RETAIL OPPORTUNITY INVESTMENTS CORP

FORM 8-K/A
(Amended Current report filing)

Filed 12/05/17 for the Period Ending 10/11/17

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
October 11, 2017

RETAIL OPPORTUNITY INVESTMENTS CORP.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**001-33749**	**26-0500600**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**333-189057-01**	**94-2969738**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
8905 Towne Centre Drive, Suite 108 San Diego, California	**(858) 677-0900**	**92122**
	(Registrants' Telephone Number, Including Area Code)	(Zip Code)

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[_] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[_] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[_] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[_] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (Section 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (Section 240.12b-2 of this chapter)

[_] Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [_]

Item 8.01 Other Events.

On October 11, 2017, Retail Opportunity Investments Partnership, LP (the "Operating Partnership"), the operating partnership subsidiary of Retail Opportunity Investments Corp. (the "Company"), acting through wholly owned subsidiaries, acquired Fullerton Crossroads, located in Fullerton, California and Riverstone Marketplace located in Vancouver, Washington (together, the "Properties"), for an adjusted purchase price of approximately $91.4 million which was paid through a combination of the issuance of 2,405,430 units of limited partnership interest in the Operating Partnership (the "OP units") with a fair value of approximately $46.0 million, the assumption of approximately $44.5 million of loans on the Properties and cash on hand. Fullerton Crossroads is approximately 222,000 square feet and is anchored by Kroger (Ralph's) Supermarket. Riverstone Marketplace is approximately 108,000 square feet and is anchored by Kroger (QFC) Supermarket.

Item 9.01 Financial Statements and Exhibits.

(a) Combined Financial Statement of Businesses Acquired.

Fullerton Crossroads and Riverstone Marketplace

- Independent Auditors' Report
- Combined Statement of Revenues and Certain Expenses for the year ended December 31, 2016 (Audited) and the nine months ended September 30, 2017 (Unaudited)
- Notes to Combined Statement of Revenues and Certain Expenses for the year ended December 31, 2016 (Audited) and the nine months ended September 30, 2017 (Unaudited)

(b) Pro Forma Financial Statements for Retail Opportunity Investments Corp.

- Pro Forma Consolidated Balance Sheet as of September 30, 2017 (Unaudited)
- Pro Forma Consolidated Statement of Operations and Comprehensive Income for the nine months ended September 30, 2017 (Unaudited)
- Pro Forma Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2016 (Unaudited)
- Notes to Pro Forma Consolidated Financial Statements (Unaudited)

(c) Pro Forma Financial Statements for Retail Opportunity Investments Partnership, LP

- Pro Forma Consolidated Balance Sheet as of September 30, 2017 (Unaudited)
- Pro Forma Consolidated Statement of Operations and Comprehensive Income for the nine months ended September 30, 2017 (Unaudited)
- Pro Forma Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2016 (Unaudited)
- Notes to Pro Forma Consolidated Financial Statements (Unaudited)

(d) *Exhibits.*

Exhibit No.	Description
23.1	Consent of Independent Auditors
99.1	Combined financial statement and pro forma financial information referenced above under paragraphs (a), (b) and (c) of this Item 9.01

SIGNATURES

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

RETAIL OPPORTUNITY INVESTMENTS CORP.

Dated: December 5, 2017

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

RETAIL OPPORTUNITY INVESTMENTS
PARTNERSHIP, LP

By: RETAIL OPPORTUNITY INVESTMENTS GP, LLC, its general partner

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

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Nos. 333-211521, 333-210413 and 333-198974) on Form S-3, the Registration Statement (No. 333-170692) on Form S-8, the Registration Statement (No. 333-146777) on Post-Effective Amendment No. 1 on Form S-3 to Form S-1/MEF of Retail Opportunity Investments Corp., and the Registration Statement (No. 333-211521-01) on Form S-3 of Retail Opportunity Investments Partnership, LP of our report dated December 5, 2017 , relating to our audit of the Combined Statement of Revenues and Certain Expenses of Fullerton Crossroads and Riverstone Marketplace , for the year ended December 31, 2016 , included in this Current Report on Form 8-K/A.

