September 30, 2012	553,664	$ 10.55

A summary of the status of the Company's non-vested restricted stock awards as of September 30, 2011, and changes during the nine months ended September 30, 2011 are presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2010	161,333	$ 10.27
Granted	276,000	10.31
Vested	—	—
Forfeited	—	—
Non-vested at September 30, 2011	437,333	$ 10.30

Stock Options

During the nine months ended September 30, 2012, the Company awarded a total of 9,500 options to purchase shares under the 2009 Plan. The Company has used the Monte Carlo method for purposes of estimating the fair value in determining compensation expense for the options that were granted during the nine months ended September 30, 2012. The assumption for expected volatility has a significant effect on the grant fair value. Volatility is determined based on the historical volatilities of REITs similar to the Company. The Company used the simplified method to determine the expected life which is calculated as an average of the vesting period and the contractual term. The fair value for the options awarded by the Company during the nine months ended September 30, 2012, was estimated at the date of the grant using the following weighted-average assumptions.

		Nine Months Ended September 30, 2012
Average volatility		30.0%
Expected dividends	$	0.15
Expected life (in years)		6.0
Risk-free interest rate		1.30%

A summary of options activity as of September 30, 2012, and changes during the nine months ended September 30, 2012 are presented below:

	Shares		Weighted Average Exercise Price
Outstanding at December 31, 2011	337,000	$	10.44
Granted	9,500		12.02
Exercised	—		—
Forfeited	(2,500)		10.88
Expired	—		—
Outstanding at September 30, 2012	344,000	$	10.48
Exercisable at September 30, 2012	158,900	$	10.38

A summary of options activity as of September 30, 2011, and changes during the nine months ended September 30, 2011 are presented below:

	Shares		Weighted Average Exercise Price
Outstanding at December 31, 2010	235,000	$	10.25
Granted	102,000		10.88
Exercised	—		—
Forfeited	—		—
Expired	—		—
Outstanding at September 30, 2011	337,000	$	10.46
Exercisable at September 30, 2011	73,667	$	10.26

For the three months ended September 30, 2012 and 2011, the amounts charged to expenses totaled approximately $72,000 and $57,000, respectively. For the nine months ended September 30, 2012 and 2011, the amounts charged to compensation expense totaled approximately $188,000 and $171,000, respectively. The total unearned compensation at September 30, 2012, was approximately $154,000. The options vest over an average period of one year.

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 $3,000 and $5,000 for the three months ended September 30, 2012 and 2011, respectively, and $15,000 and $9,000 for the nine months ended September 30, 2012 and 2011, respectively.

7. 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, revolving credit facilities and term loan are reasonable estimates of their fair values because of the short-term nature of these instruments. Mortgage notes receivables were recorded at the actual purchase price. Mortgage notes payable were recorded at their fair value at the time they were assumed and are estimated to have a fair value of approximately $63.3 million with an interest rate range of 3.8% to 5.2% and the weighted average interest rate of 4.5% as of September 30, 2012. These fair value measurements fall within level 3 of the fair value hierarchy.

Disclosure about fair value of financial instruments is based on pertinent information available to the Company as of September 30, 2012. Although the Company is not aware of any factors that would significantly affect the reasonable fair value amount, such amount have not been comprehensively re-valued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

8. Derivative and Hedging Activities

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily 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.

During the year ended December 31, 2010, the Company entered into a $25.0 million forward starting interest rate swap with Wells Fargo Bank, N.A. The forward starting swap is being used to hedge variable cash flows associated with the Company's variable-rate debt. The swap was effective on April 15, 2011 and has a maturity date of April 15, 2021. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the nine months ended September 30, 2012, the Company realized approximately $10,000 of ineffectiveness as a result of the hedging relationship.

During the year ended December 31, 2010, the Company entered into a $50.0 million forward starting interest rate swap with PNC Bank, N.A. The forward starting swap is being used to hedge the variable cash flows associated with the Company's variable-rate debt. The swap was effective on July 1, 2011 and has a maturity date of July 1, 2018. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the nine months ended September 30, 2012, the Company realized no ineffectiveness as a result of the hedging relationship.

During the year ended December 31, 2011, the Company entered into a $50.0 million forward starting interest rate swap with Bank of Montreal. The forward starting swap is being used to hedge the anticipated variable cash flows associated with the Company's variable-rate debt that is issued by March 1, 2015. The swap has a maturity date of April 1, 2019. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the nine months ended September 30, 2012, the Company realized approximately $1,000 of ineffectiveness as a result of the hedging relationship.

During the year ended December 31, 2011, the Company entered into a $25.0 million forward starting interest rate swap with Wells Fargo Bank, N.A. The forward starting swap is being used to hedge the anticipated variable cash flows associated with the Company's variable-rate debt that is planned to be issued between April 2, 2012 and April 2, 2019. The swap has a maturity date of April 2, 2019. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the nine months ended September 30, 2012, the Company realized no ineffectiveness as a result of the hedging relationship.

