

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 June 30, 2014

OR

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

Commission file number 001-33749

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

Maryland (Retail Opportunity Investments Corp.)
Delaware (Retail Opportunity Investments Partnership, LP)
(State or other jurisdiction of
incorporation or organization)

26-0500600 (Retail Opportunity Investments Corp.)
94-2969738 (Retail Opportunity Investments Partnership, LP)
(I.R.S. Employer
Identification No.)

8905 Towne Centre Drive, Suite 108
San Diego, California
(Address of principal executive
offices)

92122
(Zip code)

(858) 677-0900
(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.

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

(Retail Opportunity Investments Partnership, LP became subject to filing requirements under Section 13 of the Securities Exchange Act of 1934, as amended, upon effectiveness of its Registration Statement on Form S-3 on June 3, 2013 and has filed all required reports subsequent to that date.)

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).

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

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

Retail Opportunity Investments Corp.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Retail Opportunity Investments Partnership, LP

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

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

Retail Opportunity Investments Corp.

Yes No

Retail Opportunity Investments Partnership, LP

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 91,090,301 shares of common stock, par value \$0.0001 per share, outstanding as of July 29, 2014.

EXPLANATORY PARAGRAPH

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2014 of Retail Opportunity Investments Corp., a Maryland corporation (“ROIC”), and Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the “Operating Partnership”) of which ROIC is the parent company and general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “the Company,” “we,” “us,” “our,” or “our company” refer to ROIC together with its consolidated subsidiaries, including the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “the Operating Partnership” refer to Retail Opportunity Investments Partnership, LP together with its consolidated subsidiaries.

ROIC operates as a real estate investment trust (“REIT”) and as of June 30, 2014, ROIC owned an approximate 96.6% partnership interest and other limited partners owned the remaining 3.4% partnership interest in the Operating Partnership. Retail Opportunity Investments GP, LLC, ROIC’s wholly-owned subsidiary, is the sole general partner of the Operating Partnership, and as the parent company, ROIC has the full and complete authority over the Operating Partnership’s day-to-day management and control.

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

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

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

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

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

This report also includes separate Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 4. Controls and Procedures sections and separate Chief Executive Officer and Chief Financial Officer certifications for each of ROIC and the Operating Partnership as reflected in Exhibits 31 and 32.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**RETAIL OPPORTUNITY INVESTMENTS CORP.
Consolidated Balance Sheets**

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Real Estate Investments:		
Land	\$ 523,196,947	\$ 458,252,028
Building and improvements	1,161,380,007	914,181,620
	<u>1,684,576,954</u>	<u>1,372,433,648</u>
Less: accumulated depreciation	69,716,583	57,499,980
Real Estate Investments, net	1,614,860,371	1,314,933,668
Cash and cash equivalents	9,537,945	7,919,697
Restricted cash	1,223,053	1,298,666
Tenant and other receivables, net	25,435,735	20,389,068
Deposits	25,000	775,000
Acquired lease intangible assets, net of accumulated amortization	74,316,694	55,887,471
Prepaid expenses	815,737	1,371,296
Deferred charges, net of accumulated amortization	38,315,993	33,121,980
Other	2,409,026	3,392,997
Total assets	<u><u>\$ 1,766,939,554</u></u>	<u><u>\$ 1,439,089,843</u></u>
LIABILITIES AND EQUITY		
Liabilities:		
Term loan	\$ 200,000,000	\$ 200,000,000
Credit facility	121,750,000	56,950,000
Senior Notes Due 2023	246,006,615	245,845,320
Mortgage notes payable	116,537,497	118,903,258
Acquired lease intangible liabilities, net of accumulated amortization	115,023,731	85,283,882
Accounts payable and accrued expenses	9,424,158	11,923,998
Tenants' security deposits	3,706,544	3,422,910
Other liabilities	18,621,782	11,350,409
Total liabilities	<u>831,070,327</u>	<u>733,679,777</u>
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 90,489,973 and 72,445,767 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	9,043	7,238
Additional paid-in-capital	977,242,954	732,701,858
Dividends in excess of earnings	(62,662,696)	(47,616,570)
Accumulated other comprehensive loss	(10,124,044)	(8,969,137)
Total Retail Opportunity Investments Corp. stockholders' equity	904,465,257	676,123,389
Non-controlling interests	31,403,970	29,286,677
Total equity	<u>935,869,227</u>	<u>705,410,066</u>
Total liabilities and equity	<u><u>\$ 1,766,939,554</u></u>	<u><u>\$ 1,439,089,843</u></u>

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues				
Base rents	\$ 28,134,808	\$ 20,161,341	\$ 55,671,712	\$ 39,510,902
Recoveries from tenants	8,379,966	5,474,089	15,993,807	10,219,377
Mortgage interest	—	208,197	—	412,256
Other income	400,060	219,839	1,599,451	305,380
Total revenues	36,914,834	26,063,466	73,264,970	50,447,915
Operating expenses				
Property operating	5,935,126	4,081,626	12,197,166	8,240,507
Property taxes	3,817,362	2,782,806	7,405,536	5,097,984
Depreciation and amortization	14,257,274	9,176,706	27,621,340	18,057,836
General and administrative expenses	2,775,877	2,727,039	5,336,729	5,494,726
Acquisition transaction costs	311,098	519,532	528,831	928,368
Other expense	130,080	186,062	346,910	154,956
Total operating expenses	27,226,817	19,473,771	53,436,512	37,974,377
Operating income	9,688,017	6,589,695	19,828,458	12,473,538
Non-operating income (expenses)				
Interest expense and other finance expenses	(6,955,781)	(3,445,396)	(13,829,979)	(7,270,547)
Equity in earnings from unconsolidated joint venture	—	40,242	—	271,436
Gain on sale of real estate	3,318,526	—	3,318,526	—
Income from continuing operations	6,050,762	3,184,541	9,317,005	5,474,427
Loss from discontinued operations	—	(713,529)	—	(713,529)
Net income	6,050,762	2,471,012	9,317,005	4,760,898
Net income attributable to non-controlling interests	(217,012)	—	(351,570)	—
Net Income Attributable to Retail Opportunity Investments Corp.	\$ 5,833,750	\$ 2,471,012	\$ 8,965,435	\$ 4,760,898
Net earnings per share - basic:				
Income from continuing operations	\$ 0.08	\$ 0.05	\$ 0.12	\$ 0.09
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net earnings per share (1)	\$ 0.08	\$ 0.04	\$ 0.12	\$ 0.07
Net income per share - diluted:				
Income from continuing operations	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.08
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net earnings per share	\$ 0.07	\$ 0.03	\$ 0.12	\$ 0.07
Dividends per common share	\$ 0.16	\$ 0.15	\$ 0.32	\$ 0.30
Comprehensive income:				
Net income	\$ 6,050,762	\$ 2,471,012	\$ 9,317,005	\$ 4,760,898
Other comprehensive (loss) income				
Unrealized (loss) gain on swap derivative				
Unrealized swap derivative (loss) gain arising during the period	(1,543,058)	5,739,808	(2,926,407)	6,062,062
Reclassification adjustment for amortization of interest expense included in net income	887,957	1,172,818	1,771,500	2,370,502
Other comprehensive (loss) income	(655,101)	6,912,626	(1,154,907)	8,432,564
Comprehensive income	5,395,661	9,383,638	8,162,098	13,193,462
Comprehensive income attributable to non-controlling interests	(217,012)	—	(351,570)	—
Comprehensive income attributable to Retail Opportunity Investments Corp.	\$ 5,178,649	\$ 9,383,638	\$ 7,810,528	\$ 13,193,462

(1) Earnings per share may not add due to rounding.

See accompanying notes to consolidated financial statements.

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

	<u>Common Stock</u>			Retained earnings (Accumulated deficit)	Accumulated other comprehensive loss	Non- controlling interests	Equity
	Shares	Amount	Additional paid-in capital				
Balance at December 31, 2013	72,445,767	\$ 7,238	\$ 732,701,858	\$ (47,616,570)	\$ (8,969,137)	\$ 29,286,677	\$ 705,410,066
Shares issued under the 2009 Plan	317,671	32	(32)	—	—	—	—
Repurchase of common stock	(39,005)	(4)	(574,155)	—	—	—	(574,159)
Cancellation of restricted stock units	(3,333)	—	—	—	—	—	—
Stock based compensation expense	—	—	1,705,742	—	—	—	1,705,742
Proceeds from the exercise of warrants	3,393,873	339	40,726,137	—	—	—	40,726,476
Adjustment to non-controlling interests ownership in Operating Partnership	—	—	(2,767,977)	—	—	2,767,977	—
Proceeds from the issuance of common stock	14,375,000	1,438	214,904,813	—	—	—	214,906,251
Registration expenditures	—	—	(9,453,432)	—	—	—	(9,453,432)
Cash dividends (\$0.32 per share/unit)	—	—	—	(23,942,229)	—	(1,002,254)	(24,944,483)
Dividends payable to officers	—	—	—	(69,332)	—	—	(69,332)
Net income attributable to Retail Opportunity Investments Corp.	—	—	—	8,965,435	—	—	8,965,435
Net income attributable to non- controlling interests	—	—	—	—	—	351,570	351,570
Other comprehensive loss	—	—	—	—	(1,154,907)	—	(1,154,907)
Balance at June 30, 2014	90,489,973	\$ 9,043	\$ 977,242,954	\$ (62,662,696)	\$ (10,124,044)	\$ 31,403,970	\$ 935,869,227