/s/ PKF O'Connor Davies, LLP

New York, New York
December 5, 2017

Exhibit 99.1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Retail Opportunity Investments Corp.
Retail Opportunity Investments Partnership, LP

We have audited the accompanying combined financial statement of the properties known as Fullerton Crossroads and Riverstone Marketplace located in Fullerton, California and Vancouver, Washington, respectively, (collectively the "Properties") which is comprised of the combined statement of revenues and certain expenses for the year ended December 31, 2016 , and the related notes to the combined financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this combined financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this combined financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Properties for the year ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

We draw attention to Note 2 to the combined financial statement, which describes that the accompanying combined financial statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Properties' revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ PKF O'Connor Davies, LLP

New York, New York
December 5, 2017

FULLERTON CROSSROADS AND RIVERSTONE MARKETPLACE
COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES
(Dollar amounts in thousands)

	Year Ended December 31, 2016	Nine Months Ended September 30, 2017 (Unaudited)
Revenues		
Rental income (note 4)	$ 6,888	$ 4,980
Total revenues	6,888	4,980
Certain Expenses		
Utilities	67	59
Repairs, maintenance and supplies	477	292
Cleaning and landscaping	158	122
Real estate taxes	506	371
Insurance	370	266
Total certain expenses	1,578	1,110
Excess of revenues over certain expenses	$ 5,310	$ 3,870

See accompanying notes to combined statement of revenues and certain expenses.

FULLERTON CROSSROADS AND RIVERSTONE MARKETPLACE
NOTES TO COMBINED STATEMENT OF REVENUES AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016 (AUDITED)
AND NINE MONTHS ENDED SEPTEMBER 30, 2017 (UNAUDITED)

1. Business Organization

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

On October 11, 2017, the Operating Partnership acquired Fullerton Crossroads, located in Fullerton, California and Riverstone Marketplace located in Vancouver, Washington (together, the "Properties), for an adjusted purchase price of approximately $91.4 million which was paid through a combination of the issuance of 2,405,430 units of limited partnership interest in the Operating Partnership (the "OP units") with a fair value of approximately $46.0 million, the assumption of approximately $44.5 million of loans on the Properties and cash on hand. Fullerton Crossroads is approximately 222,000 square feet and is anchored by Kroger (Ralph's) Supermarket. Riverstone Marketplace is approximately 108,000 square feet and is anchored by Kroger (QFC) Supermarket.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The Combined Statement of Revenues and Certain Expenses (the "financial statement") has been prepared for the purpose of complying with the provisions of Rule 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC"), which requires certain information with respect to real estate operations to be included with certain filings with the SEC. The combined financial statement includes the historical revenues and certain expenses of the seller, exclusive of rental income related to parcels not acquired by the Company, interest income, depreciation and amortization, rental income relating to the allocation of purchase price of the Properties to above/below market leases and management and advisory fees, which may not be comparable to the corresponding amounts reflected in the future operations of the Properties.

The combined statement of revenue and certain expenses for the nine month period ended September 30, 2017 is unaudited. In the opinion of management, such statement reflects all adjustments necessary for a fair presentation of revenue and certain expenses in accordance with the SEC Rule 3-14. All such adjustments are of a normal recurring nature.

Revenue Recognition

The Properties' operations consist of rental income earned from tenants under leasing arrangements which generally provide for minimum rents and tenant reimbursements. All leases are classified as operating leases. Minimum rents are recognized by amortizing the aggregate lease payments on a straight-line basis over the terms of the lease (including rent holidays). Tenant reimbursements for real estate taxes, common area maintenance and other recoverable costs are recognized as rental income in the period that the expenses are incurred.

Use of Estimates

The preparation of the combined financial statement in conformity with accounting principles generally accepted in the United States of America requires the Properties' management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Bad debts are recorded under the specific identification method, whereby uncollectible receivables are reserved for when identified.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

3. Subsequent Events

The Company has evaluated subsequent events through December 5, 2017 , and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the combined financial statement.

4. Leases

The Properties are subject to non-cancelable lease agreements through 2030, subject to various escalation clauses, with tenants for retail space. As of December 31, 2016 , the future minimum rents on non-cancelable operating leases expiring in various years are as follows (dollar amounts in thousands):

Year Ending December 31,	**Amounts**
2017	$ 5,161
2018	5,053
2019	4,625
2020	4,212
2021	3,994
Thereafter	14,668
	$ 37,713

The tenant leases provide for annual rents that include the tenants' proportionate share of real estate taxes and certain property operating expenses. The Properties' tenant leases generally include tenant renewal options that can extend the lease terms.

Rental income on the combined financial statement includes the effect of amortizing the aggregate minimum lease payments on a straight-line basis over the entire term of each lease, which resulted in a decrease in rental income of approximately $27,000 and $25,000 for the year ended December 31, 2016 and the nine months ended September 30, 2017 , respectively.

