

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 March 31, 2011

OR

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

For the transition period from \_\_\_\_ to \_\_\_\_

Commission file number 001-33749

**RETAIL OPPORTUNITY INVESTMENTS CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**26-0500600**

(I.R.S. Employer  
Identification No.)

**3 Manhattanville Road**

**Purchase, New York**

(Address of principal executive  
offices)

**10577**

(Zip code)

**(914) 272-8080**

(Registrant's telephone number, including area code)

N/A

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

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 42,075,433 shares of common stock, par value \$0.0001 per share, outstanding as of May 5, 2011.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RETAIL OPPORTUNITY INVESTMENTS CORP.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2011 (unaudited)	December 31, 2010
<b>ASSETS</b>		
Real Estate Investments:		
Land	\$ 122,782,459	\$ 85,473,305
Building and improvements	266,767,696	187,259,539
	<u>389,550,155</u>	<u>272,732,844</u>
Less: accumulated depreciation	5,282,395	3,078,160
	<u>384,267,760</u>	<u>269,654,684</u>
Mortgage notes receivable	9,500,000	49,978,044
Investment in and advances to unconsolidated joint ventures	43,004,853	24,579,355
Real Estate Investments, net	436,772,613	344,212,083
Cash and cash equivalents	11,764,093	84,736,410
Restricted cash	3,074,914	2,838,261
Tenant and other receivables	2,961,203	2,055,881
Deposits	500,000	1,500,000
Acquired lease intangible asset, net of accumulated amortization	25,438,385	17,672,608
Prepaid expenses	962,306	798,655
Deferred charges, net of accumulated amortization	11,711,144	9,576,904
Other	78,940	801,700
<b>Total assets</b>	<u>\$ 493,263,598</u>	<u>\$ 464,192,502</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Revolving credit facility	\$ 13,000,000	\$ —
Mortgage notes payables	41,998,314	42,417,100
Acquired lease intangibles liability, net of accumulated amortization	33,743,739	20,996,167
Accounts payable and accrued expenses	5,141,414	4,889,350
Tenants' security deposits	1,089,928	859,537
Other liabilities	3,981,645	4,506,779
<b>Total liabilities</b>	<u>98,955,040</u>	<u>73,668,932</u>
Commitments and Contingencies	—	—
<b>Equity:</b>		
Preferred stock, \$.0001 par value 50,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.0001 par value 500,000,000 shares authorized; 41,638,100 shares issued and outstanding	4,164	4,164
Additional paid-in-capital	404,439,065	403,915,775
Accumulated deficit	(10,066,786)	(12,880,840)
Accumulated other comprehensive loss	(70,274)	(517,918)
Total Retail Opportunity Investments Corp. shareholders' equity	<u>394,306,169</u>	<u>390,521,180</u>
Noncontrolling interests	2,389	2,389
<b>Total equity</b>	<u>394,308,558</u>	<u>390,523,570</u>
<b>Total liabilities and equity</b>	<u>\$ 493,263,598</u>	<u>\$ 464,192,502</u>

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

**RETAIL OPPORTUNITY INVESTMENTS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Revenues</b>		
Base rents	\$ 7,181,194	\$ 1,108,683
Recoveries from tenants	1,905,219	260,649
Mortgage interest	954,508	-
Total revenues	<u>10,040,921</u>	<u>1,369,332</u>
<b>Operating expenses</b>		
Property operating	1,095,524	206,965
Property taxes	1,052,393	133,957
Depreciation and amortization	4,251,799	443,550
General & Administrative Expenses	2,388,702	2,152,926
Acquisition transaction costs	175,115	486,470
Total operating expenses	<u>8,963,533</u>	<u>3,423,868</u>
<b>Operating income (loss)</b>	<u>1,077,388</u>	<u>(2,054,536)</u>
Non-operating income (expenses)		
Interest expense and other finance expenses	(915,902)	-
Gain on bargain purchase	5,761,854	-
Equity in earnings from unconsolidated joint ventures	243,279	-
Interest income	13,470	413,561
<b>Net income (loss) attributable to Retail Opportunity Investments Corp.</b>	<u>\$ 6,180,089</u>	<u>\$ (1,640,975)</u>
<b>Weighted average shares outstanding</b>		
<b>Basic and diluted:</b>	<u>41,846,694</u>	<u>41,569,675</u>
<b>Income (loss) per share</b>		
<b>Basic and diluted per share:</b>	<u>\$ 0.15</u>	<u>\$ (0.04)</u>
<b>Dividends per common share</b>	<u>\$ 0.08</u>	<u>\$ —</u>

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

**RETAIL OPPORTUNITY INVESTMENTS CORP.  
CONSOLIDATED STATEMENTS OF EQUITY**

	<u>Common Stock</u>			Retained earnings (Accumulated deficit)	Accumulated other comprehensive loss	Noncontrolling interests	Equity
	Shares	Amount	Additional paid-in capital				
<b>Balance at December 31, 2010</b>	<b>41,638,100</b>	<b>\$ 4,164</b>	<b>\$ 403,915,775</b>	<b>\$ (12,880,840)</b>	<b>\$ (517,918)</b>	<b>\$ 2,389</b>	<b>\$ 390,523,570</b>
Compensation expense related to options granted	—	—	57,051	—	—	—	57,051
Compensation expense related to restricted stock grants	—	—	466,239	—	—	—	466,239
Cash dividends (\$.08 per share)	—	—	—	(3,357,135)	—	—	(3,357,135)
Dividends payable to officers	—	—	—	(8,900)	—	—	(8,900)
Comprehensive income							
Net Income Attributable to Retail Opportunity Investments Corp.	—	—	—	6,180,089	—	—	6,180,089
Unrealized gain on swap derivative	—	—	—	—	447,644	—	447,644
Total other comprehensive income	—	—	—	—	—	—	6,627,733
<b>Balance at March 31, 2011</b>	<b>41,638,100</b>	<b>\$ 4,164</b>	<b>\$ 404,439,065</b>	<b>\$ (10,066,786)</b>	<b>\$ (70,274)</b>	<b>\$ 2,389</b>	<b>\$ 394,308,558</b>

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

**RETAIL OPPORTUNITY INVESTMENTS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 6,180,089	\$ (1,640,975)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	4,232,474	443,550
Amortization of deferred financing costs	46,102	—
Gain on bargain purchase	(5,761,854)	—
Straight-line rent adjustment	(420,254)	(69,123)
Amortization of above and below market rent	(514,539)	(53,075)
Amortization relating to stock based compensation	523,290	229,146
Provisions for tenant credit losses	328,351	53,351
Equity earned in earnings from unconsolidated joint ventures	(243,279)	—
Change in operating assets and liabilities		
Mortgage escrows	(225,177)	—
Tenant receivables	(813,419)	(152,743)
Prepaid expenses	(163,651)	(217,266)
Accounts payable and accrued expenses	(544,932)	(2,144,526)
Other asset and liabilities, net	1,412,830	332,360
<b>Net cash provided by (used in) operating activities</b>	<b>4,036,031</b>	<b>(3,219,301)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in real estate	(57,856,393)	(47,945,559)
Investments in mortgage notes receivables	(9,500,000)	—
Investments in unconsolidated joint ventures	(18,182,218)	—
Improvements to properties and deferred charges	(424,626)	(105,862)
Deposits on real estate acquisitions	(500,000)	(973,000)
Disbursements relating to notes receivable	—	(982,262)
Construction escrows and other	(11,477)	—
<b>Net cash (used in) investing activities</b>	<b>(86,474,714)</b>	<b>(50,006,683)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayment on mortgages	(176,499)	—
Proceeds from the draw on revolving credit facility	13,000,000	—
Dividends paid to common shareholders	(3,357,135)	—
Contributions from consolidated joint venture minority interests, net	—	2,389
<b>Net cash provided by financing activities</b>	<b>9,466,366</b>	<b>2,389</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(72,972,317)</b>	<b>(53,223,595)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>84,736,410</b>	<b>383,240,827</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 11,764,093</b>	<b>\$ 330,017,232</b>

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

**RETAIL OPPORTUNITY INVESTMENTS CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2011**  
(unaudited)

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

**Business**

Retail Opportunity Investments Corp. (the "Company") is a fully integrated and self-managed real estate investment trust ("REIT"), primarily focused on investing in, acquiring, owning, leasing, repositioning and managing a diverse portfolio of well located necessity-based community and neighborhood shopping centers, anchored by national or regional supermarkets and drugstores. The Company targets properties strategically situated in densely populated, middle and upper income markets in the eastern and western regions of the United States. In addition, the Company supplements its direct purchases of retail properties with first mortgages or second mortgages, mezzanine loans, bridge or other loans and debt investments related to retail properties, which are referred to collectively as "real estate-related debt investments," in each case provided that the underlying real estate meets the Company's criteria for direct investment. The Company's primary focus with respect to real estate-related debt investments is to capitalize on the opportunity to acquire control positions that will enable the Company to obtain the asset should a default occur. These properties and investments are referred to as the Company's target assets.

The Company was incorporated in Delaware in July 2007 and initially formed as special purpose acquisition company. The Company commenced its current business operations in October 2009 following the approval by stockholders and warrant holders of a series of proposals contemplated by the Framework Agreement, dated August 7, 2009 (the "Framework Agreement"), between the Company and NRDC Capital Management, LLC the "Sponsor") that allowed the Company to continue our business as a corporation that will elect to qualify as a REIT for U.S. federal income tax purposes, commencing with the Company's taxable year ended December 31, 2010 (the "Framework Transactions"). The Company is organized in a traditional umbrella partnership real estate investment trust ("UpREIT") format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the general partner of, and the Company conducts substantially all of its business through, its wholly-owned operating partnership subsidiary, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the "operating partnership"), and its subsidiaries. At the Company's 2011 annual meeting of stockholders, our stockholders voted to approve a series of proposals that will allow us to convert into a Maryland corporation.

**Recent Accounting Pronouncements**

In December 2010, the Financial Accounting Standards Board ("FASB") issued guidance on the disclosure of supplementary pro forma information for business combinations. Effective for periods beginning after December 15, 2010, the guidance specifies that if a public entity enters into business combinations that are material on an individual or aggregate basis and presents comparative financial statements, the entity must present pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. While we are currently evaluating the effect of adoption of this guidance, we currently believe that its adoption will not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued updated guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses which will require a greater level of information disclosed about the credit quality of loans and allowance for loan losses, as well as additional information related to credit quality indicators, past due information, and information related to loans modified in trouble debt restructuring. The guidance related to disclosures of financing receivables as of the end of a reporting period is required to be adopted for interim and annual reporting periods ending on or after December 15, 2010. The financing receivables disclosures related to the activity that occurs during a reporting period are required to be adopted for interim and annual reporting periods beginning on or after December 15, 2010. In January 2011, the FASB temporarily delayed

the effective date of the disclosures about troubled debt restructurings to allow the FASB the time needed to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, the guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. Adoption of the remaining guidance for the annual reporting period ending December 31, 2010 resulted in additional disclosures in our consolidated financial statements.

In January 2010, the FASB issued updated guidance on fair value measurements and disclosures, which requires disclosure of details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy and inclusion of gross purchases, sales, issuances, and settlements in the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. The guidance also clarifies and expands existing disclosure requirements related to the disaggregation of fair value disclosures and inputs used in arriving at fair values for assets and liabilities using Level 2 and Level 3 inputs within the fair value hierarchy. These disclosure requirements were effective for interim and annual reporting periods beginning after December 15, 2009. Adoption of this guidance on January 1, 2010, excluding the Level 3 rollforward, resulted in additional disclosures in our consolidated financial statements. The gross presentation of the Level 3 rollforward is required for interim and annual reporting periods beginning after December 15, 2010. The adoption of the guidance did not have a material effect on the consolidated financial statements at March 31, 2011.

## **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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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, 2010.

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

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

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

The Company assesses the accounting treatment for each joint venture. This assessment includes a review of each joint venture or limited liability company agreement to determine which party has what rights and whether those rights are protective or participating. For all VIEs, the Company reviews such agreements in order to determine which party has the power to direct the activities that most significantly impact the entity's economic performance. In situations where the Company or its partner approves, among other things, the annual budget, receives a detailed monthly reporting package from the Company, meets on a quarterly basis to review the results of the joint venture, reviews and approves the joint venture's tax return before filing, and approves all leases that cover more than a nominal amount of space relative to the total rentable space at each property, the Company does not



consolidate the joint venture as it considers these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture. The Company's joint venture agreements also contain certain protective rights such as the requirement of partner approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan. As of March 31, 2011 the Company did not have any VIEs.

### **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 and the valuation of options and warrants. Actual results could differ from these estimates.

### **Federal Income Taxes**

Commencing with the Company's taxable year ended December 31, 2010, the Company intends to elect to qualify as a REIT under Sections 856-860 of the Internal Revenue Code (the "Code"). Under those sections, a REIT that, among other things, distributes at least 90% of REIT taxable income and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income that is distributed.

Although it may qualify as a REIT for U.S. federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiary ("TRS") is fully subject to U.S. federal, state and local income taxes.

The Company follows the FASB guidance that defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The FASB also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company records interest and penalties relating to unrecognized tax benefits, if any, as interest expense. As of March 31, 2011, the tax years 2007 through and including 2010 remain open to examination by the Internal Revenue Service ("IRS") and state taxing authorities. During the three months ended March 31, 2011 the IRS requested an examination of the Company's 2009 federal tax return. The examination is ongoing as of the date of this report.

### **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. For the three months ended March 31, 2011 and 2010, the capitalized costs related to the improvements or replacement of real estate properties were approximately \$793,000 and \$495,360, respectively.

Upon the acquisition of real estate properties, the fair value of the real estate purchased is allocated to the acquired tangible assets (consisting of land, buildings and improvements), and acquired intangible assets and liabilities (consisting of above-market and below-market leases and acquired in-place leases). Acquired lease intangible assets include above market leases and acquired in-place leases in the accompanying consolidated balance sheet. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management's determination of the relative fair values of these assets. In valuing an acquired property's intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand.

Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs. Leasing commissions, legal and other related costs ("lease origination costs") are classified as deferred charges in the accompanying consolidated balance sheet.

The value of in-place leases is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (ii) the estimated fair value of the property as if vacant. Above-market and below-market lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management's estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of acquisition. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below-market rental renewal options are determined based on the Company's experience and the relevant facts and circumstances that existed at the time of the acquisitions. The value of the above-market and below-market leases associated with the original lease term is amortized to rental income, over the terms of the respective leases. The value of below-market rental lease renewal options is deferred until such time as the renewal option is exercised and subsequently amortized over the corresponding renewal period. The value of in-place leases are amortized to expense, and the above-market and below-market lease values are amortized to rental income, over the remaining non-cancellable terms of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recognized in operations at that time. The Company may record a bargain purchase gain if it determines that the purchase price for the acquired assets was less than the fair value. The Company will record a liability in situations where any part of the cash consideration is deferred. The amounts payable in the future are discounted to their present value. The liability is subsequently re-measured to fair value with changes in fair value recognized in the consolidated statements of operations. If, up to one year from the acquisition date, information regarding fair value of assets acquired and liabilities assumed is received and estimates are refined, appropriate property adjustments are made to the purchase price allocation on a retrospective basis.

In conjunction with the Company's pursuit and acquisition of real estate investments, the Company expensed acquisition transaction costs during the three months ended March 31, 2011 and 2010 of \$175,000 and \$486,000, respectively.

Regarding the Company's 2011 property acquisitions (see Note 2), the fair values of in-place leases and other intangibles have been allocated to intangible assets and liability accounts. Such allocations are preliminary and may be adjusted as final information becomes available.

For the three months ended March 31, 2011 and 2010, the net amortization of acquired lease intangible assets and acquired lease intangible liabilities was \$514,500 and \$53,000 respectively, which amounts are included in base rents in the accompanying consolidated statements of operations.

During the three months ended March 31, 2011, the Company adjusted the fair value of a liability resulting from a deferred payment to the seller of one of its properties. The re-measurement resulted in a \$524,000 reduction to the liability and was recorded as a reduction to property operating expenses in the accompanying consolidated statements of operations.

#### **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 its real estate investments is impaired at March 31, 2011.

## **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in banks and money market depository accounts with U.S. financial institutions with original maturities of less than ninety days. These balances in the United States may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

## **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. Restricted cash also includes \$2.0 million held by a bank in an interest bearing account to secure a contingent letter of credit obligation. The letter of credit expired undrawn and the \$2.0 million was returned to the Company in May 2011.

## **Revenue Recognition**

Management has determined that all of the Company's leases with its various tenants are operating leases. Rental income is generally recognized based on the terms of leases entered into with tenants. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. Percentage rent is recognized when a specific tenant's sales breakpoint is achieved. Property operating expense recoveries from tenants of common area maintenance, real estate taxes and other recoverable costs are recognized in the period the related expenses are incurred. Lease incentives are amortized as a reduction of rental revenue over the respective tenant lease terms.

During the three months ended March 31, 2011, the Company wrote off a tenant's unamortized lease incentive balance and straight line rent receivable balance of \$574,000 and \$138,000, respectively, as a result of the tenant terminating its lease prior to the expiration date. The amounts were recorded as a reduction to base rents in the accompanying consolidated statements of operations.

Termination fees (included in rental revenue) are fees that the Company has agreed to accept in consideration for permitting certain tenants to terminate their lease prior to the contractual expiration date. The Company recognizes termination fees in accordance with Securities and Exchange Commission Staff Accounting Bulletin 104, "Revenue Recognition," when the following conditions are met: (a) the termination agreement is executed; (b) the termination fee is determinable; (c) all landlord services pursuant to the terminated lease have been rendered, and (d) collectivity of the termination fee is assured. Interest income is recognized as it is earned. Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under generally accepted accounting principles have been met.

The Company must make estimates as to the collectability of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable and the allowance for bad debts by considering tenant creditworthiness, current economic trends, and changes in tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. The Company also provides an allowance for future credit losses of the deferred straight-line rents receivable. The provision for doubtful accounts at March 31, 2011 and December 31, 2010 was \$942,900 and \$542,300, 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 35-40 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 as of March 31, 2011 and December 31, 2010, were \$1.7 million and \$861,000, respectively.

### **Reclassifications**

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

### **Concentration of Credit Risk**

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

### **Earnings (Loss) Per Share**

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

As of March 31, 2010 the effect of the 41,400,000 warrants to purchase the Company's common stock (the "Public Warrants") issued in connection with the Company's initial public offering (the "Public Offering"), the 8,000,000 warrants (the "Private Placement Warrants") purchased by the Sponsor simultaneously with the consummation of the Public Offering, and the restricted stock and options granted in 2009 were not included in the calculation of diluted EPS since the effect would be anti-dilutive since the Company reported a net loss during this period.

### **Stock-Based Compensation**

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

The Company accounts for its stock-based compensation plans based on the FASB guidance which requires that compensation expense be recognized based on the fair value of the stock awards less estimated forfeitures. Restricted stock grants vest based upon the completion of a service period ("time-based grants") and/or the Company meeting certain established financial performance criteria ("performance-based grants"). Time based grants are valued according to the market price for the Company's common stock at the date of grant. For performance-based grants, the Company generally engages an independent appraisal company to determine the value of the shares at the date of grant, taking into account the underlying contingency risks associated with the performance criteria. It is the Company's policy to grant options with an exercise price equal to the quoted closing market price of stock on the grant date. Awards of stock options and restricted stock are expensed as compensation on a current basis over the vesting period.

### **Derivatives**

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to

designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

## Supplemental Consolidated Statements of Cash Flow Information

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Supplemental disclosure of cash activities:		
Cash paid for Federal and New York state income taxes	\$ 85,075	\$ —
Interest paid	674,167	—
Supplemental disclosure of non-cash activities:		
Purchase accounting allocations:		
Intangible lease liabilities	11,781,125	2,412,302
Earnout obligation	(524,896)	—
Other non-cash investing and financing activities:		
Accrued payable to seller of real property	420,000	—
Accrued interest rate swap liabilities	70,274	—
Accrued real estate improvement costs	157,137	137,367

## 2. Real Estate Investments

The following real estate investment transactions have occurred during the three months ended March 31, 2011.

### Property Acquisitions

On January 3, 2011, the Company acquired a shopping center located in Oceanside, California (the "Market Del Rio Property"), for a purchase price of \$35.7 million. The Market Del Rio Property is a shopping center of 177,136 square feet. The Market Del Rio Property is anchored by Stater Brothers Market and Walgreens. The acquisition of the property was funded from available cash.

On January 6, 2011, the Company acquired a shopping center located in Pinole, California (the "Pinole Vista Property"), for a purchase price of \$20.8 million. The Pinole Vista Property is a shopping center of 165,025 square feet. The Pinole Vista Property is anchored by Kmart and Dollar Tree, and shadow anchored by Lucky (SavMart). The acquisition of the property was funded from available cash.

On February 17, 2011, the Company obtained ownership of three grocery-anchored neighborhood shopping Centers (collectively, the "Lakha Properties"), which secured three of four loans ("CA Loans") purchased during the year ended December 31, 2010 for \$50.0 million. The Company obtained ownership of the Lakha Properties pursuant to a Conveyance in Lieu of Foreclosure Agreement, dated as of January 28, 2011. The consideration for the title to the Lakha Properties included additional payments of approximately \$2.3 million. The three Lakha Properties are as follows:

- Desert Springs Marketplace, a shopping center located in Palm Desert, California. Desert Springs Marketplace is a grocery-anchored neighborhood shopping center of 105,157 square feet and was 99.1% leased at March 31, 2011.
- Mills Shopping Center, a shopping center located in Rancho Cordova, California. Mills Shopping Center is a grocery-anchored neighborhood shopping center of 252,912 square feet and was 77.7% leased at March 31, 2011.

- Nimbus Winery Shopping Center, a shopping center located in Rancho Cordova, California. Nimbus Winery Shopping Center is a grocery-anchored neighborhood shopping center of 74,998 square feet and was 73.5% leased at March 31, 2011.

### Mortgage Notes Receivable

During the three months ended March 31, 2011, the Company made a \$9.5 million mortgage loan to the joint venture that owns the Crossroads shopping center as per the joint venture agreement. The Company owns a 49% equity interest in the joint venture. The interest due on the loan is 8% per annum and matures on September 1, 2015, which is coterminous with the existing first mortgage. A portion of the proceeds from the loan were used by the joint venture to pay off an existing second mortgage on the property.

### Unconsolidated Joint Ventures

At March 31, 2011, and December 31, 2010, investments in and advances to unconsolidated joint ventures consisted of the following (with the Company's ownership percentage in parentheses).