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,317,005	\$ 4,760,898
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	27,621,340	18,057,836
Amortization of deferred financing costs and mortgage premiums, net	(167,056)	176,579
Straight-line rent adjustment	(648,354)	(1,737,266)
Amortization of above and below market rent	(3,555,365)	(2,045,464)
Amortization relating to stock based compensation	1,705,742	1,346,155
Provisions for tenant credit losses	1,171,683	451,475
Equity in earnings from unconsolidated joint venture	—	(271,436)
Other noncash interest expense	865,301	—
Gain on sale of real estate	(3,318,526)	—
Loss on sale of discontinued operations	—	713,529
Other	—	308,652
Change in operating assets and liabilities		
Restricted cash	(72,097)	(214,037)
Tenant and other receivables	(5,806,128)	(1,360,807)
Prepaid expenses	534,690	549,838
Accounts payable and accrued expenses	(3,276,328)	(1,940,459)
Other assets and liabilities, net	5,069,605	(1,052,625)
Net cash provided by operating activities	29,441,512	17,742,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in real estate	(322,683,558)	(170,955,340)
Proceeds from sale of real estate	15,573,617	5,607,612
Investments in mortgage notes receivables	—	(294,000)
Improvements to properties	(6,436,173)	(8,499,196)
Deposits on real estate acquisitions	750,000	(2,250,000)
Construction escrows and other	147,710	(145,012)
Net cash used in investing activities	(312,648,404)	(176,535,936)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on mortgages	(992,863)	(712,467)
Proceeds from draws on term loan/credit facility	298,300,000	182,150,000
Payments on credit facility	(233,500,000)	(196,000,000)
Payment of contingent consideration	—	(1,864,370)
Proceeds from exercise of warrants	40,911,276	220,371,366
Payments to acquire warrants	—	(21,989,860)
Distributions to OP Unitholders	(1,002,254)	—
Deferred financing and other costs	(64,758)	(122,318)
Proceeds from the issuance of common stock	214,906,251	—
Registration expenditures	(9,164,365)	(34,870)
Dividends paid to common stockholders	(23,993,988)	(20,746,971)
Repurchase of common stock	(574,159)	(280,974)
Retirement of options	—	(274,830)
Net cash provided by financing activities	284,825,140	160,494,706
Net increase in cash and cash equivalents	1,618,248	1,701,638
Cash and cash equivalents at beginning of period	7,919,697	4,692,230
Cash and cash equivalents at end of period	\$ 9,537,945	\$ 6,393,868
Other non-cash investing and financing activities – increase (decrease):		
Assumed mortgage at fair value	\$ —	\$ 9,670,900
Intangible lease liabilities	\$ 35,310,821	\$ 3,670,775
Interest rate swap asset	\$ (1,166,720)	\$ 1,379,186
Interest rate swap liabilities	\$ 853,825	\$ (6,911,087)
Proceeds receivable from exercise of warrants	\$ (184,800)	\$ —
Accrued real estate improvement costs	\$ 395,894	\$ 390,614

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Balance Sheets

	June 30, 2014	December 31,
	(unaudited)	2013
ASSETS		
Real Estate Investments:		
Land	\$ 523,196,947	\$ 458,252,028
Building and improvements	1,161,380,007	914,181,620
	<u>1,684,576,954</u>	<u>1,372,433,648</u>
Less: accumulated depreciation	69,716,583	57,499,980
Real Estate Investments, net	1,614,860,371	1,314,933,668
Cash and cash equivalents	9,537,945	7,919,697
Restricted cash	1,223,053	1,298,666
Tenant and other receivables, net	25,435,735	20,389,068
Deposits	25,000	775,000
Acquired lease intangible assets, net of accumulated amortization	74,316,694	55,887,471
Prepaid expenses	815,737	1,371,296
Deferred charges, net of accumulated amortization	38,315,993	33,121,980
Other	2,409,026	3,392,997
Total assets	<u>\$ 1,766,939,554</u>	<u>\$ 1,439,089,843</u>
LIABILITIES AND CAPITAL		
Liabilities:		
Term loan	\$ 200,000,000	\$ 200,000,000
Credit facility	121,750,000	56,950,000
Senior Notes Due 2023	246,006,615	245,845,320
Mortgage notes payable	116,537,497	118,903,258
Acquired lease intangible liabilities, net of accumulated amortization	115,023,731	85,283,882
Accounts payable and accrued expenses	9,424,158	11,923,998
Tenants' security deposits	3,706,544	3,422,910
Other liabilities	18,621,782	11,350,409
Total liabilities	<u>831,070,327</u>	<u>733,679,777</u>
Commitments and contingencies	—	—
Capital:		
Partners' capital, unlimited partnership units authorized:		
ROIC capital (consists of general and limited partnership interests held by ROIC)	914,589,301	685,092,526
Limited partners' capital (consists of limited partnership interests held by third parties)	31,403,970	29,286,677
Accumulated other comprehensive loss	(10,124,044)	(8,969,137)
Total capital	<u>935,869,227</u>	<u>705,410,066</u>
Total liabilities and capital	<u>\$ 1,766,939,554</u>	<u>\$ 1,439,089,843</u>

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues				
Base rents	\$ 28,134,808	\$ 20,161,341	\$ 55,671,712	\$ 39,510,902
Recoveries from tenants	8,379,966	5,474,089	15,993,807	10,219,377
Mortgage interest	—	208,197	—	412,256
Other income	400,060	219,839	1,599,451	305,380
Total revenues	36,914,834	26,063,466	73,264,970	50,447,915
Operating expenses				
Property operating	5,935,126	4,081,626	12,197,166	8,240,507
Property taxes	3,817,362	2,782,806	7,405,536	5,097,984
Depreciation and amortization	14,257,274	9,176,706	27,621,340	18,057,836
General and administrative expenses	2,775,877	2,727,039	5,336,729	5,494,726
Acquisition transaction costs	311,098	519,532	528,831	928,368
Other expense	130,080	186,062	346,910	154,956
Total operating expenses	27,226,817	19,473,771	53,436,512	37,974,377
Operating income	9,688,017	6,589,695	19,828,458	12,473,538
Non-operating income (expenses)				
Interest expense and other finance expenses	(6,955,781)	(3,445,396)	(13,829,979)	(7,270,547)
Equity in earnings from unconsolidated joint venture	—	40,242	—	271,436
Gain on sale of real estate	3,318,526	—	3,318,526	—
Income from continuing operations	6,050,762	3,184,541	9,317,005	5,474,427
Loss from discontinued operations	—	(713,529)	—	(713,529)
Net Income Attributable to Retail Opportunity Investments Partnership, LP	\$ 6,050,762	\$ 2,471,012	\$ 9,317,005	\$ 4,760,898
Net earnings per unit - basic:				
Income from continuing operations	\$ 0.07	\$ 0.05	\$ 0.12	\$ 0.09
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net earnings per unit (1)	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.07
Net income per unit - diluted:				
Income from continuing operations	\$ 0.07	\$ 0.04	\$ 0.12	\$ 0.08
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net earnings per unit	\$ 0.07	\$ 0.03	\$ 0.12	\$ 0.07
Distributions per unit	\$ 0.16	\$ 0.15	\$ 0.32	\$ 0.30
Comprehensive income:				
Net income	\$ 6,050,762	\$ 2,471,012	\$ 9,317,005	\$ 4,760,898
Other comprehensive (loss) income				
Unrealized (loss) gain on swap derivative				
Unrealized swap derivative (loss) gain arising during the period	(1,543,058)	5,739,808	(2,926,407)	6,062,062
Reclassification adjustment for amortization of interest expense included in net income	887,957	1,172,818	1,771,500	2,370,502
Other comprehensive (loss) income	(655,101)	6,912,626	(1,154,907)	8,432,564
Comprehensive income	\$ 5,395,661	\$ 9,383,638	\$ 8,162,098	\$ 13,193,462

(1) Earnings per share may not add due to rounding.

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Statement of Partners' Capital
(unaudited)

	Limited Partner's Capital (1)		ROIC Capital (2)		Accumulated other comprehensive loss	Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2013	3,132,042	\$ 29,286,677	72,445,767	\$ 685,092,526	\$ (8,969,137)	\$ 705,410,066
OP units issued under the 2009 Plan	—	—	317,671	—	—	—
Repurchase of OP Units	—	—	(39,005)	(574,159)	—	(574,159)
Cancellation of OP Units	—	—	(3,333)	—	—	—
Stock based compensation expense	—	—	—	1,705,742	—	1,705,742
Issuance of OP Units upon exercise of warrants	—	—	3,393,873	40,726,476	—	40,726,476
Adjustment to non-controlling interests ownership in Operating Partnership	—	2,767,977	—	(2,767,977)	—	—
Issuance of OP Units in connection with common stock offering	—	—	14,375,000	214,906,251	—	214,906,251
Registration expenditures	—	—	—	(9,453,432)	—	(9,453,432)
Cash distributions (\$0.32 per unit)	—	(1,002,254)	—	(23,942,229)	—	(24,944,483)
Dividends payable to officers	—	—	—	(69,332)	—	(69,332)
Net income attributable to Retail Opportunity Investments Partnership, LP	—	351,570	—	8,965,435	—	9,317,005
Other comprehensive loss	—	—	—	—	(1,154,907)	(1,154,907)
Balance at June 30, 2014	3,132,042	\$ 31,403,970	90,489,973	\$ 914,589,301	\$ (10,124,044)	\$ 935,869,227

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

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

See accompanying notes to consolidated financial statements.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
Consolidated Statements of Cash Flow
(unaudited)

	Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,317,005	\$ 4,760,898
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	27,621,340	18,057,836
Amortization of deferred financing costs and mortgage premiums, net	(167,056)	176,579
Straight-line rent adjustment	(648,354)	(1,737,266)
Amortization of above and below market rent	(3,555,365)	(2,045,464)
Amortization relating to stock based compensation	1,705,742	1,346,155
Provisions for tenant credit losses	1,171,683	451,475
Equity in earnings from unconsolidated joint venture	—	(271,436)
Other noncash interest expense	865,301	—
Gain on sale of real estate	(3,318,526)	—
Loss on sale of discontinued operations	—	713,529
Other	—	308,652
Change in operating assets and liabilities		
Restricted cash	(72,097)	(214,037)
Tenant and other receivables	(5,806,128)	(1,360,807)
Prepaid expenses	534,690	549,838
Accounts payable and accrued expenses	(3,276,328)	(1,940,459)
Other assets and liabilities, net	5,069,605	(1,052,625)
Net cash provided by operating activities	29,441,512	17,742,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in real estate	(322,683,558)	(170,955,340)
Proceeds from sale of real estate	15,573,617	5,607,612
Investments in mortgage notes receivables	—	(294,000)
Improvements to properties	(6,436,173)	(8,499,196)
Deposits on real estate acquisitions	750,000	(2,250,000)
Construction escrows and other	147,710	(145,012)
Net cash used in investing activities	(312,648,404)	(176,535,936)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on mortgages	(992,863)	(712,467)
Proceeds from draws on term loan/credit facility	298,300,000	182,150,000
Payments on credit facility	(233,500,000)	(196,000,000)
Payment of contingent consideration	—	(1,864,370)
Proceeds from the issuance of OP Units upon exercise of warrants	40,911,276	220,371,366
Deferred financing and other costs	(64,758)	(122,318)
Proceeds from the issuance of OP Units in connection with common stock offering	214,906,251	—
Distributions to ROIC	(9,164,365)	(22,024,730)
Distributions to Unitholders	(24,996,242)	(20,746,971)
Repurchase of OP Units	(574,159)	(280,974)
Retirement of OP Units	—	(274,830)
Net cash provided by financing activities	284,825,140	160,494,706
Net increase in cash and cash equivalents	1,618,248	1,701,638
Cash and cash equivalents at beginning of period	7,919,697	4,692,230
Cash and cash equivalents at end of period	\$ 9,537,945	\$ 6,393,868
Other non-cash investing and financing activities – increase (decrease):		
Assumed mortgage at fair value	\$ —	\$ 9,670,900
Intangible lease liabilities	\$ 35,310,821	\$ 3,670,775
Interest rate swap asset	\$ (1,166,720)	\$ 1,379,186
Interest rate swap liabilities	\$ 853,825	\$ (6,911,087)
Proceeds receivable from exercise of warrants	\$ (184,800)	\$ —
Accrued real estate improvement costs	\$ 395,894	\$ 390,614

See accompanying notes to consolidated financial statements.

