TNP Strategic Retail Trust, Inc.

TNP Strategic Retail Trust became effective in 2009 and was formed to invest in retail properties primarily located in the Western United States. The REIT has $70.1 million in total assets invested in five properties totaling 500,700 square feet. The REIT is in the Emerging Stage of effective REITs, which is characterized by highly variable debt and cash levels, not meaningful distribution payout ratios, and limited diversification. The slow pace of capital raising has kept the REIT in the Emerging stage longer than normal. Its offering is anticipated to close in August 2012.

Key Highlights

- Since becoming effective in 2009, the REIT has raised $27.5 million and acquired $66.1 million in five properties.
- The distribution rate was raised to 7.0% from 6.75% during 2010.
- In the first half of 2011, both the CFO of the REIT and the Chairman of the Audit Committee resigned. Both positions have been replaced.

Capital Raise/Capital Stack Review

- Capital Raised – After steadily increasing through the first three quarters of 2010 to a high of $6.4 million during the third quarter, capital raising pace has fallen to $3.9 million during the first quarter of 2011.
- Debt – Approximately 46% of the outstanding debt is short-term variable-rate mortgages under the line of credit facility. A portion of the line of credit has been guaranteed by the sponsor, Thompson National Properties, plus Anthony Thompson and the AWT Family LP.
- Cash-to-Total-Assets Ratio – The REIT currently has a below median 2.5% cash ratio but has experienced large fluctuations that are typical for Emerging REITs.

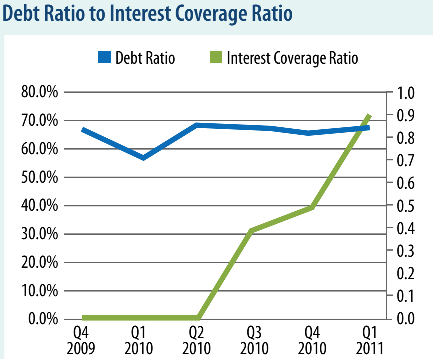
Metrics

- MFFO Payout metrics are not meaningful at this early stage of the REIT.
- Interest coverage of 0.9X EBITDA is below the median, and a 68.2% debt ratio is above the median of other nontraded REITs at the end of the first quarter. They reflect the relatively low capital raise pace that is typical of Emerging REITs.
- Distribution Payout Source – distributions were funded from proceeds of the initial public offering.

Real Estate

- Fundamentals – The portfolio consists of five Class B anchored shopping centers with an overall occupancy of 82%, compared to a national market average of 89.3%, per ChainLink. Lease expirations are evenly spaced across the portfolio.
- Acquisitions – In 1Q2011, the REIT acquired the Craig Promenade, a 91,750-square-foot, 77.5% occupied, necessity shopping center plus vacant land in Las Vegas anchored by Big Lots for $12,800,000 ($140/SF). Three retail properties were purchased in 2010 for a total of $40.8 million ($124/SF). Of note:
  - The 56,473-square-foot, San Jacinto Esplanade Shopping Center was acquired for $7.1 million ($125/SF). It is anchored by a Fresh & Easy Neighborhood Market and was 52% leased at closing. As of 1Q2011, it was 70.8% occupied.
- Diversification – No meaningful statistics can be derived from the portfolio at this point.

Debt Ratio to Interest Coverage Ratio



Cash Ratio to Capital Raised