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Wilsonville OTS LLC (95%)	\$ 4,484,325	\$ 4,484,325
Crossroads Shopping Center (49%)	12,527,443	12,295,030
Mortgage note receivable secured by Riverside Plaza (50%)	7,878,000	7,800,000
Mortgage note receivable secured by Lakeside Plaza and Village at Eagle Glen (50%)	18,115,085	—
<b>Total</b>	<b>\$ 43,004,853</b>	<b>\$ 24,579,355</b>

The Company completed one transaction related to unconsolidated joint ventures during the three months ended March 31, 2011. On March 22, 2011, through a 50/50 joint venture with Winthrop Realty Trust, the Company acquired two maturity defaulted first mortgage loans that are secured by two grocery-anchored shopping centers for a purchase price of approximately \$35.2 million. The purchase price represents the aggregate outstanding principal balance due under the loans. Both loans provide for a default interest rate of 4.0% over the regular interest rate of 4.92%. The Company's \$18.0 million investment was funded by available cash. The loans are secured by:

- Plaza at Lakeside, a shopping center located in Moreno Valley, California. Plaza at Lakeside is a grocery-anchored shopping center of approximately 87,321 square feet; and
- Village at Eagle Glen, a shopping center located in Corona, California. Village at Eagle Glen is a grocery-anchored shopping center of approximately 95,777 square feet.

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

The following summarizes our allocation of the purchase price of the assets acquired and liabilities assumed upon the completion of the properties above:

	<b>March 31, 2011 (unaudited)</b>
<b>ASSETS</b>	
Land	\$ 37,309,154
Building and improvements	78,469,798
Acquired lease intangible asset	9,589,321
Deferred charges	2,737,580
<b>Assets acquired</b>	<b>128,105,853</b>
Acquired lease intangible liability	13,619,624
<b>Liabilities assumed</b>	<b>\$ 13,619,624</b>

The following summarizes certain financial information related to the Company's investment in the properties above as if the acquisitions occurred on the first day of the year for the period presented:

	<b>For the three months ended March 31, 2011 (unaudited)</b>
<b>Statement of operations:</b>	
Revenues	\$ 3,118,956
Property operating and other expenses	753,162
Management fees to the Company	112,341
Acquisition transaction costs	170,841
Depreciation and amortization	1,586,336
<b>Net income</b>	<b>\$ 496,275</b>

### 3. Mortgage Notes Payables and Bank Lines of Credit

The first mortgage notes payable collateralized by respective properties and assignment of leases at March 31, 2011 and December 31, 2010, respectively, were as follows:

Property	Maturity Date	Interest Rate	March 31, 2011	December 31, 2010
Cascade Summit Town Square	July 2012	7.25%	\$ 7,069,245	\$ 7,124,718
Heritage Market Center	December 2011	7.11%	11,479,003	11,538,777
Gateway Village I	February 2014	5.58%	6,978,692	7,011,658
Gateway Village II	May 2014	5.73%	7,130,787	7,159,072
Gateway Village III	July 2016	6.10%	7,580,000	7,580,000
			40,237,727	40,414,225
Mortgage Premium			1,760,587	2,002,875
Total mortgage notes payable			<b>\$ 41,998,314</b>	<b>\$ 42,417,100</b>

The Company has an unsecured revolving credit facility (the "facility") with several banks. The facility provides for borrowings of up to \$175.0 million and contains an accordion feature, which allows the Company to increase the facility amount up to an aggregate of \$250.0 million subject to commitments and other conditions. The facility has an initial maturity date of December 1, 2012 with an option that allows the Company to extend the facility for one year upon satisfaction of certain conditions. Interest on outstanding amounts is at a rate equal to an applicable rate based on the consolidated leverage ratio of the Company and its subsidiaries, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for Dollar deposits for the relevant period (the "Eurodollar Rate"), or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus one-half of 1%, (b) the rate of interest announced by Bank of America, N.A. as its "prime rate," and (c) the Eurodollar Rate plus 1.00% (the "Base Rate"). The Company is obligated to pay (i) an unused facility fee of (a) 0.50% if the total outstanding principal amount is less than 50% of the aggregate commitments or (b) 0.40% if the total outstanding principal amount is greater than or equal to 50% of the aggregate commitments, and (ii) a fronting fee with respect to each letter of credit issued under the credit agreement. The facility contains certain representations, financial and other covenants typical for this type of facility. The Company's ability to borrow under the facility is subject to its compliance with the covenants and other restrictions on an ongoing basis. The Company was in compliance with such covenants at March 31, 2011. The Company borrowed \$13.0 million under the facility during the three months ended March 31, 2011.

#### 4. Preferred Stock

The Company is authorized to issue 50,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. As of March 31, 2011 and 2010, there were no shares of preferred stock outstanding.

#### 5. Common Stock and Warrants

On October 23, 2007, the Company sold 41,400,000 units ("Units") in the Public Offering at a price of \$10 per Unit, including 5,400,000 Units sold by the underwriters in their exercise of the full amount of their over-allotment option. Each Unit consists of one share of the Company's common stock and one warrant.

Simultaneously with the consummation of the Public Offering, the Sponsor purchased 8,000,000 Private Placement Warrants at a purchase price of \$1.00 per warrant. The Private Placement Warrants were identical to the Public Warrants except that the Private Placement Warrants are exercisable on a cashless basis as long as they are still held by the Sponsor or its permitted transferees. In addition, the Private Placement and Public Warrants have different prices at which the Company's common stock must trade before the Company is able to redeem such warrants. The purchase price of the Private Placement Warrants approximated the fair value of such warrants at the purchase date.

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

- The exercise price of the warrants is \$12.00.
- The expiration date of the warrants is October 23, 2014.
- The price at which the Company's common stock must trade before the Company is able to redeem the warrants it issued in the Public Offering is \$18.75.
- The price at which the Company's common stock must trade before the Company is able to redeem the Private Placement Warrants is (x) \$22.00, as long as they are held by the Sponsor or its members, members of its members' immediate families or their controlled affiliates, or (y) \$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 the Company's certificate of incorporation, does not exceed the restrictions contained in the certificate of incorporation limiting the ownership of shares of the Company's common stock.

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

#### Warrant Repurchase

In May 2010, the Company's board of directors authorized a warrant repurchase program to repurchase up to a maximum of \$40 million of the Company's warrants. To date, the Company has not repurchased warrants under such program.

#### 6. Stock Compensation and Other Benefit Plans

The Company follows the FASB guidance related to stock compensation which establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer, or the employer incurs



liabilities to employees in amounts based on the price of the employer's stock. The guidance also defines a fair value-based method of accounting for an employee stock option or similar equity instrument.

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

### Restricted Stock

During the three months ended March 31, 2011, the Company awarded 276,000 shares of restricted common stock under the 2009 Plan of which 111,250 are performance-based grants and the remainder of the shares are time based grants. The performance based grants vest in three equal annual tranches, depending on the Company achieving an 8% total return to shareholders, or exceeding the top one-third of a certain peer group of companies over a three-year period from December 30, 2010, through December 31, 2013. An independent appraisal Company determined the value of the performance-based grants to be \$9.62 per share, compared to a market price at the date of grant of \$10.88.

As of March 31, 2011, there remained a total of \$3.9 million of unrecognized restricted stock compensation related to outstanding non-vested restricted stock grants awarded under the 2009 Plan. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 2.5 years (irrespective of achievement of the performance grants). For the three months ended March 31, 2011 and 2010, amounts charged to compensation expense totaled \$466,000 and \$189,000, respectively.

A summary of the status of the Company's non-vested restricted stock awards as of March 31, 2011, and changes during the three months ended March 31, 2011 are presented below:

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

### Stock Options

During the three months ended March 31, 2011, the Company awarded a total of 102,000 options to purchase shares under the 2009 Plan. The Company has used the Monte Carlo method for purposes of estimating the fair value in determining compensation expense for the options that were granted during the three months ended March 31, 2011. The assumption for expected volatility has a significant effect on the grant fair value. Volatility is determined based on the historical volatilities of REITs similar to the Company. The Company used the simplified method to determine the expected life which is calculated as an average of the vesting period and the contractual term. The fair value for the options awarded by the Company during the three months ended March 31, 2011, was estimated at the date of the grant using the following weighted-average assumptions. There were no options awarded during the three months ended March 31, 2010.

	<b>Three months ended March 31, 2011</b>	
Average volatility		26.0%
Expected dividends	\$	0.12
Expected life (in years)		6.0 to 6.5
Risk-free interest rate (range)		2.59% to 2.73%

A summary of options activity as of March 31, 2011, and changes during the three months ended March 31, 2011 are presented below:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2010	235,000	\$ 10.25
Granted	102,000	10.88
Exercised	—	—
Expired	—	—
Outstanding at March 31, 2011	337,000	\$ 10.46
Exercisable at March 31, 2011	73,667	\$ 10.26

For the three months ended March 31, 2011 and 2010, the amounts charged to compensation expense totaled \$57,000 and \$40,000, respectively. The total unearned compensation at March 31, 2011 was \$497,000. The shares vest over an average period of 2.2 years.

## 7. Fair Value of Financial Instruments

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

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

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

## Derivative Financial Instruments

Currently, the Company uses two interest rate swaps to manage its interest rate risk. The valuation of this instrument 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.

To comply with the guidance 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 March 31, 2011 the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuation in its entirety is classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2011**

	<b>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Balance at March 31, 2011</b>
<b>Assets</b>				
Derivative financial instruments	\$ —	\$ 217,250	\$ —	\$ 217,250
<b>Liabilities</b>				
Derivative financial instruments	\$ —	\$ (287,524)	\$ —	\$ (287,524)

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 and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short-term nature of these instruments. Mortgage notes receivable are based on the actual disbursements incurred for these recent acquisitions. Mortgage notes payable were recorded at their fair value at the time the mortgages were assumed and are estimated to have a fair value of \$41.9 million as of March 31, 2011.

Disclosure about fair value of financial instruments is based on pertinent information available to us as of March 31, 2011. Although the Company is not aware of any factors that would significantly affect the reasonable fair value amount, such amount have not been comprehensively re-valued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

## 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Payroll and related costs	\$ 577,554	\$ 2,138,935
Professional fees	983,007	868,889
Costs related to the acquisition of properties and mortgage notes	458,147	606,654
Debt financing costs	378,510	222,916
Property operating	1,293,155	224,478
Landlord costs	788,346	289,862
Other	662,695	537,616
	<u>\$ 5,141,414</u>	<u>\$ 4,889,350</u>

## 9. Derivative and Hedging Activities

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

During the year ended December 31, 2010, the Company entered into a \$25 million forward starting interest rate swap with Wells Fargo Bank, N.A. The forward starting swap is being used to hedge the anticipated variable cash flows associated with the Company's variable-rate debt that is planned to be issued in 2011. The swap has a maturity date of April 15, 2021. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the three months ended March 31, 2011, the Company realized no ineffectiveness as a result of the hedging relationship.

During the year ended December 31, 2010, the Company entered into a \$50 million forward starting interest rate swap with PNC Bank. The forward starting swap is being used to hedge the anticipated variable cash flows associated with the Company's variable-rate debt that is planned to be issued between July 1, 2011 and December 31, 2013. The swap has a maturity date of July 1, 2018. The effective portion of changes in the fair value of the derivative that is designated as a cash flow hedge is being recorded in accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings. Ineffectiveness, if any, related to the Company's changes in estimates about the debt issuance related to the forward starting swap would be recognized directly in earnings. During the three months ended March 31, 2011, the Company realized no ineffectiveness as a result of the hedging relationship.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest expense is recognized on the hedged debt. During the next twelve months, the Company estimates that \$1.8 million will be reclassified as an increase to interest expense.

As of March 31, 2011, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

<b>Interest Rate Derivative</b>	<b>Number of instruments</b>	<b>Notional</b>
Interest rate swap	2	\$75,000,000

As of March 31, 2011, the Company had no outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk.

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 March 31, 2011 and December 31, 2010, respectively:

<b>Derivatives designed as hedging instruments</b>	<b>Balance sheet location</b>	<b>March 31, 2011 Fair Value(liability)</b>	<b>December 31, 2010 Fair Value(liability)</b>
Interest rate products	Other liabilities	\$ (70,274)	\$ (517,918)

#### **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 months ended March 31, 2011 and 2010, respectively.

	<b>As of March 31, 2011</b>	<b>As of March 31, 2010</b>
Amount of gains recognized in accumulated other comprehensive income as interest rate derivatives (effective portion)	\$ (447,544)	\$ —
Amount of loss reclassified from accumulated other comprehensive income into income as interest expense (effective portion)	\$ —	\$ —
Amount of gain recognized in income on derivative as gain on derivative instruments (ineffective portion and amount excluded from effectiveness testing)	\$ —	\$ —

#### **10. 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.

#### **11. Related Party Transactions**

The Company has entered into a Transitional Shared Facilities and Services Agreement with NRDC Real Estate Advisors, LLC, an entity wholly owned by four of the Company's current and former directors. Pursuant to the Transitional Shared Facilities and Services Agreement, NRDC Real Estate Advisors, LLC provides the Company with access to, among other things, their information technology and office space. For the three months ended March 31, 2011 and 2010, the Company incurred \$22,500, of expenses relating to the agreement which is included in general and administrative expenses in the accompanying consolidated statements of operations.

In May 2010, the Company entered into a Shared Facilities and Service Agreement effective January 1, 2010 with an officer of the Company. Pursuant to the Shared Facilities and Service Agreement, the Company is provided the use of office space and other resources for a monthly fee of \$1,938. For the three months ended March 31, 2011, the Company incurred \$5,814 of expenses relating to this agreement which is included in general and administrative expenses in the accompanying consolidated statements of operations. For the three months ended March 31, 2010 the Company did not incur expenses relating to this agreement since a retroactive payment related to this period was recorded during the three months ended June 30, 2010.

#### **12. Subsequent Events**

In determining subsequent events, the Company reviewed all activity from January 1, 2011 to the date the financial statements are issued and discloses the following items:

On April 4, 2011, the Company deposited a second \$500,000 deposit into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on March 15, 2011. The deposit is for the potential acquisition of the property known as Country Club Gate Shopping Center located in Pacific Grove, California. The deposit was funded from available cash.

On April 14, 2011 and April 27, 2011, the Company deposited a total of \$1,000,000 into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on April 11, 2011. The

deposits are for the potential acquisition of the property known as Renaissance Towne Center located in San Diego, California. The deposits were funded from available cash.

On April 20, 2011, the Company made an additional \$500,000 mortgage loan payment to the joint venture that owns the Crossroads shopping center. The total amount loaned to the joint venture at April 20, 2011 was \$10.0 million. The Company owns a 49% equity interest in the joint venture. The interest due on the loan is 8% per annum.

On May 3, 2011, the Company's board of directors declared a cash dividend on its common stock of \$0.09 per share, payable on June 15, 2011 to holders of record on May 31, 2011.

On May 4, 2011, the Company deposited \$500,000 into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on May 1, 2011. The deposit is for the potential acquisition of the property known as Morada Ranch Shopping Center located in Stockton, California. The deposit was funded from available cash.

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

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

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

- our ability to identify and acquire retail real estate and real estate-related debt investments that meet our investment standards in our target markets and the time period required for us to acquire our initial portfolio of its target assets;
- the level of rental revenue and net interest income we achieve from our target assets;
- the market value of our assets and the supply of, and demand for, retail real estate and real estate-related debt investments in which we invest;
- the length of the current economic downturn;
- the conditions in the local markets in which we will operate, 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 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 acquire and their tenants;
- our relationships with our tenants and their financial condition;
- our use of debt as part of our financing strategy and our ability to make payments or to comply with any covenants under any borrowings or other debt facilities we 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; and
- legislative and regulatory changes (including changes to laws governing the taxation of real estate investment trusts ("REITs")).

Forward-looking statements are based on estimates as of the date of this report. We disclaim any obligation to publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date of this report.

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

## Overview

Retail Opportunity Investments Corp. (the "Company") is a fully integrated and self-managed REIT, primarily focused on investing in, acquiring, owning, leasing, repositioning and managing a diverse portfolio of well located necessity-based community and neighborhood shopping centers, anchored by national or regional supermarkets and drugstores. The Company targets properties strategically situated in densely populated, middle and upper income markets in the eastern and western regions of the United States. In addition, the Company supplements its direct purchases of retail properties with first mortgages or second mortgages, mezzanine loans, bridge or other loans and debt investments related to retail properties, which are referred to collectively as "real estate-related debt investments," in each case provided that the underlying real estate meets the Company's criteria for direct investment. The Company's primary focus with respect to real estate-related debt investments is to capitalize on the opportunity to acquire control positions that will enable the Company to obtain the asset should a default occur. These properties and investments are referred to as the Company's target assets.

The Company was incorporated in Delaware in July 2007 and initially formed as special purpose acquisition company. The Company commenced its current business operations in October 2009 following the approval by stockholders and warrant holders of a series of proposals contemplated by the Framework Agreement, dated August 7, 2009 (the "Framework Agreement"), between the Company and NRDC Capital Management, LLC the "Sponsor") that allowed the Company to continue our business as a corporation that will elect to qualify as a REIT for U.S. federal income tax purposes, commencing with the Company's taxable year ended December 31, 2010 (the "Framework Transactions"). The Company is organized in a traditional umbrella partnership real estate investment trust ("UpREIT") format pursuant to which Retail Opportunity Investments GP, LLC, its wholly-owned subsidiary, serves as the general partner of, and the Company conducts substantially all of its business through, its wholly-owned operating partnership subsidiary, Retail Opportunity Investments Partnership, LP, a Delaware limited partnership (the "operating partnership"), and its subsidiaries. At the Company's 2011 annual meeting of stockholders, our stockholders voted to approve a series of proposals that will allow us to convert into a Maryland corporation.

As of March 31, 2011, the Company's portfolio consisted of 22 shopping centers in California, Oregon and Washington which contained approximately 2.3 million net rentable square feet and were approximately 89.2% leased. In addition, the Company owned a 49% ownership interest in Crossroads Shopping Center, a 464,822 square foot shopping center situated on approximately 40 acres of land, which is currently 90% leased. The Company also owned a 95% interest in a development property joint venture, and a 50% interests in two joint ventures that own several mortgage notes receivables.

## Subsequent Events

On April 4, 2011, the Company deposited a second \$500,000 deposit into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on March 15, 2011. The deposit is for the potential acquisition of the property known as Country Club Gate Shopping Center located in Pacific Grove, California. The deposit was funded from available cash.

On April 14, 2011 and April 27, 2011, the Company deposited a total of \$1,000,000 into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on April 11, 2011. The deposits are for the potential acquisition of the property known as Renaissance Towne Center located in San Diego, California. The deposits were funded from available cash.



On April 20, 2011, the Company made an additional \$500,000 mortgage loan payment to the joint venture that owns the Crossroads shopping center. The total amount loaned to the joint venture at April 20, 2011 was \$10.0 million. The Company owns a 49% equity interest in the joint venture. The interest due on the loan is 8% per annum and matures on September 1, 2015.

On May 3, 2011, the Company's board of directors declared a cash dividend on its common stock of \$0.09 per share, payable on June 15, 2011 to holders of record on May 31, 2011.

On May 4, 2011, the Company deposited \$500,000 into an interest-bearing account with the Title Company in accordance with a purchase sale agreement entered into on May 1, 2011. The deposit is for the potential acquisition of the property known as Morada Ranch Shopping Center located in Stockton, California. The deposit was funded from available cash.

### **Factors Impacting Our Operating Results**

The results of our operations are affected by a number of factors and primarily depend on, among other things, the following:

- Our ability to identify and acquire retail real estate and real estate-related debt investments that meet our investment standards and the time period required for us to acquire our initial portfolio of our target assets;
- The level of rental revenue and net interest income we achieve from our target assets;
- The market value of our assets and the supply of, and demand for, retail real estate and real estate-related debt investments in which we invest;
- The length of the current economic downturn;
- The conditions in the local markets in which we will operate, 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 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 acquire and their tenants;
- Our relationships with our tenants and their financial condition;
- Our use of debt as part of our financing strategy and our ability to make payments or to comply with any covenants under any borrowings or other debt facilities we 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 and loan servicers; and
- Changes in interest rates that could impact the market price of our common stock and the cost of our borrowings.
- legislative and regulatory changes (including changes to laws governing the taxation of real estate investment trusts ("REITs")).

## Report on Operating Results

Funds from operations ("FFO"), is a widely-recognized non-GAAP financial measure for REIT's that the Company believes when considered with financial statements determined in accordance with GAAP, provides additional and useful means to assess our 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 and sales of depreciable property, plus real estate related depreciation and amortization, and after adjustments for partnerships and unconsolidated joint ventures.

In accordance with the Financial Accounting Standards Board ("FASB") guidance relating to business combinations, which, among other things, requires any acquirer of a business (investment property) to expense all acquisition costs related to the acquisition, the amount of which will vary based on each specific acquisition and the volume of acquisitions. Accordingly, the costs of completed acquisitions will reduce our FFO. Acquisition costs for the three months ended March 31, 2011 and 2010, were 175,000 and 486,000, respectively.

However, FFO:

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

FFO as defined by us may not be comparable to similarly titled items reported by other real estate investment trusts due to possible differences in the application of the NAREIT definition used by such REITs. The table below provides a reconciliation of net income applicable to stockholders in accordance with GAAP to FFO for the three months ended March 31, 2011 and 2010.

	<b>Three Months Ended March 31, 2011</b>	<b>Three Months Ended March 31, 2010</b>
Net income(Loss) for period	\$ 6,180,089	\$ (1,640,975)
Plus: Real property depreciation	1,803,464	174,779
Amortization of tenant improvements and allowances	565,863	26,819
Amortization of deferred leasing costs	2,321,823	241,952
Funds from (used in) operations	<u>\$ 10,871,239</u>	<u>\$ (1,197,425)</u>
Net Cash Provided by (Used in):		
Operating Activities	\$ 4,036,031	\$ (3,219,301)
Investing Activities	\$ (86,474,714)	\$ (50,006,683)
Financing Activities	<u>\$ 9,466,366</u>	<u>\$ 2,389</u>

## Results of Operations

At March 31, 2011, the Company had equity interests in 24 properties, of which 22 are consolidated in the accompanying financial statements and two are accounted for under the equity method of accounting. The Company believes, because of the location of the properties in densely populated areas, the nature of its investment provides for relatively stable revenue flows even during difficult economic times. The Company has a strong capital structure with manageable debt. The Company expects to continue to explore acquisition opportunities that might present themselves during this economic downturn consistent with its business strategy.