On May 31, 2012, the Company entered into a $25.0 million forward starting interest rate swap with Royal Bank of Canada. The forward starting swap is being used to hedge the anticipated variable cash flows associated with the Company's variable-rate debt that is planned to be issued between April 1, 2013 and April 3, 2023. The swap has a maturity date of April 3, 2023. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the nine months ended September 30, 2012, the Company realized no ineffectiveness as a result of the hedging relationship.

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 the 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 incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's 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 has 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 itself and its counterparties. However, as of September 30, 2012 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 as of September 30, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2012

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2012
Assets				
Derivative financial instruments	$ —	$ —	$ —	$ —
Liabilities				
Derivative financial instruments	$ —	$ (19,108,620)	$ —	$ (19,108,620)

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest expense is recognized on the hedged debt. During the next twelve months, the Company estimates that $4.5 million will be reclassified as an increase to interest expense.

As of September 30, 2012, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of instruments	Notional
Interest rate swap	5	$ 175,000,000

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 September 30, 2012 and December 31, 2011, respectively:

Derivatives designed as hedging instruments	Balance sheet location	September 30, 2012 Fair Value (liability)	December 31, 2011 Fair Value (liability)
Interest rate products	Other liabilities	$ (19,108,620)	$ (13,856,420)

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 three and nine months ended September 30, 2012 and 2011, respectively. Amounts reclassified from other comprehensive income and ineffectiveness are recognized as interest expense and amounts related to ineffectiveness.

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Amount of gain (loss) recognized in OCI on derivative$	$ (2,823,453)	$ (10,635,041)	$ (7,873,977)	$ (12,688,192)
Amount of gain (loss) reclassified from accumulated OCI into interest	$ (1,184,484)	$ (365,549)	$ (2,720,594)	$ (365,549)
Amount of gain or (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	$ (22,807)	$ 109,606	$ (10,511)	$ —

9. 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's headquarters are located in White Plains, New York, which it leases from a third party. The terms of the lease will expire in February 2014. Future minimum rents payable under the terms of the lease, amount to approximately $15,950, $63,800, and $10,640, during the years 2012, 2013 and 2014, respectively. Upon the relocation of the Company's corporate headquarters to San Diego, the Company will expense these costs as incurred through the end of the lease term.

10. Related Party Transactions

The Company had entered into a Transitional Shared Facilities and Services Agreement with NRDC Real Estate Advisors, LLC, an entity wholly owned by four of the Company's current and former directors. Pursuant to the Transitional Shared Facilities and Services Agreement, NRDC Real Estate Advisors, LLC provided the Company with access to, among other things, their information technology and office space. On October 31, 2011 this agreement expired. For the three and nine months ended September 30, 2011 the Company incurred $22,500 and $67,500, respectively, of expenses relating to this agreement which is included in general and administrative expenses in the accompanying consolidated statements of operations. The Company did not incur any expenses relating to this agreement during the three and nine months ended September 30, 2012. In May 2010, the Company had entered into a Shared Facilities and Service Agreement effective January 1, 2010 with an officer of the Company. Pursuant to the Shared Facilities and Service Agreement, the Company was provided the use of office space and other resources for a monthly fee of $1,938. The agreement was terminated on October 31, 2011 due to the relocation of office space. For the three and nine months ended September 30, 2011 the Company incurred approximately $5,800 and $17,400, respectively, of expenses relating to this agreement which is included in general and administrative expenses in the accompanying consolidated statements of operations. The Company did not incur any expenses relating to this agreement during the three and nine months ended September 30, 2012, since the agreement was terminated on October 31, 2011.

In August 2011, the Company entered into two lease agreements effective July 1, 2011, with an officer of the Company. Pursuant to the lease agreements, the Company is provided the use of storage space for a monthly fee of $790. For the three and nine months ended September 30, 2012, the Company incurred approximately $2,400 and $7,200, respectively, of expenses relating to the agreements which were included in general and administrative expenses in the accompanying consolidated statements of operations. For the three and nine months ended September 30, 2011, the Company incurred approximately $2,400 of expenses relating to the agreements which were included in general and administrative expenses in the accompanying consolidated statements of operations.