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

Business

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

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

With the approval of its stockholders, ROIC reincorporated as a Maryland corporation on June 2, 2011. ROIC 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 businesses through a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination. On October 20, 2009, ROIC’s stockholders and warrant holders approved the proposals presented at the special meetings of stockholders and warrant holders, respectively, in connection with the transactions contemplated by the Framework Agreement (the “Framework Agreement”) ROIC entered into on August 7, 2009 with NRDC Capital Management, LLC (“NRDC”), which, among other things, set forth the steps to be taken by ROIC 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.

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

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective for interim and annual periods beginning on or after December 15, 2014, with early adoption permitted. The Company elected to early adopt the provisions of this guidance. The adoption did not have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. The pronouncement is effective for reporting periods beginning after December 15, 2016. The Company is in the process of evaluating the impact this pronouncement will have on the Company’s consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (“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, the consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company’s financial position and the results of operations and cash flows for the periods presented. Results of operations for the three and six month periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. 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, 2013.

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

Use of Estimates

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

Federal Income Taxes

Commencing with ROIC’s taxable year ended December 31, 2010, ROIC has elected to qualify as a REIT under Sections 856-860 of the Internal Revenue Code (the “Code”). Under those sections, a REIT that, among other things, distributes at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains) and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income that is distributed.

Although it may qualify as a REIT for U.S. federal income tax purposes, ROIC 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. For all periods from inception through September 26, 2013 the Operating Partnership had been an entity disregarded from its sole owner, ROIC, for U.S. federal income tax purposes and as such had not been subject to federal income taxes. Effective September 27, 2013, the Operating Partnership issued 3,290,263 OP Units in connection with the acquisitions of two shopping centers, Crossroads Shopping Center and Five Points Plaza. Accordingly, the Operating Partnership ceased being a disregarded entity and instead is treated as a partnership for federal income tax purposes.

The Company follows the FASB guidance that defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The FASB also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company records interest and penalties relating to unrecognized tax benefits, if any, as interest expense. As of June 30, 2014, the statute of limitations for the tax years 2010 through and including 2012 remain open for examination by the Internal Revenue Service (“IRS”) and state taxing authorities.

ROIC intends to make regular quarterly distributions to holders of its common stock in an amount not less than its net taxable income, if and to the extent authorized by its board of directors. If ROIC’s cash available for distribution is less than its net taxable income, it could be required to sell assets or borrow funds to make cash distributions or it may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Real Estate Investments

All costs related to the improvement or replacement of real estate properties are capitalized. Additions, renovations and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred. The Company expenses transaction costs associated with business combinations in the period incurred. During the six months ended June 30, 2014 and 2013, capitalized costs related to the improvement or replacement of real estate properties were approximately \$6.8 million and \$8.5 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, and acquired lease intangible liabilities represent below-market leases, in the accompanying consolidated balance sheets. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management’s determination of the relative fair values of these assets. In valuing an acquired property’s intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs. Leasing commissions, legal and other related costs (“lease origination costs”) are classified as deferred charges in the accompanying consolidated balance sheets.

The value of in-place leases is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (ii) the estimated fair value of the property as if vacant. Above-market and below-market lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management’s estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of acquisition. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below-market rental renewal options are determined based on the Company’s experience and the relevant facts and circumstances that existed at the time of the acquisitions. The value of the above-market and below-market leases is amortized to rental income, over the terms of the respective leases including option periods, if applicable. 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 June 30, 2014 and 2013 of approximately \$311,000 and \$520,000, respectively, and approximately \$529,000 and \$928,000 during the six months ended June 30, 2014 and 2013, respectively.

Regarding the Company's 2014 property acquisitions (see Note 2), the fair value of in-place leases and other intangibles have been allocated to intangible asset and liability accounts. Such allocations are preliminary and may be adjusted as final information becomes available.

Sales of real estate are recognized only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and the Company has no significant continuing involvement. The application of these criteria can be complex and requires the Company to make assumptions. Management has determined that all of these criteria were met for all real estate sold during the periods presented.

In June 2014, the Company sold the Phillips Village Shopping Center, a non-core shopping center located in Pomona, California with an occupancy rate of approximately 10.4% as of May 31, 2014. The sales price of this property of approximately \$16.0 million, less costs to sell, resulted in net proceeds to the Company of approximately \$15.6 million. The Company recorded a gain on sale of property of approximately \$3.3 million for the three and six months ended June 30, 2014.

Asset Impairment

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value. Management does not believe that the value of any of the Company's real estate investments was impaired at June 30, 2014.

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 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.

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) collectability of the termination fee is assured. Interest income is recognized as it is earned. Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under GAAP have been met.

The Company must make estimates as to the collectability of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable by considering tenant creditworthiness, current economic trends, and changes in tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. The Company also provides an allowance for future credit losses of the deferred straight-line rents receivable. The provision for doubtful accounts at June 30, 2014 and December 31, 2013 was approximately \$3.6 million and \$3.2 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 \$15.9 million and \$14.9 million, as of June 30, 2014 and December 31, 2013, respectively.

Internal Capitalized Leasing Costs

The Company capitalizes a portion of payroll-related costs related to its leasing personnel associated with new leases and lease renewals. These costs are amortized over the life of the respective leases. During the three months ended June 30, 2014 and 2013, the Company capitalized approximately \$234,000 and \$129,000, respectively. During the six months ended June 30, 2014 and 2013, the Company capitalized approximately \$436,000 and \$316,000, respectively.

Concentration of Credit Risk

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

Earnings Per Share

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

During the three and six months ended June 30, 2014 and 2013 the effect of the 41,400,000 warrants to purchase ROIC's common stock (the "Public Warrants") issued in connection with ROIC's initial public offering (the "IPO") and the 8,000,000 warrants (the "Private Placement Warrants") purchased by NRDC simultaneously with the consummation of the IPO, for the period of time these warrants were outstanding during such period, were included in the calculation of diluted EPS as the weighted average share price of ROIC's common stock was greater than the exercise price of such warrants during these periods. See Note 5 to the accompanying consolidated financial statements.

For the three and six months ended June 30, 2014 and 2013, basic EPS was determined by dividing net income allocable to common stockholders for the applicable period by the weighted average number of shares of common stock outstanding during such period. Net income during the applicable period is also allocated to the time-based unvested restricted stock as these grants are entitled to receive dividends and are therefore considered a participating security.

Time-based unvested restricted stock is not allocated net losses and/or any excess of dividends declared over net income; such amounts are allocated entirely to the common stockholders other than the holders of time-based unvested restricted stock. The performance-based restricted stock awards outstanding under the 2009 Plan described in Note 6 are excluded from the basic EPS calculation, as these units are not participating securities until they vest.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Income from continuing operations	\$ 6,050,762	\$ 3,184,541	\$ 9,317,005	\$ 5,474,427
Less income from continuing operations attributable to non-controlling interest	(217,012)	—	(351,570)	—
Less earnings allocated to unvested shares	(45,053)	(51,572)	(85,705)	(101,660)
Income from continuing operations available for common shareholders, basic	5,788,697	3,132,969	8,879,730	5,372,767
Loss from discontinued operations available to common shareholders, basic	—	(713,529)	—	(713,529)
Net income available for common stockholders, basic	<u>\$ 5,788,697</u>	<u>\$ 2,419,440</u>	<u>\$ 8,879,730</u>	<u>\$ 4,659,238</u>
Numerator:				
Income from continuing operations	\$ 6,050,762	\$ 3,184,541	\$ 9,317,005	\$ 5,474,427
Less earnings allocated to unvested shares	(45,053)	(51,572)	(85,705)	(101,660)
Income from continuing operations available for common shareholders, diluted	6,005,709	3,132,969	9,231,300	5,372,767
Loss from discontinued operations available to common shareholders, diluted	—	(713,529)	—	(713,529)
Net income available for common stockholders, diluted	<u>\$ 6,005,709</u>	<u>\$ 2,419,440</u>	<u>\$ 9,231,300</u>	<u>\$ 4,659,238</u>
Denominator:				
Denominator for basic EPS – weighted average common equivalent shares	76,998,054	67,915,106	74,888,123	62,651,921
Warrants	819,443	2,987,628	950,776	3,667,635
OP Units	3,132,042	—	3,132,042	—
Restricted stock awards – performance-based	130,339	120,268	114,095	104,278
Stock options	88,326	72,090	81,463	62,367
Denominator for diluted EPS – weighted average common equivalent shares	<u>81,168,204</u>	<u>71,095,092</u>	<u>79,166,499</u>	<u>66,486,201</u>

Earnings Per Unit

The following table sets forth the reconciliation between basic and diluted earnings per unit for the Operating Partnership:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Income from continuing operations	\$ 6,050,762	\$ 3,184,541	\$ 9,317,005	\$ 5,474,427
Less earnings allocated to unvested shares	(45,053)	(51,572)	(85,705)	(101,660)
Income from continuing operations available for unitholders, basic and diluted	6,005,709	3,132,969	9,231,300	5,372,767
Loss from discontinued operations available to unitholders, basic and diluted	—	(713,529)	—	(713,529)
Net income available to unitholders, basic and diluted	<u>\$ 6,005,709</u>	<u>\$ 2,419,440</u>	<u>\$ 9,231,300</u>	<u>\$ 4,659,238</u>
Denominator:				
Denominator for basic earnings per unit – weighted average equivalent units	80,130,096	67,915,106	78,020,165	62,651,921
Warrants	819,443	2,987,628	950,776	3,667,635
Restricted stock awards – performance-based	130,339	120,268	114,095	104,278
Stock options	88,326	72,090	81,463	62,367
Denominator for diluted earnings per unit – weighted average equivalent units	<u>81,168,204</u>	<u>71,095,092</u>	<u>79,166,499</u>	<u>66,486,201</u>

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, a Monte Carlo valuation model is used, taking into account the underlying contingency risks associated with the performance criteria. It is the Company’s policy to grant options with an exercise price equal to the quoted closing market price of stock on the grant date. Awards of stock options and time-based grants of stock are expensed as compensation on a straight-line basis over the vesting period. Awards of performance-based grants are expensed as compensation under an accelerated method and are recognized in income regardless of the results of the performance criteria.

Derivatives

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

Segment Reporting

The Company's primary business is the ownership, management, and redevelopment of retail real estate properties. The Company reviews operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. The Company evaluates financial performance using property operating income, defined as operating revenues (base rent and recoveries from tenants), less property and related expenses (property operating expenses and property taxes). No individual property constitutes more than 10% of the Company's revenues or property operating income, and the Company has no operations outside of the United States of America. Therefore, the Company has aggregated the properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

Reclassifications

Certain reclassifications have been made to the prior period consolidated financial statements and notes to conform to the current year presentation.