## **Results of Operations for the three months ended March 31, 2011 compared to the three months ended March 31, 2010.**

During the three months ended March 31, 2011, the Company generated net income of approximately \$6.2 million compared to a net loss of \$1.6 million incurred during the three months ended March 31, 2010. The substantial cause of the differences during the two periods resulted from higher operating income from owned properties as a result of an increase in the number of properties owned by the Company in 2011 as compared to 2010. As of March 31, 2011, the Company had an equity interest in 24 properties which generated operating income of approximately \$2.3 million. In comparison as of March 31, 2010, the Company owned five properties which generated operating income of approximately \$585,000. During the three months ended March 31, 2011, the Company generated mortgage interest of \$955,000 from mortgages notes receivables. The Company did not own any mortgage notes during the three months ended March 31, 2010. In addition the Company recognized a \$5.8 million bargain purchase gain in 2011, when recording the fair values of three properties that were acquired during the period through a Conveyance in Lieu of Foreclosure Agreement. During the three months ended March 31, 2011, the Company generated interest income of approximately \$445,000 from several mortgage notes receivables acquired after March 31, 2010. The Company incurred property acquisition costs during the three months ended March 31, 2011 of \$175,000 compared to \$486,000 that was incurred during the comparable period in 2010. Property acquisition costs were higher in 2010 due to a greater number of acquisitions during this period as compared to the three months ended March 31, 2011. During the three months ended March 31, 2011, interest income recognized was \$400,000 lower than the corresponding period in 2010 due to lower cash balances in 2011 resulting from the utilization of cash to purchase properties and mortgage notes after March 31, 2010.

### **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 our accounting policies included in Note 1 to our 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 our 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 our 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	35-40 years
Property Improvements	10-20 years
Furniture/Fixtures	3-10 years
Tenant Improvements	Shorter of lease term or their useful life

## Asset Impairment

On a continuous basis, management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A property value is considered impaired when management's estimate of current and projected operating cash flows (undiscounted and without interest) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well

as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss is measured as the excess of the net carrying amount of the property over the fair value of the asset. Changes in estimated future cash flows due to changes in our plans or market and economic conditions could result in recognition of impairment losses which could be substantial. Management does not believe that the value of our rental properties is impaired at March 31, 2011.

### **REIT Qualification Requirements**

We intend to elect and qualify to be taxed as a REIT under the Code, commencing with our taxable year ending December 31, 2010. We believe that we have been organized and we intend to operate in a manner that will allow us to qualify for taxation as a REIT under the Code commencing with our taxable year ending December 31, 2010. Qualification and taxation as a REIT depend on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Code. In addition, our ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which we invest. Our ability to qualify as a REIT for a particular year also requires that we satisfy certain asset and income tests during such year, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

### **Liquidity and Capital Resources**

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain our assets and operations make distributions to our stockholders and other general business needs. The Company funds operating expenses and other short-term liquidity requirements, including debt service, tenant improvements, leasing commissions and common dividend distributions, if made, primarily from operations. The Company expects to fund long-term liquidity requirements for property acquisitions, development, capital improvements through a combination of issuing debt, assuming mortgage debt and the sale of equity securities.

The Company has an unsecured revolving credit facility with several banks. The facility provides for borrowings of up to \$175.0 million and contains an accordion feature, which allows the Company to increase the facility amount up to an aggregate of \$250.0 million subject to commitments and other conditions. The facility has an initial maturity date of December 1, 2012 with an option that allows the Company to extend the facility for one year upon satisfaction of certain conditions. Interest on outstanding amounts is at a rate equal to an applicable rate based on the consolidated leverage ratio of the Company and its subsidiaries, plus, as applicable, (i) a LIBOR rate determined by reference to the cost of funds for Dollar deposits for the relevant period (the "Eurodollar Rate"), or (ii) a base rate determined by reference to the highest of (a) the federal funds rate plus one-half of 1%, (b) the rate of interest announced by Bank of America, N.A. as its "prime rate," and (c) the Eurodollar Rate plus 1.00% (the "Base Rate") The Company is obligated to pay (i) an unused facility fee of (a) 0.50% if the total outstanding principal amount is less than 50% of the aggregate commitments or (b) 0.40% if the total outstanding principal amount is greater than or equal to 50% of the aggregate commitments, and (ii) a fronting fee with respect to each letter of credit issued under the credit agreement. The facility contains certain representations, financial and other covenants typical for this type of facility. The Company's ability to borrow under the facility is subject to its compliance with the covenants and other restrictions on an ongoing basis. The Company was in compliance with such covenants at March 31, 2011. The Company borrowed \$13.0 million under the facility during the three months ended March 31, 2011.

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

Potential future sources of capital include proceeds from the sale of real estate or real estate-related debt investments, proceeds from secured or unsecured financings from banks or other lenders and undistributed funds

from operations. In addition, we anticipate raising additional capital from future equity financings and if the value of our common stock exceeds the exercise price of our warrants through the sale of common stock to the holders of our warrants from time to time.

*Net Cash Flows from:*

Operating Activities

Net cash flows provided by operating activities amounted to \$4.0 million during the three months ended March 31, 2011, compared to net cash used in operating activities of \$3.2 million in the comparable period of 2010. Operating cash flows increased in 2011 primarily due to an increase in operating income from owned properties of approximately \$5.5 million during the three months ended March 31, 2011 compared to the three months ended March 31, 2010. This increase resulted from a significant increase in the Company's portfolio after March 31, 2010. As of March 31, 2011, the Company owned 22 properties and had an equity interest in four joint ventures. As of March 31, 2010, the Company owned five properties.

Investing Activities

Net cash flows used by investing activities amounted to \$86.5 million in the three months ended March 31, 2011, compared to \$50.0 million in the comparable period in 2010. During the three months ended March 31, 2011, the Company acquired two properties and several mortgages notes receivables for a total acquisition price of \$85.6 million. During the comparable period in 2010 the Company acquired five properties for a total acquisition price of approximately \$47.9 million.

Financing Activities

Net cash flows provided by financing activities amounted to \$9.5 million for the three months ended March 31, 2011, compared to \$2,389 in the comparable period in 2010. During the three months ended March 31, 2011, the Company received proceeds of \$13.0 million from borrowings on its revolving credit facility to partially finance property and mortgage notes receivable acquisitions. Partially offsetting this increase in financing activities was the payment of dividends to common stockholders of approximately \$3.4 million in March 2011. No dividends were paid during the three months ended March 31, 2010.

**Contractual Obligations**

The following table presents the principal amount of the Company's long-term debt maturing each year, including amortization of principal based on debt outstanding at March 31, 2011.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
<b>Contractual obligations:</b>							
Long-term debt principal payments <sup>(1)</sup>	\$ 11,926,487	\$ 7,346,051	\$ 438,264	\$ 13,535,984	\$ 202,169	\$ 6,788,772	\$ 40,237,727
Earn-out obligations to the sellers of properties	—	—	4,392,580	—	—	—	4,392,580
Operating lease obligations	150,000	200,000	200,000	200,000	\$ 200,000	10,800,000	11,750,000
<b>Total</b>	<b><u>\$ 12,076,487</u></b>	<b><u>\$ 7,546,051</u></b>	<b><u>\$ 5,030,844</u></b>	<b><u>\$ 13,735,984</u></b>	<b><u>\$ 402,169</u></b>	<b><u>\$ 17,588,772</u></b>	<b><u>\$ 56,380,307</u></b>

(1) Does not include Mortgage premium of \$1.7 million.

As of March 31, 2011, the Company did not have any capital lease obligations, operating lease obligations or purchase obligations. Upon consummation of the Framework Transactions, the Company entered into a Transitional Shared Facilities and Services Agreement with NRDC Real Estate Advisors, LLC, pursuant to which NRDC Real Estate Advisors, LLC provides the Company with access to, among other things, their information technology and office space. The Company pays NRDC Real Estate Advisors, LLC a monthly fee of \$7,500 pursuant to the Transitional Shared Facilities and Services Agreement.

In May 2010, the Company entered into a Shared Facilities and Service Agreement, effective January 1, 2010, with an officer of the Company. Pursuant to the Shared Facilities and Service Agreement, the Company is provided the use of office space and other resources for a monthly fee of \$1,938.

### **Off-Balance Sheet Arrangements**

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

### **Real Estate Taxes**

Our leases generally require the tenants to be responsible for a pro rata portion of the real estate taxes.

### **Inflation**

Our leases at wholly-owned and consolidated partnership properties generally provide for either indexed escalators, based on the Consumer Price Index or other measures or, to a lesser extent, fixed increases in base rents. The leases also contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes. The revenues collected from leases are generally structured as described above, with year over year increases. We believe that inflationary increases in expenses will be offset, in part, by the contractual rent increases and tenant expense reimbursements described above.

### **Leverage Policies**

The Company intends, when appropriate, to employ prudent amounts of leverage and use debt as a means of providing additional funds for the acquisition of its target assets and the diversification of its portfolio. As of March 31, 2011, the Company had \$13 million of borrowings outstanding on its revolving credit facility, which provides for borrowings of up to \$175 million and contains an accordion feature that allows the Company the ability to increase the facility amount up to \$250 million subject to commitments and other conditions. The Company's ability to borrow under the facility is subject to its compliance with the covenants and other restrictions on an ongoing basis. The Company was in compliance with such covenants at March 31, 2011. The Company intends to continue to use traditional forms of financing, including mortgage financing and credit facilities. In connection with the acquisition of properties, the Company may assume all or a portion of the existing debt on such properties. In addition, the Company may acquire retail property indirectly through joint ventures with third parties as a means of increasing the funds available for the acquisition of properties.

The Company may borrow on a non-recourse basis or at the corporate level or operating partnership level. Non-recourse indebtedness means the indebtedness of the borrower or its subsidiaries is secured only by specific assets without recourse to other assets of the borrower or any of its subsidiaries. Even with non-recourse indebtedness, however, a borrower or its subsidiaries will likely be required to guarantee against certain breaches of representations and warranties such as those relating to the absence of fraud, misappropriation, misapplication of funds, environmental conditions and material misrepresentations. Because non-recourse financing generally restricts the lender's claim on the assets of the borrower, the lender generally may only proceed against the asset securing the debt. This protects 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. In the future, the Company may also seek to raise further equity capital or issue debt securities in order to fund its future investments.

## Dividends

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay U.S. federal income tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We intend to pay regular quarterly dividends to our stockholders in an amount not less than our net taxable income, if and to the extent authorized by our board of directors. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we 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

Our primary market risk exposure is to changes in interest rates related to our 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 March 31, 2011, the Company had \$13.0 million of variable rate debt outstanding and \$40.2 million of fixed-rate debt outstanding.

As of March 31, 2011, the Company has primarily used fixed-rate debt and two forward starting interest rate swaps to manage its interest rate risk. See the discussion under Note 9 of the accompanying consolidated financial statements for certain quantitative details related to the interest rate swaps. The Company entered into two forward starting interest rate swaps in order to economically hedge against the risk of rising interest rates that would affect the Company's interest expense related to its future anticipated debt issuances as part of its overall borrowing program. The sensitivity analysis table presented below shows the estimated instantaneous parallel shift in the yield curve up and down by 50 and 100 basis points, respectively, on the clean market value of its interest rate derivatives as of March 31, 2011, exclusive of non-performance risk.

<u>Swap Notional</u>	<u>Less 100 basis points</u>	<u>Less 50 basis points</u>	<u>March 31, 2011 Value</u>	<u>Increase 50 basis points</u>	<u>Increase 100 basis points</u>
\$25M	\$ (2,592,817)	\$ (1,419,206)	\$ (302,543)	\$ 758,057	\$ 1,766,997
\$50M	\$ (3,260,359)	\$ (1,518,690)	\$ 125,399	\$ 1,683,698	\$ 3,182,803

See Note 9 of the accompanying consolidated financial statements for a discussion on how the Company values derivative financial instruments. The Company calculates the value of its interest rate swaps based upon the present value of the future cash flows expected to be paid and received on each leg of the swap. The cash flows on the fixed leg of the swap are agreed to at inception and the cash flows on the floating leg of a swap change over time as interest rates change. To estimate the floating cash flows at each valuation date, the Company utilizes a forward curve which is constructed using LIBOR fixings, Eurodollar futures, and swap rates, which are observable in the market. Both the fixed and floating legs' cash flows are discounted at market discount factors. For purposes of adjusting its derivative valuations, the Company incorporates the nonperformance risk for both itself and its counterparties to these contracts based upon management's estimates of credit spreads, credit default swap spreads (if available) or Moody's KMV ratings in order to derive a curve that considers the term structure of credit.

As a corporation that will elect to qualify as a REIT for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2010, the Company'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 two interest rate swaps to manage its interest rate risk. See Note 9 of the accompanying consolidated financial statements.

#### **Item 4. Controls and Procedures**

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

During the three months ended March 31, 2011, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

See our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no significant changes to our risk factors during the three months ended March 31, 2011.

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

We did not sell any equity securities during the three months ended March 31, 2011 that were not registered under the Securities Act.

On October 23, 2007, we consummated a private placement of 8,000,000 warrants with NRDC Capital Management, LLC, an entity owned and controlled by certain of our executive officers and directors, and our initial public offering of 41,400,000 units, including 5,400,000 units pursuant to the underwriters' over-allotment option. We received net proceeds of approximately \$384 million and also received \$8 million of proceeds from the private placement sale of 8,000,000 insider warrants to NRDC Capital Management, LLC. Banc of America Securities, LLC served as the sole bookrunning manager for our initial public offering. The securities sold in the initial public offering were registered under the Securities Act on a registration statement on Form S-1 (No. 333-144871). The SEC declared the registration statement effective on October 17, 2007.

Upon the closing of the initial public offering and private placement, \$406.5 million including \$14.5 million of the underwriters' discounts and commissions was held in the Trust Account and invested in U.S. "government securities" within the meaning of Section 2(a)(16) of the 1940 Act having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the 1940 Act until the earlier of (i) the consummation of our initial "business combination" and (ii) our liquidation. On October 20, 2009, we consummated the Framework Transactions, which constituted our initial business combination. Stockholders representing an aggregate of 5,325 shares of common stock that we issued in our initial public offering elected to exercise conversion rights, while holders representing an aggregate of 41,394,675 shares we issued in our initial public offering did not exercise conversion rights, resulting in such shares remaining outstanding upon completion of the Framework Transactions. As a result, we had approximately \$405 million released to us (after payment of deferred underwriting fees) from the Trust Account established in connection with our initial public offering to invest in our target assets and to pay expenses arising out of the Framework Transactions.

As of March 31, 2011, we have applied approximately \$5.6 million of the net proceeds of the initial public offering and the private placement toward consummating a "business combination," including the Framework Transactions and paid approximately \$392 million to acquire real estate properties. For more information see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q.

No portion of the proceeds of the initial public offering was paid to directors, officers or holders of 10% or more of any class of our equity securities or their affiliates.

### Item 3. Defaults Upon Senior Securities

None.

**Item 4. (Removed and Reserved)**

**Item 5. Other Information**

None.

**Item 6. Exhibits**

- 3.1 Second Amended & Restated Certificate of Incorporation.<sup>(1)</sup>
- 3.2 Second Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation.<sup>(2)</sup>
- 3.3 Third Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation.<sup>(2)</sup>
- 3.4 Fourth Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation.<sup>(2)</sup>
- 3.5 Amended and Restated Bylaws.<sup>(2)</sup>
- 4.1 Specimen Unit Certificate.<sup>(2)</sup>
- 4.2 Specimen Common Stock Certificate.<sup>(2)</sup>
- 4.3 Specimen Warrant Certificate.<sup>(2)</sup>
- 4.4 Form of Warrant Agreement between Continental Stock Transfer & Trust Company NRDC Acquisition Corp.<sup>(3)</sup>
- 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.<sup>(2)</sup>
- 10.1 Conveyance in Lieu of Foreclosure Agreement, dated as of January 28, 2011, by and among the Company, Lakha Properties-Sacramento, LLC, Lakha Properties-Sacramento II, LLC and Lakha Properties-Palm Desert, LLC, Lakha Investment Co., LLC and Amin S. Lakha.
- 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.

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(1) Incorporated by reference to the Company's registration statement on Form S-1/A filed on September 27, 2007 (File No. 333-33749).

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 9, 2009.

(3) Incorporated by reference to the Company's registration statement on Form S-1/A filed on September 7, 2007 (File No. 333-144871).

## SIGNATURES

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

RETAIL OPPORTUNITY INVESTMENTS CORP.  
Registrant

Date: May 6, 2011

/s/ Stuart A. Tanz  
Stuart A. Tanz  
*President and Chief Executive Officer*

Date: May 6, 2011

/s/ John B. Roche  
John B. Roche  
*Chief Financial Officer*



CONVEYANCE IN LIEU OF FORECLOSURE AGREEMENT

THIS CONVEYANCE IN LIEU OF FORECLOSURE AGREEMENT (this "**Agreement**") is entered into as of January 28, 2011 (the "**Effective Date**"), by and among LAKHA PROPERTIES-SACRAMENTO, LLC, a Washington limited liability company ("**LPS**"), LAKHA PROPERTIES-SACRAMENTO II LLC, a Washington limited liability company ("**LPS II**"), LAKHA PROPERTIES-PALM DESERT, LLC, a Washington limited liability company ("**LPPD**"), LAKHA INVESTMENT CO., LLC, a Washington limited liability company ("**LIC**"), each having a principal place of business at 500 108th Avenue N.E., Suite 2050, Bellevue, Washington 98004 (sometimes hereinafter individually and collectively referred to, and jointly and severally obligated, as "**Borrower**"), AMIN S. LAKHA, an individual who resides in Washington State and whose principal place of business is 500 - 108th Avenue, NE, Suite 2050, Bellevue, Washington 98004 ("**Guarantor**"), and ROIC CA NOTES, LLC, a Delaware limited liability company, having its principal place of business at c/o Retail Opportunity Investments Corp., 3 Manhattanville Road, 2nd Floor, Purchase, New York 10577 ("**Lender**").

R E C I T A L S:

A. LPS is the owner of that certain real property (the "**LPS Land**") located in Sacramento County, California, as more particularly described in Exhibit A-1 attached hereto, and all buildings and other improvements (including fixtures) located on the LPS Land (collectively, the "**LPS Improvements**"). The LPS Land and the LPS Improvements, together with all rights and interests appurtenant to the LPS Land and/or the LPS Improvements, are sometimes referred to herein collectively as the "**LPS Real Property**".

B. LPS II is the owner of that certain real property (the "**LPS II Land**") located in Sacramento County, California, as more particularly described in Exhibit A-2 attached hereto, and all buildings and other improvements (including fixtures) located on the LPS II Land (collectively, the "**LPS II Improvements**"). The LPS II Land and the LPS II Improvements, together with all rights and interests appurtenant to the LPS II Land and/or the LPS II Improvements, are sometimes referred to herein collectively as the "**LPS II Real Property**".

C. LPPD is the owner of that certain real property (the "**LPPD Land**") located in Riverside County, California, as more particularly described in Exhibit A-3 attached hereto, and all buildings and other improvements (including fixtures) located on the LPPD Land (collectively, the "**LPPD Improvements**"). The LPPD Land and the LPPD Improvements, together with all rights and interests appurtenant to the LPPD Land and/or the LPPD Improvements, are sometimes referred to herein collectively as the "**LPPD Real Property**".

D. The LPS Land, the LPS II Land and the LPPD Land are sometimes hereinafter individually and collectively referred to as the "**Land**". The LPS Improvements, the LPS II Improvements and the LPPD Improvements are sometimes hereinafter individually and collectively referred to as the "**Improvements**". The LPS Real Property, the LPS II Real

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Property and the LPPD Real Property are sometimes hereinafter individually and collectively referred to as the "**Real Property**".

E. Borrower is also the owner of (a) all machinery, equipment, furniture, furnishings, supplies and other tangible personal property used in connection with such Borrower's Real Property (the "**Personal Property**"), (b) all development rights, utility reservations and rights, sewer capacity, water rights, licenses, permits, warranties, plans and specifications, architectural and engineering drawings and other intangible property related to such Borrower's Real Property (the "**Intangible Property**"), (c) all leases, subleases, licenses or concession agreements and all other agreements for occupancy of such Borrower's Real Property (collectively, the "**Leases**"), and (d) rents, profits, issues, fees, deposits, fees and other income and revenues from such Borrower's Real Property (collectively, the "**Rents**"). The Real Property, Personal Property and Intangible Property are collectively referred to herein as the "**Property**."

F. U.S. Bank National Association ("**U.S. Bank**"), made loans (each, a "**Loan**") to the Borrowers evidenced by, among other things, the following:

- (i) That certain Credit Agreement dated June 8, 2006 between LIC and U.S. Bank (as amended, the "**LIC Loan Agreement**");
- (ii) That certain Loan Agreement dated August 29, 2005 between LPS, and U.S. Bank (as amended, the "**LPS Loan Agreement**");
- (iii) That certain Loan Agreement dated July 25, 2005 between LPS II, and Lender, as successor in interest to U.S. Bank National Association (as amended, the "**LPS II Loan Agreement**"); and
- (iv) That certain Loan Agreement dated July 24, 2007 between LPPD, and Lender, as successor in interest to U.S. Bank National Association (as amended, the "**LPPD Loan Agreement**").

G. "**Loan Agreement**" means, individually, the LIC Loan Agreement, the LPS Loan Agreement, the LPS II Loan Agreement, and the LPPD Loan Agreement, and "**Loan Agreements**" means, collectively, all of the foregoing. "**Loan Documents**" means, collectively, the "Loan Documents" as defined in each of the Loan Agreements. "**Loan**" means, individually, a loan evidenced by the applicable Loan Documents, and "**Loans**" means, collectively, the loans evidenced by all of the Loan Documents.

H. Capitalized terms appearing in this Agreement without definition shall have the respective meanings given to such terms in the applicable Loan Documents.

I. Guarantor has guaranteed the obligations of each Borrower under the Loan Documents pursuant to various guaranty agreements.

J. Lender acquired from U.S. Bank all of U.S. Bank's right, title and interest in and to each Loan and the related Loan Documents.

K. Each of the Loans is cross-defaulted and cross-collateralized with each of the other Loans.

L. Each Borrower is currently in material default under the terms of such Borrower's Loan Documents by, among other things, failing to pay the obligations evidenced by such Borrower's Note on the applicable maturity date (collectively, the "**Defaults**"). Each Borrower and Guarantor acknowledges and agrees that, as a result of the Defaults, Lender has the right to exercise any or all of its rights or remedies under the Loan Documents. All indebtedness evidenced or secured by the Loan Documents is presently due and owing to Lender by each Borrower without any counterclaims, setoffs or defenses whatsoever.

M. As a result of the Defaults, Lender caused Notices of Default to be duly recorded with the Official Records of Sacramento County, California with respect to the LPS Deed of Trust and the LPS II Deed of Trust and with the Official Records of Riverside County, California with respect to the LPPD Deed of Trust.