11. Corporate Office Relocation

As previously reported on August 2, 2012, the Company announced the relocation of its corporate headquarters from White Plains, New York to San Diego, California. The Company also announced that John B. Roche, the Company's Chief Financial Officer, has elected not to remain with the Company once the physical transition to the West coast has been completed which is expected to occur by year end 2012. Since that time, the Company has made significant progress on its search for a chief financial officer to replace Mr. Roche and expects it will be in a position to announce Mr. Roche's replacement before year end 2012. Consequently, the Company and Mr. Roche have agreed to set the date of Mr. Roche's departure for December 31, 2012. Under his employment agreement, Mr. Roche is entitled to receive a lump sum payment, within 30 days of his departure, equal to (i) $2,048,000, which is equal to (x) two times his annual salary and (y) two times the average of his annual bonuses awarded for the last two years immediately preceding the year of his departure, (ii) $18,000, which represents Mr. Roche's automobile allowance for one year and (iii) any of Mr. Roche's annual salary, annual bonus and other benefits which is both earned and accrued prior to the date of termination. In addition to the foregoing, all outstanding unvested equity-based incentives and awards granted to Mr. Roche will vest and become free from restrictions and be exercisable in accordance with the terms of the equity-based incentive and award agreements. The amounts payable to Mr. Roche were included in the Company's previous estimate of relocation costs, which in the aggregate remain between $3.0 million and $3.3 million. For the period ended September 30, 2012, the Company has expensed $1.0 million of the aggregate relocation costs associated with Mr. Roche's employment agreement which is included in general and administrative expenses in the accompanying consolidated statements of operations. The Company anticipates expensing the balance of the relocation costs in the fourth quarter of 2012 as incurred.

12. Subsequent Events

In determining subsequent events, the Company reviewed all activity from October 1, 2012 to the date the financial statements are issued and discloses the following items:

On October 5, 2012, the Company acquired a shopping center property known as Bay Plaza Shopping Center located in San Diego, California for a purchase price of $21.6 million. Bay Plaza Shopping Center is approximately 73,000 square feet and is anchored by Seafood City grocery. The property was acquired with cash.

On October 17, 2012, the Company deposited a total of $500,000 into an interest-bearing account with a title company in accordance with a purchase sale agreement entered into on October 15, 2012. The deposit is for the potential acquisition of the property known as Manhattan Village Shopping Center. The deposit was funded with cash.

On October 26, 2012, the Company deposited a total of $1,000,000 into an interest-bearing account with a title company in accordance with a purchase sale agreement entered into on October 25, 2012. The deposit is for the potential acquisition of the property known as Bernardo Heights Plaza. The deposit was funded with cash.

On October 31, 2012, the Company's board of directors declared a cash dividend on its common stock of $0.14 per share, payable on November 30, 2012 to holders of record on November 14, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Quarterly Report on Form 10-Q, we refer to Retail Opportunity Investments Corp. and its consolidated subsidiaries as "we," "us," "Company," or "our," unless we specifically state otherwise or the context indicates otherwise.

When used in this discussion and elsewhere in this Quarterly Report on Form 10-Q, the words "believes," "anticipates," "projects," "should," "estimates," "expects," and similar expressions are intended to identify forward-looking statements within 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 and Exchange Act of 1934, as amended (the "Exchange Act"). Actual results may differ materially due to uncertainties including:

- our ability to identify and acquire retail real estate and real estate-related debt investments that meet our investment standards in our target markets;
- the level of rental revenue and net interest income we achieve from our target assets;
- the market value of our assets and the supply of, and demand for, retail real estate and real estate-related debt investments in which we invest;
- the length of the current economic downturn;
- the conditions in the local markets in which we operate and our concentration in those markets, as well as changes in national economic and market conditions;
- consumer spending and confidence trends;
- our ability to enter into new leases or to renew leases with existing tenants at the properties we own or acquire at favorable rates;
- our ability to anticipate changes in consumer buying practices and the space needs of tenants;
- the competitive landscape impacting the properties we own or acquire and their tenants;
- our relationships with our tenants and their financial condition and liquidity;
- our ability to continue to qualify as a real estate investment trust (a "REIT") for U.S. federal income tax;
- our use of debt as part of our financing strategy and our ability to make payments or to comply with any covenants under any borrowings or other debt facilities we currently have or subsequently obtain;
- the level of our operating expenses, including amounts we are required to pay to our management team and to engage third party property managers;
- the estimated costs of the planned relocation of the Company's corporate operations to California;
- changes in interest rates that could impact the market price of our common stock and the cost of our 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 report. We disclaim 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 report.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect our business and financial performance. Moreover, we operate 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 our 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.

Overview

Retail Opportunity Investments Corp. commenced operations in October 2009 as a fully integrated and self-managed REIT. The Company specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers in the western and eastern regions of the United States, anchored by national and regional supermarkets and drugstores. The Company refers to the properties it targets for investment as its target assets.

From the commencement of its operations through September 30, 2012, the Company completed approximately $756.7 million of shopping center investments. As of September 30, 2012, the Company's portfolio consisted of 39 wholly-owned retail properties totaling approximately 3.8 million square feet of gross leasable area ("GLA"). The Company also owns a retail property through joint ventures. The joint ventures are comprised of a 49% ownership interest in the Crossroads Shopping Center, a 464,822 square foot shopping center situated on approximately 40 acres of land, which are currently 96% leased.