5. Concentrations

For both the year ended December 31, 2016 and the nine months ended September 30, 2017 , two tenants represented approximately 27% of the Properties' rental income.

RETAIL OPPORTUNITY INVESTMENTS CORP.
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The unaudited pro forma consolidated statements of operations and comprehensive income for the nine months ended September 30, 2017 and for the year ended December 31, 2016 are presented as if Retail Opportunity Investments Corp. (the “Company”) had completed the acquisitions of Fullerton Crossroads and Riverstone Marketplace (together, the “Properties”) on January 1, 2016 . Additionally, the pro forma consolidated balance sheet as of September 30, 2017 has been presented as if the acquisitions had been completed on September 30, 2017 .

The purchase price allocation is calculated based on a 20/80 allocation to Land and Building and Improvements, respectively. As of the date of this report, the Company is in the process of evaluating the purchase price allocation in accordance with the Accounting Standards Codification 805. The purchase price is preliminary and could be subject to change.

The pro forma consolidated financial statements should be read in conjunction with the Company’s 2016 Annual Report on Form 10-K and the Quarterly Report on Form 10-Q for the period ended September 30, 2017 . The pro forma consolidated financial statements do not purport to represent the Company’s financial position as of September 30, 2017 or results of operations that would actually have occurred assuming the completion of the acquisition of the Properties had occurred on January 1, 2016 , nor does it purport to project the Company’s results of operations as of any future date or for any future period.

RETAIL OPPORTUNITY INVESTMENTS CORP.
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(UNAUDITED)
(in thousands)

	Company Historical [1]	Pro Forma Adjustments	Company Pro Forma
ASSETS			
Real Estate Investments:			
Land	$ 818,660	$ 18,285 [2]	$ 836,945
Building and improvements	2,108,511	73,140 [2]	2,181,651
	2,927,171	91,425	3,018,596
Less: accumulated depreciation	241,269	—	241,269
Real Estate Investments, net	2,685,902	91,425	2,777,327
Cash and cash equivalents	10,073	(901) [2]	9,172
Tenant and other receivables, net	39,431	—	39,431
Deposits	5,550	—	5,550
Acquired lease intangible assets, net of accumulated amortization	79,300	—	79,300
Prepaid expenses	939	—	939
Deferred charges, net of accumulated amortization	35,075	—	35,075
Other assets	4,629	—	4,629
Total assets	$ 2,860,899	$ 90,524	$ 2,951,423
LIABILITIES AND EQUITY			
Liabilities:			
Term loan	$ 298,753	$ —	$ 298,753
Credit facility	313,737	—	313,737
Senior Notes Due 2026	199,745	—	199,745
Senior Notes Due 2024	245,753	—	245,753
Senior Notes Due 2023	245,533	—	245,533
Mortgage notes payable	62,265	44,484 [2]	106,749
Acquired lease intangible liabilities, net of accumulated amortization	159,815	—	159,815
Accounts payable and accrued expenses	30,169	—	30,169
Tenants' security deposits	6,392	—	6,392
Other liabilities	12,224	—	12,224
Total liabilities	1,574,386	44,484	1,618,870
Equity:			
Preferred stock	—	—	—
Common stock	11	—	11
Additional paid-in capital	1,363,114	—	1,363,114
Dividends in excess of earnings	(200,221)	—	(200,221)
Accumulated other comprehensive loss	(621)	—	(621)
Total Retail Opportunity Investments Corp. stockholders' equity	1,162,283	—	1,162,283
Non-controlling interests	124,230	46,040 [2]	170,270
Total equity	1,286,513	46,040	1,332,553
Total liabilities and equity	$ 2,860,899	$ 90,524	$ 2,951,423

See accompanying notes to pro forma consolidated financial statements

RETAIL OPPORTUNITY INVESTMENTS CORP.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(UNAUDITED)
(in thousands, except per share data)