2. Real Estate Investments

The following real estate investment transactions have occurred during the six months ended June 30, 2014.

Property Acquisitions

On February 18, 2014, the Company acquired the property known as Tigard Marketplace located in Tigard, Oregon, within the Portland metropolitan area, for a purchase price of approximately \$25.1 million. Tigard Marketplace is approximately 137,000 square feet and is anchored by H-Mart Supermarket. The property was acquired with borrowings under the Company's credit facility.

On February 28, 2014, the Company acquired the property known as Creekside Plaza located in Poway, California, within the San Diego metropolitan area, for a purchase price of approximately \$44.0 million. Creekside Plaza is approximately 129,000 square feet and is anchored by Stater Brothers Supermarket. The property was acquired with borrowings under the Company's credit facility.

On April 30, 2014, the Company acquired the property known as North Park Plaza located in San Jose, California, within the San Francisco Bay Area metropolitan area, for a purchase price of approximately \$27.8 million. North Park Plaza is approximately 77,000 square feet and is anchored by SF Supermarket. The property was acquired with borrowings under the Company's credit facility and available cash.

On May 22, 2014, the Company acquired the property known as Aurora Square II located in Shoreline, Washington, within the Seattle metropolitan area, for a purchase price of approximately \$15.8 million. Aurora Square II is approximately 66,000 square feet and is contiguous to an existing ROIC grocery-anchored shopping center, Aurora Square. Aurora Square II, together with Aurora Square, aggregate 104,000 square feet and is anchored by Marshall's (Aurora Square II) and Central Supermarket (Aurora Square). The property was acquired with borrowings under the Company's credit facility and available cash.

On June 13, 2014, the Company acquired the property known as Fallbrook Shopping Center located in West Hills, California, within the Los Angeles metropolitan area, for a purchase price of approximately \$210.0 million. Fallbrook Shopping Center is approximately 1.1 million square feet of gross leasable area, or GLA, of which approximately 751,000 square feet is owned by the Company. Key tenants include Trader Joe's, Sprouts, Home Depot, Kohl's, TJ Maxx, Ross Dress For Less, AMC Theaters and 24 Hour Fitness. Fallbrook Shopping Center also features Target, Walmart and Kroger (Ralph's) Supermarket, which occupy substantially all of the GLA not owned by the Company. The property was acquired with borrowings under the Company's credit facility and available cash.

The financial information set forth below summarizes the Company's preliminary estimated purchase price allocation for the properties acquired during the six months ended June 30, 2014.

	June 30, 2014
ASSETS	
Land	\$ 70,076,536
Building and improvements	252,700,222
Acquired lease intangible asset	26,437,437
Deferred charges	8,780,184
Assets acquired	\$ 357,994,379
LIABILITIES	
Acquired lease intangible liability	\$ 35,310,821
Liabilities assumed	\$ 35,310,821

With respect to these acquisitions, the fair value of in-place leases and other intangibles have been allocated to intangible asset and liability accounts. Such allocations are preliminary and may be adjusted as final information becomes available.

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 six months ended June 30, 2014 and 2013, adjusted to give effect of these transactions as if they had been completed at the beginning of 2013.

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 transactions occurred at the beginning of each year, nor does it purport to represent the results of future operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Statement of operations:				
Revenues	\$ 40,424,349	\$ 38,913,036	\$82,566,068	\$79,426,675
Property operating and other expenses	18,348,177	19,837,698	40,725,295	40,188,749
Depreciation and amortization	15,490,805	14,111,014	31,049,509	29,417,797
Net income attributable to Retail Opportunity Investments Corp.	\$ 6,585,367	\$ 4,964,324	\$10,791,264	\$ 9,820,129

The following table summarizes the operating results included in the Company's historical consolidated statement of operations for the three and six months ended June 30, 2014, for the properties acquired during the six months ended June 30, 2014.

	Three Months Ended		Six Months Ended	
	June 30, 2014		June 30, 2014	
Statement of operations:				
Revenues		\$ 2,849,935		\$ 3,391,211
Property operating and other expenses		986,985		1,229,835
Depreciation and amortization		1,471,205		1,531,026
Net income attributable to Retail Opportunity Investments Corp.		\$ 391,745		\$ 630,350

Property Dispositions

On June 5, 2014, the Company sold Phillips Village Shopping Center, a non-core shopping center located in Pomona, California with an occupancy rate of approximately 10.4% as of May 31, 2014. The sales price of this property of approximately \$16.0 million, less costs to sell, resulted in net proceeds to the Company of approximately \$15.6 million. The Company recorded a gain on sale of approximately \$3.3 million for the three and six months ended June 30, 2014.

3. Mortgage Notes Payable, Credit Facilities and Senior Notes

ROIC does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, ROIC has guaranteed the Operating Partnership's revolving credit facility, term loan, carve-out guarantees on property-level debt, and the Senior Notes Due 2023.

Mortgage Notes Payable

The mortgage notes payable collateralized by respective properties and assignment of leases at June 30, 2014 and December 31, 2013, respectively, were as follows:

<u>Property</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Euclid Plaza	November 2014	5.23%	8,075,967	8,158,676
Country Club Gate	January 2015	5.04%	12,110,014	12,236,374
Renaissance Towne Centre	June 2015	5.13%	16,348,001	16,489,812
Crossroads Shopping Center	September 2015	6.50%	49,004,443	49,413,976
Gateway Village III	July 2016	6.10%	7,319,525	7,368,521
Bernardo Heights	July 2017	5.70%	8,665,406	8,748,605
Santa Teresa Village	February 2018	6.20%	10,933,256	11,033,511
			\$ 112,456,612	\$ 113,449,475
Mortgage Premium			4,080,885	5,453,783
Total mortgage notes payable			<u>\$ 116,537,497</u>	<u>\$ 118,903,258</u>

Credit Facilities

The Operating Partnership has a revolving credit facility with several banks which provides for borrowings of up to \$350.0 million. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the facility amount up to an aggregate of \$700.0 million, subject to lender consents and other conditions. The maturity date of the credit facility is August 29, 2017, subject to a further one-year extension option, which may be exercised by the Operating Partnership upon satisfaction of certain conditions.

The Operating Partnership has a term loan agreement with several banks. The term loan provides for a loan of \$200.0 million and contains an accordion feature, which allows the Operating Partnership to increase the facility amount up to an aggregate of \$300.0 million subject to commitments and other conditions. The maturity date of the term loan is August 29, 2017.

The Company obtained investment grade credit ratings from Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB-) during the second quarter of 2013. Since receiving the investment grade credit ratings from the two rating agencies, borrowings under the credit facility and term loan accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for 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 at its "prime rate," and (c) the Eurodollar Rate plus 1.00% (the "Base Rate"). Additionally, the Operating Partnership is obligated to pay a facility fee at a rate based on the credit rating level of the Company, currently 0.20%, and a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the loan agreements. The loan agreements contain customary representations, financial and other covenants. The Operating Partnership's ability to borrow under the loan agreements is subject to its compliance with financial covenants and other restrictions on an ongoing basis. The Operating Partnership was in compliance with such covenants at June 30, 2014.

As of June 30, 2014, \$200.0 million and \$121.8 million were outstanding under the term loan and credit facility, respectively. The average interest rates on the term loan and the credit facility during both the three and six months ended June 30, 2014 were 1.5% and 1.4%, respectively. The Company had \$228.2 million available to borrow under the credit facility at June 30, 2014. The Company had no available borrowings under the term loan at June 30, 2014.

Senior Notes Due 2023

The carrying value of the Company's Senior Notes Due 2023 is as follows:

	June 30, 2014	December 31, 2013
Principal amount	\$ 250,000,000	\$ 250,000,000
Unamortized debt discount	(3,993,385)	(4,154,680)
Senior Notes Due 2023:	<u>\$ 246,006,615</u>	<u>\$ 245,845,320</u>

On December 9, 2013, the Operating Partnership completed a registered underwritten public offering of \$250.0 million aggregate principal amount of 5.000% Senior Notes due 2023 (the "Senior Notes Due 2023"), fully and unconditionally guaranteed by ROIC. The Senior Notes Due 2023 pay interest semi-annually on June 15 and December 15, commencing on June 15, 2014, and mature on December 15, 2023, unless redeemed earlier by the Operating Partnership. The Senior Notes Due 2023 are the Operating Partnership's senior unsecured obligations that rank equally in right of payment with the Operating Partnership's other unsecured indebtedness, and effectively junior to (i) all of the indebtedness and other liabilities, whether secured or unsecured, and any preferred equity of the Operating Partnership's subsidiaries, and (ii) all of the Operating Partnership's indebtedness that is secured by its assets, to the extent of the value of the collateral securing such indebtedness outstanding. ROIC fully and unconditionally guaranteed the Operating Partnership's obligations under the Senior Notes Due 2023 on a senior unsecured basis, including the due and punctual payment of principal of, and premium, if any, and interest on, the notes, whether at stated maturity, upon acceleration, notice of redemption or otherwise. The guarantee is a senior unsecured obligation of ROIC and will rank equally in right of payment with all other senior unsecured indebtedness of ROIC. ROIC's guarantee of the Senior Notes Due 2023 is effectively subordinated in right of payment to all liabilities, whether secured or unsecured, and any preferred equity of its subsidiaries (including the Operating Partnership and any entity ROIC accounts for under the equity method of accounting). The interest expense recognized on the Senior Notes Due 2023 during the three months ended June 30, 2014 includes approximately \$3.1 million and \$81,000 for the contractual coupon interest and the accretion of the debt discount, respectively. The interest expense recognized on the Senior Notes Due 2023 during the six months ended June 30, 2014 includes approximately \$6.2 million and \$161,000 for the contractual coupon interest and the accretion of the debt discount, respectively.

In connection with the Senior Notes Due 2023 offering, the Company incurred approximately \$2.6 million of deferred financing costs which are being amortized over the term of the Senior Notes Due 2023.

4. Preferred Stock of ROIC

ROIC 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 June 30, 2014 and December 31, 2013, there were no shares of preferred stock outstanding.

5. Common Stock and Warrants of ROIC

During the year ended December 31, 2011, ROIC entered into an ATM Equity OfferingSM Sales Agreement ("sales agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell shares of ROIC'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 six months ended June 30, 2014, ROIC did not sell any shares under the sales agreement. Through June 30, 2014, ROIC has sold a total of 3,183,245 shares under the sales agreement, which resulted in gross proceeds of approximately \$39.3 million and commissions of approximately \$687,600 paid to the agent.

Simultaneously with the consummation of the IPO, NRDC 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 were exercisable on a cashless basis as long as they were still held by NRDC 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.

During the six months ended June 30, 2013, NRDC exercised the outstanding 8,000,000 Private Placement Warrants on a cashless basis pursuant to which ROIC issued 688,500 shares to NRDC.