As of September 30, 2012, the Company's wholly-owned portfolio was approximately 92.6% leased. At September 30, 2012, the Company considered 34 of its wholly-owned properties to be stabilized properties with a weighted average leased area of 95.3%. The remaining five properties were considered by the Company to be re-development properties that were 73.0% leased at September 30, 2012. During the three and nine months ended September 30, 2012, the Company leased or renewed a total of 123,918 and 580,694 square feet, respectively in its portfolio. The Company has committed approximately $5.0 million and $620,000 in tenant improvements and leasing commissions respectively, for the new leases and renewals that occurred during the nine months ended September 30, 2012. During the three months ended September 30, 2012, the Company experienced a .2% increase in rental rates across its portfolio with respect to lease renewals that expired during such period. During the nine months ended September 30, 2012, the Company experienced a 1.2% decrease in rental rates across its portfolio with respect to lease renewals that expired during such period.

The Company reincorporated as a Maryland corporation on June 2, 2011. The Company has elected to be taxed as a REIT, for U.S. federal income tax purposes, commencing with the year ended December 31, 2010.

Subsequent Events

On October 5, 2012, the Company acquired a shopping center property known as Bay Plaza Shopping Center located in San Diego, California for a purchase price of $21.6 million. Bay Plaza Shopping Center is approximately 73,000 square feet and is anchored by Seafood International food store. The property was acquired with cash.

On October 17, 2012, the Company deposited a total of $500,000 into an interest-bearing account with a title company in accordance with a purchase sale agreement entered into on October 15, 2012. The deposit is for the potential acquisition of the property known as Manhattan Village Shopping Center. The deposit was funded with cash.

On October 26, 2012, the Company deposited a total of $1,000,000 into an interest-bearing account with a title company in accordance with a purchase sale agreement entered into on October 25, 2012. The deposit is for the potential acquisition of the property known as Bernardo Heights Plaza. The deposit was funded with cash.

On October 31, 2012, the Company's board of directors declared a cash dividend on its common stock of $0.14 per share, payable on November 30, 2012 to holders of record on November 14, 2012.

Report on Operating Results

Funds from operations ("FFO"), is a widely-recognized non-GAAP financial measure for REITs that the Company believes when considered with financial statements determined 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.

In accordance with the Financial Accounting Standards Board ("FASB") guidance relating to business combinations, which, among other things, requires any acquirer of a business (investment property) to expense all acquisition costs related to the acquisition, the amount of which will vary based on each specific acquisition and the volume of acquisitions. Accordingly, the costs of completed acquisitions will reduce our FFO. Acquisition costs for the three months ended September 30, 2012 and 2011 were approximately $194,000 and $1.3 million, respectively. Acquisition costs for the nine months ended September 30, 2012 and 2011 were approximately $947,000 and $1.8 million, respectively.

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 three and nine months ended September 30, 2012 and 2011.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net income (Loss) for period	$ 2,618,768	$ 2,544,883	$ 8,170,504	$ 9,422,743
Plus: Real property depreciation	3,516,741	2,630,480	10,300,009	6,420,085
Amortization of tenant improvements and allowances	1,117,801	762,651	3,272,549	1,953,162
Amortization of deferred leasing costs	2,949,300	3,078,345	8,890,881	7,768,319
Funds from operations	$ 10,202,610	$ 9,016,359	$ 30,633,943	$ 25,564,309
Net Cash Provided by (Used in):				
Operating Activities	$ 9,316,107	$ 7,270,094	$ 19,196,544	$ 13,823,228
Investing Activities	$ (35,156,043)	$ (111,809,113)	$ (126,103,241)	$ (205,279,334)
Financing Activities	$ 39,174,759	$ 97,470,945	$ 96,077,932	$ 114,980,130

Results of Operations

At September 30, 2012, the Company had equity interests in 40 properties, of which 39 are consolidated ("consolidated properties") in the accompanying financial statements and one is accounted for under the equity method of accounting. The Company believes, because of the location of the properties in densely populated areas, the nature of its investment provides for relatively stable revenue flows even during difficult economic times. The Company has a strong capital structure with manageable debt. The Company expects to continue to explore acquisition opportunities that might present themselves during this economic downturn consistent with its business strategy.

Results of Operations for the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

The following comparison for the three months ended September 30, 2012 compared to the three months ended September 30, 2011, makes reference to the effect of the same-store properties. Same-store properties represent all consolidated operating properties owned by the Company in the same manner during both periods which totaled 23 of the Company's 39 consolidated properties. Operating income is defined as operating income generated from the Company's consolidated operating properties (net of depreciation and amortization).