	Company Historical (1)	Fullerton Crossroads and Riverstone Marketplace (3)	Pro Forma Adjustments	Company Pro Forma
Revenues				
Base rents	$ 154,878	$ 3,877	$ 113 (4)	$ 158,868
Recoveries from tenants	43,100	1,087	—	44,187
Other income	2,528	16	—	2,544
Total revenues	200,506	4,980	113	205,599
Operating expenses				
Property operating	28,630	739	—	29,369
Property taxes	21,801	371	—	22,172
Depreciation and amortization	71,330	—	1,371 (5)	72,701
General and administrative expenses	10,790	—	—	10,790
Acquisition transaction costs	4	—	—	4
Other expense	316	—	—	316
Total operating expenses	132,871	1,110	1,371	135,352
Operating income	67,635	3,870	(1,258)	70,247
Non-operating expenses				
Interest expense and other finance expenses	(37,060)	—	(2,025) (6)	(39,085)
Net income	30,575	3,870	(3,283)	31,162
Net income attributable to non-controlling interests	(2,947)	—	(68) (7)	(3,015)
Net Income Attributable to Retail Opportunity Investments Corp.	$ 27,628	$ 3,870	$ (3,351)	$ 28,147
Earnings per share – basic	$ 0.25			$ 0.26
Earnings per share – diluted	$ 0.25			$ 0.25
Dividends per common share	$ 0.5625			$ 0.5625
Comprehensive income:				
Net income	$ 30,575	$ 3,870	$ (3,283)	$ 31,162
Other comprehensive income				
Unrealized swap derivative gain arising during the period	1,617	—	—	1,617
Reclassification adjustment for amortization of interest expense included in net income	1,491	—	—	1,491
Other comprehensive income	3,108	—	—	3,108
Comprehensive income	33,683	3,870	(3,283)	34,270
Comprehensive income attributable to non-controlling interests	(2,947)	—	(68)	(3,015)
Comprehensive income attributable to Retail Opportunity Investments Corp.	$ 30,736	$ 3,870	$ (3,351)	$ 31,255

See accompanying notes to pro forma consolidated financial statements

RETAIL OPPORTUNITY INVESTMENTS CORP.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)
(in thousands, except per share data)

	Company Historical [1]	Fullerton Crossroads and Riverstone Marketplace [3]	Pro Forma Adjustments	Company Pro Forma
Revenues				
Base rents	$ 183,330	$ 5,265	$ 151 [4]	$ 188,746
Recoveries from tenants	51,454	1,568	—	53,022
Other income	2,405	55	—	2,460
Total revenues	237,189	6,888	151	244,228
Operating expenses				
Property operating	32,201	1,072	—	33,273
Property taxes	25,058	506	—	25,564
Depreciation and amortization	88,359	—	1,829 [5]	90,188
General and administrative expenses	13,120	—	—	13,120
Acquisition transaction costs	824	—	—	824
Other expense	456	—	—	456
Total operating expenses	160,018	1,578	1,829	163,425
Operating income	77,171	5,310	(1,678)	80,803
Non-operating expenses				
Interest expense and other finance expenses	(40,741)	—	(2,701) [6]	(43,442)
Net income	36,430	5,310	(4,379)	37,361
Net income attributable to non-controlling interests	(3,676)	—	(113) [7]	(3,789)
Net Income Attributable to Retail Opportunity Investments Corp.	$ 32,754	$ 5,310	$ (4,492)	$ 33,572
Earnings per share – basic	$ 0.31			$ 0.32
Earnings per share – diluted	$ 0.31			$ 0.31
Dividends per common share	$ 0.72			$ 0.72
Comprehensive income:				
Net income	$ 36,430	$ 5,310	$ (4,379)	$ 37,361
Other comprehensive income				
Unrealized swap derivative gain arising during the period	541	—	—	541
Reclassification adjustment for amortization of interest expense included in net income	2,473	—	—	2,473
Other comprehensive income	3,014	—	—	3,014
Comprehensive income	39,444	5,310	(4,379)	40,375
Comprehensive income attributable to non-controlling interests	(3,676)	—	(113)	(3,789)
Comprehensive income attributable to Retail Opportunity Investments Corp.	$ 35,768	$ 5,310	$ (4,492)	$ 36,586

See accompanying notes to pro forma consolidated financial statements

RETAIL OPPORTUNITY INVESTMENTS CORP.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Adjustments to the Pro Forma Consolidated Financial Statements

1. Derived from the Company's unaudited and audited financial statements for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively.

2. Reflects the pro forma acquisition of the Properties for an adjusted purchase price of approximately $91.4 million. The acquisition was funded through the issuance of 2,405,430 Operating Partnership units with a fair value of approximately $46.0 million, the assumption of approximately $44.5 million of loans on the Properties and cash on hand.

3. Derived from the Properties' unaudited and audited financial statements for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively.

4. Reflects the pro forma adjustment of $113,000 and $151,000 for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively, to record operating rents on a straight-line basis beginning January 1, 2016 .