ROIC has the right to redeem all of the outstanding warrants it issued in the IPO, 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 ROIC's common stock must trade before ROIC is able to redeem the warrants it issued in the IPO is \$18.75.
- To provide that a warrant holder's ability to exercise warrants is limited to ensure that such holder's "Beneficial Ownership" or "Constructive Ownership," each as defined in ROIC's charter, does not exceed the restrictions contained in the charter limiting the ownership of shares of ROIC's common stock.

ROIC had reserved 53,400,000 shares for the exercise of the Public Warrants and the Private Placement Warrants, and issuance of shares under ROIC's 2009 Equity Incentive Plan (the "2009 Plan"). During the three and six months ended June 30, 2014, the third-party warrant holders exercised a total of 2,754,489 and 3,393,873 Public Warrants, respectively, during the period, resulting in a total of \$33.1 million and \$40.7 million proceeds, respectively.

In May 2010, ROIC's board of directors authorized a warrant repurchase program to repurchase up to a maximum of \$40.0 million of ROIC's warrants. During the three and six months ended June 30, 2014, the Company did not repurchase any warrants under the program.

As of June 30, 2014, 2,548,795 of the 41,400,000 original Public Warrants remain outstanding and no Private Placement Warrants are outstanding.

On July 31, 2013, the Company's board of directors authorized a stock repurchase program to repurchase up to a maximum of \$50.0 million of the Company's common stock. During the six months ended June 30, 2014, the Company did not repurchase any shares of common stock under this program.

On June 18, 2014, ROIC issued 14,375,000 shares of common stock in a registered public offering, including shares issued upon the exercise in full of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately \$205.5 million, after deducting the underwriters' discounts and commissions and offering expenses. The net proceeds were used to reduce borrowings under the Operating Partnership's \$350.0 million unsecured revolving credit facility.

6. Stock Compensation for ROIC

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

In 2009, ROIC 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 ROIC's common stock at the time of the award, subject to a ceiling of 4,000,000 shares.

Restricted Stock

During the six months ended June 30, 2014, ROIC awarded 319,500 shares of restricted common stock under the 2009 Plan, of which 118,750 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, based on pre-defined market-specific performance criteria with vesting dates on January 1, 2015, 2016 and 2017.

A summary of the status of ROIC's non-vested restricted stock awards as of June 30, 2014, and changes during the six months ended June 30, 2014 are presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2013	440,650	\$ 11.40
Granted	319,500	\$ 13.41
Vested	(168,509)	\$ 11.22
Cancelled	(9,333)	\$ 13.65
Non-vested at June 30, 2014	<u>582,308</u>	<u>\$ 12.52</u>

For the three months ended June 30, 2014 and 2013, the amounts charged to expenses for all stock-based compensation arrangements totaled approximately \$969,000 and \$750,000, respectively. For the six months ended June 30, 2014 and 2013, the amounts charged to expenses for all stock-based compensation arrangements totaled approximately \$1.7 million and \$1.3 million.

7. Capital of the Operating Partnership

As of June 30, 2014, the Operating Partnership had 93,622,015 OP Units outstanding. ROIC owned an approximate 96.6% partnership interest in the Operating Partnership at June 30, 2014, or 90,489,973 OP Units. The remaining 3,132,042 OP Units are owned by other limited partners. A share of ROIC's common stock and the OP units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership.

Effective September 27, 2013, in connection with the acquisition of two shopping centers, the Company issued a total of 3,290,263 OP Units to limited partners. Subject to certain exceptions, holders may redeem their OP Units, at the option of ROIC, for cash or for shares of ROIC common stock on a one-for-one basis. If cash is paid in the redemption, the redemption price is equal to the average closing price on the NASDAQ Stock Market for shares of ROIC's common stock over the ten consecutive trading days immediately preceding the date a redemption notice is received by ROIC.

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

In October 2013, the Company received notices of redemption for 158,221 OP Units. The Company elected to redeem the OP Units in cash, and accordingly, a total of \$2.2 million was paid to the holders of the respective OP Units. No such notices of redemption were received during the six months ended June 30, 2014.

The redemption value of the OP Units outstanding at June 30, 2014 (excluding OP Units owned by ROIC), had such units been redeemed at June 30, 2014, was approximately \$49.2 million based on the average closing price on the NASDAQ Stock Market of ROIC common stock for the ten consecutive trading days immediately preceding June 30, 2014, which amounted to \$15.70 per share.

8. Fair Value of Financial Instruments

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

The guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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

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

The carrying values of cash and cash equivalents, restricted cash, tenant and other receivables, deposits, prepaid expenses, other assets, accounts payable and accrued expenses are reasonable estimates of their fair values because of the short-term nature of these instruments. The carrying values of the revolving credit facility and term loan are deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. The fair value, based on inputs not quoted on active markets, but corroborated by market data, or Level 2, of the outstanding Senior Notes Due 2023 June 30, 2014 is approximately \$267.7 million. 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 \$117.5 million with an interest rate range of 2.6% to 3.8% and a weighted average interest rate of 2.8% as of June 30, 2014. These fair value measurements fall within level 3 of the fair value hierarchy.

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.

The following is a summary of the terms of the Company's interest rate swaps as of June 30, 2014:

Swap Counterparty	Notional Amount	Effective Date	Maturity Date	Cash Settlement Date
Wells Fargo Bank, N.A.	\$ 25,000,000	4/15/2011	4/15/2021	9/22/2014
Wells Fargo Bank, N.A.	\$ 25,000,000	4/2/2012	4/2/2019	9/22/2014
Royal Bank of Canada	\$ 25,000,000	4/1/2013	4/3/2023	10/31/2014

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

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities. The fair value of 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 June 30, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

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

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2014:				
Assets				
Derivative financial instruments	\$ —	\$ 781,524	\$ —	\$ 781,524
Liabilities				
Derivative financial instruments	\$ —	\$ (3,382,529)	\$ —	\$ (3,382,529)
December 31, 2013:				
Assets				
Derivative financial instruments	\$ —	\$ 1,948,243	\$ —	\$ 1,948,243
Liabilities				
Derivative financial instruments	\$ —	\$ (2,528,703)	\$ —	\$ (2,528,703)

Amounts reported in AOCI 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 \$3.5 million will be reclassified as an increase to interest expense.

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 June 30, 2014 and December 31, 2013, respectively:

Derivatives designed as hedging instruments	Balance sheet location	June 30, 2014 Fair Value	December 31, 2013 Fair Value
Interest rate products	Other assets	\$ 781,524	\$ 1,948,243
Interest rate products	Other liabilities	\$ (3,382,529)	\$ (2,528,703)

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 six months ended June 30, 2014 and 2013, respectively. Amounts reclassified from other comprehensive income ("OCI") due to ineffectiveness are recognized as interest expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amount of (loss) gain recognized in OCI on derivative	\$ (1,543,058)	\$ 5,739,808	\$ (2,926,407)	\$ 6,062,062
Amount of loss reclassified from accumulated OCI into interest	\$ 887,957	\$ 1,172,818	\$ 1,771,500	\$ 2,370,502
Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	\$ 306	\$ 41,927	\$ (337)	\$ 4,567

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 following table represents the Company's future minimum annual lease payments under operating leases as of June 30, 2014:

	Operating Leases
2014	\$ 452,882
2015	910,164
2016	980,650
2017	1,048,825
2018	1,053,877
Thereafter	38,330,210
Total minimum lease payments	\$ 42,776,608

In connection with the Operating Partnership's issuance of OP Units to limited partners (more fully discussed in Note 7), the Company entered into Tax Protection Agreements with certain limited partners of the Operating Partnership. The Tax Protection Agreements require the Company, subject to certain exceptions, for a period of 12 years, to indemnify the Crossroads Sellers and Five Points Sellers receiving OP Units against certain tax liabilities incurred by them, as calculated pursuant to the applicable Tax Protection Agreement, if such liabilities result from a transaction involving a taxable disposition of Crossroads or Five Points Plaza, as applicable, or if the Operating Partnership fails to maintain and allocate to such holders for taxation purposes minimum levels of Operating Partnership liabilities as specified in the Tax Protection Agreement. The Company has no present intention to sell or otherwise dispose of the properties or interests therein in taxable transactions during the restriction period. If the Company were to trigger the tax protection provisions under these agreements, the Company would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment).

10. Related Party Transactions

The Company has entered into several lease agreements with an officer of the Company, whereby pursuant to the lease agreements, the Company is provided the use of storage space. For the three months ended June 30, 2014 and 2013, the Company incurred approximately \$8,000 and \$6,000, respectively, of expenses relating to the agreements. For the six months ended June 30, 2014 and 2013, the Company incurred approximately \$16,000 and \$11,000, respectively, of expenses relating to the agreements. These expenses were included in general and administrative expenses in the accompanying consolidated statements of operations.

11. Subsequent Events

In determining subsequent events, the Company reviewed all activity from July 1, 2014 to the date the financial statements are issued and discloses the following items:

Subsequent to June 30, 2014, the Company entered into a binding contract to acquire a shopping center located in Wilsonville, Oregon, within the Portland metropolitan area. The Company expects to fund the acquisition in part with the issuance of \$15.7 million in ROIC common equity in the form of operating partnership units, based on a value of \$16.00 per unit.

Subsequent to June 30, 2014, the Company received notice of warrant exercises of approximately 599,000 warrants, totaling approximately \$7.2 million of proceeds.

On July 30, 2014, ROIC's board of directors declared a cash dividend on its common stock of \$0.16 per share, payable on September 29, 2014 to holders of record on September 15, 2014.

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

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 that meet our investment standards in our markets;
- the level of rental revenue and net interest income we achieve from our assets;
- the market value of our assets and the supply of, and demand for, retail real estate in which we invest;
- the state of the U.S. economy generally, or in specific geographic regions;
- the impact of economic conditions on our business;

- 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 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 our senior unsecured notes, our unsecured credit facilities 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;
- changes in interest rates that could impact the market price of our common stock and the cost of our borrowings;
- the exercise, or level of exercise, of ROIC's warrants, exercisable for common stock at an exercise price of \$12.00 per share (the "warrants"); 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.

We caution that the foregoing list of factors is not all-inclusive. All subsequent written and oral forward-looking statements concerning us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. We caution not to place undue reliance upon any forward-looking statements, which speak only as of the date made. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based. 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. ("ROIC") is organized in an UpREIT format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the general partner of, and ROIC conducts substantially all of its business through, its operating partnership, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the "Operating Partnership"), together with its subsidiaries. ROIC reincorporated as a Maryland corporation on June 2, 2011. ROIC has elected to be taxed as a REIT, for U.S. federal income tax purposes, commencing with the year ended December 31, 2010.