During the three months ended September 30, 2012, the Company generated net income of approximately $2.6 million compared to net income of $2.5 million generated during the three months ended September 30, 2011. While there was not a significant change in net income during both periods several components of net income experienced a significant change. Operating income increased by $3.0 million during the three months ended September 30, 2012 as a result of an increase in the number of properties owned by the Company in 2012 compared to 2011 and an increase in same-store properties operating income. As of September 30, 2012, the Company owned 39 consolidated properties as compared to 29 properties at September 30, 2011. The newly acquired properties increased operating income in 2012 by approximately $1.7 million. Operating income from the 23 same-store properties increased operating income by approximately $1.3 million primarily due to an increase in the weighted average leased area which increased to 90.8% in 2012 as compared to 89.6% in 2011 for these properties. During the three months ended September 30, 2012 the Company recognized a $2.1 million gain upon the acquisition of the remaining interest in a property from its joint venture partner. During the three months ended September 30, 2011 the Company recognized a $3.7 million bargain purchase gain when recording the fair value of a property that was acquired during the period through Conveyance in Lieu of Foreclosure Agreements. In addition, during the three months ended September 30, 2012, the Company incurred approximately $3.1 million of interest expense compared to approximately $1.7 million during the three months ended September 30, 2011, due to higher borrowings on the term loan/credit facility. During the three months ended September 30, 2012, the Company had $200.0 million outstanding on its term loan as compared to $140.0 million outstanding on its credit facility at September 30, 2011. The Company incurred property acquisition costs during the three months ended September 30, 2012 of approximately $194,000 million compared to $1.4 million incurred during the comparable period in 2011. Property acquisition costs were lower in 2012 due to a lower number of acquisitions during this period as compared to the three months ended September 30, 2011. During the three months ended September 30, 2012 general and administrative costs increased approximately $1.3 million as compared to the comparable period a year ago mostly due to the costs incurred related to the previously announced plan to move the corporate operations from White Plains, New York to San Diego, California.

Results of Operations for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

The following comparison for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, makes reference to the effect of the same-store properties. Same-store properties represent all consolidated operating properties owned by the Company in the same manner during both periods which totaled 17 of the Company's 39 consolidated properties. Operating income is defined as operating income generated from the Company's consolidated operating properties (net of depreciation and amortization).

During the nine months ended September 30, 2012, the Company generated net income of approximately $8.2 million compared to net income of $9.4 million generated during the nine months ended September 30, 2011. The substantial cause of the differences during the two periods resulted from a decrease in the bargain purchase gains recorded during 2012 as compared to 2011. During the nine months ended September 30, 2012 the Company recognized $3.9 million in bargain purchase gains, when recording the fair values of two properties that were acquired during the period through a Conveyance in Lieu of Foreclosure Agreements. In addition, during the nine months ended September 30, 2012 the Company recognized a $2.1 million gain upon the acquisition of the remaining interest in a property from its joint venture partner. In 2011, the Company recorded $9.5 million in bargain purchase gains relating to four properties that were acquired during the period through a Conveyance in Lieu of Foreclosure Agreement. In addition during the nine months ended September 30, 2012, the Company incurred approximately $8.1 million of interest expense compared to approximately $3.7 million during the nine months ended September 30, 2011, due to higher borrowings on the term loan/credit facility in 2012 as compared to 2011. Operating income increased by $7.7 million as a result of an increase in the number of properties owned by the Company in 2012 compared to 2011 and an increase in same- store properties operating income. As of September 30, 2012, the Company owned 39 properties as compared to 29 properties at September 30, 2011. The newly acquired properties increased operating income in 2012 by approximately $5.1 million. Operating income from the 17 same-store properties increased operating income by approximately $2.6 million primarily due to an increase in the weight average leased area which increased to 90.8% in 2012 as compared to 89.6% in 2011 for these properties. During the nine months ended September 30, 2012 general and administrative costs increased approximately $1.5 million as compared to the comparable period a year ago mostly due to $1.0 million of costs incurred related to the previously announced plan to move the corporate operations from White Plains, New York to San Diego, California and due to the increased costs of approximately $500,000 related to the increase in the number of properties owned in 2012. During the nine months ended September 30, 2012, interest income generated from mortgages notes receivables decreased by approximately $802,000 as a result of the Company obtaining ownership interest in three properties that were previously secured by a mortgage note. The Company obtained the properties through a Conveyance in Lieu of Foreclosure agreement during the nine months ended September 30, 2011.

Critical Accounting Policies

Critical accounting policies 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 policies 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 on 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

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.

Upon the acquisition of real estate properties, the fair value of the real estate purchased is allocated to the 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). 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 below-market rental lease renewal options is deferred until such time as the renewal option is exercised and subsequently amortized over the corresponding renewal period. The value of in-place leases are amortized to expense, and the above-market and below-market lease values are amortized to rental income, 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 will record a bargain purchase gain if it determines that the purchase price for the acquired assets was less than the fair value. The Company will record a liability in situations where any part of the cash consideration is deferred. The amounts payable in the future are discounted to their present value. The liability is subsequently re-measured to fair value with changes in fair value recognized in the consolidated statements of operations. If, up to one year from the acquisition date, information regarding fair value of assets acquired and liabilities assumed is received and estimates are refined, appropriate property adjustments are made to the purchase price allocation on a retrospective basis.

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 amounts 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 September 30, 2012.

The Company reviews its investments in its unconsolidated joint ventures for impairment periodically and the Company would record an impairment charge when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than temporary. The ultimate realization of the Company's investment in its unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. Management does not believe that the value of its unconsolidated joint venture was impaired at September 30, 2012.

REIT Qualification Requirements

The Company has elected and qualified 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 cannot re-elect to qualify as a REIT for four taxable years following the year that it failed to qualify as a REIT. The resulting adverse effects on the Company's results of operations, liquidity and amounts distributable to stockholders would be material.