N. Borrower has notified Lender that Borrower is unable or unwilling to cure the existing Defaults.

O. Borrowers and Guarantor have filed that certain lawsuit entitled Lakha Properties-Palm Desert, LLC, a Washington limited liability company, Lakha Properties-Sacramento, LLC, a Washington limited liability company, Lakha Properties-Sacramento II LLC, a Washington limited liability company, and Amin S. Lakha, an individual, Plaintiffs, vs. Retail Opportunity Investments Corp., a New York corporation, Stuart Tanz, an individual, and Does 1 – 15, inclusive, Defendants, filed with the Superior Court of the State of California, County of Riverside, Case No. RIC1100741 ("**Riverside County Litigation**").

P. In full and complete settlement of the Defaults and the Riverside County Litigation, Borrower and Guarantor desire to obtain Lender's covenant not to maintain any suit or action against Borrower for payment of the indebtedness under the Loan Documents and against Guarantor for the guaranteed obligations, and, in consideration thereof, Borrower is willing to transfer the Property to Buyer (as defined below), in each case subject to the Loans and the liens of the Deeds of Trust.

Q. It is the intent of Lender, which intent Borrower acknowledges, that (i) the transfer of the Property and the Loan to Buyer as contemplated by this Agreement shall not cause a merger of Buyer's interest in the Property acquired hereunder with Lender's interest in the Property under any Deed of Trust, and (ii) Lender shall retain the ability and right to commence and to complete a judicial or nonjudicial foreclosure sale subsequent to the Closing (as defined below) under this Agreement and the transfer of the Property to Buyer, but Lender, for itself and for Buyer and their respective successors and assigns, agrees not to seek a judgment for a deficiency against any Borrower and/or Guarantor.

R. Each Borrower and Guarantor understands and acknowledges that: (i) such parties are not obligated to enter into this Agreement, but is doing so of such party's own free will without interference, influence or coercion by Lender; (ii) each Borrower and Guarantor has had the opportunity to consult with attorneys, appraisers and accountants of such party's choice for



advice concerning the terms of this Agreement, the fair value of Borrower's interest in the Property and the tax implications of the transaction contemplated herein; (iii) Lender has pursued a course of fair dealing and that the transaction contemplated herein is fair and equitable; (iv) income from the Property is insufficient to pay for the operating expenses of the Property and the amounts owing under the Loan Documents; and (v) Borrower and Guarantor are entering into this Agreement to avoid the time, delay, expense and publicity attendant to foreclosure, and to enjoy the benefits of Lender's promises and covenants contained herein.

#### A G R E E M E N T:

NOW, THEREFORE, for good and valuable consideration, the receipt, fairness and adequacy of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Certain Definitions. In addition to the terms defined in the Recitals and in other Sections of this Agreement, the following terms shall have the meanings set forth below:

**"Bankruptcy Code"** means the Federal Bankruptcy Code, as amended from time to time (Title 11 of the United States Code).

**"Buyer"** means ROIC CA Notes II, LLC, a Delaware limited liability company. Borrower hereby acknowledges and agrees that Buyer is an express, intended third-party beneficiary of this Agreement.

**"Lender's Policy"** means, individually, the title insurance issued to U.S. Bank in connection with the closing of a Loan and assigned to Lender, and **"Lender's Policies"** means all of the foregoing collectively.

**"Permissible Exceptions"** means (i) the rights of tenants under unrecorded Leases identified on the Rent Rolls attached as Exhibit B-1 [Mills], Exhibit B-2 [Nimbus] and Exhibit B-3 [Palm Desert] hereto, as such tenants only, and (ii) those exceptions on Schedule B – Part 1 of the applicable Lender's Policy.

**"Receivership Actions"** means those certain actions entitled: (a) ROIC CA Notes, LLC v. Lakha Properties-Sacramento, LLC and Lakha Properties- Sacramento II, LLC, et al., Superior Court of the State of California for the County of Sacramento, Case No. 30-2010-00093928, filed December 21, 2010 for Specific Performance, Appointment of Receiver and Injunctive Relief; and (b) ROIC CA Notes, LLC v. Lakha Properties-Palm Desert, LLC, et al., Superior Court of the State of California for the County of Riverside, Indio Division, Case No. INC 10011369, filed December 21, 2010 for Specific Performance, Appointment of Receiver and Injunctive Relief.

**"SCA Deeds of Trust"** means, collectively, (i) that certain Deed of Trust recorded against the LPS I Real Property on January 19, 2011 in Book 20110119, at Page 0802, in the official records of the County of Sacramento with Succession Capital Alliance as the beneficiary; (ii) that certain Deed of Trust recorded against the LPS II Real Property on January 19, 2011 in Book 20110119, at Page 0803, in the official records of the County of Sacramento with Succession Capital Alliance as the beneficiary; and (iii) that certain Deed of Trust recorded

against the LPPD Real Property on January 18, 2011, as instrument no. 2011-0023597 in the official records of the County of Riverside with Succession Capital Alliance as the beneficiary.

"**Title Company**" means First American Title Insurance Company.

2. Representations, Warranties and Covenants. Each Borrower and Guarantor hereby, jointly and severally, represents, warrants and covenants to Lender and Buyer, and each of them, which representations, warranties and covenants shall be true and correct as of the Effective Date and as of the Closing Date as if made on the Closing Date, that:

2.1 Authorization. This Agreement and the Closing Documents (as defined below) constitute valid and legally binding obligations of Borrower enforceable in accordance with their respective terms. The execution, delivery and performance of this Agreement and the other Closing Documents will not (a) violate or conflict with the organizational documents of Borrower, any agreement to which Borrower is a party or by which Borrower is bound, or any law, rule, regulation, judgment, court order or contractual restriction binding on or affecting Borrower; or (b) result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Property. All consents and approvals that are required in connection with such conveyances, assignments, execution, delivery and performance have been duly obtained and given and are in full force and effect.

2.2 Claims. Except as set forth on Schedule 2.2, there are no claims, actions, suits or proceedings pending or to the knowledge of Borrower, contemplated, with respect to the Property or Borrower's ownership, management, leasing or operations thereof (including claims of tort, breach of contract, violation of law or eminent domain).

2.3 Disclosure. Borrower shall have delivered to Buyer all files, correspondence, documents, agreements, instruments, written materials and written information pertaining to the Real Property that Borrower, Guarantor and/or their respective agents have in their possession or control or that can reasonably be obtained by Borrower, Guarantor and/or their respective agents, including complete copies of all Contracts (as defined below) (collectively, "**Disclosure Materials**").

2.4 Existing Agreements. Each of Exhibit C-1 [Mills], Exhibit C-2 [Nimbus], and Exhibit C-3 [Palm Desert] attached hereto contains a complete list of all contracts, arrangements, obligations, agreements or commitments pertaining to the applicable Property or to which the applicable Property or the owner thereof is subject, and all amendments thereof (collectively, "**Contracts**"). Except as otherwise disclosed in Exhibit C-1 [Mills], Exhibit C-2 [Nimbus], and Exhibit C-3 [Palm Desert] attached hereto (as to Contracts) and the applicable Lender's Policy (as to Permissible Exceptions): (a) no default has occurred and to the knowledge of Borrower and Guarantor, no event has occurred that with notice or lapse of time or both would constitute a default under any of the Contracts or the Permissible Exceptions except as disclosed by Borrower to Buyer in writing prior to Closing (provided, however, that acceptance of late payment by Borrower under any Contract shall not be deemed an event that would constitute a default under any Contract); (b) none of the Contracts or Permissible Exceptions has been amended or modified except as disclosed by Borrower to Buyer in writing prior to Closing; (c) each of the Contracts is in full force and effect; and (d) Borrower has not assigned or granted

a security interest in any of the Property, Contracts or Permissible Exceptions to anyone other than Lender, and Borrower's interests therein are not subject to any lien, encumbrance, claim, set-off or deduction.

## 2.5 Leases and Rents.

2.5.1 Exhibit B-1 [Mills], Exhibit B-2 [Nimbus] and Exhibit B-3 [Palm Desert] attached hereto are true, complete and accurate copy of Borrower's rent roll for the applicable Real Property (each, a "**Rent Roll**"), which has been generated in the ordinary course of Borrower's business. There are no leases, subleases, licenses or concession agreements or other agreements for occupancy of the Real Property other than the Leases on the attached Rent Roll. All of the information set forth on the attached Rent Roll is true, accurate and complete in all material respects. Except as set forth on the Rent Roll: (a) the term of each Lease and the obligation to pay rent thereunder has commenced and the tenant thereunder is in full possession and occupancy; (b) no default by tenant or landlord has occurred and to the knowledge of Borrower and Guarantor, no event has occurred that with notice or lapse of time or both would constitute a default under any of the Leases except as disclosed by Borrower to Lender in writing prior to the Closing (provided, however, that acceptance of late payment by Borrower under any Contract shall not be deemed an event that would constitute a default under any Contract); (c) none of the Leases has been amended or modified except as disclosed by Borrower to Lender in writing prior to Closing; (d) each of the Leases is in full force and effect; and (e) all tenant improvement allowances and other concessions granted under the Leases have been paid in full. No person or entity has an option or contractual right to purchase all or any portion of the Real Property, and no person or entity has an option or contractual right to lease any portion of the Real Property.

2.6 Environmental Condition. Except as disclosed on Schedule 2.6 and to the knowledge of Borrower and Guarantor, the Property does not contain any Hazardous Substances. Borrower (a) has not conducted or authorized the generation, transportation, storage, treatment or disposal at the Property, of any Hazardous Substances; (b) is not aware of any pending or threatened litigation or proceedings before any administrative agency in which any person or entity alleges the presence, release, threat of release, or placement on or in any portion of the Property any Hazardous Substances; and (c) has not received any written notice that any governmental authority or any employee or agent thereof is investigating whether there is, or has determined that there has been: (i) a presence, release, threat of release, or placement on, under or in the Property of any Hazardous Substances, or (ii) any generation, transportation, storage, treatment or disposal at the Property of any Hazardous Substances. There have been no communications or agreements between Borrower and any governmental authority or agency (federal, state or local) or any private entity, including, without limitation, any prior owners of the Property, relating in any way to (i) the presence, release, threat of release, or placement on or in the Property of any Hazardous Substances, or (ii) any generation, transportation, storage, treatment, or disposal at the Property of any Hazardous Substances.

2.7 Value of Property; Financial Information. To the knowledge of Borrower and Guarantor, the aggregate fair market value of the Property is less than the indebtedness evidenced by the Notes and secured by the Deeds of Trust. All financial statements and information delivered to Lender or Buyer are full, true and correct in all material respects.

Borrower does not intend to hinder, delay or defraud any of Borrower's creditors in anticipation of seeking relief under the Bankruptcy Code.

2.8 Confirmation. The recitals to this Agreement are true and correct. The Loan Documents are in full force and effect. Borrower and Guarantor do not have any defenses of any nature whatsoever to the Defaults, nor shall this Agreement or the transactions contemplated by this Agreement give rise to any such defenses.

2.9 Transfer of Accounts.

2.9.1 Concurrently with the Closing, Borrower transfer to Lender or Buyer all of Borrower's interest in and to any and all accounts relating to the Property (collectively, the "**Accounts**"), which Accounts are described on Schedule 2.9.1, and Borrower hereby consents to the acceptance by Lender of the assets contained in any such Accounts. Borrower shall not make any withdrawal from any Account without the prior written consent of Lender.

2.9.2 Without limiting the generality of the foregoing, concurrently with the Closing, each Borrower and Guarantor shall execute and deliver to Lender and Buyer such documents, instruments and agreements as may be required to cause U.S. Bank to deliver to Lender and Buyer all funds held by U.S. Bank with respect to each Property.

2.10 No New Agreements. Borrower shall not enter into any new Leases or Contracts, nor amend or terminate any existing Leases or Contracts, without Lender's prior written consent. If Buyer has given Borrower written notice that Buyer disapproves any Contract, then Borrower shall, as of the Closing Date, terminate such Contract(s) and pay all sums due thereunder.

2.11 Termination of Management Agreement. Borrower shall, as of the Closing Date, terminate the existing management agreements for the Property and the manager for the Property shall certify to Lender that there are no sums due thereunder.

2.12 Operation of the Property.

2.12.1 Until the Closing, Borrower shall continue to operate the Property in accordance with standard operating procedures for each Property and common practice for retail shopping centers located in Sacramento County and Riverside County, as applicable.

2.12.2 Borrower and Guarantor shall cooperate with and assist Lender in matters pertaining to a transition in management and operation of the Property. Lender shall have the right to conduct inspections of the Property during normal business hours after reasonable prior notice to Borrower, which notice may be telephonic, and Borrower shall cooperate with Lender in the conduct of such inspections.

2.12.3 Without limiting the foregoing, promptly following the Effective Date, Borrower shall deliver to Lender or make available at Borrower's offices all information in the possession or control of Borrower and Borrower's agents concerning the use, operation, ownership, maintenance and repair of the Property, including, without limitation, the Contracts,

all currently effective licenses, registrations, permits and other authorizations, all service and maintenance contracts and agreements, warranties, construction-related documents (including without limitation contracts, lien releases, payment records and documents related to actual or potential mechanic's lien claims), operating statements, and the most current real property tax bills relating to the Property. Borrower shall cooperate with the reasonable requests of Lender in obtaining and providing all such information not in the possession of Borrower. The foregoing shall in no way limit or condition Lender's right to rely on each of the representations and warranties set forth in this Agreement or any document or instrument executed in connection herewith. The obligations of Borrower and Guarantor under this Section 2.12.2 shall survive Closing.

2.13 Litigation.

2.13.1 Borrower and Guarantor shall cooperate with Lender and/or Buyer to resolve or settle that certain action entitled Southwest Grading, Inc., a California corporation, Plaintiff, v. Accelerated Construction, Inc., Lakha Properties – Sacramento, LLC, a Washington limited liability company, U.S. Bank aka U.S. Bancorp, an unknown business entity, and Does 1 through 100, inclusive, Superior Court of California, County of Sacramento, Case No. 34-2009-00056884 (the "**Southwest Grading Action**"). For the avoidance of doubt, Borrower and Guarantor acknowledge and agree that neither Lender nor Buyer will assume any liability with respect to the matters that are the subject of the Southwest Grading Action.

2.13.2 Borrower and Guarantor shall cooperate with Lender with respect to any other litigation matter relating the Property, each of which shall be described in reasonable detail on Schedule 2.2. For the avoidance of doubt, Borrower and Guarantor acknowledge and agree that neither Lender nor Buyer will assume any liability with respect to any such Claim.

2.13.3 The provisions of this Section 2.13 shall survive Closing.

2.14 Certain Schedules and Exhibits.

2.14.1 The parties acknowledge and agree with Borrower and Guarantor that the following Schedules and Exhibits to this Agreement will not be attached to this Agreement on the date of execution and delivery of this Agreement (the "**Post-Signing Schedules and Exhibits**"): Schedule 2.2 [Claims]; Schedule 2.6 [Environmental Conditions]; Schedule 2.7 [Accounts Payable]; Schedule 2.9.1 [Accounts]; Exhibits B-1, B-2 and B-3 [Rent Rolls]; and Exhibits C-1, C-2 and C-3 [Contracts].

2.14.2 Borrower and Guarantor shall deliver the Post-Signing Schedules and Exhibits to Lender no later than noon pacific time, February 4, 2011, such Post-Signing Schedules and Exhibits to be true, correct and complete, and contain reasonable detail.

2.14.3 If Lender is reasonably dissatisfied with the detail or information provided in any of the Post-Signing Schedules and Exhibits, Lender shall provide written notice thereof to Borrower and Guarantor not later than two (2) business days after Lender's receipt of such Post-Signing Schedules and Exhibits. Thereafter, Borrower and Guarantor shall have two (2) business days to deliver revised Post-Signing Schedules and Exhibits.

2.14.4 If Borrower and Guarantor fail to provide revised Post-Signing Schedules and Exhibits satisfactory to Lender, Lender shall have the right to terminate this Agreement.

3. Conditions Precedent.

3.1 Conditions Precedent to Obligations of Lender. The obligations of Lender under this Agreement are, at Lender's option, subject to the fulfillment of the following conditions:

3.1.1 Performance. As of the Closing Date, Borrower and Guarantor shall have performed and complied with each and all of the covenants and conditions to be performed and complied with by Borrower and Guarantor prior to and at the Closing pursuant to the provisions of this Agreement, and, without limitation, the representations and warranties set forth in Section 2 hereof shall be true and accurate in all material respects on the Closing Date as if made as of the Closing Date.

3.1.2 Title. On the Closing Date, the Title Company shall issue or commit to issue (a) to Lender, an endorsement to each Lender's Policy which adds no new exceptions to title and insures the Deed of Trust as a valid first lien on the Property, and an anti-merger of estates endorsement to each Lender's Policy (collectively, the "**Lender Title Endorsements**"), and (b) to Buyer, an owner's policy of title insurance with extended coverage in form and substance reasonably satisfactory to Buyer with respect to each Property (individually and collectively, "**Buyer's Title Policy**").

3.1.3 Physical Condition. Prior to the Closing Date, but without limitation on the representations and warranties herein contained, Lender shall not have objected in writing to any matter revealed by Lender's investigation of the physical condition of the Property. Provided there has been no material adverse change to the condition of the applicable Property since the date of the Lender's most recent inspections, Lender shall not have the right to object to the physical condition of any Property.

3.1.4 [Intentionally Omitted]

3.1.5 UCC Search. Prior to the Closing Date, Lender shall have received a UCC search of the records of the Washington Secretary of State showing that there exists no security interests in the Personal Property or the Intangible Property other than the liens of Lender pursuant to the Loan Documents.

3.1.6 Organizational Documents. On the Closing Date, Lender shall have true, correct and complete copies of the organizational documents for Borrower, certified by Borrower and Guarantor to be true, correct and complete.

3.2 Failure of Conditions Precedent. If any of the conditions set forth in Section 3.1 hereof have not been satisfied by the date set forth therein for the satisfaction of such condition, and the condition has not been waived by Lender in writing, then Lender shall have the right, by written notice to Borrower and Guarantor, to terminate this Agreement and the obligations of the parties hereunder. The termination shall not release any party from liability

for any obligation that expressly survives such termination. Except for obligations that survive termination, the sole and exclusive remedy of the parties for any breach of this Agreement or the failure of this Agreement to close in accordance with Section 4 shall be the termination of this Agreement. No such termination of this Agreement shall affect or diminish in any way the rights and obligations of the parties under any Loan Document and each party shall be free to pursue its rights, remedies and defenses in accordance therewith.

4. Closing of Transaction.

4.1 Closing. Subject to the terms and conditions hereof, the closing of the transactions contemplated by the Agreement (the "**Closing**") shall occur on the Closing Date. The Closing shall occur on a mutually acceptable date or before February 18, 2011 (the "**Closing Date**"); provided, however, Lender and Buyer shall have the right to extend the Closing Date for up to an aggregate of five (5) business days upon written notice to Borrower and Guarantor. Time is expressly of the essence with respect to the Closing Date and if the Closing has not occurred on or before the Closing Date, then this Agreement shall automatically terminate and be of no further force or effect unless extended in a writing signed by the parties no later than 5:00 p.m. Pacific standard time on the Closing Date (as the same may be extended by Lender as noted above), and except for those sections of this Agreement that expressly survive the termination of this Agreement. The parties agree to execute such escrow instructions as Lender or the Title Company may reasonably require to carry out the Closing in accordance with this Agreement; provided, however, in the event of any conflict between the terms of this Agreement and the terms of such escrow instructions, the terms of this Agreement shall govern.

4.2 Monies to Borrower or Guarantor. No monies, cash or amounts of any kind shall be received by or payable to Borrower or Guarantor at the Closing.

4.3 Delivery of Cash and Accounts. On the Closing Date, Borrower shall deliver to Lender (a) checks, if any, received from the tenants in payment of all Rents accruing on and after the Closing Date, which checks shall be duly endorsed to Lender; and (b) a cashier's or certified check payable to Lender in the amount of (i) the amounts of all Rents accruing on and after the Closing Date for which Borrower has previously received and deposited or cashed checks from the tenants, plus (ii) all amounts remaining in the Accounts.

4.4 Casualty and Condemnation. In the event of any fire, casualty or other destruction of any Real Property or any condemnation or threatened condemnation relating to any part of the Property prior to Closing, Lender shall have the option to either (a) terminate this Agreement or (b) continue with the Closing and receive the proceeds of any casualty insurance or condemnation award, as the case may be, in which case such proceeds actually received shall be applied as determined by Lender and Buyer.

4.5 [Intentionally Omitted]

4.6 Deliveries at Closing.

4.6.1 Each Borrower shall deliver, or cause to be delivered, to Lender and/or Buyer on or before the Closing Date:

- (a) a grant deed in the form of Exhibit D attached hereto with respect to the applicable Borrower's Property (each, a "Deed" and, collectively, the "Deeds");
- (b) a bill of sale and assignment in the form of Exhibit E attached hereto with respect to the applicable Borrower's Property;
- (c) a release in the form of Exhibit F-1 attached hereto executed by Borrower and Guarantor;
- (d) a dismissal of action, with prejudice, with respect to the Riverside County Litigation in the form of Exhibit G attached hereto, which Borrower expressly authorizes Lender to file with the Superior Court of the State of California, for the County of Riverside;
- (e) an estoppel affidavit in the form of Exhibit H attached hereto with respect to the applicable Borrower's Property;
- (f) a certification of non-foreign status in the form of Exhibit G-1 attached hereto and a California Franchise Tax Board Form 590 in the form of Exhibit G-2 attached hereto;
- (g) [Intentionally Omitted]
- (h) Deeds of Full Reconveyance with respect to the SCA Deeds of Trust, which shall be in form and substance satisfactory to Lender and the Title Company;
  - (i) such transfer declarations, disclosure statements, evidence of due formation and organization, evidence of due authorization, execution and delivery and other documentation that may be required by law or as may be reasonably required by Lender, the Title Company or Buyer;
  - (j) the Disclosure Materials, the original Contracts and a current Rent Roll certified by Borrower and Guarantor to be true, correct and complete as of the business day immediately preceding the Closing Date;
  - (k) to the extent available, (i) plans and specifications and drawings for the improvements on the Real Property, stamped by appropriate governmental agencies to show approval thereby, (ii) a complete set of all building plans and specifications and other construction documents, together with all assignment and/or authorization documents and letters as may be necessary or requested by Lender with regard to any architect or engineer's work, and (iii) any other documents or instruments evidencing or constituting Intangible Property;
  - (l) all keys for the Property, including the keys for any machinery, equipment or other Personal Property and any individual space and any office, storage or other facilities used in connection with the Property, which keys shall be properly tagged for identification;
  - (m) any entry cards or opening devices for any security gates or garages in the Property;



- (n) all property stored for security purposes, if any, at a location other than the Property;
- (o) any documentation necessary to give Lender or Buyer full control of the Accounts;;
- (p) a notice to each tenant under a Lease in the form of Exhibit H attached hereto, executed by Borrower informing the tenant of the change of ownership;
- (q) possession of all of the Property; and
- (r) evidence that Borrower has terminated the management agreement referred to in Section 2.11 above, and certification from the manager that no amount is outstanding under such agreements;

4.6.2 As a condition precedent to the obligations of Borrower and Guarantor under this Agreement, Lender and Buyer shall deliver, or cause to be delivered, to Borrower and Guarantor:

- (a) a release in the form of Exhibit F-2 attached hereto.