5. Reflects the estimated depreciation for the Properties based on the estimated values allocated to the buildings at the beginning of the period presented. Depreciation expense is computed on a straight-line basis over the estimated useful life of the assets as follows (dollar amounts in thousands):

	Estimated Useful Life	Nine Months Ended September 30, 2017 Depreciation Expense	Year Ended December 31, 2016 Depreciation Expense
Building	40 years	$1,371	$1,829

6. Reflects the pro forma adjustment to interest expense, assuming the Company had assumed the existing loans to cover the purchase price of the Properties, as if the acquisitions had been made on the first day of the period presented.

7. Reflects the pro forma adjustment of net income attributable to non-controlling interests as if the Company had acquired the Properties on January 1, 2016 .

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The unaudited pro forma consolidated statements of operations and comprehensive income for the nine months ended September 30, 2017 and for the year ended December 31, 2016 are presented as if Retail Opportunity Investments Partnership, LP (the “Operating Partnership”) had completed the acquisitions of Fullerton Crossroads and Riverstone Marketplace (together, the “Properties”) on January 1, 2016 . Additionally, the pro forma consolidated balance sheet as of September 30, 2017 has been presented as if the acquisitions had been completed on September 30, 2017 .

The purchase price allocation is calculated based on a 20/80 allocation to Land and Building and Improvements, respectively. As of the date of this report, the Company is in the process of evaluating the purchase price allocation in accordance with the Accounting Standards Codification 805. The purchase price is preliminary and could be subject to change.

The pro forma consolidated financial statements should be read in conjunction with the Operating Partnership’s 2016 Annual Report on Form 10-K and the Quarterly Report on Form 10-Q for the period ended September 30, 2017 . The pro forma consolidated financial statements do not purport to represent the Operating Partnership’s financial position as of September 30, 2017 or results of operations that would actually have occurred assuming the completion of the acquisition of the Properties had occurred on January 1, 2016 , nor does it purport to project the Operating Partnership’s results of operations as of any future date or for any future period.

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP LP
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(UNAUDITED)
(in thousands)

	Company Historical [8]	Pro Forma Adjustments	Company Pro Forma
ASSETS			
Real Estate Investments:			
Land	$ 818,660	$ 18,285 [9]	$ 836,945
Building and improvements	2,108,511	73,140 [9]	2,181,651
	2,927,171	91,425	3,018,596
Less: accumulated depreciation	241,269	—	241,269
Real Estate Investments, net	2,685,902	91,425	2,777,327
Cash and cash equivalents	10,073	(901) [9]	9,172
Tenant and other receivables, net	39,431	—	39,431
Deposits	5,550	—	5,550
Acquired lease intangible assets, net of accumulated amortization	79,300	—	79,300
Prepaid expenses	939	—	939
Deferred charges, net of accumulated amortization	35,075	—	35,075
Other assets	4,629	—	4,629
Total assets	$ 2,860,899	$ 90,524	$ 2,951,423
LIABILITIES AND CAPITAL			
Liabilities:			
Term loan	$ 298,753	$ —	$ 298,753
Credit facility	313,737	—	313,737
Senior Notes Due 2026	199,745	—	199,745
Senior Notes Due 2024	245,753	—	245,753
Senior Notes Due 2023	245,533	—	245,533
Mortgage notes payable	62,265	44,484 [9]	106,749
Acquired lease intangible liabilities, net of accumulated amortization	159,815	—	159,815
Accounts payable and accrued expenses	30,169	—	30,169
Tenants' security deposits	6,392	—	6,392
Other liabilities	12,224	—	12,224
Total liabilities	1,574,386	44,484	1,618,870
Capital:			
Partners' capital, unlimited partnership units authorized:			
ROIC capital (consists of general and limited partnership interests held by ROIC)	1,162,904		1,162,904
Limited partners' capital (consists of limited partnership interests held by third parties)	124,230	46,040 [9]	170,270
Accumulated other comprehensive loss	(621)		(621)
Total capital	1,286,513	46,040	1,332,553
Total liabilities and capital	$ 2,860,899	$ 90,524	$ 2,951,423

See accompanying notes to pro forma consolidated financial statements

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(UNAUDITED)
(in thousands, except per share data)