Liquidity and Capital Resources

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. During the nine months ended September 30, 2012, the Company's primary sources of cash was (i) cash on hand and cash flows from operating activities, (ii) proceeds from bank borrowings and (iii) proceeds from the sale of common stock. As of September 30, 2012, the Company has determined that it has adequate working capital to meet its debt obligations and operating expenses for the next twelve months.

The Company has a $200.0 million senior unsecured revolving credit facility with several banks. The credit facility also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the credit facility, including the consent of the lenders for the additional commitments. The initial maturity date of the credit facility is August 29, 2016, subject to a one-year extension option, which may be exercised by the Company upon satisfaction of certain conditions, including payment of an extension fee to the credit facility administrative agent in an amount equal to 0.25% multiplied by the aggregate commitments to be shared pro rata among the lenders thereto.

In addition, the Company has a $200.0 million senior unsecured term loan facility with several banks. The term loan also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the term loan, including the consent of the lenders for the additional commitments. The maturity date of the term loan is August 29, 2017.

As of September 30, 2012, $200.0 million was outstanding under the term loan and nothing outstanding under the credit facility. The average interest rate on the term loan during the nine months ended September, 2012 was 1.8%. The Company had $200.0 million available to borrow under the credit facility at September 30, 2012. The Company had no available borrowings under the term loan.

During the nine months ended September 30, 2012, the Company assumed an existing mortgage loan with an outstanding principal balance of approximately $8.4 million as part of the acquisition of Euclid Plaza. The assumption of the loan was deemed to be cost beneficial when compared to the defeasance fees that would have been incurred to prepay the loan on behalf of the seller of the property.

During the year ended December 31, 2011, the Company entered into an ATM Equity OfferingSM Sales Agreement ("sales agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell shares of the Company's common stock, par value $0.0001 per share, having aggregate sales proceeds of $50.0 million from time to time, through an "at the market" equity offering program under which Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as sales agent and/or principal ("agent"). During the three and nine months ended September 30, 2012, the Company sold 1,883,813 and 2,977,445 shares, respectively under the sales agreement, which resulted in gross proceeds of approximately $23.5 million and $36.9 million, respectively and commissions of approximately $376,000 and $643,000, respectively paid to the agent. At September 30, 2012, the Company had sold since the inception of the plan a total of 3,109,245 shares under the sales agreement, which resulted in gross proceeds of approximately $38.4 million and commissions of approximately $673,000 paid to the agent.

While the Company generally intends to hold its target assets as long term investments, certain of its investments may be sold in order to manage the Company'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.

Potential future sources of capital include cash flows from operating activities, proceeds from unsecured or secured financings from banks or other lenders and undistributed funds from operations. In addition, the Company anticipates raising additional capital from future equity financings and if the value of its common stock exceeds the exercise price of its warrants through the sale of common stock to the holders of its warrants from time to time.

Net Cash Flows from:

Operating Activities

Net cash flows provided by operating activities amounted to $19.2 million in the nine months ended September 30, 2012, compared to $13.8 million in the comparable period in 2011. During the nine months ended September 30, 2012, cash flows from operating activities was increased by approximately $12.1 million due to additional operating income from new acquisitions. This increase was partially offset by an increase in interest expense of $4.4 million in 2012 as a result of higher borrowing amounts in 2012 and a decrease in mortgage interest income of $802,000.

Investing Activities

Net cash flows used by investing activities amounted to $126.1 million in the nine months ended September 30, 2012, compared to $205.3 million in the comparable period in 2011. During the nine months ended September 30, 2012, the Company acquired ten properties totaling to a net cash investment of $125.7 million. During the comparable period in 2011 the Company acquired 9 properties and a mortgage notes receivable for a total acquisition price of $200.1 million. During the nine months ended September 30, 2012, the Company was repaid $7.8 million, representing its full B-note participation in a first mortgage secured by Riverside Plaza Shopping Center.

Financing Activities

Net cash flows provided by financing activities amounted to $96.1 million for the nine months ended September 30, 2012, compared to $114.9 million in the comparable period in 2011. During the nine months ended September 30, 2012, the Company received proceeds of $90.0 million from borrowings on its term loan/revolving credit facility compared to $140.1 million from borrowings on its term loan and credit facility in the comparable period a year ago. In both periods the Company used the proceeds to partially finance property and mortgage notes receivable acquisitions. During the nine months ended September 30, 2012, the Company received proceeds of approximately $36.9 million from the sale of common stock. Partially offsetting the increase in financing activities was an increase in the dividend payment to common stockholders of approximately $8.4 million during the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The dividend payment increased in 2012 as a result of an increase in the dividend rate in 2012 of $0.12 and an increase in the number of shares outstanding in 2012 due to a common stock offering in December 2011. During the nine months ended September 30, 2012 the Company paid off $6.9 million of mortgage debt that was secured by one of its shopping centers.