4.7 Reserve/Escrow Account. Borrower acknowledges and agrees that any balance as of the Closing Date in any reserve or escrow account maintained by Lender or U.S. Bank in connection with any Loan shall be retained by Lender to be applied by Lender in Lender's sole and absolute discretion.

4.8 Recording and Delivery of Deed. Subject to the fulfillment of the terms and conditions set forth herein, the parties shall direct Title Company to immediately cause the Deeds to be recorded in the Official Records of Sacramento County and Riverside County, as applicable, and to deliver the Lender Title Endorsements to Lender and the Buyer Title Policies to Buyer concurrently therewith.

4.9 Closing Costs. Buyer and/or Lender shall pay: (a) any documentary transfer tax with respect to the Deeds; (b) the cost of recording the Deeds; (c) any escrow fees or charges incurred in connection with this transaction; and (d) the cost of the Lender Title Endorsements and the Buyer Title Policies. Notwithstanding the foregoing, in the event this Agreement is terminated by Lender by reason of Borrower's breach of Borrower's affirmative obligations in Sections 2.9, 2.10, 2.12 and 4.11 of under this Agreement, Borrower and Guarantor hereby agree, jointly and severally, shall reimburse Lender and Buyer promptly upon demand for all actual attorney's fees incurred by Lender in connection with the preparation and negotiation of this Agreement and performance hereunder. The terms of this Section 4.9 shall survive the Closing or any termination of this Agreement.

4.10 [Intentionally Omitted]

4.11 Obligations of Lender to Third Parties. Borrower acknowledges and agrees that acceptance by Lender or Buyer of title to the Property pursuant to the terms of this Agreement shall not create any obligations on the part of Lender or Buyer, or any of their

respective successors and assigns, to third parties which may have claims, demands, or causes of action of any kind against Borrower or any portion of the Property. Lender does not assume or agree to discharge any such claims, demands or causes of action which were made or arose prior to the Closing. Moreover, Lender has not agreed, and will not agree, to assume or incur any liability or responsibility with respect to: (a) any expenses or income or sales taxes incurred or accrued by Borrower or any receiver prior to the date of recording of the Deeds or the completion of any Foreclosure Action (as defined below), or (ii) except as expressly set forth in the Closing Documents, any other obligation or liability of Borrower. Attached to this Agreement as Schedule 2.7 is a list of current outstanding accounts payable in connection with the operation of the Property ("**Accounts Payable**"). Borrower represents and warrants to Lender that the Accounts Payable are valid expenses with respect to the operation of the Property and that such expenses were incurred in the ordinary course of business. Borrower shall deliver to Lender copies of invoices and such other information as Lender may reasonably require to verify the Accounts Payable. Subject to Lender's right to verify that the Accounts Payable are valid expenses with respect to the operation of the Property and that such expenses were incurred in the ordinary course of business with respect to the operation of the Property, subject to Lender's receipt of cash from the Property sufficient to pay such amounts, Lender will pay all Accounts Payable which have been verified by Lender promptly after Closing, but neither Lender nor Buyer expressly assumes any obligation with respect to any Account Payable. The immediately preceding sentence notwithstanding, subject to Lender's receipt of cash from the Property sufficient to pay such amount, at Closing, Lender will pay to Premier Centers Management, Inc., accrued and unpaid management fees in the approximate amount of Fifty Thousand Dollars (\$50,000.00). Borrower may provide an update to Schedule 2.7 as of the Closing Date, which shall be subject to Lender's review and approval as noted above.

4.12 Standstill. During the term of this Agreement, the parties agree not to take any further actions with respect to the Riverside County Litigation, the pending non-judicial foreclosures commenced by Lender with respect to the Deeds of Trust and the Receivership Actions (as hereinafter defined). For the avoidance of doubt, the parties acknowledge and agree that the foregoing standstill is not intended to, and shall not, toll any time period with respect to the pending non-judicial foreclosures.

5. Covenant Not to Sue.

5.1 Covenant Not to Sue.

5.1.1 If and only if the Closing occurs, then, upon the Closing Date, Lender, for itself and for Buyer and their respective successors and assigns, shall be deemed to have covenanted and agreed, except as expressly set forth herein, not to bring, file or commence any action, suit, claim or cause of action against Borrower and/or Guarantor with respect to any obligation under the Loan Documents including any deficiency (with the exception of mandatory counter or cross-claims); provided, however, that the foregoing covenant and agreement shall in no event extend to the continuing liabilities and obligations of Borrower and Guarantor relating to, arising out of, or in connection with the breach of any representation, warranty, indemnity, covenant or agreement set forth in this Agreement or any of the documents or instruments delivered at Closing or to any indemnities in favor of Lender under the following Indemnity Agreements executed in favor of U.S. Bank, as predecessor in interest to Lender: Indemnity

Agreement dated July 25, 2005 executed by Guarantor and LPS II; Indemnity Agreement dated August 29, 2005 executed by Guarantor and LPS; Indemnity Agreement dated July 24, 2007 executed by LIC, Guarantor and LPS; and Indemnity Agreement dated July 24, 2007 executed by Guarantor and LPPD, and (b) shall not preclude Lender from foreclosing the lien of the Deeds of Trust.

5.1.2 The foregoing covenant and agreement in Section 5.1.1 shall be void from its inception, if:

(a) Borrower and/or Guarantor shall take any act or make any claim of rescission of this Agreement or any of the Closing

Documents; or

(b) a court of competent jurisdiction determines that (or any claim is made by Borrower, Guarantor or any third party, other than by Lender or Buyer in bankruptcy, that) the transfer of the Property to Buyer or the receipt of any funds by any party hereunder constitutes a preference or a fraudulent conveyance, or otherwise sets aside or holds ineffective such transfer of the Property or such funds.

5.1.3 The foregoing covenant and agreement in Section 5.1.1 notwithstanding:

(a) In the event that any draw on that certain Irrevocable Standby Letter of Credit number SLCSSEA02576 in the face amount of Two Million Dollars (\$2,000,000.00) issued by U.S. Bank for the benefit of Wachovia Bank, National Association as Master Servicer on behalf of Wells Fargo Bank, Minnesota, NA, as Trustee for the benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series WB/UBS 2005-C16 for the account of LIC (herein, the "**Gilroy Letter of Credit**"),, and neither LIC nor any other Borrower or Guarantor reimburses Lender for the amount of such draw within ninety (90) days after Lender's demand for reimbursement with respect thereto, then notwithstanding Section 5.1.1, Lender shall have the right to enforce the following documents to recover such amounts: (a) the obligations of Lakha Investment Co., LLC with respect to that certain Continuing Reimbursement Agreement for Standby Letters of Credit dated July 25, 2006 between Lakha Investment Co., LLC and U.S. Bank National Association, as predecessor in interest to Lender, and (b) the obligations of Amin S. Lakha under the following documents, each of which were executed by Amin S. Lakha in favor of U.S. Bank National Association, as predecessor in interest to Lender, as the same relate to the obligations of Lakha Investment Co., LLC with respect to the aforementioned Continuing Reimbursement Agreement for Standby Letters of Credit: Continuing Guaranty dated February 26, 2003 (with Spousal Consent); Reaffirmation of Guaranty dated April 15, 2005; Continuing Guaranty dated November 21, 2005; Continuing Guaranty dated December 30, 2005; Continuing Guaranty dated June 8, 2006; Continuing Guaranty dated July 25, 2006; Continuing Guaranty dated July 24, 2007; and Second Amendment to Continuing Guaranty dated April 13, 2009. Without limiting the generality of any provision of this Agreement, Borrower and Guarantor acknowledge that all rights of U.S. Bank under that certain Continuing Reimbursement Agreement for Standby Letters of Credit dated July 25, 2006 between U.S. Bank and LIC have been assigned to Lender; and

(b) If Borrower and/or Guarantor files for protection under the U.S. Bankruptcy Code within twelve (12) months after Closing, and as a result thereof Lender or Buyer incurs any material liability or cost to respond or defend Lender, Buyer or the Property in connection with any such bankruptcy filing, Borrower and/or Guarantor shall indemnify Lender and Buyer for such liability or cost, and Lender and/or Buyer shall have the right to bring an action against Borrower and/or Guarantor to recover the same.

5.1.4 The foregoing covenants and agreements shall not defeat, limit or otherwise affect any right of Lender to commence or complete foreclosure proceedings under any Deed of Trust or any of the other Loan Documents.

5.1.5 Borrower and Guarantor acknowledge and agree that the obligations under each Note and the other Loan Documents remain in full force and effect, to enable Lender to foreclose each Deed of Trust if Lender elects to do so in Lender's sole and absolute discretion.

5.1.6 The provisions of this Section 5 shall survive Closing.

## 6. Bankruptcy.

6.1 Relief From Automatic Stay. Each Borrower and Guarantor hereby acknowledges and agrees that, in consideration of the recitals and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in the event Borrower and/or Guarantor shall (a) file a petition for relief with any bankruptcy court or otherwise be the subject of any petition filed under the Bankruptcy Code, (b) be the subject of any order for relief issued under the Bankruptcy Code, (c) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for debts, (d) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator or liquidator, (e) be the subject of any order, judgment or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency or relief for debts, then neither Borrower nor Guarantor shall raise any objection or defense of any kind or nature or otherwise prevent, hinder or delay (x) any attempt by Lender to obtain relief from any automatic stay imposed by Section 362 of the Bankruptcy Code, or otherwise, or (y) the exercise by Lender of any or all of the rights and remedies otherwise available to Lender, as provided in the applicable Loan Documents and/or this Agreement, and as otherwise provided by law.

6.2 Benefit to Borrower and Guarantor. Borrower and Guarantor hereby acknowledge and agree that: (i) this Agreement is of considerable benefit to Borrower and Guarantor; (ii) this Agreement allows Borrower and Guarantor to fully settle and resolve the obligations owed to Lender, subject to the terms contained in this Agreement; (iii) Borrower and Guarantor have received substantial legal and financial accommodations from Lender under this Agreement; (iv) the value of the Property is less than the debt that is secured by the Property; and (v) Lender is entering into this Agreement in reliance on representations of Borrower and Guarantor in this Agreement. Borrower and Guarantor also hereby represent and warrant to

Lender and acknowledge and agree as follows: (a) Borrower and Guarantor do not currently intend to file a bankruptcy petition and have no intention of seeking a non-consensual plan of reorganization in any bankruptcy forum; (b) any attempt to sell the Property or otherwise reorganize Borrower's financial affairs and to pay and perform Borrower's obligations to Lender would be fruitless and impracticable to achieve; (c) any filing by Borrower of a voluntary petition in bankruptcy or the exercise of like or similar rights by Borrower prior to satisfaction in full of the indebtedness to Lender under the Loan Documents would be inconsistent with and contrary to the intentions of the parties hereto and made only with the intention of hindering or delaying Lender in the enforcement of Lender's rights as a secured creditor; (d) Borrower cannot formulate or implement a successful plan of reorganization in any such proceeding (whether in bankruptcy or under a like proceeding) which would adequately and sufficiently protect the rights of Lender or enable Borrower to satisfy Borrower's obligations to Lender; (e) in light of the foregoing, any such filing would be made in bad faith, as such term is used by courts in construing the Bankruptcy Code, as to Lender and only with the intention to hinder or delay Lender from exercising its rights and remedies as to the obligations of Borrower to Lender (whether hereunder or otherwise) and the Property (and/or other collateral) securing such obligations; (f) in light of the foregoing, if any voluntary or involuntary proceeding in bankruptcy or under like laws granting relief to Borrower is filed by or against Borrower, Lender shall, in addition to any other rights or remedies set forth in this Section 6 or otherwise in this Agreement, have the right to seek and obtain immediate relief from any stay and to have the exclusivity period for the filing of any plan of reorganization terminated, and Borrower hereby waives any objection or opposition in any manner to the relief requested by Lender or the termination of any such exclusivity period in a bankruptcy proceeding; and (g) Borrower shall not solicit, assist or encourage any third party to file an involuntary bankruptcy petition against Borrower. Lender is relying on, among other things, the representations, warranties and covenants contained in this Section 6.2 in entering into this Agreement.

7. Consent to Foreclosure.

7.1 General. Without in any way limiting the terms and provisions of Section 5.1 hereof, subject to the provisions of Section 4.12 hereof, Borrower and Guarantor acknowledge and agree that Lender has commenced Foreclosure Actions in connection with the Loans and the Property and that, at any time, if Lender, in Lender's sole and absolute discretion, determines that it is in Lender's best interest to do so, Lender shall be entitled under this Agreement, without any prior notice whatsoever to Borrower, to (a) prosecute through completion, in Lender's sole discretion, a judicial or non-judicial foreclosure action or public sale under applicable law pursuant to the applicable Deed of Trust (each, a "**Foreclosure Action**") and to have the Property sold in one or more foreclosure or public sales (as the case may be), and (b) obtain any judicial order confirming or approving any such sale(s). In connection with any Foreclosure Action, if requested by Lender, Borrower shall, as applicable (which applicability shall be determined by Lender in Lender's sole discretion): (i) accept service of process from Lender of a summons and complaint and/or notice of hearing or public sale; and (ii) execute and deliver to Lender any one or more of the following: (A) a notice and acknowledgement of receipt of summons and complaint and/or notice of hearing or public sale, (B) a waiver of right to notice and hearing and/or public sale, (C) a consent decree of foreclosure, (D) any acknowledgment that the sale(s) were commercially reasonable dispositions of the Property after sale(s) and waiving any rights in opposition thereto that might otherwise exist, (E) a consent

order authorizing foreclosure, and (F) any other document, instrument, pleading, notice or writing Lender may deem necessary to prosecute to completion and/or effectuate any Foreclosure Action or the purpose and intent of this Agreement (collectively, the "**Consensual Foreclosure Materials**"). Borrower shall raise no objection or defense and shall take no action to hinder, delay or otherwise interfere with (including, without limitation, the commencement of any action for injunctive relief), object to or appeal any Foreclosure Action or any sale(s) of the Property or Lender's prosecution of any Foreclosure Action, the entry of any judgment or the confirmation of any sale(s) of any of the Property. With respect to any such Foreclosure Action, Borrower agrees to cooperate in the submission, preparation or execution of any documents reasonably necessary or reasonably required for the expeditious prosecution of such Foreclosure Action as reasonably determined by the Lender. The covenant contained in this Section 7.1 shall survive the Closing, provided that the Covenant Not to Sue given by Lender in Section 5.1 of this Agreement remains in force.

7.2 Receivership. Promptly after the Effective Date, Lender and Borrower shall cause the hearings in the Receivership Action in Sacramento County, which is currently scheduled for January 31, 2010 to be continued to the next available hearing date that is no sooner than thirty (30) days after the current hearing date. Promptly after the Closing, Lender shall dismiss the Receivership Actions.

7.3 Kirkland Deed of Trust. Promptly after Lender's receipt of evidence satisfactory to Lender that the Gilroy Letter of Credit has been terminated and no draws have been made on the Gilroy Letter of Credit, Lender shall deliver to Borrower a deed of reconveyance or instrument of release with respect to that certain Deed of Trust dated April 13, 2009 executed by Lakha Properties - Kirkland, LLC, a Washington limited liability company, which was recorded on April 16, 2009 as Instrument No. 20090416000282, with the official records of King County, Washington.

7.4 Riverside County Litigation. If Closing does not occur before the date on which responsive pleadings must be filed by the defendants in the Riverside County Litigation, Borrower and Guarantor shall cause their legal counsel to provide such extensions as defendants' counsel may require so that defendants may file such responsive pleadings after the regular filing deadline if Closing does not occur. Without limiting the foregoing, it is the parties' intention that the Riverside County Litigation shall be stayed so long as this Agreement is in effect.

7.5 Judicial Reference Agreements. The parties hereto acknowledge and agree the provisions of the following agreements shall not apply to any dispute with respect to this Agreement, nor shall any such dispute be subject to such agreements: California Judicial Reference Agreement dated as of July 24, 2007 between LPS and U.S. Bank; California Judicial Reference Agreement dated as of July 24, 2007 between LPS II and U.S. Bank; and California Judicial Reference Agreement dated as of July 24, 2007 between LPPD and U.S. Bank.

8. Acknowledgments. Borrower and Guarantor each acknowledge and agree that the Loan Documents are in full force and effect and are the valid and legally binding obligations of the Borrower, and Guarantor, as applicable, free from all legal and equitable defenses, offsets and counterclaims. Borrower and Guarantor each hereby ratify and confirm their respective liabilities, obligations and agreements under all of the Loan Documents, except as may be

specifically and expressly modified by this Agreement, and the liens and security interests created thereby, and acknowledge that (a) Borrower is in default of its liabilities and obligations under the Loan Documents and that neither Borrower nor Guarantor have any defenses, claims, counterclaims or set-offs of any kind or nature whatsoever to the enforcement by Lender of the liabilities, obligations and agreements contained in the Loan Documents, and each hereby forever waive any right to assert any such defense, claim, counterclaims, or setoff, (b) Lender has fully performed all obligations to Borrower and/or the Guarantor that Lender may have had or has on and as of the Effective Date, and (c) Lender does not waive, diminish or limit any term or condition contained in any of the Loan Documents, except as specifically and expressly set forth in this Agreement.

9. **Notices.** All notices and communications to any party hereunder shall be in writing and shall be deemed properly given if delivered personally or sent by Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery to the following addresses or at such other address as such party may specify from time to time by notice to the other parties:

To Buyer or Lender: ROIC CA Notes, LLC  
c/o Retail Opportunity Investments Corp.  
3 Manhattanville Road, 2nd Floor  
Purchase, New York 10577  
Attention: Chief Financial Officer

With a copy to: Allen Matkins Leck Gamble Mallory & Natsis LLP  
Three Embarcadero Center, 12th Floor  
San Francisco, California 94111-4074  
Attention: Stephen P. Lieske, Esq.

To Borrower or Guarantor: Lakha Investment Co., L.L.C.  
Lakha Properties-Sacramento II, LLC  
Lakha Properties-Sacramento, LLC  
Lakha Properties-Palm Desert, LLC  
Amin S. Lakha  
c/o Lakha Investment Company  
500 108th Avenue N.E., Suite 2050  
Bellevue, WA 98004  
Attention: Amin S. Lakha

**For the avoidance of doubt, one notice addressed to each of the aforementioned Borrower and Guarantor parties shall be sufficient with respect to any notice to be sent to Borrower and Guarantor.**

With a copy to: Best Best & Krieger  
3750 University Avenue  
Riverside, CA 92502  
Attention: Jerry R. Dagrella, Esq.

Any notice so given by overnight courier shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by the overnight carrier's proof of delivery. Any such notice not so given shall be deemed given upon receipt of the same by the party to whom the same is to be given.

10. Miscellaneous.

10.1 Entire Agreement. This Agreement and the Closing Documents supersede any prior agreement, oral or written, and contain the entire agreement among Lender, Buyer and Borrower with respect to the subject matter hereof. No subsequent agreement, representation or promise made by or to any party hereto shall be of any effect unless made in writing by the party to be bound thereby. Any amendment to this Agreement shall be in writing signed by all parties hereto. Neither this Agreement nor any of the documents and instruments delivered at Closing shall create any rights in any third party (other than Buyer) and may be amended by the parties hereto as set forth herein without liability to any third party.

10.2 Further Assurances. Borrower and Guarantor shall, whenever and as often as it shall be requested to do so by Lender or Buyer, cause to be executed, acknowledged or delivered any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of Lender or Buyer, in order to carry out the intent and purpose of this Agreement.

10.3 Construction. This Agreement and the Closing Documents shall be construed as a whole and in accordance with their fair meaning. Captions and organizations are for convenience only and shall not be used in interpreting this Agreement or the Closing Documents. Whenever the words "including", "include" or "includes" are used in this Agreement or the Closing Documents, they shall be interpreted in a non-exclusive manner as though the words "without limitation" immediately followed the same. Masculine, feminine, or neuter gender and the singular and the plural number, shall each be considered to include the other whenever the context so requires. If any party consists of more than one person, each such person shall be jointly and severally liable.

10.4 No Waiver. The waiver by any party of the performance of any covenant, condition or promise shall not invalidate this Agreement, nor shall it be construed a waiver by any other party or of any other covenant, condition or promise. The waiver by any party of the time for performing any act shall not be considered a waiver of the time for performing any other act or an identical act required to be performed at a later time. No waiver shall be enforceable against any party unless signed by such party in writing.

10.5 Governing Law. This Agreement and the Closing Documents shall be construed in accordance with and governed by the laws of the State of California (without taking into account conflicts of law).

10.6 Counterparts. This Agreement and the Closing Documents may be executed in any number of counterparts so long as each signatory hereto or thereto executes at least one such counterpart. Each such counterpart shall constitute one original but all such counterparts taken together shall constitute one and the same instrument.



10.7 Controversy. In the event of any controversy, claim or dispute between the parties hereto affecting or relating to the purposes or subject matter of this Agreement or the documents and instruments executed and delivered at Closing, the prevailing party or parties shall be entitled to recover from the nonprevailing party or parties all of the prevailing party's expenses, including, but not by way of limitation, attorneys' fees (including the value of in-house counsel services).

10.8 No Merger, etc. It is the intent of Lender, Buyer and Borrower that (a) the interests of Borrower conveyed to Buyer hereunder and the interests of Lender existing under each Deed of Trust shall not merge upon or after Closing, (b) each Deed of Trust and the applicable Note shall continue in full force and effect and such Deed of Trust shall remain as a first priority lien against the applicable Real Property notwithstanding the transfer of the Real Property to Buyer and Lender's covenant not to sue Borrower pursuant to Section 5.1 hereof, and (c) Lender shall retain the right to foreclose upon the Real Property, whether judicially or non-judicially pursuant to its power of sale under such Deed of Trust, after the Closing but agrees not to seek a judgment for deficiency against Borrower or its constituent members.