ROIC commenced operations in October 2009 as a fully integrated and self-managed REIT, and as of June 30, 2014, ROIC owned an approximate 96.6% partnership interest and other limited partners owned the remaining approximate 3.4% partnership interest in the Operating Partnership. ROIC specializes in the acquisition, ownership and management of necessity-based community and neighborhood shopping centers on the west coast of the United States, anchored by supermarkets and drugstores.

From the commencement of its operations through June 30, 2014, the Company has completed approximately \$1.6 billion of shopping center investments. As of June 30, 2014, the Company's portfolio consisted of 59 retail properties totaling approximately 6.9 million square feet of gross leasable area ("GLA").

As of June 30, 2014, the Company's portfolio was approximately 96.8% leased. During the six months ended June 30, 2014, the Company leased or renewed a total of 389,000 square feet in its portfolio. The Company has committed approximately \$1.9 million, or \$7.40 per square foot, in tenant improvements for new leases that occurred during the six months ended June 30, 2014. Additionally, the Company has committed approximately \$449,000, or \$1.80 per square foot, in leasing commissions, for the new leases that occurred during the six months ended June 30, 2014. Tenant improvement and leasing commission commitments for renewed leases were not material for the three and six months ended June 30, 2014.

Subsequent Events

Subsequent to June 30, 2014, the Company entered into a binding contract to acquire a shopping center located in Wilsonville, Oregon, within the Portland metropolitan area. The Company expects to fund the acquisition in part with the issuance of \$15.7 million in ROIC common equity in the form of operating partnership units, based on a value of \$16.00 per unit.

Subsequent to June 30, 2014, the Company received notice of warrant exercises of approximately 599,000 warrants, totaling approximately \$7.2 million of proceeds.

On July 30, 2014, ROIC's board of directors declared a cash dividend on its common stock of \$0.16 per share, payable on September 29, 2014 to holders of record on September 15, 2014.

Results of Operations

At June 30, 2014, the Company had 59 properties, all of which are consolidated ("consolidated properties") in the accompanying financial statements. The Company believes, because of the location of the properties in densely populated areas, the nature of its investments provides for relatively stable revenue flows even during difficult economic times. The Company has a strong capital structure with manageable debt as of June 30, 2014. The Company expects to continue to actively explore acquisition opportunities consistent with its business strategy.

Property operating income is a non-GAAP financial measure of performance. The Company defines property operating income as operating revenues (base rent and recoveries from tenants), less property and related expenses (property operating expenses and property taxes). Property operating income excludes general and administrative expenses, mortgage interest income, depreciation and amortization, acquisition transaction costs, other expense, interest expense, gains and losses from property acquisitions and dispositions, equity in earnings from unconsolidated joint ventures, extraordinary items, tenant improvements and leasing commissions. Other REITs may use different methodologies for calculating property operating income, and accordingly, the Company's property operating income may not be comparable to other REITs.

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

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

Results of Operations for the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Property Operating Income

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to consolidated property operating income for the three months ended June 30, 2014 and 2013.

	Three Months Ended June 30,	
	2014	2013
Operating income per GAAP	\$ 9,688,017	\$ 6,589,695
Plus: Depreciation and amortization	14,257,274	9,176,706
General and administrative expenses	2,775,877	2,727,039
Acquisition transaction costs	311,098	519,532
Other expenses	130,080	186,062
Less: Mortgage interest income	—	(208,197)
Total portfolio property operating income	\$ 27,162,346	\$ 18,990,837

The following comparison for the three months ended June 30, 2014 compared to the three months ended June 30, 2013, makes reference to the effect of the same-store properties. Same-store properties, which totaled 44 of the Company's 59 properties as of June 30, 2014, represent all operating properties owned by the Company during the entirety of both periods presented and consolidated into the Company's financial statements during such periods.

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to property operating income for the three months ended June 30, 2014 related to the 44 same-store properties owned by the Company during the entirety of both the three months ended June 30, 2014 and 2013 and consolidated into the Company's financial statements during such periods.

	Three months ended June 30, 2014		
	Same-Store	Non Same-Store	Total
Operating income per GAAP	\$ 9,008,368	\$ 679,649	\$ 9,688,017
Plus: Depreciation and amortization	8,292,002	5,965,272	14,257,274
General and administrative expenses ⁽¹⁾	—	2,775,877	2,775,877
Acquisition transaction costs	167	310,931	311,098
Other expenses ⁽¹⁾	—	130,080	130,080
Property operating income	\$17,300,537	\$ 9,861,809	\$27,162,346

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to property operating income for the three months ended June 30, 2013 related to the 44 same-store properties owned by the Company during the entirety of both the three months ended June 30, 2014 and 2013 and consolidated into the Company's financial statements during such periods.

	Three months ended June 30, 2013		
	Same-Store	Non Same-Store	Total
Operating income (loss) per GAAP	\$ 9,225,038	\$ (2,635,343)	\$ 6,589,695
Plus: Depreciation and amortization	8,348,846	827,860	9,176,706
General and administrative expenses ⁽¹⁾	—	2,727,039	2,727,039
Acquisition transaction costs	225,993	293,539	519,532
Other expenses ⁽¹⁾	—	186,062	186,062
Less: Mortgage interest income	—	(208,197)	(208,197)
Property operating income	\$17,799,877	\$ 1,190,960	\$18,990,837

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

During the three months ended June 30, 2014, the Company generated property operating income of approximately \$27.2 million compared to property operating income of \$19.0 million generated during the three months ended June 30, 2013. Property operating income increased by \$8.2 million during the three months ended June 30, 2014 primarily as a result of an increase in the number of properties owned by the Company in 2014 compared to 2013. As of June 30, 2014, the Company owned 59 consolidated properties as compared to 49 properties at June 30, 2013. The newly acquired properties increased property operating income in 2014 by approximately \$8.7 million. The 44 same-store properties decreased property operating income by approximately \$499,000 primarily due to a decrease in straight line rental income.

Mortgage interest income

The Company generated interest income from mortgage notes receivable during the three months ended June 30, 2013 of approximately \$208,000 and no comparable income was recorded during the three months ended June 30, 2014. This decrease was a result of the cancellation of the Company's loan to the Crossroads joint venture in connection with the Company's acquisition of the remaining partnership interests in the Crossroads Shopping Center from its joint venture partner in September 2013. As of June 30, 2014, the Company has no remaining investments in mortgage loans on real estate.

Depreciation and amortization

The Company incurred depreciation and amortization expenses during the three months ended June 30, 2014 of approximately \$14.3 million compared to \$9.2 million incurred during the three months ended June 30, 2013. Depreciation and amortization expenses were higher in 2014 as a result of an increase in the number of properties owned by the Company in 2014 compared to 2013.

General and administrative expenses

The Company incurred general and administrative expenses during the three months ended June 30, 2014 of approximately \$2.8 million, which is consistent with the \$2.7 million incurred during the three months ended June 30, 2013.

Acquisition transaction costs

The Company incurred property acquisition costs during the three months ended June 30, 2014 of approximately \$311,000 compared to \$520,000 incurred during the three months ended June 30, 2013. Property acquisition costs were higher in 2013 primarily due to legal and other professional fees incurred related to acquisition activity.

Interest expense and other finance expenses

The Company incurred interest expense during the three months ended June 30, 2014 of approximately \$7.0 million compared to approximately \$3.4 million during the three months ended June 30, 2013. The increase of approximately \$3.5 million was primarily due to additional interest incurred related to the Senior Notes Due 2023 which were issued in December 2013, which bear a higher interest rate than the credit facility, as well as higher net borrowings on the term loan/credit facility.

Equity in earnings from unconsolidated joint venture

During the three months ended June 30, 2013, the Company recorded equity in earnings from unconsolidated joint venture of approximately \$40,000 and no comparable income was recorded during the three months ended June 30, 2014. This decrease was a result of the consolidation of Crossroads Shopping Center in September 2013. As of June 30, 2014, the Company has no remaining unconsolidated joint ventures.

Gain on sale of real estate

On June 5, 2014, the Company sold Phillips Village Shopping Center, a non-core shopping center located in Pomona, California with an occupancy rate of approximately 10.4% as of May 31, 2014. The sales price of this property of approximately \$16.0 million, less costs to sell, resulted in net proceeds to the Company of approximately \$15.6 million. The Company recorded a gain on sale of approximately \$3.3 million for the three months ended June 30, 2014. There was no comparable gain recorded during the three months ended June 30, 2013.

Loss from discontinued operations

In June 2013, the Company sold the Nimbus Winery Shopping Center, a non-grocery anchored, non-core shopping center located in Rancho Cordova, California. The sales price of this property of approximately \$6.3 million, less costs to sell, resulted in net proceeds to the Company of approximately \$5.6 million. The Company recorded a loss on sale of property of approximately \$714,000 for the three months ended June 30, 2013, which has been included in discontinued operations. There was no comparable loss recorded during the three months ended June 30, 2014.

Results of Operations for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Property Operating Income

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to consolidated property operating income for the six months ended June 30, 2014 and 2013.

	Six Months Ended	
	June 30, 2014	June 30, 2013
Operating income per GAAP	\$ 19,828,458	\$ 12,473,538
Plus: Depreciation and amortization	27,621,340	18,057,836
General and administrative expenses	5,336,729	5,494,726
Acquisition transaction costs	528,831	928,368
Other expenses	346,910	154,956
Less: Mortgage interest	—	(412,256)
Total portfolio property operating income	\$ 53,662,268	\$ 36,697,168

The following comparison for the six months ended June 30, 2014 compared to the six months ended June 30, 2013, makes reference to the effect of the same-store properties. Same-store properties, which totaled 42 of the Company's 59 properties as of June 30, 2014, represent all operating properties owned by the Company during the entirety of both periods presented and consolidated into the Company's financial statements during such periods.

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to property operating income for the six months ended June 30, 2014 related to the 42 same-store properties owned by the Company during the entirety of both the six months ended June 30, 2014 and 2013 and consolidated into the Company's financial statements during such periods.

	Six months ended June 30, 2014		
	Same-Store	Non Same-Store	Total
Operating income per GAAP	\$17,940,364	\$ 1,888,094	\$19,828,458
Plus: Depreciation and amortization	16,786,612	10,834,728	27,621,340
General and administrative expenses ⁽²⁾	—	5,336,729	5,336,729
Acquisition transaction costs	5,192	523,639	528,831
Other expenses ⁽²⁾	—	346,910	346,910
Property operating income	<u>\$34,732,168</u>	<u>\$ 18,930,100</u>	<u>\$53,662,268</u>

The table below provides a reconciliation of consolidated operating income, in accordance with GAAP, to property operating income for the six months ended June 30, 2013 related to the 42 same-store properties owned by the Company during the entirety of both the six months ended June 30, 2014 and 2013 and consolidated into the Company's financial statements during such periods.