Contractual Obligations

The following table presents the principal amount of the Company's long-term debt maturing each year, including amortization of principal based on debt outstanding at September 30, 2012:

	2012	2013	2014	2015	2016	Thereafter	Total
Contractual obligations:							
Mortgage Notes Payable [1]	$ 205,814	$ 980,764	$22,093,446	$28,376,531	$ 7,212,672	$ —	$ 58,869,227
Term loan	—	—	—	—	—	200,000,000	200,000,000
Credit facility	—	—	—	—	—	—	—
Earn-out obligations to the sellers of properties	—	4,136,380	—	—	—	—	4,136,380
Operating lease obligations	172,722	690,888	690,888	690,888	754,910	24,300,617	27,300,913
Total	**$ 378,536**	**$ 5,808,032**	**$22,784,334**	**$29,067,419**	**$ 7,967,582**	**$224,300,617**	**$290,306,520**

(1) Does not include unamortized mortgage premium of $1.5 million as of September 30, 2012.

As of September 30, 2012, the Company did not have any capital lease obligations, or purchase obligations.

The Company had entered into two lease agreements with an officer of the Company in a prior year. Pursuant to the lease agreement, the Company is provided the use of storage space for a monthly fee of $790.

As disclosed in Note 11 the Company expects to incur approximately an additional $2.0 million to $2.3 million of relocation costs relating to the announced relocation of its corporate headquarters from White Plains, New York to San Diego.

Off-Balance Sheet Arrangements

The Company's investments in unconsolidated joint ventures are off-balance sheet investments. These unconsolidated joint ventures are accounted for under the equity method of accounting as the Company has the ability to exercise significant influence, but not control the operating and financial decisions of these investments. The Company's off-balance sheet arrangements are more fully discussed in Note 2, "Real Estate Investments," in the accompanying consolidated financial statements.

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.

On August 29, 2012, the Company entered into an amended and restated credit facility with KeyBank National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, Bank of America, N.A. as Syndication Agent, PNC Bank, National Association and U.S. Bank National Association, as Co-Documentation Agents, and the other lenders party thereto, under which the lenders agreed to provide a $200.0 million senior unsecured revolving credit facility, with a letter of credit sub-limit of up to 20% of the then-current aggregate commitments. The credit facility also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the credit facility, including the consent of the lenders for the additional commitments. The initial maturity date of the credit facility is August 29, 2016, subject to a one-year extension option, which may be exercised by the Company upon satisfaction of certain conditions, including payment of an extension fee to the credit facility administrative agent in an amount equal to 0.25% multiplied by the aggregate commitments to be shared pro rata among the lenders thereto.

On August 29, 2012, the Company entered into an amended and restated term loan agreement with KeyBank National Association, as Administrative Agent, Bank of America, N.A as Syndication Agent, PNC Bank, National Association, and U.S. Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto, under which the lenders agreed to provide a $200.0 million senior unsecured term loan facility. The term loan also provides that the Company may from time to time request increased aggregate commitments of $100.0 million under certain conditions set forth in the term loan, including the consent of the lenders for the additional commitments. The maturity date of the term loan is August 29, 2017.

Borrowings under the amended and restated credit facility and the amended and restated term loan agreement (collectively, the “loan agreements”) bear interest on the outstanding principal amount at a rate equal to, prior to such time as the Company has obtained an investment grade rating from at least two rating agencies, an applicable rate based on the consolidated leverage ratio of the Company and its subsidiaries, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for 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 KeyBank National Association as its "prime rate," and (c) the Eurodollar Rate plus 1.00% (the "Base Rate"). From, and after the time the Company obtains an investment grade rating from at least two rating agencies, borrowings under the loan agreements will bear 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) the Base Rate. With respect to the amended and restated credit facility, the Company is obligated to pay (i) prior to such time as the Company has obtained an investment grade rating from at least two rating agencies, an unused fee of (a) 0.35% if the total outstanding principal amount is less than 50% of the aggregate commitments or (b) 0.25% if the total outstanding principal amount is greater than or equal to 50% of the aggregate commitments, (ii) from and after such time as the Company has obtained an investment grade rating from at least two rating agencies, a facility fee at a facility fee rate based on the credit rating level of the Company, and (iii) a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the agreements. The loan agreements contain certain representations, financial and other covenants typical for these types of facilities. The Company's ability to borrow under the loan agreements is subject to its compliance with the covenants and other restrictions on an ongoing basis. The Company was in compliance with such covenants at September 30, 2012.

As of September 30, 2012, $200.0 million was outstanding under the term loan and nothing outstanding under the credit facility. The average interest rate on the term loan during the nine months ended September, 2012 was 1.8%. The Company had $200.0 million available to borrow under the credit facility at September 30, 2012. The Company had no available borrowings under the term loan.

In addition, in connection with the acquisition of a property on March 29, 2012, the Company assumed a mortgage representing an unpaid principal amount as of September 30, 2012 of approximately $8.4 million.