10.9 Absolute Conveyance. Borrower acknowledges and agrees that (a) the conveyance to Lender or Buyer of the Property, according to the terms of this Agreement, is given voluntarily and is an absolute conveyance of all of Borrower's right, title and interest in and to the Property in fact as well as form and is not intended as a mortgage, trust conveyance, deed of trust or security instrument of any kind; and (b) the consideration for such conveyance is exactly as recited herein and Borrower has no further interest or claim of any kind (including but not limited to homestead rights and rights of redemption) in or to any portion of the Property, or to the proceeds and profits which may be derived thereof, whether sold for more or less than the outstanding indebtedness due under the Loan Documents.

10.10 Indemnification. Following the Closing, Borrower and Guarantor shall indemnify, defend, protect, and hold harmless Lender, Buyer, and their respective partners, officers, shareholders, directors, managers, members, agents, servants, contractors, employees, parents, affiliated and subsidiary corporations, partnerships and limited liability companies and predecessors-in-interest (collectively the "**Lender Released Parties**"), and each of them, from and against any and all claims arising directly or indirectly from (a) any material breach in any representation or warranty made by Borrower in this Agreement or any of the Closing Documents, (b) the failure of Borrower to observe or perform any material agreement, covenant or provision of this Agreement or the Closing Documents, (c) any material breach of or default by Borrower under any Contract, Lease or Permissible Exception, (d) any acts or events by or caused by Borrower or Borrower's agents, or of which Borrower or Borrower's agents have knowledge, with respect to the Property, which occur on or prior to the Closing Date, or (e) any claim by any direct or indirect owner of Borrower in connection with the Property, the Loan, the Loan Documents, this Agreement or the documents and instruments executed and delivered at Closing. The obligations of Borrower and Guarantor under this Section 10.10 shall survive Closing.

10.11 References. References in this Agreement to paragraphs or exhibits shall refer to paragraphs and exhibits to this Agreement unless the context requires otherwise. All exhibits are hereby incorporated into this Agreement in their entirety by this reference.

10.12 Confidentiality. The parties hereto shall keep the terms of this Agreement strictly confidential and shall not disclose or permit their employees or agents to disclose the terms of this Agreement: (a) except for reasonably necessary disclosures to a party's attorneys, accountants and representatives, and (b) except as required by applicable law including, without limitation, securities laws applicable to Lender, Buyer and their affiliates. The foregoing shall not prohibit Lender, Buyer and their affiliates from (a) distributing press releases regarding the acquisition of the Property, and (b) informing U.S. Bank of this Agreement.

10.13 Time of the Essence. Time is of the essence of this Agreement.

10.14 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

10.15 Effect on Loan Documents. Neither the provisions of, nor any performance under, this Agreement shall amend, modify, supplement, extend, delay, renew, terminate, waive, release or otherwise limit or prejudice Lender's rights and remedies or Borrower's obligations under the Loan Documents (including Lender's right to receive full payment as well as late charges, delinquent interest and all other charges provided for in the Loan Documents), subject, however, to Section 5.1 and Exhibit F-2, if, and only if, the Closing occurs.

10.16 Not an "Action". Borrower acknowledges that neither this Agreement, nor any remedy or other action taken pursuant to this Agreement, shall constitute an "action", violate the "one-form of action rule," the "security-first rule", or otherwise give rise to any application of California one-action or anti-deficiency rules which apply to notes secured by real property, and Borrower waives its rights under Sections 580a, 580b, 580c, 580d, 725a, 726, 728, 729.010, 729.060 and 729.070 of the California Code of Civil Procedure in connection with this Agreement and all payments to be made by Borrower hereunder.

10.17 Survival. All warranties, representations, covenants, obligations and agreements contained in this Agreement shall survive the Closing hereunder for a period of two (2) years. All warranties and representations shall be effective regardless of any investigation made or which could have been made.

10.18 Waiver of Trial by Jury. To the maximum extent permitted by law, the parties hereby irrevocably waive their respective rights to a jury trial of any claim or cause of action based upon or arising out of this Agreement or the Loan Documents. This waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the Court.

10.19 Relationship. This Agreement is not intended, and shall not be construed to create a joint venture, partnership or agency relationship between Lender and Borrower.

10.20 Mortgagee in Possession. Borrower agrees that Lender is not a mortgagee-in-possession and that this Agreement does not create any obligation on the part of Lender to manage or operate the Property or give Lender any control over the Property until after the Closing Date.

10.21 ORAL AGREEMENTS. PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

10.22 Settlement Agreement. If this Agreement is terminated for any reason, and there is ever any subsequent judicial or similar proceeding with respect to the Loans or any of the Loan Documents, including, without limitation, the Riverside County Litigation, the Receivership Actions, any foreclosure on the Property, or any bankruptcy filing by a party, none of Lender nor Borrower nor Guarantor may present in such proceeding as evidence this Agreement or any evidence resulting from conduct by any of such parties (verbal or nonverbal, or express or implied) in connection with the communications relating to this Agreement. The foregoing sentence is intended to be broader than the restrictions on admissibility contained in Section 1152 of the California Evidence Code and Rule 408 of the Federal Rules of Evidence. The foregoing shall not, however, apply to any judicial or similar proceeding relating to a dispute with respect to this Agreement.

[End of Text; Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Conveyance in Lieu of Foreclosure Agreement to be executed as of the Effective Date first above written.

**LENDER:**

ROIC CA NOTES LLC,  
a Delaware limited liability company

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

[Signatures Continue on Next Page]

**BORROWER:**

LAKHA INVESTMENT CO., L.L.C.,  
a Washington limited liability company

By:  /s/ Amin S. Lakha  
Amin S. Lakha, Manager

LAKHA PROPERTIES-SACRAMENTO II, LLC  
a Washington limited liability company

By:  /s/ Amin S. Lakha  
Amin S. Lakha, Manager

LAKHA PROPERTIES-SACRAMENTO, LLC,  
a Washington limited liability company

By:  /s/ Amin S. Lakha  
Amin S. Lakha, Manager

LAKHA PROPERTIES-PALM DESERT, LLC,  
a Washington limited liability company

By:  /s/ Amin S. Lakha  
Amin S. Lakha, Manager

**GUARANTOR:**

/s/ Amin S. Lakha  
Amin S. Lakha, an individual

EXHIBIT A

LEGAL DESCRIPTIONS OF THE LAND

[To be Attached]

EXHIBIT A

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EXHIBIT A-1

LEGAL DESCRIPTION OF LPS LAND

PARCEL A:

PARCELS 1, 2, 5, 8, 9 AND 10, AS SHOWN ON THE MAP FILED FOR RECORD ON OCTOBER 13, 1982 IN BOOK 73 OF PARCEL MAPS, PAGE 11, OFFICIAL RECORDS OF SACRAMENTO COUNTY; SUBJECT TO BOUNDARY LINE ADJUSTMENT RECORDED NOVEMBER 25, 2003 IN BOOK 20031125, PAGE 1070, O.R.

PARCEL B:

PARCELS 3 AND 4, AS SHOWN ON THE MAP FILED FOR RECORD ON OCTOBER 13, 1982 IN BOOK 73 OF PARCEL MAPS, PAGE 11, OFFICIAL RECORDS OF SACRAMENTO COUNTY; ALSO DESCRIBED AS PARCEL ONE OF CERTIFICATE OF COMPLIANCE RECORDED JULY 13, 1988 IN BOOK 880713, PAGE 890, OFFICIAL RECORDS.

PARCEL C:

PARCELS 6, 7 AND 11, AS SHOWN ON THE MAP FILED FOR RECORD ON OCTOBER 13, 1982 IN BOOK 73 OF PARCEL MAPS, PAGE 11, OFFICIAL RECORDS OF SACRAMENTO COUNTY; ALSO DESCRIBED AS PARCEL TWO OF CERTIFICATE OF COMPLIANCE RECORDED JULY 13, 1988 IN BOOK 880713, PAGE 890, OFFICIAL RECORDS; SUBJECT TO BOUNDARY LINE ADJUSTMENT RECORDED NOVEMBER 25, 2003 IN BOOK 20031125, PAGE 1070, O.R.

EXHIBIT A-1

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EXHIBIT A-2

LEGAL DESCRIPTION OF LPS II LAND

The land referred to herein is situated in the State of California, County of Sacramento, Unincorporated Area, described as follows:

PARCEL NO. 1:

ALL THAT PORTION OF SECTION 16, TOWNSHIP 9 NORTH, RANGE 7 EAST, M.D.M., SITUATED IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 1/2 INCH STEEL BAR WITH WASHER STAMPED "SAC. CO. R/W MNT" SET FLUSH WITH THE ROAD SURFACE OF THE INTERSECTION OF THE NORTHERLY BOUNDARY OF THAT CERTAIN COUNTY ROAD COMMONLY KNOWN AS FOLSOM BLVD, WITH THE EASTERLY BOUNDARY OF THAT CERTAIN COUNTY ROAD AND COMMONLY KNOWN AS HAZEL AVENUE; THENCE ALONG THE SOUTHEASTERLY BOUNDARY OF U.S. ROUTE 50 AS SHOWN ON THAT CERTAIN STATE OF CALIFORNIA RIGHT-OF-WAY MAP (SAC-50-16,0 A-5924-050.1) NORTH 25°47'10" WEST 347.50 FEET; THENCE ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 300.00 FEET, THE CHORD OF WHICH BEARS NORTH 24°44'02" EAST 364.26 FEET; THENCE NORTH 62°06'60" EAST 67.78 FEET; THENCE LEAVING SAID SOUTHEASTERLY BOUNDARY OF U.S. ROUTE 50, SOUTH 24°43'10" EAST 293.41 FEET; THENCE NORTH 63°55'20" EAST 135.00 FEET; THENCE SOUTH 24°43'10" EAST 292.00 FEET; THENCE SOUTH 63°55'20" WEST 458.80 FEET; THENCE NORTH 25°47'10" WEST 5.75 FEET TO A BRASS TAG SET IN CONCRETE STAMPED LS2217"; THENCE SOUTH 63°55'20"; THENCE WEST 16.30 FEET TO THE POINT OF BEGINNING.

APN: 069-0050-006-0000.

PARCEL NO. 2:

ALL THAT PORTION OF SECTION 16, TOWNSHIP 9 NORTH, RANGE 7 EAST, M.D.M. SITUATED IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF THAT PARTICULAR 100.00 ACRE TRACT OF LAND DESCRIBED IN THE DEED FROM NATOMAS COMPANY OF CALIFORNIA, A CALIFORNIA CORPORATION DATED NOVEMBER 29, 1920, RECORDED JANUARY 6, 1921, IN BOOK 551 OF DEEDS, PAGE 168 SAID POINT OF BEGINNING ALSO BEING THE NORTHEAST CORNER OF PARCEL B OF THAT PARTICULAR PARCEL MAP FILED IN BOOK 68 OF PARCEL MAPS AT PAGE 31, SACRAMENTO COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTH LINE OF SAID 10.00 ACRE TRACT AND SAID PARCEL B SOUTH 64°49'00" WEST 70.03 FEET; THENCE SOUTH 51°21'30" WEST 377.20 FEET; THENCE SOUTH 46°40'00" WEST 30.00 FEET; THENCE LEAVING SAID NORTH LINE NORTH

EXHIBIT A-2



24°19'30" WEST 143.60 FEET TO A POINT THE NORTH LINE OF THE HEREIN DESCRIBED REAL PROPERTY AND OF THAT PARTICULAR DIRECTORS DEED FILED IN BOOK 8206-15 AT PAGE 326 FROM WHICH THE POINT OF BEGINNING OF SAID DIRECTORS DEED BEARS ALONG LAST SAID NORTH LINE SOUTH 53°38'30" WEST 207.31 FEET; THENCE ALONG THE NORTH LINE OF LAST SAID DEED NORTH 53°38'30" EAST 474.29 FEET TO THE WESTERNMOST CORNER OF THAT PARTICULAR DEED FILED IN BOOK 8410-25 AT PAGE 391, OFFICIAL RECORDS; THENCE ALONG THE WEST LINE OF LAST SAID DEED SOUTH 24°19'30" EAST 126.09 FEET TO THE MOST WESTERLY CORNER OF PARCEL A AS SAID PARCEL IS SHOWN IN BOOK 23 OF PARCEL MAPS, AT PAGE 19; THENCE ALONG THE WEST LINE OF SAID PARCEL "A" SOUTH 24°19'30" EAST 10.30 FEET TO THE POINT OF BEGINNING.

AND MORE PARTICULARLY DESCRIBED AS PARCEL 1 IN THAT CERTAIN CERTIFICATE OF COMPLIANCE (LOT LINE ADJUSTMENT) RECORDED JUNE 29, 1988 IN BOOK 8806-29, PAGE 1655, OFFICIAL RECORDS.

APN 068-0050-12-0000

PARCEL NO. 3:

ALL THAT PORTION OF "RANCHO RIO DE LOS AMERICANOS", THE OFFICIAL PLAT OF WHICH IS RECORDED IN THE OFFICE OF THE RECORDER OF SAID COUNTY IN BOOK 1 OF MAPS, MAP NO. 2, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY CORNER OF PARCEL A, AS SAID PARCEL IS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "A PORTION OF PROJECTED SECTION 16, T. 9N., R 7E., M.D.B.&M., BEING IN RANCHO RIO DE LOS AMERICANOS", RECORDED IN THE OFFICE OF SAID RECORDER IN BOOK 23 OF PARCEL MAPS, AT PAGE 19; THENCE FROM SAID POINT OF BEGINNING NORTH 24°46'42" WEST 127.22 FEET TO A POINT LOCATED ON THE SOUTHERLY RIGHT-OF-WAY LINE OF STATE OF CALIFORNIA FREEWAY 50; THENCE ALONG SAID RIGHT-OF-WAY LINE NORTH 53°13'46" EAST 269.77 FEET AND NORTH 61°38'25" EAST 147.16 FEET; THENCE LEAVING SAID RIGHT-OF-WAY LINE SOUTH 24°44'14" EAST 191.86 FEET TO A POINT LOCATED ON THE SOUTHERLY LINE OF THE AMERICAN RIVER CANAL RIGHT-OF-WAY; THENCE ALONG SAID RIGHT-OF-WAY LINE SOUTH 63°41'16" WEST 79.30 FEET TO THE MOST NORTHERLY CORNER OF PARCEL B, AS SAID PARCEL IS SHOWN ON SAID PARCEL MAP; THENCE CONTINUING ALONG SAID SOUTHERLY CANAL RIGHT-OF-WAY LINE AND THE NORTHERLY BOUNDARY OF SAID PARCEL MAP SOUTH 63°41'16" WEST 155.15 FEET AND SOUTH 67°03'52" WEST 176.34 FEET TO THE POINT OF BEGINNING, ALSO SHOWN AS PARCEL NO. 1 ON LOT LINE ADJUSTMENT RECORDED OCTOBER 25, 1984, IN BOOK 8410-28, PAGE 0386, OFFICIAL RECORDS.

APN: 069-0060-085-0000

PARCEL NO. 4:

EXHIBIT A-2

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ALL THAT PORTION OF SECTION 16, TOWNSHIP 9 NORTH, RANGE 7 EAST, M.D.M., SITUATED IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT FROM WHICH A ONE-HALF INCH STEEL BAR WITH WASHER STAMPED "SAC.CO.R/W MNT" AT THE INTERSECTION OF THE NORTHERLY BOUNDARY OF THAT CERTAIN COUNTY ROAD COMMONLY KNOWN AS FOLSOM BOULEVARD WITH THE EASTERLY BOUNDARY OF THAT CERTAIN COUNTY ROAD COMMONLY KNOWN AS HAZEL AVENUE BEARS THE FOLLOWING:

TO THE LEFT ALONG THE ARC OF A 300.00 FOOT RADIUS CURVE BEING CONCAVE SOUTHEASTERLY, AND BEING SUBTENDED BY A CHORD BEARING SOUTH 25°07'44" WEST 364.26 FEET AND SOUTH 25°23'30" EAST 347.50 FEET; THENCE FROM SAID POINT OF BEGINNING AT THE WEST CORNER OF THAT PARTICULAR DIRECTORS DEED FILED IN BOOK 820615 OF OFFICIAL RECORDS AT PAGE 326 ALONG THE NORTH LINE OF LAST SAID DEED NORTH 53°38'30" EAST 207.31 FEET; THENCE LEAVING SAID NORTH LINE SOUTH 24°19'30" EAST 143.60 FEET TO THE NORTHWEST CORNER OF PARCEL B OF THAT PARTICULAR PARCEL MAP FILED IN BOOK 68 OF PARCEL MAPS AT PAGE 31; THENCE ALONG THE WEST LINE OF SAID PARCEL MAP SOUTH 24°19'30" EAST 186.38 FEET; THENCE LEAVING SAID WEST LINE SOUTH 64°19'00" WEST 135.00 FEET; THENCE ALONG A LINE BEING PARALLEL TO SAID WEST LINE NORTH 24°19'30" WEST 293.71 FEET TO THE SOUTH LINE OF THAT PARTICULAR DIRECTORS DEED FILED IN BOOK 8206-15 AT PAGE 326; THENCE ALONG SAID SOUTH LINE SOUTH 62°30'30" WEST 67.78 FEET TO THE POINT OF BEGINNING AND MORE PARTICULARLY DESCRIBED AS PARCEL 2 IN THAT CERTAIN CERTIFICATE OF COMPLIANCE (LOT LINE ADJUSTMENT) RECORDED JUNE 29, 1988 IN BOOK 8806-29 AT PAGE 1655, OFFICIAL RECORDS.

APN: 069-0050-011-0000

PARCEL NO. 5:

RECIPROCAL EASEMENTS FOR INGRESS, EGRESS, PEDESTRIAN PASSAGE AND VEHICLE MANEUVERING/AND PARKING OVER THE PAVED AND PARKING AREAS NOW OR HEREAFTER LOCATED ON SAID LAND AS CREATED BY RECIPROCAL EASEMENT AGREEMENT BY AND BETWEEN RUSSELL G. KNAUER AND MARJORIE C. KNAUER, HUSBAND AND WIFE AND MARLON R. GINNEY AND DOLORES J. GINNEY, HUSBAND AND WIFE DATED JANUARY 23, 1987 AND BEING RECORDED ON FEBRUARY 3, 1987, SERIAL NO. 31110.

EXCEPTING THEREFROM EASEMENTS RIGHTS LOCATED WITHIN PARCELS 1, 2 AND 3 ABOVE DESCRIBED.

PARCEL NO. 6:

PARCEL A AS SHOWN ON THE PARCEL MAP "PORTION OF SECTION 16, T. 9N., R. 7E, M.D.B. & M. IN RANCHO RIO DE LOS AMERICANOS", FILED IN THE OFFICE OF THE

EXHIBIT A-2

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APN 069-0050-009-0000

EXHIBIT A-2

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EXHIBIT A-3

LEGAL DESCRIPTION OF LPPD LAND

PARCEL 1

PARCEL A, AS SHOWN ON EXHIBIT "B" ATTACHED TO CERTIFICATE OF COMPLIANCE (WAIVER OF PARCEL MAP PMW 07-10) RECORDED JUNE 1,2007 AS INSTRUMENT NO. 20070364238 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA AND DESCRIBED AS FOLLOWS:

That certain parcel of land situated in the City of Palm Desert, County of Riverside, State of California, being portions of Parcels 1, 5 and 7 as shown on Parcel Map No. 27400 filed in Book 183, Pages 38 through 42, of Parcel Maps, in the Office of the County Recorder, of said County of Riverside, more particularly described as a whole as follows:

BEGINNING at the southeasterly corner of said Parcel 7, said point being the common corner between Parcels 7, 12 and 13 of said Parcel Map No. 27400:

thence along the southerly line of said Parcels 1 and 7 through the following three courses:

South 89°45'08" West 233.11 feet;

thence North 00°14'52" West 57.03 feet;

thence South 89°45'08" West 158.43 feet;

thence leaving the southerly line of said Parcel 1 North 01°11'41" East 198.86 feet to a point on the southerly line of said Parcel 7, said point being distant thereon South 88°47'48" East 17.22 feet from the southeast corner of said Parcel 5;

thence North 01°11'10" East 259.73 feet;

thence North 88°48'16" West 18.42 feet;

thence North 01°11'44" East 87.42 feet to a point on the northerly line of said Parcel 5, said point being distant thereon North 88°47'48" West 1.29 feet from the northeast corner of said Parcel 5,

thence continuing North 01°11'44" East 177.88 feet to a point on a non-tangent curve concave southerly and having a radius of 475.00 feet, a radial line of said curve from said point bears South 09°00'09" East, said point being on the southerly right-of-way line of Market Place as shown on said Parcel Map No. 27400;

thence along said right of way line through the following two courses:

along said curve easterly 84.61 feet through a central angle of 10°12'21";

thence tangent from said curve South 88°47'48" East 236.49 feet to the northeasterly corner of said Parcel 7;

thence leaving said right of way line along the easterly line of said Parcel 7 through the following nine courses:

South 01°12'12" West 163.41 feet;

thence North 88°47'48" West 69.81 feet;

thence South 01°12'12" West 322.00 feet;

thence South 88°47'48" East 120.33 feet

thence South 01°12'12" West 56.67 feet;

thence South 88°47'48" East 250.15 feet;

thence South 01°12'12" West 45.72 feet;

thence North 88°47'48" West 209.90 feet;

thence South 01°12'12" West 190.71 feet to the POINT OF BEGINNING.