	Six months ended June 30, 2013		
	Same-Store	Non Same-Store	Total
Operating income per GAAP	\$18,023,976	\$ (5,550,438)	\$12,473,538
Plus: Depreciation and amortization	16,316,541	1,741,295	18,057,836
General and administrative expenses ⁽²⁾	—	5,494,726	5,494,726
Acquisition transaction costs	219,137	709,231	928,368
Other expenses ⁽²⁾	—	154,956	154,956
Less: Mortgage interest income	—	(412,256)	(412,256)
Property operating income	<u>\$34,559,654</u>	<u>\$ 2,137,514</u>	<u>\$36,697,168</u>

² For illustration purposes, general and administrative expenses and other expenses are included in non same-store because the Company does not allocate these types of expenses between same-store and non same-store.

During the six months ended June 30, 2014, the Company generated property operating income of approximately \$53.7 million compared to property operating income of \$36.7 million generated during the six months ended June 30, 2013. Property operating income increased by \$17.0 million during the six months ended June 30, 2014 primarily as a result of an increase in the number of properties owned by the Company in 2014 compared to 2013. As of June 30, 2014, the Company owned 59 consolidated properties as compared to 49 properties at June 30, 2013. The newly acquired properties increased property operating income in 2014 by approximately \$16.8 million. The 42 same-store properties increased property operating income by approximately \$173,000.

Mortgage interest income

The Company generated interest income from mortgage notes receivable during the six months ended June 30, 2013 of approximately \$412,000 and no comparable income recorded during the six months ended June 30, 2014. This decrease was a result of the cancellation of the Company's loan to the Crossroads joint venture in connection with the Company's acquisition of the remaining partnership interests in the Crossroads Shopping Center from its joint venture partner in September 2013. As of June 30, 2014, the Company has no remaining investments in mortgage loans on real estate.

Depreciation and amortization

The Company incurred depreciation and amortization expenses during the six months ended June 30, 2014 of approximately \$27.6 million compared to \$18.1 million incurred during the six months ended June 30, 2013. Depreciation and amortization expenses were higher in 2014 as a result of an increase in the number of properties owned by the Company in 2014 compared to 2013.

General and administrative expenses

The Company incurred general and administrative expenses during the six months ended June 30, 2014 of approximately \$5.3 million compared to \$5.5 million incurred during the six months ended June 30, 2013. General and administrative expenses decreased approximately \$158,000 primarily due to expenses incurred in 2013 related to the hiring of the Company's accounting personnel as a result of the office relocation from New York to California.

Acquisition transaction costs

The Company incurred property acquisition costs during the six months ended June 30, 2014 of approximately \$529,000 compared to \$928,000 incurred during the comparable period in 2013. Property acquisition costs were higher in 2013 due to legal and other professional fees incurred related to acquisition activity.

Interest expense and other finance expenses

The Company incurred interest expense during the six months ended June 30, 2014 of approximately \$13.8 million compared to approximately \$7.3 million during the six months ended June 30, 2013. The increase of approximately \$6.6 million was primarily due to additional interest incurred related to the Senior Notes Due 2023 which were issued in December 2013, which bear a higher interest rate than the credit facility.

Equity in earnings from unconsolidated joint venture

During the six months ended June 30, 2013, the Company recorded equity in earnings from unconsolidated joint venture of approximately \$271,000 and no comparable income recorded during the six months ended June 30, 2014. This decrease was a result of the consolidation of Crossroads Shopping Center in September 2013. As of June 30, 2014, the Company has no remaining unconsolidated joint ventures.

Gain on sale of real estate

On June 5, 2014, the Company sold Phillips Village Shopping Center, a non-core shopping center located in Pomona, California with an occupancy rate of approximately 10.4% as of May 31, 2014. The sales price of this property of approximately \$16.0 million, less costs to sell, resulted in net proceeds to the Company of approximately \$15.6 million. The Company recorded a gain on sale of approximately \$3.3 million for the six months ended June 30, 2014. There was no comparable gain recorded during the six months ended June 30, 2013.

Loss from discontinued operations

In June 2013, the Company sold the Nimbus Winery Shopping Center, a non-grocery anchored, non-core shopping center located in Rancho Cordova, California. The sales price of this property of approximately \$6.3 million, less costs to sell, resulted in net proceeds to the Company of approximately \$5.6 million. The Company recorded a loss on sale of property of approximately \$714,000 for the six months ended June 30, 2013, which has been included in discontinued operations. There was no comparable loss recorded during the six months ended June 30, 2014.

Funds From Operations

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

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

However, FFO:

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

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

The Financial Accounting Standards Board (“FASB”) guidance relating to business combinations requires, among other things, an acquirer of a business (or 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 June 30, 2014 and 2013 were approximately \$311,000 and \$520,000, respectively. Acquisition costs for the six months ended June 30, 2014 and 2013 were approximately \$529,000 and \$928,000, respectively.

While the Company does not have any joint ventures as of June 30, 2014, in the future, the Company may acquire the remaining interests from its joint venture partners it does not already own. At that time, a gain or loss may be recorded, in accordance with GAAP, based on the Company’s determination of the fair value of the properties at the time of any such purchase of the remaining interests in the properties. Accordingly, the amount of the gain or loss will increase or decrease, respectively, our FFO. The Company did not record any such gain or loss during the three or six months ended June 30, 2014 or 2013.

The table below provides a reconciliation of net income applicable to stockholders in accordance with GAAP to FFO for the three and six months ended June 30, 2014 and 2013.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income attributable to ROIC	\$ 5,833,750	\$ 2,471,012	\$ 8,965,435	\$ 4,760,898
Plus: Depreciation and amortization	14,257,274	9,176,706	27,621,340	18,057,836
Depreciation and amortization attributable to unconsolidated joint ventures	—	353,254	—	705,330
Gain on sale of real estate	(3,318,526)	—	(3,318,526)	—
Loss from discontinued operations	—	713,529	—	713,529
Funds from operations – basic	16,772,498	12,714,501	33,268,249	24,237,593
Net income attributable to non-controlling interests	217,012	—	351,570	—
Funds from operations – diluted	<u>\$ 16,989,510</u>	<u>\$ 12,714,501</u>	<u>\$ 33,619,819</u>	<u>\$ 24,237,593</u>

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 ROIC's and the Operating Partnership'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 June 30, 2014.

REIT Qualification Requirements

ROIC 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.

ROIC is subject to a number of operational and organizational requirements to qualify and then maintain qualification as a REIT. If ROIC 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 of the Company

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

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

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

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

The Company is a well-known seasoned issuer with an effective shelf registration statement filed in June 2013 that allows the Company to register unspecified various classes of debt and equity securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would be contributed to the Operating Partnership. The Operating Partnership may use the proceeds to acquire additional properties, pay down debt, and for general working capital purposes.

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

During the six months ended June 30, 2014, the Company's primary sources of cash were proceeds from the issuance of common stock, distributions from the Operating Partnership and proceeds from the exercise of warrants. As of June 30, 2014, the Company has determined that it has adequate working capital to meet its dividend funding obligations for the next twelve months.

On June 18, 2014, the Company issued 14,375,000 shares of common stock in a registered public offering, including shares issued upon the exercise in full of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately \$205.5 million, after deducting the underwriters' discounts and commissions and offering expenses.

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, 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 six months ended June 30, 2014, the Company did not sell any shares under the sales agreement.

For the six months ended June 30, 2014, dividends paid to stockholders totaled approximately \$23.9 million. Additionally, for the six months ended June 30, 2014, the Operating Partnership made distributions of approximately \$1.0 million to the non-controlling interest OP Unitholders. On a consolidated basis, cash flows from operations for the same period totaled approximately \$29.5 million. For the six months ended June 30, 2013, dividends paid to stockholders totaled approximately \$20.7 million. On a consolidated basis, cash flows from operations for the same period totaled approximately \$17.7 million. The deficiency of \$3.0 million was funded through the proceeds from the sale of the Nimbus Winery Shopping Center. In the future, it is expected that the cash flows from stabilized properties will be sufficient to cover the dividends paid to stockholders.

Potential future sources of capital for the Company include debt and equity issuances, and if the value of its common stock continues to exceed the exercise price of its warrants, proceeds from the exercise of warrants from time to time through expiration in October 2014.

Liquidity and Capital Resources of the Operating Partnership

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

During the six months ended June 30, 2014, the Operating Partnership’s primary sources of cash were (i) proceeds from the issuance of common stock and warrant exercises that were contributed to the Operating Partnership, (ii) proceeds from bank borrowings under the revolving credit facility, and (iii) cash flow from operations. As of June 30, 2014, the Operating Partnership has determined that it has adequate working capital to meet its debt obligations and operating expenses for the next twelve months.

The Operating Partnership has a revolving credit facility with several banks which provides for borrowings of up to \$350.0 million. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the facility amount up to an aggregate of \$700.0 million, subject to lender consents and other conditions. The maturity date of the credit facility is August 29, 2017, subject to a further one-year extension option, which may be exercised by the Operating Partnership upon satisfaction of certain conditions.

The Operating Partnership has a term loan agreement with several banks. The term loan provides for a loan of \$200.0 million and contains an accordion feature, which allows the Operating Partnership to increase the facility amount up to an aggregate of \$300.0 million subject to commitments and other conditions. The maturity date of the term loan is August 29, 2017. The agreements contain customary representations, financial and other covenants. The Operating Partnership’s ability to borrow under the credit facility and term loan is subject to its compliance with financial covenants and other restrictions. The Operating Partnership was in compliance with such covenants at June 30, 2014.

As of June 30, 2014, \$200.0 million and \$121.8 million were outstanding under the term loan and credit facility, respectively. The average interest rate on the term loan and credit facility during the three and six months ended June 30, 2014 was 1.5% and 1.4%, respectively. The Operating Partnership had \$228.2 million available to borrow under the credit facility at June 30, 2014. The Operating Partnership had no available borrowings under the term loan.

The Company obtained investment grade credit ratings from Moody’s Investors Service (Baa2) and Standard & Poor’s Ratings Services (BBB-) during the second quarter of 2013. Since receiving the investment grade credit ratings from the two rating agencies, borrowings under the loan agreements accrue interest on the outstanding principal amount at a rate equal to an applicable rate based on the credit rating level of ROIC, plus, as applicable, (i) the Eurodollar Rate, or (ii) the Base Rate. Additionally, the Operating Partnership is obligated to pay a facility fee at a rate based on the credit rating level of the Company, currently 0.20%, and a fronting fee at a rate of 0.125% per year with respect to each letter of credit issued under the loan agreements.

In December 2013, the Operating Partnership issued \$250.0 million aggregate principal amount of 5.000% unsecured senior notes which were fully and unconditionally guaranteed by the Company. Proceeds from this offering were used to repay borrowings under the Company’s credit facility.