The Company may borrow on a non-recourse basis or 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 acquisition\s of its target assets through a combination of cash, borrowings under its credit facilities, the assumption of existing mortgage debt in connection with the future acquisition of properties, and equity and debt offerings. In addition, the Company may acquire retail property indirectly through joint ventures with third parties as a means of increasing the funds available for the acquisition of properties.

Dividends

The Company 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. The Company 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 the Company's cash available for distribution is less than its net taxable income, the Company 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.

Recently Issued Accounting Pronouncements

See Note 1 to the accompanying consolidated financial statements.

Item 3. 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 September 30, 2012, the Company had $200.0 million of variable rate debt outstanding. As of September 30, 2012, the Company has primarily used fixed-rate debt and five forward starting interest rate swaps to manage its interest rate risk. See the discussion under Note 8, "Derivative and Hedging Activities," to the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps.

The Company entered into five forward starting 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 September 30, 2012, exclusive of non-performance risk.

Swap Notional	Less 100 basis points	Less 50 basis points	September 30, 2012 Value	Increase 50 basis points	Increase 100 basis points
$ 25M	(3,371,265)	(2,616,681)	(1,857,388)	(1,060,627)	(291,059)
$ 50M	(9,900,807)	(8,371,461)	(6,805,816)	(5,163,038)	(3,575,789)
$ 50M	(8,905,436)	(7,791,521)	(6,426,801)	(4,970,291)	(3,558,044)
$ 25M	(6,888,214)	(5,769,067)	(4,629,537)	(3,533,021)	(2,483,155)
$ 25M	(2,858,186)	(1,592,220)	(411,888)	734,264	1,817,593

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Company'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 Company's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Exchange Act and the rules and regulations promulgated thereunder.

During the three months ended September 30, 2012, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us, other than routine litigation arising out of the ordinary course of business or which is expected to be covered by insurance and not expected to harm our business, financial condition or results of operations.

Item 1A. Risk Factors

See our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes to our risk factors during the three months ended September 30, 2012.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1 Articles of Merger between Retail Opportunity Investments Corp., a Delaware corporation, and Retail Opportunity Investments Corp., a Maryland corporation, as survivor [(1)] .

3.2 Articles of Amendment and Restatement[(1)]

3.3 Bylaws.[(2)]

4.1 Specimen Unit Certificate.[(2)]

4.2 Specimen Common Stock Certificate.[(2)]

4.3 Specimen Warrant Certificate.[(2)]

4.4 Form of Warrant Agreement between Continental Stock Transfer & Trust Company NRDC Acquisition Corp.[(3)]

4.5 Supplement and Amendment to Warrant Agreement by and between NRDC Acquisition Corp. and Continental Stock Transfer & Trust Company, dated as of October 20, 2009.[(2)]

10.1 Credit Agreement, dated as of August 29, 2012, among Retail Opportunity Investments Partnership, LP, as the Borrower, Retail Opportunity Investments Corp., as the Parent Guarantor, certain subsidiaries of the Parent Guarantor identified therein, as the Subsidiary Guarantors, KeyBank National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, Bank of America, N.A., as the Syndication Agent, PNC Bank, National Association and U.S. Bank National Association, as Co-Documentation Agents, and the other lenders party thereto.[(4)]

10.2 Term Loan Agreement, dated as of August 29, 2012, among Retail Opportunity Investments Partnership, LP, as the Borrower, Retail Opportunity Investments Corp., as the Parent Guarantor, certain subsidiaries of the Parent Guarantor identified therein, as the Subsidiary Guarantors, KeyBank National Association, as Administrative Agent, Bank of America, N.A., as the Syndication Agent, PNC Bank, National Association and U.S. Bank National Association, as Co-Documentation Agents, and the other lenders party thereto.[(4)]

31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive 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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) Incorporated by reference to the Company's current report on Form 8-K filed on June 2, 2011.
(2) Incorporated by reference to the Company's current report on Form 8-K filed on February 9, 2009.
(3) Incorporated by reference to the Company’s registration statement on Form S-1/A filed on September 7, 2007 (File No. 333-144871).
(4) Incorporated by reference to the Company’s current report on Form 8-K filed on September 5, 2012.

SIGNATURES

Pursuant to the requirements 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 CORP. Registrant
Date: November 5, 2012	/s/ Stuart A. Tanz
	Name: Stuart A. Tanz Title: *President and Chief Executive Officer*
Date: November 5, 2012	/s/ John B. Roche
	Name: John B. Roche Title: *Chief Financial Officer*

EXHIBIT 31.1

CERTIFICATIONS

I, Stuart A. Tanz, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 5, 2012

By: /s/ Stuart A. Tanz
Name: Stuart A. Tanz
Title: Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, John B. Roche, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 5, 2012

By: /s/ John B. Roche
Name: John B. Roche
Title: Chief Financial Officer

EXHIBIT 32.1

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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the "Form 10-Q"), 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2012

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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the "Form 10-Q"), 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2012

By: /s/ John B. Roche
Name: John B. Roche
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.