## PARCEL 2

PARCEL B AS SHOWN ON EXHIBIT "B" ATTACHED TO CERTIFICATE OF COMPLIANCE (WAIVER OF PARCEL MAP PMW 07-10) RECORDED JUNE 1, 2007 AS INSTRUMENT NO. 20070364238 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA AND DESCRIBED AS FOLLOWS:

That certain parcel of land situated in the City of Palm Desert, County of Riverside, State of California, being portions of Parcels 1, 5, 6 and 7 as shown on Parcel Map No. 27400 filed in Book 183, Pages 38 through 42, of Parcel Maps, in the Office of the County Recorder, of said County of Riverside, more particularly described as a whole as follows:

BEGINNING at the northwest corner of Parcel 15 of said Parcel Map No. 27400;

thence along the northerly line of said Parcel 15 North 89°45'08" East 12.70 feet to a point distant thereon South 89°45'08" West 158.43 feet from the northeast corner of said Parcel 15;

thence leaving the northerly line of said Parcel 15 North 01°11'41" East 198.86 feet to a point on the southerly line of said Parcel 7, said point being distant thereon South 88°47'48" East 17.22 feet from the southeast corner of said Parcel 5;

thence North 01°11'10" East 259.73 feet;

thence North 88°48'16" West 18.42 feet;

EXHIBIT A-3

thence North 01°11'44" East 87.42 feet to a point on the northerly line of said Parcel 5, said point being distant thereon North 88°47'48" West 1.29 feet from the northeast corner of said Parcel 5;

thence continuing North 01°11'44" East 177.88 feet to a point on a non-tangent curve concave southerly and having a radius of 475.00 feet, a radial line of said curve from said point bears South 09°00'09" East, said point being on the southerly right-of-way line of Market Place as shown on said Parcel Map No. 27400;

thence along said right of way line through the following two courses:

along said curve westerly 78.43 feet through a central angle of 09°27'39";

thence tangent from said curve South 71°32'13" West 75.65 feet to a point of cusp with a curve concave southwesterly and having a radius of 25.00 feet, a radial line of said curve from said point bears South 18°27'47" East;

thence leaving said right of way line along said curve easterly and southeasterly 47.85 feet through a central angle of 109°39'31";

thence tangent from said curve South 01°11'44" West 166.46 feet to the beginning of a tangent curve concave northeasterly and having a radius of 53.00 feet;

thence along said curve southeasterly 50.34 feet through a central angle of 54°25'04";

thence tangent from said curve South 53°13'20" East 60.33 feet;

thence South 01°11'10" West 211.19 feet to a point on the southerly line of said Parcel 5, said point being distant thereon South 88°47'48" East 102.11 feet from the southwest corner of said Parcel 5;

thence continuing South 01°11'10" West 99.90 feet to a point on the southerly line of said Parcel 1;

thence North 89°45'08" East 45.84 feet;

thence South 00°03'40" East 100.47 feet to the POINT OF BEGINNING.

#### PARCEL 3

PARCEL C, AS SHOWN ON EXHIBIT "B" ATTACHED TO CERTIFICATE OF COMPLIANCE (WAIVER OF PARCEL MAP PMW 07-11) RECORDED JUNE 1, 2007 AS INSTRUMENT NO. 20070364240 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA AND DESCRIBED AS FOLLOWS:

That certain parcel of land situated in the City of Palm Desert, County of Riverside, State of California, being portions of Parcels 15 and 16, as shown on Parcel Map No. 27400, filed in Book 183, Pages 38 through 42, of Parcel Maps, in the Office of the County Recorder of said County of Riverside, more particularly described as a whole as follows:

EXHIBIT A-3

BEGINNING at the southeast corner of said Parcel 15 said point also being on the northerly right of way line of Country Club Drive as shown on said Parcel Map No. 27400;

thence along said northerly right of way line South 89°45'08" West 186.14 feet;

thence leaving said right of way line North 00°01'17" West 195.22 feet;

thence North 89°45'08" East 25.93 feet;

thence North 01°12'12" East 39.80 feet to a point on the northerly line of said Parcel 15;

thence along said northerly line North 89°45'08" East 158.43 feet to the northeast corner of said Parcel 15;

thence along the easterly line of said Parcel 15 South 00°14'52" East 235.00 feet to the POINT OF BEGINNING.

PARCEL 4

PARCEL B, AS SHOWN ON EXHIBIT "B" ATTACHED TO CERTIFICATE OF COMPLIANCE (WAIVER OF PARCEL MAP PMW 07-11) RECORDED JUNE 1, 2007 AS INSTRUMENT NO. 20070364240 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA AND DESCRIBED AS FOLLOWS:

That certain parcel of land situated in the City of Palm Desert, County of Riverside, State of California, being portions of Parcels 15, 16 and 19, as shown on Parcel Map No. 27400, filed in Book 183, Pages 38 through 42, of Parcel Maps in the Office of the County Recorder, of said County of Riverside, more particularly described as a whole as follows:

COMMENCING at the northwest corner of said Parcel 19;

thence along the northerly line of said Parcel 19 North 89°45'08" East 634.42 feet to the TRUE POINT OF BEGINNING;

thence leaving said northerly line South 01°11'10" West 100.50 feet to a point on the northerly line of said Parcel 16;

thence South 00°00'15" East 235.00 feet to the northerly right of way line of Country Club Drive as shown on said Parcel Map No. 27400;

thence along said northerly right of way line North 89°45'08" East 34.01 feet;

thence leaving said northerly right of way line North 00°01'17" West 195.22 feet;

thence North 89°45'08" East 25.93 feet;

thence North 01°12'12" East 39.80 feet;

thence South 89°45'08" West 12.70 feet;

thence North 00°03'40" West 100.47 feet;

thence South 89°45'08" West 45.84 feet to the TRUE POINT OF BEGINNING.

PARCEL 5

Parcels 8, 9, 10, 11, 12 and 14 as shown on Parcel Map No. 27400 filed in Book 183, Pages 38 through 42, of Parcel Maps, in the office of the County Recorder, of said County of Riverside, California.

PARCEL 6

A non-exclusive easement for pedestrian ingress and egress over Drive Aisle Two as set forth in that certain Declaration of Easements, Covenants, Conditions and Restrictions recorded June 28, 2007 as Instrument No. 2007-0423771 of Official Records.

EXHIBIT A-3

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**EXHIBIT B**

**RENT ROLLS**

[To be Attached]

**EXHIBIT B**

EXHIBIT C

CONTRACTS

VENDOR

DATE  
[BORROWER  
TO PROVIDE]

SUBJECT MATTER/PURPOSE

EXHIBIT C

EXHIBIT D

FORM OF GRANT DEED

RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:

ROIC CA NOTES II, LLC  
c/o Retail Opportunity Investments Corp.  
3 Manhattanville Road, 2nd Floor  
Purchase, New York 10577  
Attention: Chief Financial Officer

MAIL TAX STATEMENTS TO:

ROIC CA NOTES II, LLC  
c/o Retail Opportunity Investments Corp.  
3 Manhattanville Road, 2nd Floor  
Purchase, New York 10577  
Attention: Chief Financial Officer

GRANT DEED IN LIEU OF FORECLOSURE

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, \_\_\_\_\_, a Washington limited liability company ("**Grantor**"), hereby grant and assign to ROIC CA NOTES II, LLC, a Delaware limited liability company ("**Grantee**"), all that certain real property located in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of California, as more particularly described in Exhibit A attached hereto and by this reference incorporated herein, together with all right, title and interest of Grantor in and to all buildings and improvements now located or hereafter constructed thereon (the "**Real Property**").

This Grant Deed in Lieu of Foreclosure is intended to be and is an absolute conveyance, and not a mortgage, trust conveyance or security instrument of any kind, Grantor having sold such Real Property to Grantee for a fair and adequate consideration, such consideration, in addition to that above recited, being the release of Grantor from all obligations secured by, among other things, that certain Deed of Trust, Assignment of Rents and Leases, and Security Agreement (the "**Deed of Trust**") executed by Grantor, as trustor, to \_\_\_\_\_, as trustee, for the benefit of U.S. Bank National Association ("**Original Lender**") (the rights and obligations of which have been assigned to ROIC CA Notes LLC, a Delaware limited liability company ("**Lender**")), as beneficiary, dated as of \_\_\_\_\_ and recorded in the Official Records of \_\_\_\_\_ County, California on \_\_\_\_\_ as Instrument No. \_\_\_\_\_.

In executing this Grant Deed in Lieu of Foreclosure, it is the intention of Grantor to convey to Grantee, and by this Grant Deed in Lieu of Foreclosure Grantor does convey to

EXHIBIT D

Grantee, all of Grantor's right, title and interest absolutely in and to the Real Property, free of any right of reinstatement or equity of redemption, and possession of the Real Property is intended to be and hereby is surrendered to Grantee concurrently herewith.

In executing and delivering this Grant Deed in Lieu of Foreclosure, Grantor is not acting under misapprehension as to the effect hereof, and is acting freely and voluntarily and not under coercion or duress.

Grantor freely and voluntarily declares Grantor's belief that, at the time of the execution and delivery of this Grant Deed in Lieu of Foreclosure, the consideration recited above received by Grantor represents the fair value of the Real Property.

Grantor declares that, except for this Grant Deed in Lieu of Foreclosure, that certain Bill of Sale and Assignment of even date herewith executed by Grantor for the benefit of Grantee (the "**Bill of Sale**"), that certain Conveyance in Lieu of Foreclosure Agreement dated as of January \_\_, 2011 (the "**Agreement**"), executed by Grantor, Lender and the other parties named therein (to the extent that such Agreement states that it survives this conveyance), and the other documents and instruments executed pursuant to the Agreement, and except for the Deed of Trust, the Assignment of Leases and the other Loan Documents referred to in the Agreement, there are no agreements, oral or written, between Grantor and Grantee with respect to the Real Property.

Notwithstanding anything to the contrary herein or in the Deed of Trust, the Assignment of Leases, the Bill of Sale or the Agreement, or in any other document or instrument executed or delivered herewith or therewith, in no event shall there be a merger of the fee interest in the Real Property, on the one hand, with the beneficial interest under the Deed of Trust, on the other hand, by reason of the fact that title to the Real Property may at any time be vested in the same person or entity as is then beneficiary under the Deed of Trust (or an affiliate thereof), but the Deed of Trust is intended to, and shall, survive the conveyance of the Real Property effectuated hereby, and shall continue in full force and effect, until foreclosed or reconveyed by instrument duly executed by the beneficiary thereof in writing, as a lien encumbering the fee interest in the Real Property.

[End of Text; Signature on Next Page]

EXHIBIT D

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IN WITNESS WHEREOF, Grantor has executed this Grant Deed in Lieu of Foreclosure as of \_\_\_\_\_, 2011.

LAKHA PROPERTIES - \_\_\_\_\_, a Washington  
limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

EXHIBIT D

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STATE OF \_\_\_\_\_ }  
  } SS.  
COUNTY OF \_\_\_\_\_ }

On \_\_\_\_\_, before me, \_\_\_\_\_, personally appeared Amin S. Lakha, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

EXHIBIT A

DESCRIPTION OF THE LAND

EXHIBIT D

**STATEMENT OF DOCUMENTARY TRANSFER TAX DUE AND  
REQUEST THAT AMOUNT OF TAX NOT BE MADE A PART  
OF THE PERMANENT RECORD IN THE OFFICE OF THE COUNTY RECORDER**

To: Registrar – Recorder  
County of \_\_\_\_\_

Request is hereby made in accordance with Section 11932 of the Revenue & Taxation Code that the amount of tax shall be shown on this statement, which shall be affixed to the document by the recorder after the record is made and before the original is returned as specified in Section 27321 of the Government Code.

The attached document names:

[INSERT NAME OF SELLER, a \_\_\_\_\_,  
as grantor

and

[INSERT NAME OF BUYER], a \_\_\_\_\_,  
as grantee

The property described in the attached document is located in \_\_\_\_\_ County, California.

The amount of tax due on the attached document is:

\$ \_\_\_\_\_ County; \$ \_\_\_\_\_ City of \_\_\_\_\_

\_\_\_\_\_ Computed on full value of property conveyed

**OR**

\_\_\_\_\_ Computed on full value LESS liens and encumbrances remaining at the time of the sale.

Please see attached signature page

Very truly yours,

EXHIBIT D  
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LAKHA PROPERTIES - \_\_\_\_\_, a Washington  
limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

EXHIBIT D

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EXHIBIT E

BILL OF SALE AND ASSIGNMENT

THIS BILL OF SALE AND ASSIGNMENT (this "**Assignment**") is entered into as of \_\_\_\_\_, 2011, by and between LAKHA PROPERTIES - \_\_\_\_\_, a Washington limited liability company ("**Assignor**"), and ROIC CA NOTES II, LLC, a Delaware limited liability company ("**Assignee**"), with reference to the following facts:

A. Assignor is the owner of that certain real property (the "**Land**") located in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of California, as more particularly described in Exhibit A attached hereto, and all buildings and other improvements (including fixtures) located on the Land, together with all rights and interests appurtenant to the Land (collectively, the "**Improvements**"). The Land and the Improvements are sometimes referred to herein collectively as the "**Real Property**".

B. Subject to all of the terms and conditions set forth in that certain Conveyance in Lieu of Foreclosure Agreement dated as of January \_\_, 2011 by and between Assignor, Lender and the other parties named therein (the "**Agreement**"), Assignor agreed to convey, and Lender at its sole option agreed to cause Assignee to accept, all of Assignor's right, title and interest in and to all of the real and personal property encumbered by the Deeds of Trust. Initially capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Assignment. Assignor hereby transfers, conveys and assigns to Assignee all of the right, title and interest of Assignor in and to (a) the Personal Property, (b) the Leases, including, without limitation, those Leases described on Exhibit B attached hereto, (c) the Intangible Property, (d) the Disclosure Materials, and (e) the Receivables.

The Personal Property, the Leases, the Intangible Property, the Disclosure Materials and the Receivables are sometimes collectively referred to as the "**Conveyed Property**".

2. Absolute Assignment. This Assignment is absolute. Assignee shall have all of the rights of Assignor under the Conveyed Property assigned, including, without limitation, the right to enforce any and all of the provisions of the Leases, the Intangible Property, the Disclosure Materials and the Receivables.

3. Further Documents. Assignor hereby covenants that Assignor will, at any time and from time to time, upon request therefor, execute and deliver to Assignee, Assignee's nominees, successors and assigns, any new and confirmatory instruments requested by Assignee and do and perform any other acts which Assignee, Assignee's nominees, successors and assigns request in order to fully convey, transfer and assign to Assignee all or any portion of the Conveyed Property intended to be conveyed, transferred, or assigned hereby.

EXHIBIT E

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4. No Assumption of Obligations. Assignor acknowledges and agrees that neither Assignee nor Lender is assuming any liabilities associated with or attributable to all or any portion of the Conveyed Property.

5. Successors and Assigns. This Assignment shall bind and benefit the parties hereto and their respective successors and permitted assigns.

6. Absolute Conveyance; No Merger.

(a) Absolute Conveyance. Assignor acknowledges and agrees that (a) the conveyance to Assignee of the Conveyed Property according to the terms of this Assignment, is given voluntarily and is an absolute conveyance of all of Assignor's right, title and interest in and to the Conveyed Property in fact as well as form and is not intended as a mortgage, trust conveyance, deed of trust or security instrument of any kind; and (b) the consideration for such conveyance is exactly as recited herein and Assignor has no further interest or claim of any kind (including, but not limited to, homestead rights and rights of redemption) in or to any portion of the Conveyed Property, or to the proceeds and profits which may be derived thereof, whether sold for more or less than the outstanding indebtedness due under the Loan Documents.

(b) No Merger, etc. It is the intent of Assignor and Assignee that (a) the interests of Assignor conveyed to Assignee hereunder and the interests of Lender existing under the Deed of Trust shall not merge upon or after Closing, (b) the Deed of Trust and the Note shall continue in full force and effect and the Deed of Trust shall remain as a first priority lien against the Real Property notwithstanding the transfer of the Real Property to Assignee and Lender's covenant not to sue Assignor pursuant to Section 5.1 of the Agreement, and (c) Lender shall retain the right to foreclose upon the Real Property, whether judicially or non-judicially pursuant to its power of sale under the Deed of Trust, after the Closing but agrees not to seek a judgment for deficiency against Assignor or Assignor's constituent owners.

[End of Text; Signatures on Next Page]

EXHIBIT E

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IN WITNESS WHEREOF, Assignor and Assignee have executed this Bill of Sale and Assignment as of the date first above written.

ASSIGNOR:

LAKHA PROPERTIES - \_\_\_\_\_, LLC, a Washington  
limited liability company

By:

\_\_\_\_\_  
Amin S. Lakha, Manager

[Signatures Continued On Next Page]

EXHIBIT E

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ASSIGNEE:

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT E

EXHIBIT A  
LEGAL DESCRIPTION

EXHIBIT E

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EXHIBIT B

LEASES

EXHIBIT E

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**EXHIBIT F**

**FORM OF ESTOPPEL AFFIDAVIT**  
(Conveyance-in-Lieu of Foreclosure)

STATE OF CALIFORNIA            )  
  ) SS.  
COUNTY OF                            )

Amin S. Lakha, an individual ("**Affiant**") for himself, deposes and says:

Affiant is the sole member and manager of LAKHA PROPERTIES - \_\_\_\_\_, LLC, a Washington limited liability company ("**Grantor**").

Grantor is the identical party who made, executed, and delivered that certain Grant Deed in Lieu of Foreclosure (the "**Grant Deed**") to \_\_\_\_\_, dated of even date herewith, conveying that certain Real property more particularly described on Exhibit A attached hereto (collectively, the "**Real Property**").

That the Grant Deed is intended to be and is an absolute conveyance of the title to the Real Property to the grantee named therein, and was not and is not now intended as a mortgage, trust conveyance, or security of any kind; that it is/was the intention of Affiant, as manager and sole member of the applicable Grantor, as well as the intention of Grantor by the Grant Deed to convey, and by the Grant Deed, Grantor did convey to the grantee therein, all of Grantor's rights, title and interest absolutely in and to the Real Property; that possession of the Real Property has been surrendered to the grantee;

That in the execution and delivery of the Grant Deed, Grantor was not acting under any misapprehension as to the effect thereof, and acted freely and voluntarily and was not acting under coercion or duress;

That possession of the Real Property has been surrendered to the grantee named in the Grant Deed;

That the consideration to Grantor for the Grant Deed was and is the covenant not to sue and other consideration set forth in that certain Conveyance in Lieu of Foreclosure Agreement dated as of \_\_\_\_\_, 2011 (the "**Agreement**"), executed by Grantor, ROIC CA Notes LLC, Delaware limited liability company ("**Lender**"), and the other parties named therein; that at the time of making the Grant Deed, Affiant believed and now believes that the aforesaid consideration therefor represents the fair value of the Real Property so deeded;

This affidavit is made for the protection and benefit of the grantee in the Grant Deed, and such grantee's successors and assigns, and all other parties hereafter dealing with or who may acquire an interest in the Real Property herein described, and particularly for the benefit of First American Title Insurance Company, which is about to insure the title to the Real Property in



reliance thereon, and any other title company which may hereafter insure the title to the Real Property;

That Affiant will testify, declare, depose or certify under penalty of perjury before any competent tribunal, officer, or person, in any case now pending or which may hereafter be instituted, to the truth of the particular facts hereinabove set forth.

Dated as of: \_\_\_\_\_, 2011.

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Amin S. Lakha, an individual

EXHIBIT F

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STATE OF \_\_\_\_\_ }  
                                      } SS.  
COUNTY OF \_\_\_\_\_ }

On \_\_\_\_\_, before me, \_\_\_\_\_, personally appeared Amin S. Lakha who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

EXHIBIT F

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**EXHIBIT F-1**

**FORM OF RELEASE OF LENDER PARTIES**

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, LAKHA PROPERTIES-SACRAMENTO, LLC, a Washington limited liability company ("**LPS**"), LAKHA PROPERTIES-SACRAMENTO II LLC, a Washington limited liability company ("**LPS II**"), LAKHA PROPERTIES-PALM DESERT, LLC, a Washington limited liability company ("**LPPD**"), LAKHA INVESTMENT CO., LLC, a Washington limited liability company ("**LIC**") (individually and collectively referred to and jointly and severally obligated as "**Borrower**"), and AMIN S. LAKHA, an individual ("**Guarantor**"), hereby agree as follows:

1. Borrower and Guarantor do hereby fully, forever and irrevocably release, discharge and acquit each and all of (i) ROIC CA Notes, LLC, a Delaware limited liability company ("**Lender**"), (ii) ROIC CA Notes II, LLC, a Delaware limited liability company ("**Buyer**"), and each and all of Lender's and Buyer's respective past and present affiliates, and the respective past and present officers, directors, shareholders, agents, and employees of each and all of the foregoing entities, and each and all of their respective predecessors, successors, heirs, and assigns, and any other person or entity now, previously, or hereafter affiliated with any or all of the foregoing entities (Lender, Buyer and each and all said affiliates, officers, directors, shareholders, agents and employees shall be collectively referred to herein below as the "**Lender Released Parties**" and each such reference shall refer jointly and severally to Lender, Buyer and such other persons and entities), of and from any and all rights, claims, demands, obligations, liabilities, indebtedness, breaches of contract, breaches of duty or any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, debts, sums of money, accounts, compensations, contracts, controversies, promises, damages, costs, losses and expenses of every type, kind, nature, description or character, and irrespective of how, why, or by reason of what facts, whether heretofore or now existing, or that could, might, or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, claimed or unclaimed, whether based on contract, tort, breach of any duty, or other legal or equitable theory of recovery, each as though fully set forth herein at length (collectively a "**Claim**" or the "**Claims**") which arise from, in respect of, in connection with, out of, or relate to the Loan or the Loan Documents or the administration thereof, or the Property or any other collateral for the Loan, as well as any action or inaction of the Lender Released Parties or any of them with respect to the Loan or the administration thereof arising or occurring on or before the date hereof. The aforementioned Release shall not apply to any Claims that Borrower or Guarantor may have under that certain Conveyance in Lieu of Foreclosure Agreement dated as of January \_\_, 2011 executed by Borrower Parties and Lender (the "**Agreement**") or any documents which are executed by the Borrower Parties and Lender or Buyer in connection with the Closing of such Agreement.

2. Borrower and Guarantor irrevocably covenant and agree that they shall forever refrain from initiating, filing, instituting, maintaining, or proceeding upon, or encouraging, advising or voluntarily assisting any other person or entity to initiate, institute, maintain or proceed upon any Claim of any nature whatsoever released in Paragraph 1 above.

EXHIBIT F-1

3. Borrower and Guarantor represent and warrant that they are the owners of and have not assigned, sold, transferred, or otherwise disposed of any of the Claims released in paragraph 1 above.

4. Borrower and Guarantor represent and warrant that they have the authority and capacity to execute this Release.

5. As further consideration for this Release, each Borrower and Guarantor, for itself, its successors and its assigns, hereby agrees, represents, and warrants that the matters released herein are not limited to matters that are known or disclosed, and each Borrower and Guarantor hereby waives any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the Civil Code of the State of California, which Section provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

BORROWER AND GUARANTOR ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES AND OBLIGATIONS WHICH ARE RELEASED BY THIS RELEASE IN FAVOR OF THE LENDER RELEASED PARTIES, AND EACH BORROWER AND GUARANTOR HEREBY EXPRESSLY, UNCONDITIONALLY AND IRREVOCABLY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT, HE OR SHE MIGHT OTHERWISE HAVE WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, AND OBLIGATIONS. TO THE EXTENT (IF ANY) SUCH LAWS MAY BE APPLICABLE, EACH BORROWER AND GUARANTOR EXPRESSLY, UNCONDITIONALLY AND IRREVOCABLY WAIVE AND RELEASE, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY RIGHT OR DEFENSE WHICH IT, HE OR SHE MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OR ANY APPLICABLE JURISDICTION, WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY WAIVERS OR RELEASES UNDER THIS RELEASE.