	Company Historical [8]	Fullerton Crossroads and Riverstone Marketplace [10]	Pro Forma Adjustments	Company Pro Forma
Revenues				
Base rents	$ 154,878	$ 3,877	$ 113 [11]	$ 158,868
Recoveries from tenants	43,100	1,087	—	44,187
Other income	2,528	16	—	2,544
Total revenues	200,506	4,980	113	205,599
Operating expenses				
Property operating	28,630	739	—	29,369
Property taxes	21,801	371	—	22,172
Depreciation and amortization	71,330	—	1,371 [12]	72,701
General and administrative expenses	10,790	—	—	10,790
Acquisition transaction costs	4	—	—	4
Other expense	316	—	—	316
Total operating expenses	132,871	1,110	1,371	135,352
Operating income	67,635	3,870	(1,258)	70,247
Non-operating expenses				
Interest expense and other finance expenses	(37,060)	—	(2,025) [13]	(39,085)
Net Income Attributable to Retail Opportunity Investments Partnership, LP	$ 30,575	$ 3,870	$ (3,283)	$ 31,162
Earnings per unit – basic and diluted	$ 0.25			$ 0.25
Distributions per unit	$ 0.5625			$ 0.5625
Comprehensive income:				
Net income	$ 30,575	$ 3,870	$ (3,283)	$ 31,162
Other comprehensive income				
Unrealized swap derivative gain arising during the period	1,617	—	—	1,617
Reclassification adjustment for amortization of interest expense included in net income	1,491	—	—	1,491
Other comprehensive income	3,108	—	—	3,108
Comprehensive income	$ 33,683	$ 3,870	$ (3,283)	$ 34,270

See accompanying notes to pro forma consolidated financial statements

RETAIL OPPORTUNITY INVESTMENTS PARTNERSHIP, LP
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)
(in thousands, except per share data)

	Company Historical [8]	Fullerton Crossroads and Riverstone Marketplace [10]	Pro Forma Adjustments	Company Pro Forma
Revenues				
Base rents	$ 183,330	$ 5,265	$ 151 [11]	$ 188,746
Recoveries from tenants	51,454	1,568	—	53,022
Other income	2,405	55	—	2,460
Total revenues	237,189	6,888	151	244,228
Operating expenses				
Property operating	32,201	1,072	—	33,273
Property taxes	25,058	506	—	25,564
Depreciation and amortization	88,359	—	1,829 [12]	90,188
General and administrative expenses	13,120	—	—	13,120
Acquisition transaction costs	824	—	—	824
Other expense	456	—	—	456
Total operating expenses	160,018	1,578	1,829	163,425
Operating income	77,171	5,310	(1,678)	80,803
Non-operating expenses				
Interest expense and other finance expenses	(40,741)	—	(2,701) [13]	(43,442)
Net Income Attributable to Retail Opportunity Investments Partnership, LP	$ 36,430	$ 5,310	$ (4,379)	$ 37,361
Earnings per unit – basic and diluted	$ 0.31			$ 0.31
Distributions per unit	$ 0.72			$ 0.72
Comprehensive income:				
Net income	$ 36,430	$ 5,310	$ (4,379)	$ 37,361
Other comprehensive income				
Unrealized swap derivative gain arising during the period	541	—	—	541
Reclassification adjustment for amortization of interest expense included in net income	2,473	—	—	2,473
Other comprehensive income	3,014	—	—	3,014
Comprehensive income	$ 39,444	$ 5,310	$ (4,379)	$ 40,375

See accompanying notes to pro forma consolidated financial statements

Adjustments to the Pro Forma Consolidated Financial Statements

8. Derived from the Operating Partnership's unaudited and audited financial statements for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively.

9. Reflects the pro forma acquisition of the Properties for an adjusted purchase price of approximately $91.4 million. The acquisition was funded through the issuance of 2,405,430 Operating Partnership units with a fair value of approximately $46.0 million, the assumption of approximately $44.5 million of loans on the Properties and cash on hand.

10. Derived from the Properties' unaudited and audited financial statements for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively.

11. Reflects the pro forma adjustment of $113,000 and $151,000 for the nine months ended September 30, 2017 and the year ended December 31, 2016 , respectively, to record operating rents on a straight-line basis beginning January 1, 2016 .

12. Reflects the estimated depreciation for the Properties based on the estimated values allocated to the buildings at the beginning of the period presented. Depreciation expense is computed on a straight-line basis over the estimated useful life of the assets as follows (dollar amounts in thousands):

	Estimated Useful Life	Nine Months Ended September 30, 2017 Depreciation Expense	Year Ended December 31, 2016 Depreciation Expense
Building	40 years	$1,371	$1,829

13. Reflects the pro forma adjustment to interest expense, assuming the Operating Partnership had assumed the existing loans to cover the purchase price of the Properties, as if the acquisitions had been made on the first day of the period presented.