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

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

	Six Months Ended June 30,	
	2014	2013
Net Cash Provided by (Used in):		
Operating Activities	\$ 29,451,112	\$ 17,742,868
Investing Activities	\$ (312,658,004)	\$ (176,535,936)
Financing Activities	\$ 284,825,140	\$ 160,494,706

Net Cash Flows from:

Operating Activities

Net cash flows provided by operating activities amounted to \$29.5 million in the six months ended June 30, 2014, compared to \$17.7 million in the comparable period in 2013. During the six months ended June 30, 2014, cash flows from operating activities increased by approximately \$11.7 million primarily due to an increase in property operating income of approximately \$17.0 million, offset by a \$6.6 million increase in interest expense and the timing of collections and payments of working capital accounts.

Investing Activities

Net cash flows used in investing activities amounted to \$312.7 million in the six months ended June 30, 2014, compared to \$176.5 million in the comparable period in 2013. During the six months ended June 30, 2014, cash flows used in investing activities increased by approximately \$136.1 million, primarily due to the increase in investments in real estate, net of proceeds from the sale of real estate, of approximately \$141.7 million, offset by a decrease in improvements to properties of approximately \$2.1 million and a decrease in deposits on real estate acquisitions of \$3.0 million.

Financing Activities

Net cash flows provided by financing activities amounted to \$284.8 million for the six months ended June 30, 2014, compared to \$160.5 million in the comparable period in 2013. During the six months ended June 30, 2014, cash flows provided by financing activities increased by approximately \$124.3 million, primarily due to the receipt of \$205.8 million of net proceeds from the issuance of common stock, and the increase in net proceeds on the credit facility of approximately \$78.7 million. These increases were offset by the decrease in proceeds received from the exercise of warrants, net of cash used to acquire warrants, of approximately \$157.5 million.

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 and other contractual obligations at June 30, 2014:

	2014	2015	2016	2017	2018	Thereafter	Total
Contractual obligations:							
Mortgage Notes Payable Principal ⁽¹⁾	\$ 9,009,781	\$77,267,004	\$ 7,582,838	\$ 8,460,412	\$10,136,577	\$ —	\$ 112,456,612
Mortgage Notes Payable Interest	3,313,452	4,427,961	1,317,579	910,889	104,635	—	10,074,516
Term loan ⁽²⁾	—	—	—	200,000,000	—	—	200,000,000
Credit facility ⁽²⁾	—	—	—	121,750,000	—	—	121,750,000
Senior Notes Due 2023 ⁽³⁾	6,770,833	12,500,000	12,500,000	12,500,000	12,500,000	311,979,167	368,750,000
Operating lease obligations	452,882	910,164	980,650	1,048,825	1,053,877	38,330,210	42,776,608
Total	\$19,546,948	\$95,105,129	\$22,381,067	\$344,670,126	\$23,795,089	\$350,309,377	\$855,807,736

(1) Does not include unamortized mortgage premium of \$4.1 million as of June 30, 2014.

(2) For the purpose of the above table, the Company has assumed that borrowings under the loan agreements accrue interest at the average interest rate on the term loan and credit facility during both the three and six months ended June 30, 2014, which was 1.5% and 1.4%, respectively. Borrowings under the term loan and credit facility bear interest at a rate equal to an applicable rate based on the credit rating level of the Company, plus, as applicable (i) a LIBOR rate determined by reference to the cost of funds for dollar deposits for the relevant period, 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 at its "prime rate," and (c) the Eurodollar Rate plus 1.00%.

(3) Represents both principal and interest.

The Company has committed approximately \$1.9 million and \$449,000 in tenant improvements and leasing commissions, respectively, for the new leases and renewals that occurred during the six months ended June 30, 2014. As of June 30, 2014, the Company did not have any capital lease or purchase obligations.

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

Off-Balance Sheet Arrangements

As of June 30, 2014, the Company does not have any off-balance sheet arrangements.

Real Estate Taxes

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

Inflation

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

Leverage Policies

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

The Operating Partnership has a revolving credit facility with several banks which provides for borrowings of up to \$350.0 million. Additionally, the credit facility contains an accordion feature, which allows the Operating Partnership to increase the facility amount up to an aggregate of \$700.0 million, subject to lender consents and other conditions. The maturity date of the credit facility is August 29, 2017, subject to a further one-year extension option, which may be exercised by the Operating Partnership upon satisfaction of certain conditions. Additionally, in December 2013, the Operating Partnership issued \$250.0 million aggregate principal amount of 5.000% unsecured senior notes which were fully and unconditionally guaranteed by the Company.

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

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

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

Distributions

The Operating Partnership and ROIC intend to make regular quarterly distributions to holders of their OP Units and common stock, respectively. The Operating Partnership pays distributions to ROIC directly as a holder of units of the Operating Partnership, and indirectly to ROIC through distributions to Retail Opportunity Investments GP, LLC, a wholly owned subsidiary of ROIC. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay U.S. federal income tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. ROIC intends to pay regular quarterly dividends to its stockholders in an amount not less than its net taxable income, if and to the extent authorized by its board of directors. If ROIC's cash available for distribution is less than its net taxable income, ROIC could be required to sell assets or borrow funds to make cash distributions or ROIC 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 June 30, 2014, the Company had \$321.8 million of variable rate debt outstanding. As of June 30, 2014, the Company has primarily used fixed-rate debt and forward starting interest rate swaps to manage its interest rate risk. See the discussion under Note 8, "Derivative and Hedging Activities," to the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps.

The Company previously 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. During the year ended December 31, 2013, the Company settled two of its interest rate swaps in accordance with their settlement dates, and accordingly, has three remaining interest rate swaps as of June 30, 2014. 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 June 30, 2014, exclusive of non-performance risk.

Swap Notional	Less 100 basis points	Less 50 basis points	June 30, 2014 Value	Increase 50 basis points	Increase 100 basis points
\$25,000,000	(4,337,724)	(3,475,736)	(2,608,372)	(1,773,599)	(967,959)
\$25,000,000	(1,868,116)	(1,338,926)	(774,288)	(206,050)	347,359
\$25,000,000	(1,190,006)	(202,421)	781,766	1,739,760	2,654,647

See Note 8 of the accompanying consolidated financial statements for a discussion on how the Company values derivative financial instruments. The Company calculates the value of its interest rate swaps based upon the present value of the future cash flows expected to be paid and received on each leg of the swap. The cash flows on the fixed leg of the swap are agreed to at inception and the cash flows on the floating leg of a swap change over time as interest rates change. To estimate the floating cash flows at each valuation date, the Company utilizes a forward curve which is constructed using LIBOR fixings, Eurodollar futures, and swap rates, which are observable in the market. Both the fixed and floating legs' cash flows are discounted at market discount factors. For purposes of adjusting its derivative valuations, the Company incorporates the nonperformance risk for both itself and its counterparties to these contracts based upon Moody's KMV ratings in order to derive a curve that considers the term structure of credit.

As a corporation that has elected to qualify as a REIT for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2010, ROIC's future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Company will be exposed to interest rate changes primarily as a result of long-term debt used to acquire properties and make real estate-related debt investments. The Company's interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, the Company expects to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. In addition, the Company uses derivative financial instruments to manage interest rate risk. The Company will not use derivatives for trading or speculative purposes and will only enter into contracts with major financial institutions based on their credit rating and other factors. Currently, the Company uses three interest rate swaps to manage its interest rate risk. See Note 8 of the accompanying consolidated financial statements.

Item 4. Controls and Procedures

Controls and Procedures (Retail Opportunity Investments Corp.)

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

During the six months ended June 30, 2014, there was no change in ROIC's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, ROIC's internal control over financial reporting.

Controls and Procedures (Retail Opportunity Investments Partnership, LP)

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

During the six months ended June 30, 2014, there was no change in the Operating Partnership's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

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, 2013. There have been no significant changes to our risk factors during the six months ended June 30, 2014.

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

- 2.1 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 of Retail Opportunity Investments Corp.⁽¹⁾
- 3.3 Bylaws of Retail Opportunity Investments Corp.⁽¹⁾
- 3.4 Second Amended and Restated Limited Partnership Agreement of Retail Opportunity Investments Partnership, LP dated as of September 27, 2013 among Retail Opportunity Investments GP, LLC as general partner, Retail Opportunity Investments Corp. and the other limited partners thereto⁽²⁾
- 4.1 Specimen Unit Certificate.⁽³⁾
- 4.2 Specimen Common Stock Certificate.⁽³⁾
- 4.3 Specimen Warrant Certificate.⁽³⁾
- 4.4 Form of Warrant Agreement between Continental Stock Transfer & Trust Company NRDC Acquisition Corp.⁽⁴⁾
- 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.⁽³⁾
- 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

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- (1) Incorporated by reference to the Company's current report on Form 8-K filed on June 3, 2011.
 - (2) Incorporated by reference to the Company's current report on Form 8-K filed on October 2, 2013.
 - (3) Incorporated by reference to the Company's current report on Form 8-K filed on October 26, 2009.
 - (4) Incorporated by reference to the Company's registration statement on Form S-1/A filed on September 7, 2007 (File No. 333-144871).

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.

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

Registrant

Registrant

/s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: *Chief Executive Officer*

/s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: *Chief Executive Officer*

Date: July 31, 2014

Date: July 31, 2014

/s/ Michael B. Haines

Name: Michael B. Haines

Title: *Chief Financial Officer*

/s/ Michael B. Haines

Name: Michael B. Haines

Title: *Chief Financial Officer*

Date: July 31, 2014

Date: July 31, 2014

RETAIL OPPORTUNITY INVESTMENTS CORP.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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: July 31, 2014

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

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stuart A. Tanz, certify that:

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

Date: July 31, 2014

By: /s/ Stuart A. Tanz

Name: Stuart A. Tanz

Title: Chief Executive Officer

RETAIL OPPORTUNITY INVESTMENTS CORP.
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael B. Haines, certify that:

1. I have reviewed this 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: July 31, 2014

By: /s/ Michael B. Haines
Name: Michael B. Haines
Title: Chief Financial Officer

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael B. Haines, certify that:

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

Date: July 31, 2014

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

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

The undersigned, the Chief Executive Officer of Retail Opportunity Investments Corp. (the "Company"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (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: July 31, 2014

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 June 30, 2014 (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: July 31, 2014

By: /s/ Michael B. Haines

Name: Michael B. Haines

Title: Chief Financial Officer

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

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

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

The undersigned, the Chief Executive Officer of Retail Opportunity Investments Corp, the sole member of Retail Opportunity Investments GP, LLC, the sole general partner of Retail Opportunity Investments Partnership, LP (the "Operating Partnership"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (the "Form 10-Q"), filed concurrently herewith by the Operating Partnership, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: July 31, 2014

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 sole member of Retail Opportunity Investments GP, LLC, the sole general partner of Retail Opportunity Investments Partnership, LP (the "Operating Partnership"), hereby certifies to the best of his knowledge on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (the "Form 10-Q"), filed concurrently herewith by the Operating Partnership, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership.

Date: July 31, 2014

By: /s/ Michael B. Haines
Name: Michael B. Haines
Title: Chief Financial Officer

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

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