6. It is understood and agreed that the acceptance of delivery of this Release by the Lender Released Parties shall not be deemed or construed as an admission of liability by any

EXHIBIT F-1

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Lender Released Parties, and each such party hereby expressly denies liability of any nature whatsoever arising from or related to the subject of this Release.

7. Each Borrower and Guarantor hereby agrees, represents, and warrants that it has had advice of counsel of its own choosing in negotiations for and the preparation of this Release, that it has read this Release or has had the same read to them by its counsel, that it has had this Release fully explained by such counsel, and that it is fully aware of its content and legal effect. This Release may be pleaded as a full and complete defense to or be used as the basis for an injunction against any action, suit, or other proceeding that may be instituted, prosecuted, or attempted in breach of this Release. Borrower expressly agrees that the customary rule of contract interpretation to the effect that ambiguities are to be construed or resolved against the drafting party shall not be employed in the interpretation or construction of this Release.

8. In the event an action is brought arising out of an alleged breach of this Release, the prevailing party in said action will be entitled to recover from the breaching party, in addition to any other relief provided by the law, such costs and expenses as may be incurred by the prevailing party, including court costs and reasonable attorneys' fees and disbursements and other reasonable costs and expenses.

9. This Release will be binding upon and for the benefit of the parties hereto and their respective successors, heirs, devisees, executors, affiliates, representatives, assigns, officers, agents, and employees wherever the context requires or admits.

10. This Release is governed by and shall be construed under the laws of the State of California.

11. This Release may be executed by facsimile or other electronic means, and in any number of counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

12. Initially capitalized terms not defined herein shall have the meaning ascribed to such terms in the Agreement.

13. PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

[Signatures on Next Page]

EXHIBIT F-1

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**BORROWER:**

LAKHA INVESTMENT CO., L.L.C.,  
a Washington limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

LAKHA PROPERTIES-SACRAMENTO II, LLC  
a Washington limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

LAKHA PROPERTIES-SACRAMENTO, LLC,  
a Washington limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

LAKHA PROPERTIES-PALM DESERT, LLC,  
a Washington limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

**GUARANTOR:**

\_\_\_\_\_  
Amin S. Lakha, an individual

STATE OF \_\_\_\_\_ }  
  } SS.  
COUNTY OF \_\_\_\_\_ }

On \_\_\_\_\_, before me, \_\_\_\_\_, personally appeared Amin S. Lakha who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)



EXHIBIT F-2

FORM OF RELEASE OF BORROWER PARTIES

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, ROIC CA NOTES LLC, a Delaware limited liability company ("**Lender**") and ROIC CA NOTES II, LLC, a Delaware limited liability company, for themselves and for their successors and assigns (collectively, the "**Lender Parties**"), hereby agrees as follows:

1. So long as no Triggering Event (as hereinafter defined) has occurred, Lender Parties do hereby fully, forever and irrevocably release, discharge and acquit each and all of LAKHA PROPERTIES-SACRAMENTO, LLC, a Washington limited liability company, LAKHA PROPERTIES-SACRAMENTO II LLC, a Washington limited liability company, LAKHA PROPERTIES-PALM DESERT, LLC, a Washington limited liability company, LAKHA INVESTMENT CO., LLC, a Washington limited liability company, and AMIN S. LAKHA, an individual (individually and collectively, the "**Borrower Parties**", and each such reference shall refer individually and collectively to each and all of the Borrower Parties) and each and all of their respective past and present officers, directors, shareholders, agents, and employees, as applicable (the Borrower Parties and each and all said officers, directors, shareholders, agents and employees shall be collectively referred to herein below as the "**Released Parties**" and each such reference shall refer jointly and severally to each and all of the Borrower Parties and such officers, directors, shareholders, agents and employees) of and from any and all deficiency judgments and personal liability which arise under or are evidenced by the Loan Documents including, without limitation, all rights, claims, demands, obligations, liabilities, indebtedness, breaches of contract, breaches of duty or any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, debts, sums of money, accounts, compensations, contracts, controversies, promises, damages, costs, losses and expenses of every type, kind, nature, description or character, and irrespective of how, why, or by reason of what facts, whether heretofore or now existing, or that could, might, or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, claimed or unclaimed, whether based on contract, tort, breach of any duty, or other legal or equitable theory of recovery, each as though fully set forth herein at length (collectively a "**Claim**" or the "**Claims**") which arise under or are evidenced by the Loan Documents. The aforementioned Release shall not apply to (a) any Claims that Lender may have under (i) that certain Conveyance in Lieu of Foreclosure Agreement dated as of January \_\_, 2011 executed by Borrower Parties and Lender (the "**Agreement**") or any documents which are executed by the Borrower Parties and Lender or Buyer in connection with the Closing of such Agreement and/or (ii) the following Indemnity Agreements executed in favor of U.S. Bank, as predecessor in interest to Lender: Indemnity Agreement dated July 25, 2005 executed by Guarantor and LPS II; Indemnity Agreement dated August 29, 2005 executed by Guarantor and LPS; Indemnity Agreement dated July 24, 2007 executed by LIC, Guarantor and LPS; and Indemnity Agreement dated July 24, 2007 executed by Guarantor and LPPD, and (b) shall not preclude Lender from foreclosing the lien of the Deeds of Trust.

EXHIBIT F-2

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Unless and until Lender has received evidence satisfactory to Lender that the Gilroy Letter of Credit has been terminated and there have been no draws on the Gilroy Letter of Credit for which Borrower Parties have failed to reimburse Lender within ninety (90) days after Lender's demand for reimbursement with respect thereto, the aforementioned release shall not apply to and shall have no effect with respect to (a) the obligations of Lakha Investment Co., LLC with respect to that certain Continuing Reimbursement Agreement for Standby Letters of Credit dated July 25, 2006 between Lakha Investment Co., LLC and U.S. Bank National Association, as predecessor in interest to Lender, and (b) the obligations of Amin S. Lakha under the following documents, each of which were executed by Amin S. Lakha in favor of U.S. Bank National Association, as predecessor in interest to Lender, as the same relate to the obligations of Lakha Investment Co., LLC with respect to the aforementioned Continuing Reimbursement Agreement for Standby Letters of Credit: Continuing Guaranty dated February 26, 2003 (with Spousal Consent); Reaffirmation of Guaranty dated April 15, 2005; Continuing Guaranty dated November 21, 2005; Continuing Guaranty dated December 30, 2005; Continuing Guaranty dated June 8, 2006; Continuing Guaranty dated July 25, 2006; Continuing Guaranty dated July 24, 2007; and Second Amendment to Continuing Guaranty dated April 13, 2009.

2. "**Triggering Event**" shall mean any or all of the following:

(a) The occurrence of any Bankruptcy Action within twelve (12) months after the date hereof, or the occurrence of any Bankruptcy Action that results in a rescission of the transfer of any interest, whether direct or indirect, in any Property to Buyer or any determination that any interest, whether direct or indirect, in any Property was fraudulently conveyed to Buyer. For the purposes hereof, "**Bankruptcy Action**" means (i) the filing by any Borrower Party of a voluntary petition for relief under any present or future, federal, state or other statute or law governing bankruptcy, insolvency or the rehabilitation or liquidation of insurers (collectively, the "**Bankruptcy Code**") or the adjudication of any Borrower Party as a debtor, bankrupt or insolvent, or (ii) the filing by any Borrower Party of any petition or answer seeking or consenting to or acquiescing in any order for relief, reorganization, rehabilitation, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code, or (iii) the filing by any Borrower Party of an answer admitting or failing to deny the material allegations of a petition against any Borrower Party for any such relief, or (iv) the failure within twenty (20) days after the commencement of any involuntary proceeding against any Borrower Party, whether commenced by the filing of a petition or otherwise, seeking any order for relief, reorganization, rehabilitation, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Code, to have such proceeding discharged, stayed or dismissed, or (v) the failure by any Borrower Party, within ninety (90) days after the appointment (without the consent or acquiescence of such Borrower Party) of any trustee, conservator, receiver or liquidator of or for any Borrower Party, to have such an appointment vacated or otherwise discharged;

(b) any Borrower Party or its affiliate shall file any complaint, cross complaint, answer or other pleading of any type or nature by which any Borrower Party or its affiliate or any successor-in-interest thereto seeks to enjoin, restrain or otherwise interfere with the completion of any sale under, or any power of sale contained in, any Deed of Trust; or

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(c) any Borrower Party violates the terms of Section 2 of that certain Release of Lender, dated as of the date hereof, executed by the Borrower Parties for the benefit of the Lender Parties by, among other things, bringing any claims or suits against a Lender Party.

3. As further consideration for this Release, the Lender Parties hereby agrees, represents, and warrants that the matters released herein are not limited to matters that are known or disclosed, and Lender Parties hereby waive any and all rights and benefits that they now have, or in the future may have, conferred upon it by virtue of any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the Civil Code of the State of California, which Section provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

LENDER ASSUMES THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES AND OBLIGATIONS WHICH ARE RELEASED BY THIS RELEASE IN FAVOR OF THE RELEASED PARTIES, AND LENDER HEREBY EXPRESSLY, UNCONDITIONALLY AND IRREVOCABLY WAIVES AND RELEASE ALL RIGHTS AND BENEFITS WHICH IT, HE OR SHE MIGHT OTHERWISE HAVE WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, AND OBLIGATIONS. TO THE EXTENT (IF ANY) SUCH LAWS MAY BE APPLICABLE, LENDER EXPRESSLY, UNCONDITIONALLY AND IRREVOCABLY WAIVES AND RELEASES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY RIGHT OR DEFENSE WHICH IT, HE OR SHE MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OR ANY APPLICABLE JURISDICTION, WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY WAIVERS OR RELEASES UNDER THIS RELEASE.

4. The release set forth in Paragraph 1 above shall not constitute a waiver of, nor shall it apply to, any claim, demand, liability, indebtedness, breach of contract, breach of duty or any relationship, act, omission, misfeasance, malfeasance, cause of action, debt, sum of money, account, compensation, contract, controversy, promise, damage, cost, loss or expense not expressly identified in Paragraph 1. The release set forth in Paragraph 1 above shall be for the sole and exclusive benefit of the Borrower Parties and no other person or entity shall have any rights therein.

EXHIBIT F-2

5. It is understood and agreed that the acceptance of delivery of this Release by the Released Parties shall not be deemed or construed as an admission of liability by any Released Parties, and each such party hereby expressly denies liability of any nature whatsoever arising from or related to the subject of this Release.

6. Each of the Lender Parties hereby agrees, represents, and warrants that it has had advice of counsel of its own choosing in negotiations for and the preparation of this Release, that it has read this Release or has had the same read to them by their counsel, that it has had this Release fully explained by such counsel, and that it is fully aware of its content and legal effect. This Release may be pleaded as a full and complete defense to or be used as the basis for an injunction against any action, suit, or other proceeding that may be instituted, prosecuted, or attempted in breach of this Release. Each of the Lender Parties expressly agrees that the customary rule of contract interpretation to the effect that ambiguities are to be construed or resolved against the drafting party shall not be employed in the interpretation or construction of this Release.

7. In the event an action is brought arising out of an alleged breach of this Release, the prevailing party in said action will be entitled to recover from the breaching party, in addition to any other relief provided by the law, such costs and expenses as may be incurred by the prevailing party, including court costs and reasonable attorneys' fees and disbursements and other reasonable costs and expenses.

8. This Release will be binding upon and for the benefit of the parties hereto and their respective successors, heirs, devisees, executors, affiliates, representatives, assigns, officers, agents, and employees wherever the context requires or admits.

9. This Release is governed by and shall be construed under the laws of the State of California.

10. This Release may be executed by facsimile or other electronic means, and in any number of counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

11. Initially capitalized terms not defined herein shall have the meaning ascribed to such terms in the Agreement.

12. PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

[Signatures on Next Page]

EXHIBIT F-2

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IN WITNESS WHEREOF, the undersigned has executed and delivered this Release of Borrower Parties on the date and year first written above.

LENDER PARTIES:

ROIC CA NOTES LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: John Roche  
Title: Chief Financial Officer

ROIC CA NOTES II, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: John Roche  
Title: Chief Financial Officer

EXHIBIT F-2

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**EXHIBIT G**

**FORM OF DISMISSAL OF ACTION**

[TO BE ATTACHED]

EXHIBIT G

-1-

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ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address) Piero C. Dallarda (SBN 181497)/ Jerry Dagrella (SBN 219948) Best Best & Krieger LLP 3750 Univeristy Ave. Suite 400 (PO Box 1028) Riverside, CA 92502 TELEPHONE NO: 951.686.1450      FAX NO. (Optional) 951.686.3083 E-MAIL ADDRESS (Optional) ATTORNEY FOR (Name) Plaintiffs Lakha Properties-Palm Desert, LLC et al.	FOR COURT USE ONLY
SUPERIOR COURT OF CALIFORNIA, COUNTY OF Riverside STREET ADDRESS: 4050 Main Street MAILING ADDRESS: CITY AND ZIP CODE: Riverside, CA 92501 BRANCH NAME:	
PLAINTIFF/PETITIONER: Lakha Properties-Palm Desert, LLC et al. DEFENDANT/RESPONDENT: Retail Opportunity Investments Corporation, et al.	
REQUEST FOR DISMISSAL <input type="checkbox"/> Personal Injury, Property Damage, or Wrongful Death <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other <input type="checkbox"/> Family Law <input type="checkbox"/> Eminent Domain <input checked="" type="checkbox"/> Other (specify):	CASE NUMBER: RIC 1100741
- A conformed copy will not be returned by the clerk unless a method of return is provided with the document. -	

1. TO THE CLERK: Please dismiss this action as follows:
- a. (1)  With prejudice   (2)  Without prejudice
- b. (1)  Complaint   (2)  Petition  
 (3)  Cross-complaint filed by (name): \_\_\_\_\_ on (date): \_\_\_\_\_  
 (4)  Cross-complaint filed by (name): \_\_\_\_\_ on (date): \_\_\_\_\_  
 (5)  Entire action of all parties and all causes of action  
 (6)  Other (specify):\*

2. (Complete in all cases except family law cases.)

Court fees and costs were waived for a party in this case. (This information may be obtained from the clerk. If this box is checked, the declaration on the back of this form must be completed).

Date: \_\_\_\_\_

(TYPE OR PRINT NAME OF  ATTORNEY  PARTY WITHOUT ATTORNEY) \_\_\_\_\_ (SIGNATURE)

\*If dismissal requested is of specified parties only of specified causes of action only, or of specified cross-complaints only, so state and identify the parties, causes of action, or cross-complaints to be dismissed.

Attorney or party without attorney for:  
 Plaintiff/Petitioner    Defendant/Respondent  
 Cross-Complainant

3. TO THE CLERK: Consent to the above dismissal is hereby given.\*\*

Date: \_\_\_\_\_

(TYPE OR PRINT NAME OF  ATTORNEY  PARTY WITHOUT ATTORNEY) \_\_\_\_\_ (SIGNATURE)

\*\* If a cross-complaint – or Response (Family Law) seeking affirmative relief – is on file, the attorney for cross-complainant (respondent) must sign this consent if required by Code of Civil Procedure section 581 (i) or (j).

Attorney or party without attorney for:  
 Plaintiff/Petitioner    Defendant/Respondent  
 Cross-Complainant

(To be completed by clerk)

4.  Dismissal entered as requested on (date): \_\_\_\_\_

5.  Dismissal entered on (date): \_\_\_\_\_ as to only (name): \_\_\_\_\_

6.  Dismissal not entered as requested for the following reasons (specify): \_\_\_\_\_

7. a.  Attorney or party without attorney notified on (date): \_\_\_\_\_  
 b.  Attorney or party without attorney not notified. Filing party failed to provide  
 a copy to be conformed    means to return conformed copy

Date: \_\_\_\_\_ Clerk, by \_\_\_\_\_, Deputy

PLAINTIFF/PETITIONER: DEFENDANT/RESPONDENT:	CASE NUMBER:
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### Declaration Concerning Waived Court Fees

The court has a statutory lien for waived fees and costs on any recovery of \$10,000 or more in value by settlement, compromise, arbitration award, mediation settlement, or other recovery. The court's lien must be paid before the court will dismiss the case.

1. The court waived fees and costs in this action for *(name)*:
2. The person in item 1 *(check one)*:
  - a.  is not recovering anything of value by this action.
  - b.  is recovering less than \$10,000 in value by this action.
  - c.  is recovering \$10,000 or more in value by this action. *(If item 2c is checked, item 3 must be completed.)*
3.  All court fees and costs that were waived in this action have been paid to the court *(check one)*:  Yes  No

I declare under penalty of perjury under the laws of the State of California that the information above is true and correct.

Date: \_\_\_\_\_

\_\_\_\_\_  
(TYPE OR PRINT NAME OF  ATTORNEY  PARTY MAKING DECLARATION)



\_\_\_\_\_  
(SIGNATURE)



**EXHIBIT G-1**

**FORM OF FEDERAL CERTIFICATION OF NON-FOREIGN STATUS**

To inform \_\_\_\_\_ (the "**Transferee**") that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended ("**Code**") will not be required upon the transfer of certain real property to Transferee by \_\_\_\_\_, a Washington limited liability company (the "**Transferor**"), the undersigned hereby certifies the following on behalf of the Transferor:

1. The Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);
2. The Transferor's U.S. tax identification number is \_\_\_\_\_
3. The Transferor's office address is 500 108th Avenue N.E., Suite 2050, Bellevue, Washington 98004.
4. The Transferor is not a disregarded entity as defined in Section 1.1445-2(b)(2)(iii) of the Code.

The Transferor understands that this certification may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

The Transferor understands that the Transferee is relying on this certification in determining whether withholding is required upon said transfer.

Under penalty of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the Transferor.

Date: \_\_\_\_\_, 2011

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT G-2**

**FORM OF CALIFORNIA FORM 590**

[See Attached]

EXHIBIT G-2

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File this form with your withholding agent. (Please type or print)		Withholding agent's name	
Vendor/Payee's name		Vendor/Payee's <input type="checkbox"/> SOS no.	<input type="checkbox"/> Social security number <input type="checkbox"/> California corp. no. <input type="checkbox"/> FEIN
Vendor/Payee's address (number and street)		APT no.	Private Mailbox no. Vendor/Payee's daytime telephone no. ( )
City	State	ZIP Code	

I certify that for the reasons checked below, the entity or individual named on this form is exempt from the California income tax withholding requirement on payment(s) made to the entity or individual. Read the following carefully and check the box that applies to the vendor/payee:

- Individuals — Certification of Residency:**  
I am a resident of California and I reside at the address shown above. If I become a nonresident at any time, I will promptly inform the withholding agent. See instructions for Form 590, General Information D, for the definition of a resident.
- Corporations:**  
The above-named corporation has a permanent place of business in California at the address shown above or is qualified through the California Secretary of State to do business in California. The corporation will withhold on payments of California source income to nonresidents when required. If this corporation ceases to have a permanent place of business in California or ceases to be qualified to do business in California, I will promptly inform the withholding agent. See instructions for Form 590, General Information E, for the definition of permanent place of business.
- Partnerships:**  
The above-named partnership has a permanent place of business in California at the address shown above or is registered with the California Secretary of State, and is subject to the laws of California. The partnership will file a California tax return and will withhold on foreign and domestic nonresident partners when required. If the partnership ceases to do any of the above, I will promptly inform the withholding agent. **Note:** For withholding purposes, a Limited Liability Partnership is treated like any other partnership.
- Limited Liability Companies (LLC):**  
The above-named LLC has a permanent place of business in California at the address shown above or is registered with the California Secretary of State, and is subject to the laws of California. The LLC will file a California tax return and will withhold on foreign and domestic nonresident members when required. If the LLC ceases to do any of the above, I will promptly inform the withholding agent.
- Tax-Exempt Entities:**  
The above-named entity is exempt from tax under California or federal law. The tax-exempt entity will withhold on payments of California source income to nonresidents when required. If this entity ceases to be exempt from tax, I will promptly inform the withholding agent.
- Insurance Companies, IRAs, or Qualified Pension/Profit Sharing Plans:**  
The above-named entity is an insurance company, IRA, or a federally qualified pension or profit-sharing plan.
- California Irrevocable Trusts:**  
At least one trustee of the above-named irrevocable trust is a California resident. The trust will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required. If the trustee becomes a nonresident at any time, I will promptly inform the withholding agent.
- Estates — Certification of Residency of Deceased Person:**  
I am the executor of the above-named person's estate. The decedent was a California resident at the time of death. The estate will file a California fiduciary tax return and will withhold on foreign and domestic nonresident beneficiaries when required.

**CERTIFICATE:** Please complete and sign below.

Under penalties of perjury, I hereby certify that the information provided herein is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent.

Vendor/Payee's name and title (type or print) \_\_\_\_\_  
 Vendor/Payee's signature ► \_\_\_\_\_ Date \_\_\_\_\_

**EXHIBIT H**

FORM OF TENANT NOTIFICATION LETTER

\_\_\_\_\_, 2011

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Lease Agreement dated \_\_\_\_\_ for Suite No. \_\_\_\_

Dear Sir or Madam:

You are hereby informed that the undersigned has today sold the above-described property in which you lease space, and has assigned its interest as lessor under the above-described lease ("**Lease**") to \_\_\_\_\_, Attention: \_\_\_\_\_, Phone No. \_\_\_\_\_. Effective this date, all payments coming due under the Lease, and all notices or demands given or made pursuant to the Lease, should be delivered to at the following address:

\_\_\_\_\_, LLC  
c/o Retail Opportunity Investments Corp.  
3 Manhattanville Road, 2nd Floor  
Purchase, New York 10577  
Attention: Chief Financial Officer

Very truly yours,

LAKHA PROPERTIES - \_\_\_\_\_, LLC, a Washington  
limited liability company

By: \_\_\_\_\_  
Amin S. Lakha, Manager

EXHIBIT H

**CONVEYANCE IN LIEU AGREEMENT**

by and between

LAKHA PROPERTIES-SACRAMENTO, LLC, a Washington limited liability company,  
LAKHA PROPERTIES-SACRAMENTO II LLC, a Washington limited liability company,  
LAKHA PROPERTIES-PALM DESERT, LLC, a Washington limited liability company, and  
LAKHA INVESTMENT CO., LLC, a Delaware limited liability company,

and

ROIC CA NOTES, LLC, a Delaware limited liability company

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## CERTIFICATIONS

I, Stuart A. Tanz, certify that:

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

Date: May 6, 2011

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

## CERTIFICATIONS

I, John B. Roche, certify that:

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

Date: May 6, 2011

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

**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 March 31, 2011 (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: May 6, 2011

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 March 31, 2011 (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: May 6, 2011

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

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

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